



WHAKARATONGA IWI

FIRE
EMERGENCY

NEW ZEALAND

PROUD HISTORY
BRIGHT FUTURE

ANNUAL REPORT
***For the year ended
30 June 2018***

*Presented to the House of
Representatives pursuant to section
150(3) of the Crown Entities Act 2004*

FIRE AND EMERGENCY NZ AT A GLANCE

*He karapatanga ki te
Ratonga Tinei Ahi me Ngā Ohotata*

**Most trusted
public sector
organisation**



(Colmar Brunton's Public Sector
Reputation Index 2018)

Incidents attended

82,567 - 

(An increase of 6% on 2016/17)

**1 JULY
2017**

Fire and Emergency NZ
formed

New CEO



Ashburton opening

New volunteer recruitment
team established

Independent Operational Review
released – Port Hills fires

High-level design of the draft
Operating Model approved

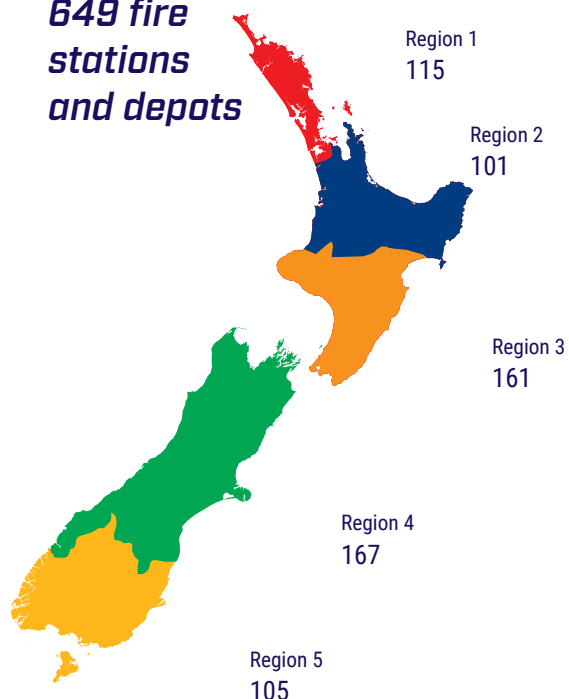
Local Area Committee
trial in Hawke's Bay

Rotorua floods

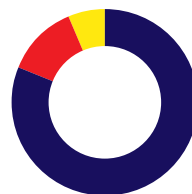
Live house burn on
Seven Sharp



649 fire stations and depots

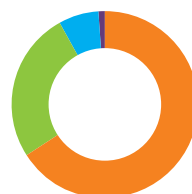


Our people



- 11,260 Volunteers
- 1,739 Career firefighters
- 866 Management/support

Our ethnicity



- 66% New Zealand European
- 26% Other
- 7% New Zealand Māori
- 1% Pacific peoples

Note: The ethnicity figures differ from those in the printed version.



Operational Service Agreement with Department of Conservation

Deployment to Canada

Plantation Forestry Rural Fire Control Charter signed

Wanaka wildfire



Three major Otago/Southland fires

Deployment to Chatham Islands

Deployment to Tonga following Tropical Cyclone Gita

Operational Service Agreement signed with New Zealand Defence Force

National Volunteer Week

30 JUNE 2018





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OUR FIRST YEAR

Tō mātou tau tuatahi

Fire and Emergency New Zealand plays a critical role in saving lives and protecting the property of New Zealanders. We have spent the first 12 months as an integrated organisation making sure we have the right people, tools, technology and support in place to keep our communities safe.

For over 150 years, the New Zealand Fire Service and around 40 separate National Rural Fire Authorities and territorial Rural Fire Authorities proudly served New Zealand. Fire and Emergency NZ brings all of these organisations and almost 14,000 people together for the first time to create a new organisation.

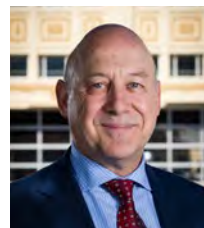
On 1 July 2017, at stations and in communities across the country, we celebrated the formation of Fire and Emergency NZ.

Throughout our first year, our foremost priority was to ensure emergency services for New Zealanders continued without interruption. We are proud to say that this was achieved.

The former urban and rural fire services had performed extremely well, making firefighters the most trusted profession in New Zealand. Integration gives us a unique opportunity to build on this excellent work to create a flexible,



Hon. Paul Swain
Board Chair



Rhys Jones
Chief Executive

adaptable and efficient organisation that better meets the changing demands of communities throughout the country and the changing nature of our work.

The number of structure fires has fallen over the last two decades. This is largely due to improved standards of building materials, the widespread installation of fire and smoke alarms and sprinklers, and our successful fire safety and risk reduction messages. At the same time, greater numbers of severe weather events, major disasters, motor vehicle accidents and medical emergencies are demanding our response.

Meanwhile, population changes and 'urban drift' (including from south to north), combined with changes in the way in which people volunteer mean that we need to be prepared and plan for the new challenges ahead.

Firefighters have always been at the heart of our communities, and we rely on both our career staff and volunteers to deliver our services. There are 1,739 career firefighters and officers serving in our busy, larger communities and 11,260 volunteers serving smaller and rural communities.

Our people are central to our ability to engage with communities to better understand their strengths, risks and needs, and help improve their resilience. The creation of Fire and Emergency NZ gives us the opportunity to address past

under-investment in the basic needs of our people and ensure that we have a common standard for all our people.

At the same time, we recognise the vital role that career firefighters continue to make to the communities we serve. We are committed to building on the strengths and expertise of our career firefighters. This will involve additional specialist training, leadership training, and the creation of new job opportunities that result from a larger organisation with expanded services.

Over the last year, we have invested in more trainers to enable flexible, local face-to-face training, and in additional Volunteer Support Officers to provide direct support for our Volunteer Brigades. Significant improvements in the way we recruit volunteers is making it easier for people from all walks of life to join our organisation.

A large and much needed investment is being made to upgrade and maintain our facilities throughout the country, particularly in rural communities. There are currently 16 stations undergoing significant upgrades, and four new stations under construction.

The investments and improvements we are making will enable us to build an organisation that better reflects the broader work we do. This will assist us to attract and welcome people from all communities, allow everyone to reach their full potential, and give our people the right tools, technology and support to keep doing what they do best – keeping our communities safe.

There has been no new model to follow as we construct our new organisation. Instead, we have relied on the knowledge and experience of our people to co-design and build our new organisation and it has worked well. It may take a little longer to get there, but the results will be longer lasting.

Our people give so generously their time, skills and passion to ensure that our communities can rely on us to be there when they need help. The support from their families and employers allows our people to dedicate themselves to the communities they serve 24/7 and 365 days a year. Often meaning sleepless nights, missed meals and taking time away from their own families and employers to meet the needs of others.

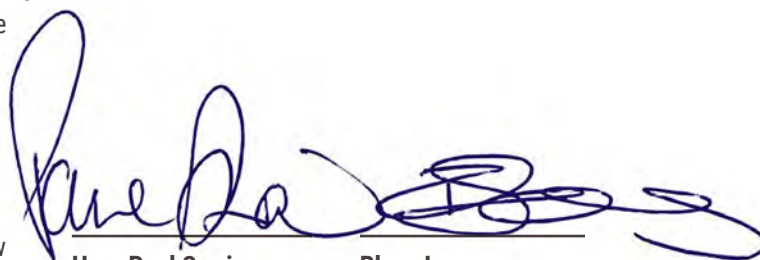
We also couldn't do what we do without the dedication and generosity of our many partners from government, local government,

our emergency sector partners, emergency sector contractors, insurers and our unions and associations.

We would like to acknowledge and thank Angela Hauk-Willis for her service to Fire and Emergency NZ and in particular her chairing of the Audit and Risk Committee.

The Board welcomes Malcolm Inglis and Wendie Harvey from 1 July 2018.

Without them, Fire and Emergency NZ and the vital work we do for our communities would not be possible. We look forward to working together as we move into the next phase of organisational change and develop new ways of operating to better serve our communities.



Hon. Paul Swain

Rhys Jones

Board Chair

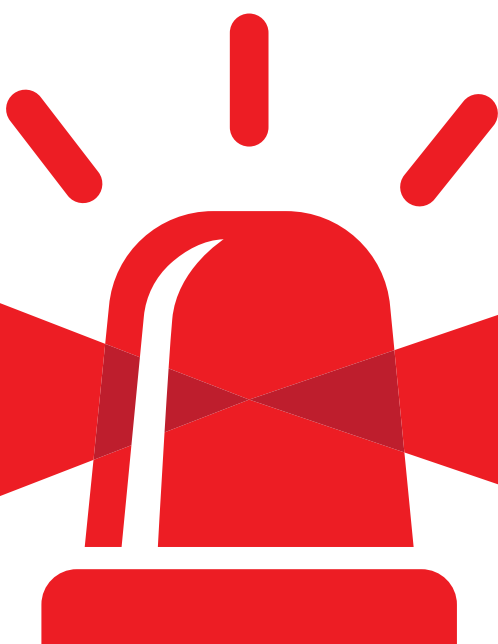
Chief Executive

WHAT WE DO AND WHY WE DO IT

He aha ā mātou mahi, ā, he aha ai

The Fire and Emergency New Zealand Act 2017 combined urban and rural fire services into a single, integrated fire and emergency services organisation – Fire and Emergency NZ – with a mandate to provide a wide range of services for communities.

The Act provides the framework under which we operate and sets out our: principal objectives, main function and additional functions.



Principal objectives

Reducing the incidence of unwanted fires and the associated risk to life and property.

Protecting and preserving life, and preventing or limiting injury, damage to property, land and the environment.

Main functions

Promoting fire safety (including guidance on the safe use of fire as a land management tool) and firefighting.

Delivering fire prevention, response and suppression services.

Protecting the safety of persons and property endangered by incidents involving hazardous substances.

Rescuing trapped people as a result of transport accidents or other incidents.

Undertaking urban search and rescue.

Additional functions

The Act includes the following additional functions we may do if we have capability and capacity, and provided this does not affect our ability to carry out our main functions.

Responding to:

- › medical emergencies
 - › maritime incidents
 - › weather events, natural hazard events and disasters
 - › incidents where substances present a risk to people, property or the environment
 - › any other situation where we can assist.
-

Promoting safe handling, labelling, signage, storage and transportation of hazardous substances.

Performing other rescues.

Providing assistance at transport incidents.

OUR STRATEGIC DIRECTION

Tā mātou ahunga ā-rautaki

We respond to changes in the community and environment.

Six strategic priorities provide the focus for our organisation as we work towards creating a fully unified Fire and Emergency NZ.

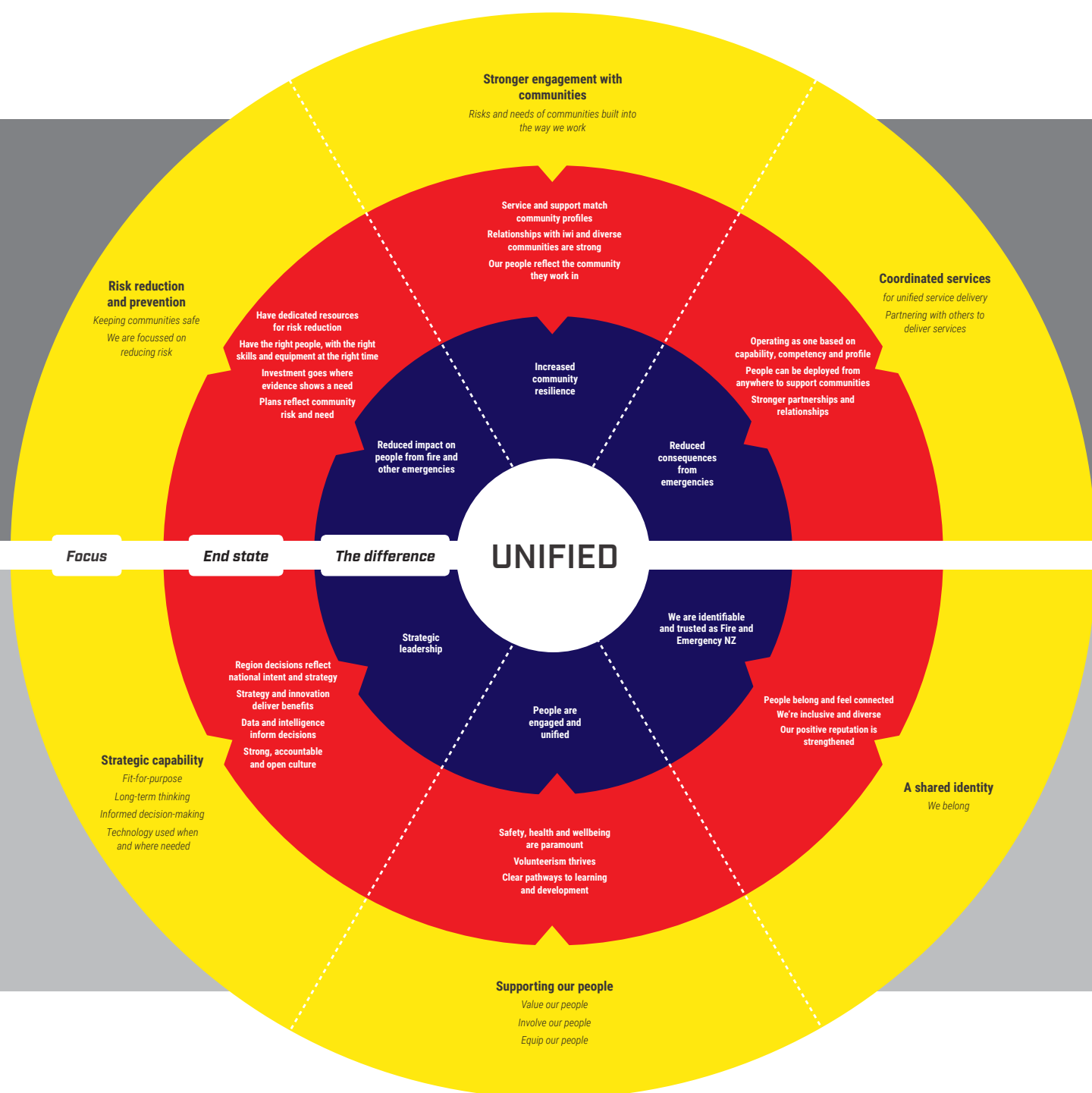
***IMPROVING SERVICES AND
THE WAY WE WORK***

***BUILDING FIRE AND
EMERGENCY NZ***

New Zealand faces many challenges when it comes to fire and emergency services. Significant changes in weather patterns, demographics and social trends, and a long-term trend of falling structure fire numbers and fire incidents attended, coupled with increased expectations around what fire and emergency services should deliver (beyond historical firefighting activities) mean it has never been more important to have a connected, flexible and responsive fire and emergency service.

Fire and Emergency NZ was created to deliver this service. Our role is to be the keystone of community safety and resilience – to be the organisation New Zealanders confidently turn to in a time of crisis, and to help reduce the risk of emergencies through better preparation and recovery support.

At Fire and Emergency NZ we need to focus on building a unified organisation that can evolve in response to changes in the community and environment, is well led, and has a valued, safe and supported workforce and coordinated services.







IMPROVING SERVICES AND THE WAY WE WORK

Te whakawhanake i ngā ratonga me te āhua o ā mātou mahi

**Risk reduction
and prevention**

**Stronger
engagement with
communities**

**Coordinated
services**

RISK REDUCTION AND PREVENTION

Te whakaiti me te ārai i ngā mōreareatanga

We are keeping communities safe by helping people to identify and reduce the risks of fire and other emergencies at home, at work and in their community.

Reducing risk is the single most important thing we can do to protect people, property and the environment. It is embedded in the Fire and Emergency New Zealand Act 2017 and was one of the key intents of the government reforms.

We build greater resilience within our diverse communities, particularly those most vulnerable, by helping them to identify their own strengths, risks and needs, and then supporting them to respond in safer ways and plan for emergencies.

Examples of how we help communities to reduce the risk of fire and other emergencies include:

- › working with the Ministry of Business, Innovation and Employment (MBIE) to review and update fire safety legislation
- › conducting investigations into the causes of fires and reviewing Fire Engineering briefs
- › supporting MBIE to develop a new set of standards for furniture acceptable materials
- › funding research to provide an evidence-base to deliver better interventions and success.

Risk reduction strategy

A draft risk reduction strategy was approved by the Board in June 2018. Wider engagement on the draft strategy will be undertaken with our partners during the second half of 2018. This will help ensure that wider perspectives and insights can be incorporated into the final strategy.

The draft strategy sets out our proposal for what we need to do in the next decade to make risk reduction a primary focus of our new organisation. It includes how we intend to:

- › contribute to the development of government policy and the design of legislation
- › invest in risk strategy nationally
- › establish a compliance and enforcement regimen
- › commit dedicated and specialist resources to risk reduction
- › use evidence-based information to drive investment decisions and monitor success.

The strategy also sets out how we will build community resilience by working with communities to identify their strengths, risks and needs, and support them to respond in safer ways and plan for emergencies.

Partnering with others to reduce risk

Many of the ways we reduce risk are never seen by the public, but they still play an important role.

We work with other agencies to influence policy, legislation and regulation, and with local authorities and developers as they establish approaches to land use, building developments and access to water. These activities ensure that the buildings and environments in which people live and work are as safe as possible, and that when we do need to respond, we can do so in a way that ensures our people and the public are best protected.



► **Legislative advocacy –
Comprehensive review
of building fire safety
legislation**



We continue to engage with MBIE to review and update building fire safety legislation. In April, after our involvement, MBIE published a Design Guide for Fire Safety: Residential Community Housing. This design guide recognises the differing needs of occupants and provides for a gradual increase in the levels of fire safety systems that is aligned with occupancy needs. It will significantly improve the safety of occupants whilst increasing flexibility and minimising compliance costs for providers of community housing.

WORKING WITH THE PUBLIC: SAFER HOMES

13,686

HOMES VISITED THIS YEAR

When our firefighters provide advice, the public listens. Our home fire safety visit programme targets those in the homes of at-risk groups with safety advice and, in many cases, the installation of smoke alarms to provide early warning of fire to occupants.

We also conduct investigations into the causes of fires (resulting in 288 formal reports in 2017/18) to constantly improve our knowledge and influence change, and we contribute to safer buildings by providing building owners with advice on safety issues and concerns, and supporting building designers as they develop and construct buildings (we conducted 263 reviews of Fire Engineering briefs in 2017/18).

Over the course of the year, we made a significant contribution to strengthening the Government's impact on building safety, and influenced the development of the new evacuation regulations (in the wake of the Grenfell Tower tragedy in London, United Kingdom, on 14 June 2017).

Since highly flammable materials in furniture significantly increase fire risk in homes, we worked closely with MBIE over the year to promote the need for formal standards on the use of flammable materials in furniture – MBIE has now accepted our recommendation in this area and commenced work on developing a new set of standards for furniture-acceptable materials.

AVOIDABLE FIRE FATALITIES

9

AVOIDABLE RESIDENTIAL
FIRE FATALITIES IN 2017/18

▼ (14 in 2016/17)

Of the nine fire fatalities this year, six deaths occurred in homes with no working smoke alarms. In two of the fatal fires where a smoke alarm was working, the people were unable to escape before brigade intervention.

6

WERE IN LOCATIONS
WITH NO WORKING
SMOKE ALARMS

This year, no fires resulted in multiple fatalities.



Research – evidence-based interventions

Fire and Emergency NZ funds research to advance knowledge in fire prevention and management in New Zealand, and has a total annual budget of \$550,000. In 2017/18 we commissioned six projects.

One of the projects was an evaluation of our fire safety programmes in schools and kura (Years 1 and 2) and early childhood education centres including kōhanga reo. Our four programmes ('Māui-tinei-ahi', 'Get Firewise', 'E Puta! E Noho ki Waho!' and 'Get Out! Stay Out'), were evaluated from the perspectives of teachers and Kaiako to look at their use,

effectiveness and how we could improve the existing programmes. The evaluation identified that the programmes are well liked and regarded by teachers that use them and offers recommendations to increase usability and reach across New Zealand, including the development of online resources.

We also funded research to explore the 'After fire impact on communities'. This has allowed us to better understand the impact of residential fires on people, particularly once we roll up our hoses and depart the scene. The research findings outline opportunities to take more of a role in recovery to prevent further harm following residential fires.

AWARENESS AND USE OF THE PROGRAMMES 'MĀUI-TINEI-AHI' AND 'GET FIREWISE' IS HIGH:

95%

OF RESPONDENTS WERE AWARE OF
THE PROGRAMMES

91%

OF THOSE RESPONDENTS HAD
USED ONE OR BOTH PROGRAMMES

STRONGER ENGAGEMENT WITH COMMUNITIES

Te whakakikī ake i ngā herenga ki ngā hapori

We work with communities to create greater resilience to emergencies.

Reaching into communities

Every day, Fire and Emergency NZ reaches into communities and into people's lives to help them understand their role in reducing the risk of fire and other emergencies. Community engagement programmes across the country see our people talking with diverse groups to help prevent fires and keep people safe.

Whether it's a specific community programme, one-on-one support and advice, or actively participating in community and national events, we're working hard to better understand the needs of the communities we serve and help them to reduce their risk of fire and other emergencies.

The following examples highlight some of the ways we have engaged with communities over the last year:

- › Delivering the Fire Awareness Intervention Programme (FAIP), an education programme delivered by trained practitioners who work with children and young people aged between 5 and 17 years old who have been exhibiting unhealthy fire lighting behaviour. The programme has a 90 percent success rate. This year, we worked with 368 children and young people.
- › Running a five-day youth development programme in partnership with Hamilton Boys High School, aimed at helping to turn trouble teens into confident young men (see the case study opposite).

▶ **Youth programme helps to create a brighter future for teens**

A five-day youth development programme that we run in partnership with Hamilton Boys High School is helping to turn troubled teens into confident young men.

Established six years ago by Jess Johnson, Waikato Area Fire Risk Management Officer, and Steve Johns, Senior Firefighter at Greerton station in Tauranga, the programme is delivered to around a dozen students from the school's 20/20 mentoring programme each year.

"These boys have issues ranging from low self-esteem, drive or self-worth, and may have experienced bullying, or trouble at home," says Jess.

"By teaching them basic firefighting skills and the discipline that being a firefighter requires, we are helping to give the boys confidence, and providing them with positive role models and mentors."

Over the week, the boys take part in a range of team and individual challenges, and connect with other emergency services to learn additional skills such as first aid. The community-focused nature of the programme also extends to ensuring that there are working smoke alarms in every boy's home.

"Seeing the positive change in these boys over the week is nothing short of amazing. In 2017, one of the boys who took part said he'd never felt part of a team before completing this course. We're helping them to be better people in the community, and hopefully preventing them from heading towards criminal behaviour, including arson," says Jess.

This programme aligns with our FAIP, which aims to reduce the number of fires deliberately started by young people under the age of 17, an age group that is highly represented in arson activity.



- ▶ Sharing fire safety messages with thousands of national and international visitors at Waitangi Day celebrations in the Far North, using kitchen demonstrations and 'Escape My House' kits to bring the messages to life. A total of 50 personnel were on hand to discuss three basic fire safety messages in English, Te Reo and New Zealand Sign Language: establishing escape plans, the potentially fatal consequences of unattended cooking, and the importance of smoke detectors in saving lives.

- ▶ Making our first appearance at the Mystery Creek Fieldays in Hamilton, encouraging visitors from both rural and urban areas to 'Take Responsibility Yourself' through a variety of fire risk and safety education messages. Rural access, water supplies, defensive fire zones and machinery maintenance were hot topics of conversation with rural visitors, who ranged from farmers and lifestyle block owners, to rural labourers

and horticultural industry employees.

But home fire safety messages were just as relevant for the event's more than 130,000 visitors. In addition to the educational messages, career and volunteer recruitment teams shared information with potential recruits about the wide range of roles on offer and the processes to get involved.

Alongside our specific programmes, we also engage with other organisations to support local communities. For example, in Masterton, we work closely with Age Concern to jointly identify those people who would benefit from a home visit.

Many of our activities are supported by advertising, social media and communications campaigns. Two key information campaigns we invested in over the last year focused on:

- educating specific audiences about the need for working smoke alarms
- demonstrating how quickly fire can spread and therefore why people need to develop an escape plan (see the case study below).

Another important campaign was 'Check It's Alright to Light'. The high risk of fire danger during the summer months makes targeting rural regions a priority. This campaign included a specific programme of activity in partnership with the Department of Conservation (DOC) and New Zealand Forest Owners Association (NZFOA) to educate people on the need to have a fire permit and to understand restricted fire season periods before lighting a fire.

Kaupapa Māori/Māori communities and engagement

Our commitment to Māori is captured in the following statement:

By committing to work with tangata whenua, we contribute to a safer environment not only for Māori but for all New Zealand communities.

In the new financial year, a strategy will be developed to help us achieve this statement's intended outcomes.

In the meantime, the Māori Liaison team has continued to lead our fire risk management engagement with Māori communities at national, regional and local events such as the Tūhoe Ahurei, and regional and national secondary schools kapa haka festivals. The Māori language education programmes 'Māui Tinei Ahi' and 'E Puta! E Noho ki Waho!' remain popular with Kura Kaupapa Māori and Kōhanga Reo.

➤ Virtual reality lets people experience a house fire first hand

Using virtual reality technology to help the public experience a house fire without putting them in real danger serves as a powerful reminder that every home needs to be ready for a fire, have an escape plan and arrange a safe meeting place.

Our 'Escape My House' kit lets people watch a video through virtual reality goggles, making it easier to learn about fire, the reality of how quickly fire travels, and what they can do to keep themselves and their families safe.



"In the past, all we could do was explain how fast fire is, the temperatures and the need to create an escape plan," says Phil Soal, Wellington Fire Risk Management Officer.

"Now, thanks to the 'Escape My House' kits, we have the ability to put our community into a real-life house fire in a safe environment and let them experience it for themselves. We have people coming up to us after events to say they've gone home to share the experience with their family and friends and then created an escape plan."

In the lower North Island, this kit has been used to engage with communities at local fairs, A&P shows, home and garden shows, kapa haka festivals, and fire station open days.

Alongside the kit, we're also encouraging people to get their escape plan in order using our www.escapeplanner.co.nz tool.

In 2017/18, we rolled out 15 'Escape My House' kits to regions across New Zealand, while over 20,000 New Zealanders viewed www.escapeplanner.co.nz.

► Our own diversity enables better community connection

When Isaia Piho, Principal Advisor Fire Risk Management, identified a gap in the connection with Māori communities in Otago and Southland, he looked within his own region for solutions.

This led to the formation of a roopu (group), open to anyone in Fire and Emergency NZ who wanted to help bridge this gap.

The group quickly recognised opportunities for better connection with many Māori and Pacific Island whanau through the 2017 Otago Polyfest, both on and off the stage.

"A highlight for me was having 1,000 people reciting our 'Firewise' messages in Te Reo Māori, and the 30 homes visits we organised to check and advise on fire safety," says Isaia.

"We also engaged with other community groups who referred us to at-risk communities and homes and shared our fire safety messages with them. This included two Hauora (health advisers), Plunket and the kura kaupapa in Dunedin where we delivered our 'Firewise', or 'Māui-tinei-ahi', messages in Te Reo. Tapping into our own people to connect with these communities has been invaluable."

This successful approach is gaining momentum with other cultures and ethnicities too.

"We use a translator and translation technology to reach a growing community of Syrian refugees in Dunedin. Arabic text is included in a presentation we deliver in association with the Red Cross and other agencies and support services," says Isaia.



This team also attends all fatal fires and many serious injury events to provide support and advice to the attending crews and any whanau involved.

Ongoing development and support to increase general cultural capability through Te Reo Māori and marae-based tikanga Māori programmes continues to serve as the basis for our medium- to long-term cultural capacity development programme.

Local Advisory Committees (LAC) enable greater community input

Fire and Emergency NZ is committed to maintaining a strong local community presence throughout the country. The Fire and Emergency New Zealand Act 2017 provides for LACs to provide local input into our national planning, to help ensure our strategies and plans are responsive to the risks and needs of local communities.

Building strong links in the community will ensure we are better informed about current and future community risks and needs, and will allow us to better support communities to reduce the risk of, and respond to, fire and other emergencies.

This year, we ran a successful LAC trial in Hawke's Bay, during which we tested the design of the committees and got valuable information to help plan the roll out across the country. We found that the committees will:

- enable us to connect with communities and broaden our existing reach into them
- add value from the connections they have within their communities
- have the potential to provide information for our risk reduction activities and strategies and strengthen community resilience
- work in the way intended by Cabinet and the legislation.

Following Cabinet approval, we undertook consultation with the public on proposed boundaries for LACs. This included the proposal to use Civil Defence Emergency Management Group (CDEMG) boundaries as LAC boundaries. Final recommendations on LAC boundaries will be considered by our Board in the first quarter 2019.

COORDINATED SERVICES

Te tapatahi o ngā ratonga

We reduce the consequences of emergencies by improving our readiness for and response to incidents, coordinating with other emergency services to build capacity and capability across the broader emergency services sector.

Fire and Emergency NZ was established to ensure that we manage incidents in a flexible, effective, efficient and seamless manner, which includes the effective coordination of services across the broader sector. As a sector, we partner, plan, practice, respond, deploy and review what we do to learn and ensure greater safety for our communities.

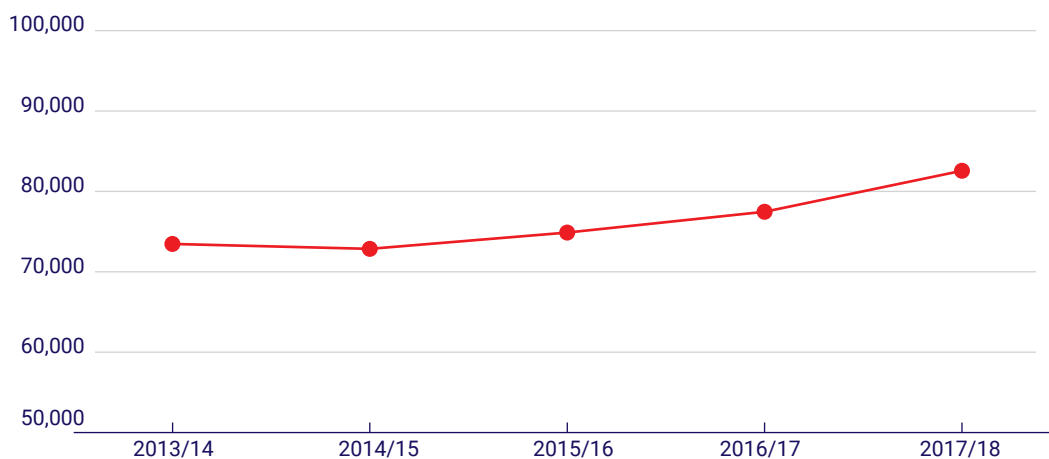
Examples of what we have done this year include:

- ▶ establishing operational service agreements with DOC and the New Zealand Defence Force (NZDF)
- ▶ undertaking the National Pandemic Exercise run by the Ministry of Health (MOH)
- ▶ deploying Urban Search and Rescue (USAR) teams in response to significant events such as major floods.

During 2017/18, we responded to 82,568 incidents, an increase of 6 percent from the previous year. While the total number of incidents has fluctuated a little over the last five years, the overall trend in the number of incidents attended is upward.

In recent years, the proportion of non-fire incidents has steadily increased: in 2017/18, 44 percent of incidents were non-fire, compared with 38 percent five years ago.

INCIDENT NUMBERS FOR LAST FIVE YEARS

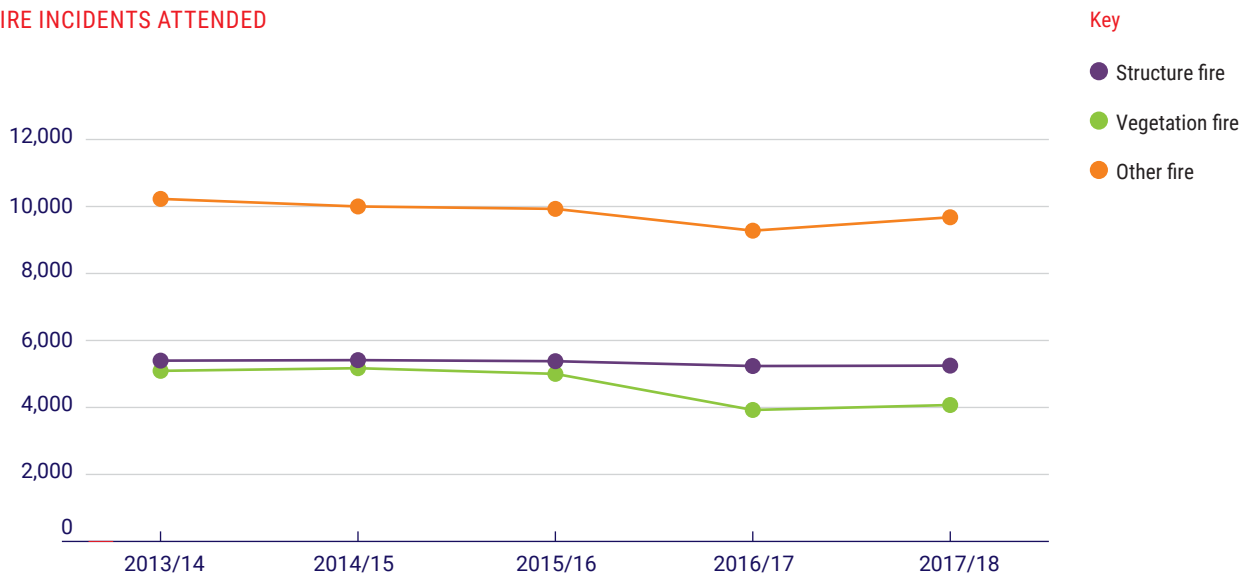


Incidents

In late 2017, changes were made to the way incidents were recorded in the Station Management System (SMS) to simplify and improve the capture and reporting of incident information. While this has created anomalies in reporting between the current and previous years, the changes will allow improved incident reporting accuracy in the future.

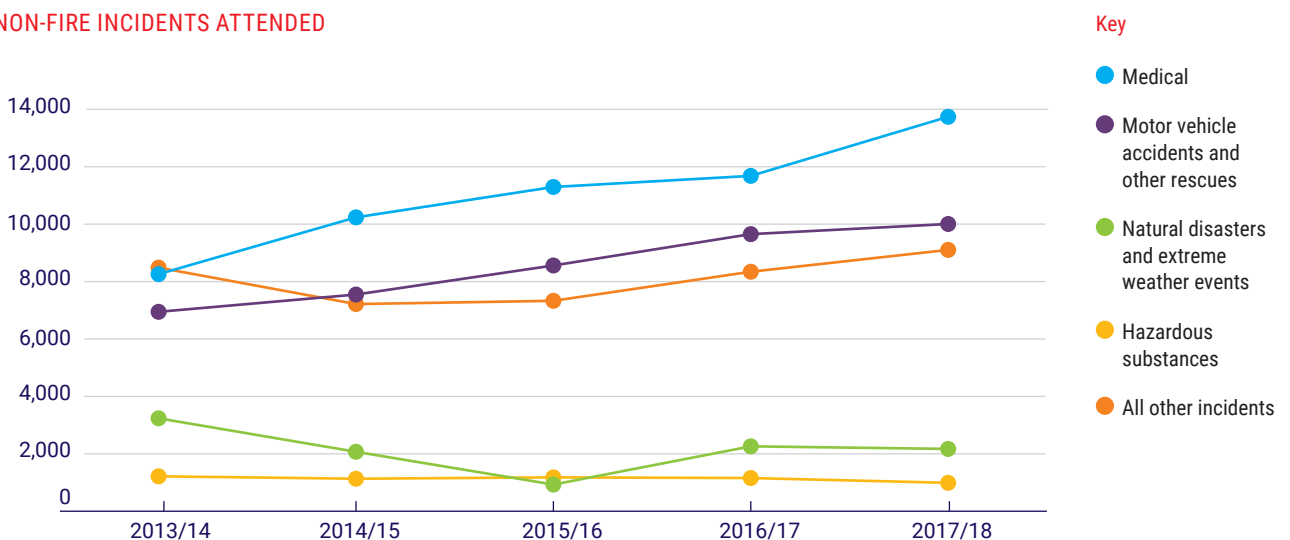
Over the last 10 years, the total number of fire incidents attended has fallen by 26 percent, from 25,131 to 18,582. Over the same period, the number of structure fires has fallen by 19 percent, from 6,237 to 5,033, though this has been largely static over the last five years.

FIRE INCIDENTS ATTENDED



Overall, there has been a long-term upward trend in the number of non-fire emergencies. Over the last five years, there has been a significant rise (54 percent) in the number of non-fire emergencies attended, including a 9 percent increase in 2017/18 (to 35,994). While the number of natural disaster and hazardous substances incidents were down in 2017/18, medical emergencies increased by 17.5 percent.

NON-FIRE INCIDENTS ATTENDED



In addition to fire and non-fire incidents, a further 27,559 (33 percent) of the events attended were found to be false alarms.

Port Hills fires: lessons drive greater coordination

The February 2017 Port Hills fires were the most severe in recent New Zealand history in terms of the numbers of houses lost and people evacuated. Significant infrastructure was either threatened or lost. The fires met the definition of an extreme event, and much of which was unprecedented, including the weather conditions leading to unusual fire behaviour, the scale of national assistance, and the level of interest from sections of the public in firefighting objectives and tactics.

The Australasian Fire and Emergency Services Authorities Council (AFAC) conducted an independent operational review of the management of the Port Hills fires, which was released in November 2017. This review aimed to highlight both positive and negative learnings from the fires and focused on making improvements for future events.

The key findings of the review focused on the need for agencies to work together using a single management system, appropriate resourcing for the size and scale of the event, timely and accurate information and communication, a forward-looking and contemporary approach, and a focus on community needs both during and after an emergency (including better support to help communities recover from major fire events).

A comprehensive and measurable action plan has been produced to respond to these recommendations. Overall, the action plan is progressing as expected, although the decision in relation to the Incident Management System (IMS) is progressing more slowly than anticipated as we work through what is the best IMS for New Zealand with the other emergency management organisations.



Working with our partners

A key finding of the AFAC review was that organisations and contractors that operate in the fire and emergency sector need to work more closely with each other to achieve the best possible results in terms of the safety of their people and the communities they serve.

The establishment of Fire and Emergency NZ (which occurred several months prior to the release of AFAC's recommendations) brings together New Zealand's urban and rural fire and emergency services for the first time to create an integrated fire and emergency service, enabling us to create a flexible, adaptable, efficient and coordinated organisation.

This has seen the implementation of regional exercises in which crews work alongside partner agencies to plan and train for large-scale fires and emergencies, and then use the learnings to improve their performance for when a real incident occurs.

Over the year, we have established closer working relationships with partner organisations in the fire and emergency sector, establishing clear agreements around our roles and responsibilities and how we will work together to respond to incidents and emergencies. To date, we have finalised the following agreements:

- › **Operational services agreements:** We have now signed two agreements with other agencies that provide fire services. The first, which is with DOC, sets out the services we will deliver to DOC and the fire control services DOC will deliver to us, reflecting the shift to a single fire service and the enactment of new legislation that changes the way in which unwanted fire is managed on public conservation land. The second, which is with the NZDF, sets out mutual support arrangements, describing how the organisations will share information and syndicate procurement where beneficial.
- › **Service agreements:** We have signed 14 new service agreements with the owners/managers of large commercial plantation forests of over 10,000 hectares, covering over 800,000 hectares of land in total (approximately 80 percent of all plantation forestry operations larger than 10,000 hectares, and around 50 percent by land area of all plantation forestry in New Zealand).

- › **Fire control charter:** A Plantation Forestry Rural Fire Control Charter was signed between Fire and Emergency NZ, the NZFOA, and the New Zealand Farm Forestry Association (NZFFA). This charter outlines our commitment to work cooperatively and collaboratively with forestry organisations to preserve life, prevent or limit injury, and prevent damage to property, land and the environment. It also outlines principles to promote a safety-first culture and improve fire risk reduction and management through effective fire control measures and national, regional and local risk planning, while acknowledging that fire is a land management tool.

The work we have undertaken in creating greater understanding and coordination within our organisation and with our emergency sector partners and contractors has been evident in many of the events and incidents we have worked together on over the last year.

Working together for a faster medical response

For many years, we have supported St John and Wellington Free Ambulance when responding to medical events. Likewise, for the safety of the community and our people, they provide us with medical support at larger fire and emergency incidents.

We support the ambulance services by providing two medical response capabilities, co-response and first response. A patient in cardiac or respiratory arrest is prioritised, initiating a co-response. This type of response provides additional patient care, improving their chance of survival. First responders are trained to a higher skill set and are located in areas where an ambulance response may come from further afield. Both response capabilities are intended to improve patient outcomes by providing the best care possible at the earliest opportunity. The strategic approach to operational medical response is agreed through our Memorandum of Understanding (MOU).

Pandemic planning

In July 2017 we took part in a National Pandemic Exercise that was run by MOH as part of the National Exercises Programme (all-of-government involvement). The exercise was framed around a 1918 flu event occurring today and was based on MOH's New Zealand Influenza Pandemic Plan – A Framework for Action. It was designed to help government agencies prepare for such an event, and included six three-hour sessions over nine months during which each of the key stages of the Pandemic Plan were worked through. Each session included presentations from health and other professionals, as well as activities to enable agencies to work through different challenges and discuss how they would respond to such an event.

The exercise highlighted challenges we would face in operating with significantly reduced staff (est. 30–50 percent absence) and consequently a reduced response capacity over a 9–12 month period.





Response

International deployment: Canada

In August 2017, the Canadian Interagency Forest Fire Centre (CIFFC) initiated a request for our assistance, citing extreme fire dangers and a very active fire season. A contingent of 81 personnel comprising 59 specialist firefighters, 19 incident management personnel and three agency representatives flew to Canada on 6 August for a five-week deployment. This was New Zealand's largest ever deployment to Canada and is a great example of cross-agency collaboration, with DOC and forestry contractors working alongside our own people.

The performance of this team was highly regarded by our Canadian counterparts.



Canada in New Zealand
@CanHCNZ 16 Aug 2017

Our continued thanks to
@FireEmergencyNZ personnel
battling wildfires in B.C – the Kiwi
firefighters are making their mark!
#ThankYouNZ



International deployment: Tonga

In 2015, New Zealand's USAR team was awarded classification as an internationally recognised heavy team following International Search and Rescue Advisory Group (INSARAG) classification. Since then, this team has moved from the traditional work of rescuing entrapped people from collapsed buildings to a wider Disaster Assessment and Response Team (DART) focus that identifies how we can assist in broader response efforts post-disaster.

In February 2018, we responded to the devastating impact of Tropical Cyclone Gita over almost two weeks. Initially, three people were sent to Tonga to support the Ministry of Foreign Affairs and Trade (MFAT) and the New Zealand Medical Assistance Team (NZMAT) in assessing the damage and likely support required. In the second week, nine more USAR personnel were deployed alongside four Australian USAR personnel to carry out rapid disaster assessments. The team assessed 384 buildings in five days and provided the Tongan Government with data on the locations and integrity of churches, schools, medical centres and health centres.

► USAR to the rescue

Senior firefighter Talite Liavaa welcomed the opportunity to represent us when members of our USAR team were deployed to help the people of Tonga get back on their feet following Tropical Cyclone Gita.

With 14 years' experience as a firefighter, including 12 as a USAR member, it's no surprise he was called upon for his specialist skills. It was his cultural awareness, however, that contributed hugely to the mission.

"Growing up as a Kiwi Tongan, I had to assimilate and bridge the cultural nuances of both communities. My upbringing, experiences and job background enabled me to identify the communication behaviour required to achieve the best outcome for the combined New Zealand–Australia USAR deployment to Tonga", says Talite.

"We represented ourselves in a successful and strong way. We advised the Tongan Government to deploy more of our USAR members, based on our skills and expertise to assess almost 350 buildings. For each building, we recorded its GPS coordinates, two high-quality images, a 60-second video recorded by a drone, and a written report of the building's characteristics and the level of damage caused by Gita."

This enabled the Tongan Government to have accurate data on their schools, and public health and community centres for the first time ever.

"We even surprised them with a few additional buildings they didn't have records for", says Talite.

"For some buildings we were more sensitive to show respect to local communities. On the face of it, a specific building could be rated as lightly affected by the storm, but for locals, any damage to schools and churches was a big deal as these places are at the heart of their community."

Understanding the needs of the community was well received by locals and our own teams alike.

Regional deployment: Southland and Otago

► Crossover week

The days were hot and the air dry in the summer of 2018. This culminated in crossover (when air temperature is higher than relative humidity) occurring in the last week of January.

In January 2018, following a prolonged dry spell, Region 5 management established three Incident Management Teams (IMT) based in Invercargill, Clyde and Dunedin, in preparation for managing likely incidents from the forecast extreme weather conditions. Each team was staffed with a combination of personnel from our brigades, Otago and Southland Civil Defence, DOC, forestry companies and independent contractors. Each team had a helicopter in location on immediate standby for transport or firefighting.

In late January, three major fires occurred in the week: a vegetation fire threatening the power supply at Tiwai



Point Aluminium Smelter, a large chip fire that threatened the Awarua Chip mill and a fire at Burnside, Dunedin, that threatened commercial and residential properties and caused the evacuation of approximately 100 homes. The Regional Coordination Centre (RCC) was activated to coordinate and support the response to these incidents. The irony was that the day after the Burnside fire, the IMT was activated to manage major flooding in Dunedin.

The Otago and Southland events demonstrated excellent pre-planning and collaboration between us and our partner agencies, as well as urban and rural resources to successfully contain and extinguish the fires.

Regional deployment: Chatham Islands

In February 2018, our Fire Response Team responded to the Waitangi West fire on the Chatham Islands. This fire burnt approximately 3,000 hectares and took 30 days to extinguish. Many of the lessons learnt in the Port Hills fires were applied to this incident, resulting in a more coordinated response. Over the course of the fire, local volunteers, contractors and DOC staff were joined by crews flown in by charter plane, while our growing relationship with NZDF resulted in a C-130 Hercules being sent to the island to conduct an aerial survey to help determine the scale and spread of the blaze.

Regional deployment: Auckland

A powerful weather bomb hit the Auckland metropolitan area in April 2018, generating the highest level of 111 calls ever recorded. Extreme winds and heavy rain caused significant storm and flood damage. We activated the Region 1 IMT and deployed firefighters to assist in the community, working closely with the New Zealand Police and ambulance services to coordinate the response, with our USAR team placed on standby in case it was required.

Urban Search and Rescue

Our USAR team has been working to increase New Zealand's capacity to respond to and manage high-impact natural disasters in New Zealand by:

- › hosting the AFAC Technical Working Group meeting, which included a tabletop exercise and planning around receiving international teams to a major event in Wellington
- › developing a pre-approved list of international USAR teams to be accepted into New Zealand following a disaster, which was achieved in consultation with MFAT
- › producing a discussion paper and planning for the establishment of first responders (light USAR teams) in areas that would be prone to isolation following a significant event.

We continued to support the NZMAT operations during the year, including providing USAR logistics personnel to NZMAT's deployment to Tonga in February 2018. Our work with NZMAT also included training personnel and supporting the team's successful international accreditation as a Type 1 facility by the World Health Organisation (WHO) in September 2017. A Type 1 facility is like a general practice surgery with additional emergency obstetric facilities. NZMAT is now planning to develop a Type 2 field hospital, which includes surgery and post-surgery care facilities.

In partnership with MFAT, we supported the development of the INSARAG Asia Pacific five-year strategic plan. The Asia Pacific region is the world's most vulnerable region to natural disasters. To enhance the region's capability to respond to events, countries are building USAR capability through the development of national light teams, as well as INSARAG medium and heavy classified teams.

Some examples of how we are supporting the Asia Pacific Region include:

- › attending and assisting in the delivery of the Asia Pacific Earthquake Response exercise in Clark, Philippines
- › attending and assisting in the delivery of USAR Coordination Cell training in Queensland
- › attending the Asia Pacific team leaders meeting.

► **Communication centres: Emergency Mobile Alerts**

Emergency Mobile Alerts (EMA) are messages about emergencies that are sent by authorised emergency agencies to capable mobile phones. About 35 percent of all handsets can receive these alerts and this is expected to increase as more people upgrade their phones.

The responsibility for producing EMAs moved to Fire and Emergency NZ in December 2017,

with our communication centres playing an important role in sending EMAs, including for other agencies (following a strict authoring and authentication process).

Since the service went 'live', it has been used four times, with the first message being sent for an ammonia leak in Bell Block, Taranaki. One of the four EMAs was sent on behalf of the Ministry of Civil Defence and Emergency Management (MCDEM) local group on the West Coast of the South Island for Tropical Cyclone Gita.

► **Bulk flammable liquids and Class B foam**

The announcement by NZDF in December 2017 of the presence of PFAS (per- and poly-fluoroalkyl substances) in soil and groundwater around its bases at Ohakea and Woodbourne has focused public and regulator attention on all users of Class B foam and on fire training sites. PFAS have long been used in many Class B foams, and two specific compounds of concern – PFOS (perfluorooctane sulfonate) and PFOA (perfluorooctanoic acid) – were commonly found in foams manufactured until the early to mid-2000s.

Following our June 2017 moratorium on training with Class B foam, we have further restricted its use at incidents to only those products that are known not to contain PFOS or PFOA. Early in 2018, we completed a stocktake of all remaining foam across the country. All foam manufactured prior to 2006 was removed from stations and quarantined for disposal to ensure current industry and performance standards relating to foam are met.

We are also carrying out preliminary assessments of all our operational sites around the country to determine if there is potential for historical contamination with PFAS from past activity.





BUILDING FIRE AND EMERGENCY NZ

Te whakatū i Te Ratonga Tinei Ahi me Ngā Dhotata o Aotearoa

**Strategic
capability**

**Supporting
our people**

**Shared
identity**



STRATEGIC CAPABILITY

Ngā Āheinga Ā-Rautaki

We are committed to being a strategy-led organisation that uses evidence-based decision making for our investment decisions, achieving our strategic outcomes and meeting the risk and needs of our communities.

Building a new organisation requires a new way of working

The establishment of Fire and Emergency NZ provided the structure and resources for us to build on our existing high-performance operational capability and develop a new operating model that is supported by quality systems, processes and technology.

Design of the operating model

From day one we have been working with our people, their representatives and emergency services partners to design an operating model that delivers on the mandate and expectations of our new organisation.

A high-level organisation design was approved in December 2017 and the detailed operating model was approved as a proposal for consultation in June 2018. This model sets out the changes we need to make to build a unified and fit-for-purpose organisation. We want to keep what works and build on our strengths to better serve our communities now and in the future.

To deliver on this vision, our strategic priorities set out what we will do and how we will be different. This includes:

- continuing to keep communities safe by delivering programmes that are focused on fire prevention and reducing the risks of fire and other emergencies (risk reduction and prevention)
- working with communities to better understand their unique needs and risks, and delivering the service and support that matches their priorities (stronger engagement with communities)
- operating as an integrated team by utilising our combined capabilities and competencies, and partnering with other organisations in the sector to deliver a coordinated and seamless service to our communities (coordinated services)
- becoming a strategy-led organisation with a greater community focus to better deliver the services and programmes that keep New Zealanders safe and help communities to become more resilient to emergencies (strategic capability)
- valuing, involving and equipping our people to do their jobs, while ensuring their safety, health and wellbeing (supporting our people)
- creating an organisation with clear values and an identity that is recognised and trusted by everyone, and embracing diversity and inclusiveness to better meet the needs of our organisation and the communities we serve (shared identity).



SUPPORTING OUR PEOPLE

Te tautoko i tō mātou whānau

Our people are passionate, committed and highly skilled, and earned the trust and respect of New Zealanders. Through their efforts they preserve life and protect property and the environment in the communities they serve. We will value, involve and equip them, and ensure that their safety, health and wellbeing is paramount.

Moving from integration to a fully unified organisation will take several years to achieve. We are committed to working with our people and their representatives, communities, emergency partners and key people to ensure the organisation we create is best positioned to ensure the safety of communities across New Zealand.

Fire and Emergency NZ relies on our people to deliver our services. We have major programmes of work underway to strengthen our support for volunteers, with additional funding provided by the Government to ensure their needs are addressed and that all firefighters across the organisation receive the same standard of support.

‘Good employer’ obligations

We are committed to being a good employer, meeting our obligations under section 118 of the Crown Entities Act 2004 and embedding the principles of equal employment opportunities within our policies and practices.

The seven elements of a ‘good employer’ based on the Equal Employment Opportunity Commission’s guidance to Crown entities are:

- › leadership, accountability and culture
- › recruitment, selection and induction
- › employee development, promotion and exits
- › flexibility in work design
- › remuneration, recognition and conditions
- › harassment and bullying prevention
- › a safe and healthy workforce.

Information on our obligations as a good employer is outlined in Strategic directions sections of the Annual Report, most notably under ‘Support our people’ and ‘Shared Identity’.

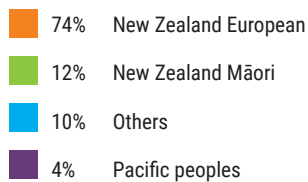
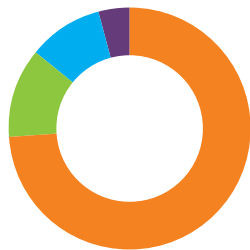
The following sections focus on the work we have undertaken over the last year as we start the journey towards becoming a unified organisation.

People profile

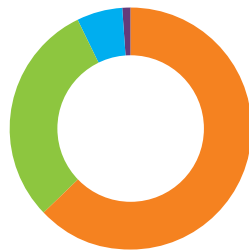
As at 30 June 2018

OUR ETHNICITY

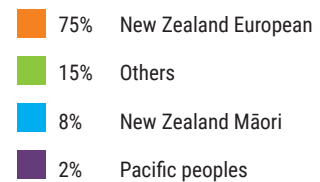
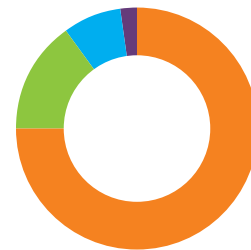
CAREER



VOLUNTEER



MANAGEMENT AND SUPPORT



Volunteer ethnicity statistics represent 72% of our volunteers. The rest (28%) do not have a declared ethnicity recorded in our Human Resources Information System.

OUR GENDER PROFILE

CAREER



Female 4%



Male 96%

VOLUNTEER



Female 17%



Male 83%

MANAGEMENT AND SUPPORT



Female 36%



Male 64%

OUR AGE AND LENGTH OF SERVICE PROFILE

AVERAGE AGE

CAREER
45 years

VOLUNTEER
44 years

MANAGEMENT AND SUPPORT
47 years

AVERAGE LENGTH OF SERVICE

17 years

10 years

09 years

Note: Volunteer age and length of service statistics are not reliable due to data integrity issues.



Health, safety and wellbeing: *He waka eke noa*

Everyone in Fire and Emergency NZ deserves the highest level of health, safety and wellbeing, which is why our first action in July 2017 was to co-sign our agreement to a statement of shared commitment to safety, health and wellbeing with our unions and associations.*

At its heart is our whakataukī – *He waka eke noa* – which represents our shared commitment to giving everyone the highest level of protection against harm to their safety, health and wellbeing.

It also describes and acknowledges our desire for diversity and inclusion – encouraging people with different heritages, different employee and volunteer backgrounds, and a range of perspectives and representative interests to work together in one direction, within the protection and support of the organisation.

Our Safety, Health and Wellbeing strategy has been co-signed by our industrial representative partners, the Board and the Chief Executive, demonstrating that all parts of the organisation are committed to achieving our goals. It provides direction to the organisation across all areas of physical and psychological health and wellbeing for our personnel.

We introduced several health, safety and wellbeing initiatives during the year:

- Successfully piloted Safe@Work, a new technology support tool that makes it easier for our people to report work-related injuries, illnesses or near miss events. Safe@Work will now be rolled out across the whole organisation.
- Focused on building greater preventive and proactive services by piloting psychological wellbeing training for our leaders, refreshing wellbeing material for our people and introducing wellbeing workshops to volunteer leaders across the country. The full programme will be available to all our leaders in the new financial year.
- Established a Health Standards Working Group of operational managers and representatives from the unions and associations to provide recommendations to the Board on the development of physical and psychological health standards to ensure operational personnel can undertake duties that may be required of them without undue risk to their safety, health and wellbeing.
- Expanded our free flu vaccination programme (which was previously only available to career firefighters) to include all volunteers.

* Our career workforce is represented by three unions – the New Zealand Professional Firefighters Union (NZPFU); Fire and Emergency Commanders Association (FECA); and the New Zealand Public Service Association/Te Pūkenga Here Tikanga Mahi (PSA). Volunteer brigades' interests, and individual members, are represented by the United Fire Brigades Association (UFBA) combined with the Forest and Rural Fire Association of New Zealand. There are also several other workforce representative structures through which we engage with staff, including the newly formed Rural Professional Association (RPA), which allows us to engage with rural employees, albeit as a staff representative group rather than a registered industrial union.

Hauora health monitoring programme

Our voluntary, confidential health monitoring programme, Hauora, provides all our people with free on-site health assessments via a network of contracted health professionals. This includes monitoring to evaluate the impact of working with known occupational health hazards, such as excessive noise, dust and other airborne contaminants; exposure to chemicals and products of combustion; exposure to traumatic events; and fatigue from prolonged working hours.

This year, 11,889 of our personnel accessed health monitoring services.

Creating an effective workforce

Valuing and involving our people includes investing heavily in training, development and leadership.

Ensuring our people have the right skills, knowledge and attitudes to deliver for communities is fundamental to them being able to do their jobs. Training programmes and courses are carried out across the country, including residential and online courses, in station training and blended learning.

TRAINING NUMBERS

To meet operational requirements, there were:

COURSES DELIVERED

▲ **2,786**
IN 2017/18
1,558
IN 2016/17

TRAINING THROUGHPUT

21,608
IN 2017/18
13,876
IN 2016/17

Leadership development: Our Strategic Leadership Programme was launched with members of the Strategic Leadership Team (SLT), Operational Leadership Team (OLT), Tier three managers and other strategic leaders, giving leaders the skills to lead change. The first cohort began in February and will complete in October. We have also launched a Volunteer Leadership Development Project in Regions 4 and 5, aimed at developing and empowering our regional teams to facilitate and coordinate sessions that are specifically tailored to our volunteer leaders. In addition to our own programmes, we partner with the University of Otago to deliver an applied leadership and management course for our operational officers and other personnel, and leadership and management courses through our Executive Officer Programme, which gives attendees a Graduate Certificate in Executive Leadership.

► Live structure fire training adds realism

An example of the training we provide is our live structure burns, where our firefighters engage in real life fire training. Fighting an actual structure fire as part of a drill allows our firefighters to receive the most realistic training possible. This year, we acquired 16 structures for live burns and 280 of our volunteer firefighters were involved in this training.

On 30 April, we used this training and were on TVNZ's Seven Sharp programme, where the focus was on fire safety and changing people's behaviours around the use of electronics. We burned down a house in Palmerston North on live TV. The segment highlighted the risks of leaving laptops, tablets and phones on duvets and other bedding materials, where they can't cool adequately, can overheat and potentially start a fire.

These events also provide a great opportunity for creating video resources to enhance future training and ensure that volunteers in low-call-rate brigades can gain operational experience, as well as demonstrating the fast and destructive power of fire to communities.

Over the last year, we have engaged with our people on values, recruitment and induction, training, change management, and work to create a more diverse and inclusive culture. This commitment to capability growth is essential to delivering the required services that protect our communities throughout the country.

Specific examples of the training we have provided include the following:

- **Rural fire training:** We have increased support for rural fire training, with additional trainers and volunteer support officers working with rural managers to develop systems and processes and rural training activities.
- **Working safely around water:** This project aims to increase our firefighters' safety when working in and around water, by increasing awareness, providing training and supplying them with the right equipment. All firefighters are to be trained to Level 1 (water awareness), and high-priority brigades will be trained to Level 2 and provided with water safety kits, which are being rolled out with eLearning. To date, around 50 percent of the training has been completed.



- › **Integrated fire investigation:** We now deliver fully integrated fire investigation programmes at two levels, with career and volunteer firefighters, NZDF, Maritime New Zealand, and the New Zealand Police attending the courses together.
- › **Supporting our people through change:** Our change management strategy and approach is focused on helping our leaders to lead people through change. We have put in place materials and coaching to better prepare managers for the changes that will involve them to enable a culture that values change, where individuals demonstrate change-enabling behaviours, support, commitment, acceptance and adaptation.
- › **Incident leadership:** As part of the requirements of exercising RCCs, each region needs to conduct an annual exercise to practice regional-level response processes and procedures through the activation of the RCC during a significant emergency event. A series of exercises were developed and run across all five RCCs to exercise the functionality of a regional-level response to a significant event.



A new recruitment focus

The nature of our new organisation means that firefighting is only one of the services we deliver to the diverse range of communities around the country. With a focus on risk reduction and prevention, and a responsibility to attend non-fire incidents and other emergencies, opportunities exist for a broader demographic to belong and contribute to community safety. Roles exist for people of any age, sex and ethnicity, and we are committed to having a broad representation from across our population to enable us to better engage with the communities we serve.

In career recruitment, there has been a specific focus on the Auckland region where turnover, retirements and internal transfers out of the region have created shortages.

A number of initiatives to remedy the immediate problem were successfully implemented during the year. We advertised extensively for career firefighters in and around Auckland under the 'Aucklanders for Auckland' initiative and invited TV crews to recruit testing days.



People strategy

To recognise the value our people add to our organisation, work has commenced on the development of a People strategy, with 15 workshops facilitated with close to 250 of our key partners from across the organisation. The strategy will aim to support other people-related strategies across the lifecycle, including recruitment, talent management, leadership and workforce planning. This will ensure that our people understand how their unique talents and skills connect to broader organisational and strategic priorities, as well as our organisational values and vision.

Volunteerism strategy

The draft Fire and Emergency NZ Volunteerism strategy – Enabling sustainable volunteerism – was approved in June 2018 and will be considered as part of the consultation on our operating model. This will help to ensure that wider perspectives and insights can be incorporated into the final strategy, and that our long-term success in meeting our strategic goals, and roles and responsibilities in relation to volunteerism can be achieved.

The strategy has been developed from emergency and volunteer sector research, internal research and evidence, and our people, informed by data and good practice standards from other organisations with volunteers.

It acknowledges the role of our volunteers and upholds our commitment to volunteers and volunteerism. It explains why a strong volunteering culture and an effective model for volunteerism are critical for effective services and stronger, more resilient communities.

► Helping volunteerism to thrive

Firefighters have always been at the heart of our communities. They play a critical role in engaging with communities to better understand their strengths, risks and needs, and to improve their resilience to fires and other emergencies.

During our first year, work has gone into building a strong foundation that embeds support for volunteers and will enable volunteerism to thrive. Our major focus has been on directly supporting volunteers and their families and employers, and creating the systems, policies, processes and culture to achieve what the new legislation intended.

We have developed a set of Volunteerism Principles that are the cornerstone of all people-related decision-making within the organisation. These principles ensure that volunteerism is front and centre for decision makers.





Year one volunteer initiatives

A series of initiatives have been fully implemented and embedded into our new organisation. They were co-designed with volunteer representatives from across the organisation and include:

- › increased support roles (14 volunteer support officers, five rural support roles)
- › improved financial management training and support, leadership workshops, 12 additional capability trainers, and five new volunteer development roles
- › the launch of a crowdsourcing tool to engage our workforce on potential improvement opportunities
- › a significant increase in support through the appointment of a Volunteer Learning Advisor, who will provide a stronger voice for volunteers, resulting in the creation of a Station Training Coordinator programme to increase the capability of brigades to plan, structure and deliver in station training and learning support, enabling an increased number of volunteers to progress through the Training and Progression System
- › the successful piloting of a virtual support scheme using Skype that will enable volunteers to work through Station Officer pre-course workbooks either live or later from their home.

Tailored attraction, enhanced recruitment and induction support

Attracting the right people and supporting them in their work is critical to our success. For our volunteers, recruitment initiatives over the year included:

- › piloting a targeted attraction and recruitment approach with specialist support
- › developing a range of new resources for prospective and new volunteers and their families and employers
- › completing a major review of volunteer recruitment policies, processes and practices with a dedicated focus on candidate care and customer service
- › standardising medical and security criteria for operational volunteers, and removing unnecessary medical requirements for non-operational volunteer roles
- › launching a research project to follow a cohort of volunteers through their first three years with us.



Recognition of volunteers, families and employers

As part of a broader piece of work that is considering the reward and recognition of all our people, work has progressed on the development of a Reward and Recognition strategy, to develop an integrated approach to reimbursement and payment specifically for volunteers.

We already value and recognise the contributions that volunteers and their families, employers and communities make in the following ways:

› Employer Recognition Programme (ERP):

The ERP recognises the important role that employers, including self-employed volunteers, play in supporting our volunteers by releasing them to attend calls. During the year, 232 volunteer stations participated in the ERP, with employers receiving a range of benefits, including access to the ERP brand for advertising and promotions; public acknowledgement through signage on volunteer fire appliances, fire stations and portable banners used at public events in the community; special 'thank you' packs, framed certificates and resources; and invitations to an annual ERP event.

- › **Family recognition activities:** Over the last year, activities to recognise and support families have included the development of popular resources that thank family members and provide advice and outline the support available; media campaigns that include thanking families publicly for the role they play in supporting Fire and Emergency NZ; and partner involvement in a range of local and regional events, such as Regional Volunteer Leadership Conference celebration activities.

Interim disputes resolution

This year gave us the opportunity to value our volunteers in a new way and introduced a new way of raising concerns and having them resolved.

The interim dispute resolution process was designed for implementation on day one and 13 disputes were registered over the year. This process continues to operate as we start to design the permanent scheme required by the Act. We have learned many lessons that we will use in designing a fit-for-purpose scheme.

The design process offers volunteers multiple opportunities to share their views and participate in the development of this scheme. The permanent scheme will be independent, fair, accessible, effective, efficient and accountable. It will also reflect our values and our commitment to our volunteers, and will establish a way for us to continuously learn from our volunteers' experiences and evolve into a better organisation.



► **National Volunteer Week,
17–23 June 2018**

Our 11,000 volunteers each have different reasons for being part of Fire and Emergency NZ, whether as a firefighter, medical responder, or operational and administration support. During National Volunteer Week, seven of our volunteers shared their reasons why in our national campaign that acknowledged the contributions of all our volunteers who help to keep our communities safe.

The advertising campaign reached almost 1.15 million New Zealanders via regional and community papers, more than 1.8 million via social media (Facebook, Instagram and Neighbourly), and almost 400,000 via radio.

The public were invited to say thanks to our volunteers on social media using the hashtag #LetsHearIt. This particularly resonated with New Zealanders, who shared almost 1,000 comments and stories to acknowledge our volunteers' efforts.

In the fortnight following National Volunteer Week, we shared a selection of these comments via Adshels (electronic billboards) in the main centres and via community newspapers in other locations. The Adshel comments were viewed an estimated 5.4 million times each day.



***“The best part?
Getting thanks
from the people
we’ve helped.”***

Wiremu Matene, District Council Officer, Dad, Volunteer Deputy Fire Chief.

This National Volunteer Week, let’s hear it for the dedicated Fire and Emergency volunteers who help keep our communities safe.

Create a post on social media to let them know why you’re thankful for what our volunteers do. Use #LetsHearIt and we’ll make sure they hear your message loud and clear.

Add #LetsHearIt to say thanks to our volunteers



SHARED IDENTITY

He tuakiri kua tohaina

We are committed to supporting our people and ensuring diversity and inclusivity are valued.

We are greater than the sum of our parts

Merging the New Zealand Fire Service, the National Rural Fire Authority, 12 Enlarged Rural Fire Districts and 26 territorial Rural Fire Authorities, each with their own history and culture, requires us to connect our people under a unifying identity that recognises what we all have in common and values our differences.

To achieve this, we need to create an organisation that is inclusive, with clear values and a shared identity that our people are committed to and demonstrate every day in the work we do.

We are committed to being a good and inclusive employer simply because it is the right thing to do for our organisation, the people we employ and the communities we serve.

Identifying our organisational values, together

Over a five-week period, we listened to over 600 people on their views on what sort of organisation they wanted to be a part of and what values would support us in becoming that organisation. These views were collated into a top 15 and categorised under the headings 'Core', 'Aspirational' or 'Basic' values. They will be further considered during consultation on the Operating Model.

Leadership qualities, behaviours and expectations

At the beginning of 2017/18, we set out to talk to nearly 400 people from across the organisation, asking them what they wanted from their leaders. This information was collated into a set of three leadership qualities, behaviours and expectations: 'Bring courage', 'Be inclusive' and 'Deliver excellence'. These will be used in setting performance expectations for our leaders this year.

Creating a more diverse and inclusive workforce

Diversity and inclusion are recognised as drivers of engagement, individual and organisational effectiveness, and performance. The creation of a diverse, inclusive and highly skilled workforce will ensure that we have the right people and organisational capability to operate in a strategic and agile way to enhance community resilience.

In early 2018, work on a Diversity and Inclusion strategy was completed, with a final strategy being approved by the Board in June 2018. An implementation and change plan is currently being developed to support the key priorities.

The strategy has four areas of focus with an implementation roadmap spanning the next five years. These focus areas include:

- › empowering respect, equity and fairness
- › enhancing our leadership capability and accountability
- › empowering an inclusive environment that promotes psychological health and wellbeing
- › strengthening our foundations: policy, process, governance and monitoring.

The strategy builds on existing work led by our Māori Liaison team and Women in Fire and Emergency NZ (WFENZ) network, and takes a strategic approach to fostering a more inclusive culture. It also aligns with the development of a broader people strategy that aims to ensure we attract, develop and recognise our people and their diverse skills and talents.



Supporting career and volunteer women

One of our first diversity initiatives was to set up the WFENZ regional network to support, identify and grow talent with our operational women.

Through this network, we connected with over 460 women in operational roles (approximately a quarter), including both volunteers and career staff. This gave us an insight into the perspectives and experiences of our frontline women – the challenges and issues they face, and the things that work well. These insights are influencing our priorities in creating an inclusive workplace culture and, more specifically, helping to establish priorities for improving our recruitment and retention of women in the organisation.

All regions have a WFENZ regional network lead team that consists of women from the region supported by regional leadership. Much of the effort to date has gone into engaging with operational leaders in raising awareness of issues, resulting in each region creating an action plan that is designed to tackle these issues and support the work of the regional network.





OUR PERFORMANCE

Te āhua o ā mātou mahi

**Capital
investment**

**Statement of
performance**



CAPITAL INVESTMENT

Te Haumitanga Matua

With a larger asset base and increased financial strength, Fire and Emergency NZ has a greater capability to keep our communities safe.

The establishment of Fire and Emergency NZ saw a significant transfer of assets from the National Rural Fire Authority and territorial Rural Fire Authorities to the new organisation.

Our asset base has grown to \$925 million and now includes 649 stations with associated plant, equipment, and information and communications technology (ICT), and 850 fire appliances nationwide.

CAPITAL INVESTMENT BUDGET ALLOCATION

42%	Buildings
29%	Land
20%	fleet
5%	Operational equipment
4%	Other (ICT and equipment)



Our capital investment programme has focused on five key priority areas over the last year: the Christchurch rebuild, the seismic strengthening programme, fleet management, ICT, and the roll out of the Fire and Emergency NZ identity.

Greater Christchurch property rebuild programme

Our Christchurch rebuild programme will deliver 13 new builds by 2023. This year, new stations were completed in ANZAC, Wigram, Spreydon and Woolston, bringing the total number of completed builds to seven, while a new station build at Redwood in north Christchurch is also underway.

We have received consent for our new Spencerville development (replacing the Brooklands fire station) and are now planning the co-location of Bottle Lake brigade on this site.

A developed design for our City station is underway and we are currently preparing a resource consent application for the development, while new builds at Kaiapoi and Sumner are also in our programme, with land purchase and design work being progressed for both.

Following consultation with the University of Canterbury over the purchase of land for the proposed Fire Training and Education Facility and fire station at the University's Ilam campus, the University Council and the Board have approved this proposal and construction is set to start in 2019.

Seismic strengthening programme

Alongside our rebuild programme, 10 seismic upgrade projects were completed across the country (including Christchurch) during the year.

A review of the current level of funding for the overall property programme, and specifically the seismic programme, has resulted in additional investment over the next three years that will allow for a further five major seismic build and upgrade projects to commence in 2018/19.

We currently anticipate the completion of seismic upgrades for medium- and high-risk sites to be within the statutory timeframe, with the remaining sites in the programme to be completed by 2031.

SEISMIC STRENGTHENING PROGRAMME

2018 (Urban network)	Number	Percentage
Earthquake resilient, > 67 percent NBS IL4	365	83%
Earthquake risk, 34–66 percent NBS IL4	16	4%
Earthquake prone, 0–33 percent NBS IL4	58	13%
Total	439	100%

Fleet

Over the last year, our fleet capital programme has focused on the continuation of the urban appliance replacement programme (as part of the standard asset lifecycle management) and the establishment of a rural appliance supply capability. During the year, we took delivery of 21 new appliances and 25 support vehicles under this programme. The initial issues experienced with the Type 3 appliances were resolved, with 32 appliances in service by the end of June 2018 and the remainder to become operational once crew training is complete and the vehicles branded.

Shared identity – asset rebranding

A key component of creating a shared identity where everyone feels 'they belong' is to create and embed a common brand. Our property and fleet assets are a key means through which we achieve this, and to date:

- ▶ twenty-one percent of the property portfolio has been rebranded, with 70 percent of the portfolio to be rebranded by 30 June, 2019
- ▶ twenty-four percent of the vehicle fleet has been rebranded, with 90 percent of the fleet to be rebranded by 30 June, 2019.

A review of the pilot process and identity application will feed into a national rollout commencing in the first quarter of 2018/19. It is planned that 70 percent of the network will be complete by the end of 2018/19.

Information and communications technology

Over the last year, we have focused on delivering several mobile communication solutions across our organisation.

The nationwide roll out of new incident ground radios to stations is expected to be completed by December 2018. The new radios are specifically built for firefighting conditions and have significantly improved features such as noise cancelling that ensures communication is crystal clear between staff. The dual band radios easily functions across UHF and VHF, an important feature for rural and forestry incidents.

The Foundations for Mobility programme is building on using Cloud technologies to deliver applications to our staff. Two applications (incident response and site/building data entry in the field) have been tested and given formal sign-off from the front-line user group. The next step is to pilot these across the country between November 2018 and June 2019.

The programme is also being used to develop availability messaging to give volunteer crews the ability to electronically notify their availability to attend an incident. This notification will allow communication centres to act quickly to turn out other brigades if necessary.

We are currently working with other emergency services partners to implement a future communications system that will replace existing narrow band radio with a highly available broadband network that provides guaranteed access for voice, data and high-definition video. This will mean that during major incidents (such as floods or earthquakes), emergency services partners can continue to communicate and have access to critical business applications and improved services to exchange data and information, including video and images.

STATEMENT OF PERFORMANCE

Te tauākī mahi

The Statement of Performance Expectations (SPE), combined with the Fire and Emergency NZ Statement of Intent 2017–21, provides the strategic direction and priorities for our organisation.

The 2017/18 SPE sets out our non-financial performance targets and financial forecasts for the year to 30 June 2018. This section reports on our actual performance against these expectations over the last year.

Measures highlighted in **orange** throughout the SPE were specifically identified as integration based and were used to report against progress towards integration. We have highlighted these measures in the same way within this section.

Our outcomes

We will protect the lives and property of New Zealanders by:

1.

Reducing the likelihood of unwanted fires

We want to prevent unwanted fires from occurring and manage fires from getting out of control through research, education, community engagement, providing advice, and ensuring legislative and regulatory compliance.

2.

Reducing the consequences from emergencies

We are trusted responders to incidents because we lead and support others to minimise the impact of emergencies on people, property and the environment, while keeping our people safe.

3.

Increasing community resilience

We are a national organisation with national responses ready for deployment when and where they are needed. We maintain a strong local presence throughout the country so we are ready to support local needs. We want to help communities to be safer, stronger and more resilient.

4.

Building our organisational health and capability

We have been working to integrate the 40 organisations that joined together to become Fire and Emergency NZ since 1 July 2017. To help us do this, we received a capital injection and we have specific measures to show how we are progressing.

Our performance

Outcome 1: Reducing the likelihood of unwanted fires

We deliver effective risk reduction activities by focusing on preventing unwanted fires, and providing guidance on fire risk reduction and prevention, and on the use of fire as a land management tool.

Output 1.1: Advice to industry and councils on building design

Our advice covers three areas of fire safety law:

- › Building consent applications covering the fire engineering design of buildings.
- › Evacuation scheme approvals and monitoring.
- › Advice on buildings considered dangerous because they are a fire hazard.

We have helped organisations with building design by providing fire engineering and professional and technical fire safety advice. This advice covers fire safety features in building design to ensure that buildings can be used safely.

We have worked with industry representatives to ensure consistent national fire safety standards are developed and deployed. We focus on standards for building design, automated fire safety systems and evacuation processes.

Our legislative responsibility to provide fire safety advice includes the processing of building evacuation scheme applications. The measures below set standards of timeliness for processing these applications.

Table 1: Core services – Advice to industry and councils on building design

		2017/18			2016/17
Activity	Measure	Target	Actual	Target met?	Actual
Undertake fire engineering assessments during the design phase of new buildings.	1.1.1 All fire engineering assessments are processed within 10 working days.	100%	100%	✓	100%
Administer the fire safety and evacuation of buildings regulation, ensuring schemes provide for the safe evacuation of people during a fire emergency.	1.1.2 All applications for building evacuation schemes are processed within 20 working days.	100%	98%	✗	99.8%

Notes to Table 1

- 1.1.2 During the year, 80 evacuation scheme applications (out of 4,471) took more than 20 working days to process, with the majority of these delays due to further information being required from applicants.

Table 2: Actions to support our strategic priorities – Advice to industry and councils on building design

		2017/18			2016/17
Activity	Measure	Target	Actual	Target met?	Actual
Develop a risk score tool that measures the impact of Fire and Emergency NZ's advice on building design in relation to the overall safety level of the building.	1.2.1 Risk score tool designed.	31 March 2018	Achieved	✓	New measure

Output 1.2: Fire safety education to the public

We aim to change people's behaviours by improving their knowledge about fire risks and the actions they can take to reduce those risks. It is delivered under the 2015–2020 Safer New Zealand Fire Risk Reduction and Prevention Plan, which focuses all our activities under three overarching goals:

- Risk reduction – raising the awareness of fire risk and influencing behavioural change.
- Safer homes and workplaces – delivering targeted programmes to promote a fire prevention culture.
- Community-based – encouraging community engagement in the interests of promoting fire safety.

Table 3: Core services – Fire safety education to the public

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Deliver a suite of targeted fire education programmes that resonate with audiences and promote fire reduction and prevention.	2.1.1 Percentage of people surveyed are aware that a house fire can become fatal within five minutes.*	90%	90%	✓	90%
Deliver Fire Awareness Intervention Programme (FAIP) – an education programme that is delivered by trained firefighters to address unhealthy fire-lighting behaviour by children and young people (5–17 year olds).	2.1.2 FAIP is offered in 95% of incidents involving 5–17 year olds when they are able to be identified.	95%	55%	✗	New measure
	2.1.3 Recidivism rate among FAIP recipients.	< 10%	8%	✓	10%
Undertake fire education nationwide through schools to ensure that acting Firewise is imparted early with our young people.	2.1.4 Firewise programme is offered to 100% of schools with year 1 and 2 students over a two-year period.	100% by 30 June 2019	66%		New measure
	2.1.5 Percentage of schools with year 1 and 2 students undertake the Firewise programme over a two-year period.	60% by 30 June 2019	35%		New measure
Develop a research strategy aligned to the organisation's priorities, and fund and facilitate a research programme, which leads to improvement in understanding and activities relating to fire and emergency prevention and response.	2.1.6 Research strategy developed and in place.	30 June 2018	Not achieved	✗	New measure
	2.1.7 Percentage of research funding allocated to projects aligned to organisational priorities.	80%	85%	✓	New measure

* Quarterly fire knowledge and communications survey is carried out by Kantar TNS.

Notes to Table 3

2.1.2 Our result of 55 percent does not accurately reflect this measure as a result of system changes. Remedial work is underway to address this.

2.1.4 This year's results were for the first year of a two-year cycle – we are on-track to meet the

2.1.5 target for both Firewise programme measures by 30 June 2019.

2.1.6 The Contestable Research Fund supports research to inform improvements in many of the activities we undertake. Although our Research strategy was developed during 2017/18, it was not in place by 30 June 2018.

Table 4: Actions to support our strategic priorities – Fire safety education to the public

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Review and fully integrate a fire safety strategy, including programmes tailored for New Zealand's diverse communities, and an enhanced fire safety promotion programme.	2.2.1 Integrated fire safety strategy is in place.	30 June 2018	Not achieved	✗	New measure
	2.2.2 Process for reviewing future fire safety promotion programme is in place.	30 June 2018	Not achieved	✗	New measure
Engage with stakeholders and communities, including those disproportionately impacted by fire, on the local fire planning process to achieve a holistic approach to local risk management.	2.2.3 Local planning process designed.	30 June 2018	Achieved	✓	New measure
Develop effective guidance on the safe use of fire as a land management tool.	2.2.4 Guidance on safe fire use as a land management tool is in place.	31 December 2017	Achieved	✓	New measure
	2.2.5 By 30 June 2018, surveyed stakeholders agree that guidance is fit for purpose.	80%	Not achieved	✗	New measure

Notes to Table 4

- 2.2.1 The 30 June 2018 target to develop and put in place an integrated fire safety strategy was amended during 2017/18. Through Board recommendation, the Minister agreed to the measure being revised to a draft strategy by 30 June 2018, with a final strategy to be completed by 31 December 2018. This was to allow for wider consultation. Our draft strategy was completed by 30 June 2018.
- 2.2.2 The process for reviewing the future fire safety promotion programme is dependent on the integrated fire safety strategy being in place. As a result, and through Board recommendation, the Minister agreed to the target date being amended to 30 June 2019. This measure has been included in our 2018/19 SPE.
- 2.2.5 We published guidance on using fire as a land management tool in December 2017. A formal survey of those involved in developing the guidance was not completed during 2017/18. However, informal feedback from many of those involved was very positive. Based on this feedback, some enhancements were made to the guidance and a new version was published in June 2018. A formal survey will be completed in the first half of 2018/19 to canvas the views of our major partners including Federated Farmers members, forestry industry representatives and other land management users.

Output 1.3: Fire advice, permitting and enforcement

Our activities for this output include being an advocate and provider of expert advice on relevant aspects of the government's policy and legislative change programmes, including the design, implementation and maintenance of the new national fire permitting system.

Table 5: Core services – Fire advice, permitting and enforcement

Activity	Measure	Target	2017/18		2016/17	
			Actual	Target met?	Actual	
Act as an advocate and subject matter expert organisation on relevant aspects of the government policy and legislative change programme.	3.1.1 Provide at least three case studies where Fire and Emergency NZ has provided advice and information on relevant aspects of the government policy and legislative change programme.	30 June 2018	Achieved	✓	New measure	

Table 6: Actions to support our strategic priorities – Fire advice, permitting and enforcement

Activity	Measure	Target	2017/18		2016/17	
			Actual	Target met?	Actual	
Develop a compliance and enforcement policy.	3.2.1 Compliance and enforcement strategy in place.	30 June 2018	Achieved	✓	New measure	
Embed a national online fire-permitting system that is easy to use and effective for ourselves and our communities.	3.2.2 Fire permitting system implemented.	30 June 2018	Not achieved	✗	New measure	

Notes to Table 6

- 3.2.2 Due to the late identification of a security issue relating to the supplier's software, we were unable to implement the fire permitting system by 30 June 2018. Remedial work is being undertaken with the supplier and implementation is now expected in late 2018. We will continue to use the interim system until the national fire permitting system goes live.

Outcome 2: Reducing the consequences from emergencies




This year, we have responded to a wide range of emergency events, such as motor vehicle accidents, hazardous substances emergencies, natural disasters and medical emergencies.

Emergency service partnerships enable a more effective response to fire and non-fire emergencies, with the location of stations and increased traffic congestion being two key drivers of performance.

Output 2.1: Timely and professional response to fires

This output includes our operational responses to structure fires for which there are national service delivery guidelines. The guidelines provide targets to ensure that stations are located optimally, resources are deployed in an efficient way and processes are improved to minimise the overall response times to emergency incidents. The guidelines for, and results of, monitoring response times for structure fires are set out below.

Table 7: Core services – Timely and professional response to fires

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Responding to fires	4.1.1 Career crews respond to 85% of structure fires (excluding Private Fire Alarms (PFA) false alarms) within eight minutes.	85%	82%		83%
	4.1.2 Urban volunteer crews respond to 85% of structure fires (excluding PFA false alarms) within 11 minutes.	85%	87%		88%
	4.1.3 Record the number of fires responded to by rural fire forces.	Information only	1,077		New measure

Notes to Table 7

- 4.1.1 Response times for structure fires attended by career crews were three percentage points short of the 85 percent target. One of our challenges is related to incidents where distances cannot be covered within the response time due to factors such as the physical location of stations, the location of vehicles that respond while away from their stations and increasing traffic congestion (particularly in highly populated centres).
- 4.1.3 This is a new information only measure. It is being used to establish a baseline for recording the number of fires responded to by rural fire forces. As our activities become more integrated, we will continue to develop relevant performance measures for vegetation fires.

Table 8: Actions to support our strategic priorities – Timely and professional response to fires

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Identify gaps in operational equipment, technology and training, and begin making targeted investment to address these.	4.2.1 Gap analysis and investment plan complete for fleet, property, equipment and training requirements.	30 June 2018	Not achieved		New measure

Notes to Table 8

- 4.2.1 Good progress was made during the year in completing the fleet, property, equipment and training gap analysis. All areas were substantially completed except for equipment (due to the very large number of equipment assets that needed identifying).

Output 2.2: Timely and professional response to other emergencies

This output includes our operational responses to non-fire emergencies for which there are national service delivery guidelines. The guidelines provide targets to ensure that stations are located optimally, resources are deployed in an efficient way and processes are improved to minimise the overall response times to emergency incidents. The guidelines for monitoring response times to non-fire incidents, and results, are set out below.

Table 9: Core services – Timely and professional response to other emergencies

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Motor vehicle crashes	5.1.1 Crews from specialist resource locations respond to 90% of motor vehicle crashes within 30 minutes.	90%	97%	✓	97%
	5.1.2 Record the number of motor vehicle crashes responded to by rural fire fighters.	Information only	364	i	New measure
Medical emergencies	5.2.1 Career crews respond to 85% of medical emergencies within eight minutes.	85%	87%	✓	87%
	5.2.2 Urban volunteer crews respond to 85% of medical emergencies within 11 minutes.	85%	82%	✗	85%
	5.2.3 Record the number of medical emergencies responded to by rural fire forces.	Information only	699	i	New measure
Hazardous substances incidents	5.3.1 Crews from specialist resource locations respond to 85% of hazardous substances incidents within 60 minutes.	85%	96%	✓	New measure

Notes to Table 9

- 5.1.2 These are new information only measures. They are being used to establish a baseline for recording the number of motor vehicle crashes and medical emergencies responded to by rural fire forces. As our activities become more integrated, we will continue to develop relevant performance measures for non-fire emergencies.
- 5.2.2 Three of the four response time targets for non-fire emergencies were met. Urban volunteer crews responded to medical emergencies within 11 minutes in 82 percent of incidents. This was just three percentage points short of the 85 percent target. As noted above, in some instances it is not physically possible to travel the required distance within that timeframe, and the location of stations and increased traffic congestion are two key drivers of performance.

Table 10: Actions to support our strategic priorities – Timely and professional response to other emergencies

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Establish a high level of engagement with emergency sector partners and other relevant agencies that achieves greater coordination within the sector.	5.4.1 Achieve an annual external stakeholder engagement score of 7.8/10 or better.*	7.8/10 or better	Not achieved	✗	8.3

* The survey was conducted by Ignite Research.

Notes to Table 10

- 5.4.1 External stakeholder engagement survey was not conducted in 2017/18. It was completed in July 2018 and we achieved a score of 7.0 out of 10, a satisfactory result for the new integrated organisation's first year of operation.

Outcome 3: Increasing community resilience

We want our communities to be safer, stronger and more resilient by working with them to identify and provide services that are appropriate to their risks and needs.

We maintain our wider emergency management capability by:

- › maintaining our USAR capability
- › working with territorial authorities to be prepared for civil defence emergencies
- › membership on a range of local committees or groups tasked with preparing for, and responding to, non-fire emergency incidents.

Output 3.1: Specialist disaster recovery following major emergencies

We provide skilled and specialist responses to severe weather-related events, natural hazard events and disasters. This includes activities at national, regional and local levels, and planning and research relating to low-frequency, high-impact events such as earthquakes. We work with, and support, the operation of emergency management groups to ensure our obligations under the National Civil Defence Emergency Management Plan are met, and we participate in multi-agency training exercises to be prepared for responses to community-scale incidents.

Over the years we have made a large investment in USAR capability, with bases in Auckland, Palmerston North and Christchurch. USAR has a heavy team classification, which means we have the operational capability for difficult and complex technical search and rescue operations. USAR contributes and supports disaster assessment and response work both within New Zealand and internationally.

Table 11: Core services – Specialist disaster recovery following major emergencies

Activity	Measure	2017/18		2016/17	
		Target	Actual	Target met?	Actual
Provide a skilled and specialist response to severe weather-related events, natural hazard events, and disasters.	6.1.1 Establish a baseline of the number of personnel trained to CAT1R in urban search and rescue (USAR).	Baseline established	400	✓	New measure
	6.1.2 Report following annual exercise shows USAR operating at full effectiveness.	Full effectiveness	Achieved	✓	New measure

Notes to Table 11

- 6.1.1 An initial baseline has been established and there are almost 400 personnel trained to CAT1R level as at 30 June 2018. CAT1R is a general qualification issued to our people that meet the requirements for a core level of awareness and response capability in urban search and rescue. We have identified improvements needed to ensure our baseline is accurate and steps will be taken over the next year to build on the initial baseline and ensure an accurate record of CAT1R trained people is maintained.
- 6.1.2 The corrective actions outlined in the report following the annual USAR exercise were completed by 30 June 2018 and USAR is operating at full effectiveness.

Output 3.2: An engaged and equipped network of communities across New Zealand

Our activities within this output include essential emergency response capability across all our communities. We achieve this by maintaining a strong local presence throughout the country, helping communities to develop their capability to be safer, stronger and more resilient. This presence also helps us to identify and provide services that are appropriate to community-specific risks and needs.

Table 12: Core services – An engaged and equipped network of communities across New Zealand

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Provide essential emergency response capabilities to all New Zealand communities.	7.1.1 Percentage of the New Zealand population within nine minutes drive time from a station.	90%	93%	✓	New measure

Table 13: Action to support our strategic priorities – An engaged and equipped network of communities across New Zealand

Activity	Measure	2017/18			2016/17
		Target	Actual	Target met?	Actual
Publish a statement about how we will support the Crown in its Treaty of Waitangi relationships, to help support and improve our engagement with, and relevant outcomes for, Māori.	7.2.1 Statement about how we will support Treaty of Waitangi relationships to help support and improve our engagement with and relevant outcomes for Māori, is published.	30 June 2018	Not achieved	✗	New measure
Design a structure and approach for LACs so they are able to engage on behalf of their communities and effectively identify risks and needs. Establish at least one trial LAC, based on pilots.	7.3.1 At least one trial LAC is operating.	31 March 2018	Achieved	✓	New measure
	7.3.2 Recommendations stemming from the trial LAC have been developed.	30 June 2018	Achieved	✓	New measure
	7.3.3 By 31 May 2018, 80% of surveyed stakeholders involved in the trial LAC process indicate it was well run and that their views were heard.*	80%	100%	✓	New measure
Undertake public consultation to determine LAC boundaries.	7.4.1 Public consultation on LAC boundaries completed.	30 June 2018	Achieved	✓	New measure

* Key Findings & Recommendations Report, Hawke's Bay Local Advisory Committee Trial (June 2018).

Notes to Table 13

7.2.1 The statement 'Our commitment to working with Māori as tangata whenua' was approved by the Board in June 2018 and published on our website in July 2018.

Outcome 4: Building our organisational health and capability

We have embarked on building a new organisation with an inclusive, safety conscious culture and a workforce that reflects the diversity of the communities in which we serve. In building and shaping our new organisation, we are aiming for a fit-for-purpose, 21st century fire and emergency service that is well led, has a valued and supported workforce whose safety is paramount, and has the confidence and trust of communities and other partners.

In our first year, we have focused on ensuring the systems, processes and culture support our people to do their best for New Zealanders every day, including a range of activities designed to help us achieve our organisational health and capability priorities.

Table 14: Actions to support our strategic priorities

Activity	Measure	2017/18		2016/17	
		Target	Actual	Target met?	Actual
Design an operating model that:	8.1.1 Draft operating model completed.	30 June 2018	Achieved	✓	New measure
• establishes our operating principles					
• sets out how the new organisation will work					
• describes a flexible operational function with a strategic and well-run corporate function					
• identifies the skills and knowledge our people need for Fire and Emergency NZ to achieve its mission					
• includes a performance measurement, monitoring and reporting framework that supports greater transparency and improved decision-making					
• describes tools for the organisation to ensure that our people are well engaged in decision-making for the business.					
Undertake an engagement survey to provide a baseline measurement.	8.1.2 Engagement survey run and baseline target established.	30 June 2018	Not achieved	✗	New measure
Undertake consultation with the public and key stakeholders to provide analysis to the Department of Internal Affairs to support recommendations to cabinet on the next levy rates.	8.1.3 Public consultation on levy rates completed.	31 March 2018	Not achieved	✗	New measure
Develop our volunteerism strategy and commence implementation of the associated prioritised work programmes based on contemporary volunteer principles.	8.1.4 Volunteerism strategy developed.	31 March 2018	Not achieved	✗	New measure
	8.1.5 Published year one volunteer initiatives are delivered.	30 June 2018	Not achieved	✗	New measure

Activity	Measure	2017/18		2016/17	
		Target	Actual	Target met?	Actual
Administer an interim issues process for volunteers and capture the learnings to inform the future statutory disputes resolution scheme.	8.1.6 Conduct a preliminary review of the interim process. Findings of preliminary review to feed into future-state disputes resolution model.	31 December 2017	Achieved	✓	New measure
Develop health standards and associated processes to support the safety, health and wellbeing of our people.	8.1.7 Health standards and associated support processes developed.	30 June 2018	Not achieved	✗	New measure
Develop a recognition strategy for volunteer personnel, including a uniform approach to volunteer reimbursements and payments.	8.1.8 Priority components of the recognition strategy for volunteers identified and implementation commenced.	30 June 2018	Not achieved	✗	New measure
Engage with our people to develop the vision and values that will underpin Fire and Emergency NZ and shape our identity.	8.1.9 Engagement process completed.	30 June 2018	Not achieved	✗	New measure
Design and implement methodologies to identify and develop current and future leaders of Fire and Emergency NZ.	8.1.10 Complete pilots of the Strategic Leader and Senior Leader programmes.	30 March 2018	Not achieved	✗	New measure
Develop a strategy for an inclusive culture that promotes a supportive environment and fosters diversity within our workforce.	8.1.11 Inclusive culture strategy is in place. All levels of the organisation have been consulted on its development.	31 March 2018	Not achieved	✗	New measure
Develop a comprehensive brand strategy to fully implement all elements of our identity.	8.1.12 Brand strategy developed.	30 December 2017	Achieved	✓	New measure
Reduce the number of staff workplace injuries requiring more than seven days off work.	8.1.13 Number of staff workplace injuries requiring more than 7 days off work.	< 134	97	✓	122

Notes to Table 14

- 8.1.2 Our staff engagement survey was due to be completed by 30 June 2018, but has been deferred in order to consider the most appropriate timing, given the high number of activities and level of engagement needing to be undertaken across the organisation. We are yet to confirm when the next survey will be held.
- 8.1.3 After consultation with the sector, the Minister deferred the implementation of the new levy regime. Consultation will occur in the first half of 2019.
- 8.1.4 Our Board recommended, and the Minister approved, revised delivery dates for our Volunteerism strategy after detailed planning determined that 31 March 2018 was too ambitious a target. Our draft strategy was completed by 30 June 2018, with the final strategy to be in place by 31 December 2018. The reason for extending the delivery date was to ensure we had the right level of engagement and input from volunteers and the sector.
- 8.1.5 Of our 17 year one volunteer initiatives, 13 have been fully implemented and embedded across our organisation. The other initiatives are on track to be implemented throughout 2018/19.
- 8.1.7 A draft Health Standards paper was completed prior to 30 June 2018 and was approved by the Board in August 2018.
- 8.1.8 Identifying and implementing the priority components of our recognition strategy for volunteers has been delayed to provide for an adequate period of engagement. The work required to deliver this measure has linkages with our Volunteerism strategy. We received the Minister's decision to extend the date for our Volunteerism strategy. We also received the Minister's agreement to amend the delivery date for the components of our Recognition strategy from 30 June 2018 to having the components finalised by 31 December 2018, with implementation occurring during 2019.
- 8.1.9 The process for engaging with our people across our organisation on values has been completed. Our Board decided to defer the development of the new organisational Vision until early 2018/19 when the two new Board members were in place.
- 8.1.10 The Strategic Leadership Programme was launched on 26 February 2018 and will be completed by the end of October 2018. The Senior leadership programme is yet to commence.
- 8.1.11 We completed our Diversity and Inclusion strategy in June 2018. This was later than the target date of 31 March 2018 due to a delayed start with the project and the time required to engage with people and key partners.

Financial performance measures by output class

Table 15: Main financial measures

	2017/18		2016/17
	Actual \$000	SPE target \$000	Actual \$000
Levy Revenue	568,484	518,116	392,278
Total Revenue	612,262	534,876	417,727
Total Expense	496,348	498,745	423,571
Net Surplus attributable to Fire and Emergency NZ	115,914	36,131	(5,844)

Table 16: Output classes by levy revenue

	2017/18		2016/17
	Actual levy revenue \$000 GST excl.	Budget levy revenue \$000 GST excl.	Actual levy revenue \$000 GST excl.
1.0 Reduced likelihood of unwanted fire	71,605	77,749	52,480
1.1 Advice to industry and councils on building design	1,955	1,955	1,955
1.2 Fire safety education to the public	38,674	32,266	31,831
1.3 Fire permitting and enforcement	30,976	43,528	18,694
2.0 Reduced harm from emergencies	469,806	417,654	321,185
2.1 Timely and professional response to all fires	319,114	317,078	241,382
2.2 Timely and professional response to other emergencies	150,692	100,576	79,803
3.0 Resilient communities	27,073	22,713	18,613
3.1 Specialist disaster recovery following major emergencies	10,004	5,684	11,885
3.2 Urban search and rescue	17,069	17,029	6,728
4.0 Transition to Fire and Emergency NZ	–	–	–
4.1 Transition programme to establish Fire and Emergency NZ	–	–	–
Total Cost of Outputs	568,484	518,116	392,278

Table 17: Output classes by other revenue

	2017/18		2016/17
	Actual other revenue \$000 GST excl.	Budget other revenue \$000 GST excl.	Actual other revenue \$000 GST excl.
1.0 Reduced likelihood of unwanted fire	7,076	2,878	4,043
1.1 Advice to industry and councils on building design	142	500	92
1.2 Fire safety education to the public	3,704	1,036	2,022
1.3 Fire permitting and enforcement	3,230	1,342	1,929
2.0 Reduced harm from emergencies	32,260	13,118	20,234
2.1 Timely and professional response to all fires	19,097	8,932	15,202
2.2 Timely and professional response to other emergencies	13,163	4,186	5,032
3.0 Resilient communities	4,442	764	1,172
3.1 Specialist disaster recovery following major emergencies	2,008	176	748
3.2 Urban search and rescue	2,434	588	424
4.0 Transition to Fire and Emergency NZ	–	–	–
4.1 Transition programme to establish Fire and Emergency NZ	–	–	–
Total Cost of Outputs	43,778	16,760	25,449

Table 18: Output Classes by Total Expenditure

	2017/18		2016/17
	Actual total expenditure \$000 GST excl.	Budget total expenditure \$000 GST excl.	Actual total expenditure \$000 GST excl.
1.0 Reduced likelihood of unwanted fire	59,483	69,242	53,735
1.1 Advice to industry and councils on building design	1,620	1,601	1,537
1.2 Fire safety education to the public	32,127	30,147	32,592
1.3 Fire permitting and enforcement	25,736	37,494	19,606
2.0 Reduced harm from emergencies	390,987	381,890	328,861
2.1 Timely and professional response to all fires	265,806	260,036	247,150
2.2 Timely and professional response to other emergencies	125,181	121,854	81,711
3.0 Resilient communities	22,490	19,320	19,058
3.1 Specialist disaster recovery following major emergencies	8,311	5,115	12,169
3.2 Urban search and rescue	14,179	14,205	6,889
4.0 Integration to Fire and Emergency NZ	23,388	28,293	21,917
4.1 Transition programme to establish Fire and Emergency NZ	23,388	28,293	21,917
Total Cost of Outputs	496,348	498,745	423,571



FIRE AND EMERGENCY

FINANCIALS

Te Arotakenga pūtea



STATEMENT OF RESPONSIBILITY

Te tauākī haepapa

for the year ended 30 June 2018

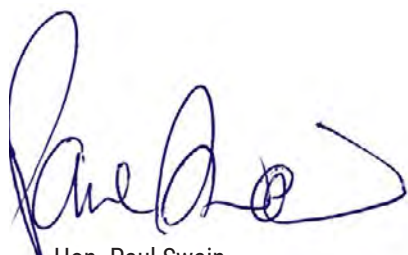
We are responsible for the preparation of the Board of Fire and Emergency NZ's financial statements and statement of performance, and for the judgments made in them.

We are also responsible for any end-of-year performance information provided by the Board of Fire and Emergency NZ under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operation of the Board of Fire and Emergency NZ for the year ended 30 June 2018.

Signed on behalf of the Board:



Hon. Paul Swain
Chair
31 October 2018



Dr Nicola Crauford
Deputy Chair
31 October 2018

INDEPENDENT AUDITOR'S REPORT

Te Rīpoata a te Kaiarotake Tūtahi

To the readers of Fire and Emergency New Zealand's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Fire and Emergency New Zealand (Fire and Emergency). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, of Fire and Emergency on his behalf.

Opinion

We have audited:

- the financial statements of Fire and Emergency on pages 73 to 129, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of Fire and Emergency on pages 13 to 31 and 52 to 65.

In our opinion:

- the financial statements of Fire and Emergency on pages 73 to 129:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information on pages 13 to 31 and 52 to 65:
 - presents fairly, in all material respects, Fire and Emergency's performance for the year ended 30 June 2018, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of Fire and Emergency for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of Fire and Emergency for assessing Fire and Emergency's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of Fire and Emergency, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to Fire and Emergency's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fire and Emergency's internal control.

- › We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- › We evaluate the appropriateness of the reported performance information within Fire and Emergency's framework for reporting its performance.
- › We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fire and Emergency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Fire and Emergency to cease to continue as a going concern.
- › We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 11, 33 to 51, 68, 72, and 130 to 133, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of Fire and Emergency in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out probity assurance engagements for five procurement contracts which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in Fire and Emergency.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

FINANCIAL COMMENTARY

Ngā kōrero ahumoni

The Board is able to report a surplus of \$115.9 million in the first year of Fire and Emergency NZ.

In addition to meeting the service delivery expectations of New Zealanders we have been able to make the required investment in technology, fleet and property, such as four new stations in Christchurch and numerous refurbishments across the country, as well as additional investment in our volunteers and rural infrastructure.

The surplus provides a solid platform for the investment still required in the new organisation's capability and infrastructure to meet changing demand and manage external uncertainty. Accordingly, we have created a capital infrastructure investment reserve of \$53.8 million (Note 7). This will enable the Board to accelerate the capital programme over the next three years ensuring that we can manage any risks, meet the Government's expectations for the integration of urban and rural services and rural infrastructure, as well as rectify previously deferred investment caused by the Christchurch earthquake. The planned programme is \$11.0 million in 2018/19, \$24.1 million in 2019/20 and \$18.7 million in 2020/21.

While satisfied with this solid financial position, the Board is conscious of the growing demand for services and the increasing expectations of New Zealanders. We anticipate increasing numbers of incidents related to climate change including floods and wildfires which are both unpredictable and expensive. With relatively limited powers to borrow, we need to hold sufficient cash and investments to manage fluctuations in our levy income and be able to respond to major emergencies without unnecessarily seeking government assistance or varying the levy paid by New Zealanders.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2018

	Note	2018		2017
		Actual \$000	Unaudited budget* \$000	Actual \$000
Revenue				
Levy	2	568,484	518,116	392,278
Interest revenue	2	2,897	925	1,747
Other revenue	2	40,881	15,835	23,702
Total revenue		612,262	534,876	417,727
Expense				
Employee and volunteer benefits expense	3	320,202	322,891	271,472
Depreciation	11	43,818	41,377	37,714
Amortisation	12	4,106	3,337	2,606
Finance costs	4	571	689	292
Other expense	5	127,425	120,626	97,350
Rural Firefighting Fund claims expense	6	226	9,825	14,137
Total expense		496,348	498,745	423,571
Net surplus/(deficit) attributable to the Board		115,914	36,131	(5,844)
Other comprehensive revenue and expense				
Gains/(losses) on revaluation of land and buildings net of impairment losses	17	103,054	14,784	49,207
Total other comprehensive revenue and expense		103,054	14,784	49,207
Total comprehensive revenue and expense		218,968	50,915	43,363

The accompanying notes on pages 77 to 129 form part of these financial statements and explanations of significant variances are provided within them.

* Budget figures were approved by the Board on 22 June 2017.

Statement of Financial Position

as at 30 June 2018

	Note	2018		2017
		Actual \$000	Unaudited budget* \$000	Actual \$000
Assets				
Current assets				
Cash and cash equivalents	7	103,855	44,237	48,125
Trade and other receivables	8	122,950	114,192	86,548
Prepayments	9	2,708	1,258	1,857
Non-current assets held for sale	10	223	–	898
Total current assets		229,736	159,687	137,428
Non-current assets				
Property, plant and equipment	11	925,472	770,069	761,783
Intangible assets	12	19,712	15,130	14,581
Total non-current assets		945,184	785,199	776,364
Total assets		1,174,920	944,886	913,792
Liabilities				
Current liabilities				
Trade and other payables	13	39,428	27,164	37,893
Employee and volunteer benefits	14	42,910	32,786	33,550
Borrowings	15	13,641	1,738	9,896
Provisions	16	1,702	1,852	1,785
Total current liabilities		97,681	63,540	83,124
Non-current liabilities				
Employee and volunteer benefits	14	40,860	39,764	38,428
Borrowings	15	46,168	11,014	23,136
Provisions	16	2,264	2,598	2,291
Total non-current liabilities		89,292	53,376	63,855
Total liabilities		186,973	116,916	146,979
Net assets		987,947	827,970	766,813
Equity				
Accumulated funds		622,442	604,257	559,687
Seismic resilience reserve	7	19,788	–	21,245
Capital infrastructure investment reserve	7	53,750	–	–
Crown funding injection	15	3,263	55,356	1,097
Revaluation reserves	17	288,704	168,357	185,810
Rural Firefighting Fund	6	–	–	(1,026)
Total equity		987,947	827,970	766,813

The accompanying notes on pages 77 to 129 form part of these financial statements and explanations of significant variances are provided within them.

* Budget figures were approved by the Board on 22 June 2017.

Statement of Changes in Equity

for the year ended 30 June 2018

	Note	2018		2017
		Actual \$000	Unaudited budget* \$000	Actual \$000
Equity at beginning of year				
Accumulated funds		559,687	567,496	559,208
Seismic resilience reserve		21,245	–	23,345
Crown funding injection		1,097	25,951	–
Revaluation reserves	17	185,810	153,573	139,219
Rural Firefighting Fund		(1,026)	630	581
Total equity at beginning of year		766,813	747,650	722,353
Changes in equity during year				
Transfers from Statement of Comprehensive Revenue and Expense				
Accumulated funds		114,888	36,761	(4,237)
Revaluation reserves	17	103,054	14,784	49,207
Rural Firefighting Fund	6	1,026	(630)	(1,607)
Total comprehensive revenue and expense		218,968	50,915	43,363
Transfers to reserves				
Accumulated funds	7	(52,293)	–	2,100
Seismic resilience reserve	7	(1,457)	–	(2,100)
Capital infrastructure investment reserve	7	53,750	–	–
Total transfers to reserves		–	–	–
Transfers from disposal of land and buildings				
Accumulated funds	17	160	–	2,616
Revaluation reserves	17	(160)	–	(2,616)
Total transfers from disposal of land and buildings		–	–	–
Crown funding injection				
Fair value write-down		2,166	29,405	1,097
Total Crown funding injection		2,166	29,405	1,097
Total changes in equity during year		221,134	80,320	44,460
Equity at end of year				
Accumulated funds		622,442	604,257	559,687
Seismic resilience reserve	7	19,788	–	21,245
Capital infrastructure investment reserve	7	53,750	–	–
Crown funding injection	15	3,263	55,356	1,097
Revaluation reserves	17	288,704	168,357	185,810
Rural Firefighting Fund	6	–	–	(1,026)
Total equity at end of year		987,947	827,970	766,813

The accompanying notes on pages 77 to 129 form part of these financial statements and explanations of significant variances are provided within them.

* Budget figures were approved by the Board on 22 June 2017.

Statement of Cash Flows

for the year ended 30 June 2018

	Note	2018		2017
		Actual \$000	Unaudited budget* \$000	Actual \$000
Cash flows from operating activities				
Receipts from levy		527,308	485,500	387,810
Receipts from other revenue		28,873	15,835	13,848
Interest received		2,897	925	1,779
Net GST received/(paid)		2,726	2,966	(2,110)
Payments to employees and volunteers		(308,941)	(320,097)	(270,187)
Payments to suppliers for goods and services		(128,715)	(122,350)	(101,398)
Net cash flows from operating activities	18	124,148	62,779	29,742
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		1,588	1,355	12,076
Proceeds from sale of property, plant and equipment – finance lease		–	–	7,719
Purchase of intangible assets		(8,038)	(2,698)	(11,186)
Purchase of property, plant and equipment		(89,521)	(78,455)	(57,149)
Net cash flows from investing activities	11	(95,971)	(79,789)	(48,540)
Cash flows from financing activities				
Interest paid		(513)	(592)	(108)
Payments on finance leases		(1,254)	(1,322)	(1,687)
Net proceeds/(repayments) of Crown funding injection	15	29,320	29,405	25,961
Sales and lease back of assets		–	6,000	–
Net cash flows from financing activities		27,553	33,491	24,166
Net increase/(decrease) in cash and cash equivalents		55,730	16,472	5,368
Cash and cash equivalents at beginning of year		48,125	27,765	42,757
Cash and cash equivalents at end of year	7	103,855	44,237	48,125

The accompanying notes on pages 77 to 129 form part of these financial statements and explanations of significant variances are provided within them.

* Budget figures were approved by the Board on 22 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

Ngā pitopito kōrero mō ngā arotakenga pūtea

1. Statement of Accounting Policies

Reporting entity

The Board of Fire and Emergency NZ is a body constituted under the Fire and Emergency New Zealand Act 2017 (the Act). Fire and Emergency NZ is a Crown entity as defined by the Crown Entities Act 2004. The primary objective of the organisation is to reduce the incidence of unwanted fire and the associated risk to life and property, and through its main and additional functions to protect and preserve life, prevent or limit injury, and to prevent or limit damage to property, land and the environment. The organisation's functions are for community benefit rather than to make a financial return. The organisation has designated itself as a public benefit entity (PBE) for financial reporting purposes.

These financial statements for the organisation are for the year ended 30 June 2018 and were authorised for issue by the Board on 31 October 2018.

These financial statements for Fire and Emergency NZ are its first set of accounts since its amalgamation. The new organisation is an amalgamation of the New Zealand Fire Service, the National Rural Fire Authority (NRFA) (which were both part of the New Zealand Fire Service Commission (the Commission)) and 38 Rural Fire Authorities (RFAs), including Enlarged Rural Fire Districts (ERFDs).

Basis of preparation

Statement of compliance

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). They have also been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective and not early adopted

In January 2017, the External Reporting Board (XRB) issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for financial periods beginning on or after 1 January 2021. The Treasury has decided to adopt this standard early. Fire and Emergency NZ will early adopt PBE IFRS 9 for the 30 June 2019 financial year to be consistent with the Crown's accounting policy for financial instruments. Fire and Emergency NZ has not yet assessed in detail the impact of the new standard but, based on initial assessment, anticipates there will not be any material effect on the financial statements.

In April 2017, the XRB issued Impairment of Revalued Assets (amendments to PBE IPSASs 21 and 26), which is effective for reporting periods on or after 1 January 2019. The standard clearly scopes in revalued property, plant and equipment in the impairment accounting standards. The organisation has not early adopted these amendments in preparing its 30 June 2018 financial statements and expects there will be no effect in applying these amendments.

PBE FRS 48 Service Performance Reporting was issued in November 2017 and establishes new requirements for PBEs for presenting service performance information. PBE FRS 48 will be effective for reporting periods on or after 1 January 2021.

PBE IPSAS 39 Employee Benefits was issued in May 2017 to align the requirements for employee benefits with those in IPSAS 39, and replaces the current employee benefits standard PBE IPSAS 25. The new standard is effective for reporting periods on or after 1 January 2019.

Changes in accounting policies

There were no changes in accounting policies during the financial year.

Comparative information

When the presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period, unless it is impracticable to do so.

The Act has stated that Fire and Emergency NZ is the same body as the Commission. Consequently, the financial statements of Fire and Emergency NZ should reflect a continuation of the Commission. Comparatives for the year ended 30 June 2017 are the results and position previously reported by the Commission.

Summary of significant accounting policies

Significant accounting policies are included in the note to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Volunteer services

The operations of the organisation are dependent on the services provided by volunteer firefighters. Their contributions are essential to the provision of a comprehensive, efficient and effective emergency service throughout New Zealand. Volunteer services received are not recognised as revenue or expense by the organisation due to the difficulty of measuring the fair value with reliability.

Foreign currency transactions

Foreign currency transactions are translated into NZD (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis by the organisation are measured at cost, adjusted, when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal cost, the cost is deemed to be the current replacement cost at the date of acquisition. The amount of any write-down for the loss of service potential is recognised in the surplus or deficit in the period of the write-down.

Equity

Equity is the public's interest in the organisation and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the organisation. The components of equity are accumulated funds, other reserves, contributed capital, revaluation reserves and the Rural Firefighting Fund (RFFF). Revaluation reserves relate to the revaluation of property, plant and equipment to fair value.

Statement of Cash Flows

The makeup of cash and cash equivalents for the purposes of the Statement of Cash Flows is the same as cash and cash equivalents in the Statement of Financial Position. The Statement of Cash Flows has been prepared using the direct approach subject to the netting of certain cash flows.

Goods and Services Tax (GST)

Figures reported in the financial statements are GST exclusive with the exception of receivables and payables, which are disclosed GST inclusive. Where GST is not recoverable, it is recognised as part of the related asset or expense. The net amount of any GST balance, either recoverable or payable to the Inland Revenue Department (IRD), is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed as GST exclusive. The Statement of Cash Flows has been prepared on a net GST basis, with cash receipts and payments presented GST exclusive. A net GST presentation has been chosen to be consistent with the presentation of the Statement of Comprehensive Revenue and Expense and Statement of Financial Position. The net GST paid to or received from IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Income tax

The organisation is exempt from income tax in accordance with both the Income Tax Act 2007 and the Fire and Emergency New Zealand Act 2017. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures were approved by the Board on 22 June 2017 as part of the 2017/18 SPE. The budget figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

Expense allocation

The organisation allocates expense to outputs as follows:

- › Direct expenditure is calculated by allocating direct costs to specific outputs, as well as via resource allocations based on time spent at incidents.
- › Indirect costs, excluding Output 4.0 Integration, are allocated to outputs based on the proportion of direct expenditure.

Revenue allocation

The allocation of revenue to outputs is as follows:

- › Levy revenue is allocated to each output based on the proportion of expenditure allocated to the outputs.
- › Non-levy revenue that is directly related to outputs is allocated to those outputs.
- › An amount that cannot be directly related to outputs is allocated to outputs (except Output 4.0 Integration) based on the proportion of gross expense allocated to the outputs.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with PBE IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expense. The estimates and associated assumptions are based on 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 underlying assumptions are also reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they were revised. Any revision affecting future periods is recognised in the periods affected. Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements when they occur.

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- › Property, plant and equipment, and intangible assets' useful lives and residual values – refer to Notes 11 and 12.
- › Long service leave and gratuities – refer to Note 14.

Critical judgements in applying the organisation's accounting policies

Management has exercised the following critical judgements in applying the organisation's accounting policies for the year ended 30 June 2018: Lease classification – refer to Note 15.

2. Revenue

Accounting policy

The organisation measures revenue at the fair value of consideration received or receivable. Specific accounting policies for major categories of revenue are outlined below.

Levy

The organisation recognises levy revenue on an accrual basis as per the requirement of PBE IPSAS 23.

Levy receipts are regarded as non-exchange transactions, as the payment of levy does not of itself entitle a levy payer to an equivalent value of services or benefits because there is no relationship between paying levy and receiving services from the organisation.

Provision of services

Revenue derived from providing services to third parties (such as monitoring private fire alarms) is recognised in the financial year in which the services are provided.

Interest revenue

The organisation recognises interest revenue using the effective interest rate method, which recognises interest as earned.

Rental revenue

Rental received under operating leases is recognised as revenue on a straight-line basis over the term of the lease.

Donated assets

Where a physical asset is acquired for no cost or nominal cost, the fair value of the asset received is recognised as revenue only when the organisation has control of the asset.

Where a physical asset is gifted to or acquired by the organisation for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition and age.

Business combination

The amalgamation to establish Fire and Emergency NZ is a business combination within the scope of PBE IFRS 3 Business Combinations. Fire and Emergency NZ has been deemed to have acquired the assets and liabilities of the RFAs at the acquisition date 1 July 2017. Consequently, the acquisition method of accounting has been used to account for the transfer of asset and liabilities from the RFAs (PBE IFRS 3). Identifiable assets acquired and liabilities and contingent liabilities assumed have been measured initially at their fair values at acquisition date.

The excess of the fair value of the net assets acquired over the consideration paid is recorded as fair value of transferred assets revenue. Any acquisition-related costs are expensed as incurred.

Breakdown of revenue and further information

i) Levy

	2018		2017
	Actual \$000	Unaudited budget* \$000	Actual \$000
Levy contributions	567,376	517,726	391,280
Penalty interest	860	285	521
Penalty surcharge	248	105	477
Total levy revenue	568,484	518,116	392,278

Reconciliation between cash flow and levy revenue

	Note	2018	2017
		Actual \$000	Actual \$000
Cash flows from receipts from levy		527,308	387,810
Deduct levy receivables at beginning of year	8	(79,782)	(75,651)
Add levy receivables at end of year	8	121,462	79,782
Add levy in advance at beginning of year	13	469	806
Deduct levy in advance at end of year	13	(973)	(469)
Total levy revenue		568,484	392,278

Levy contributions

Levy revenue was 9.7 percent (\$50.4 million) over budget for the year. To meet the timeframes required for consultation on the rate of levy, the recommended rate of levy was calculated well in advance of the end of the 2016/17 financial year. As a result, the budgets did not reflect the growth in the levy base experienced during the last half of 2016/17. The variance from budget was also due to an unexpected levy settlement and an unprecedented level of contract work insurance policies resulting from a higher than expected level of economic activity. Excluded are levies paid by the organisation on their own insurances during the year, which amounted to \$0.6 million (2017: \$0.5 million).

Levies are paid to the Board two months after they have been earned. This means that levies earned in May and June each year are not received in cash until July and August. In periods where levy rates change (levies increased from 7.6 cents to 10.6 cents on 1 July, 2017), levies collected per the Statement of Cash Flows are significantly less than levies reflected in the Statement of Comprehensive Revenue and Expense. The green row in the table below shows the levies that would be collected in cash in the 2017/18 financial year (two months collected at 7.6 cents and 10 months at 10.6 cents). The red row shows that through the Statement of Comprehensive Revenue and Expense 12 months of levies are recorded at 10.6 cents. The difference between levies collected for two months at 7.6 cents and two months at 10.6 cents amounted to approximately \$33 million.

	2016/17		2017/18												2018/19	
	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A
Levies collected	7.6	7.6	7.6	7.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6
Levies accrued	7.6	7.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6

Penalty interest and surcharge

Penalty interest and surcharge receipts were \$1.1 million (2017: \$1.0 million), which was in excess of budget. These are determined by the number of levy payers who contravene the levy provisions, as well as the timeframe and size.

ii) Interest revenue

Interest revenue was over budget by \$2.0 million (2017: \$0.1 million). This was primarily due to the higher cash and cash equivalent balances. Interest rates were stable throughout the year.

iii) Breakdown of other revenue and further information

	Note	2018		2017
		Actual \$000	Unaudited budget* \$000	Actual \$000
False alarms		(315)	–	4,844
Good corporate citizen contributions		2,299	–	2,306
Public good contributions		10,000	10,000	–
Monitoring private fire alarms		2,037	1,779	1,963
Sponsorship		–	20	18
Commercial services		–	500	727
Insurance proceeds		7	–	35
Rural Firefighting Fund		119	–	851
Gain on disposal of property, plant and equipment	18	689	–	5,566
Rental revenue		416	458	474
Amortisation of gain on sale and leaseback	18	–	–	92
Donations		958	–	1,021
Net foreign exchange gains	18	–	–	8
Deployment recovery		2,917	–	–
Fair value of transferred assets	18	16,931	–	–
Miscellaneous revenue		4,823	3,078	5,797
Total other revenue		40,881	15,835	23,702

False alarms

As a result of a change in the legislation, Fire and Emergency NZ no longer recovers costs for attending false alarms. No income was charged during this financial year as these costs are now met by levy. Credits were issued for invoices raised in 2016/17 and prior financial years, resulting in the reversal of \$0.3 million revenue recognised in earlier years.

Good corporate citizen contributions

During the year, the organisation received good citizen contributions from Housing New Zealand, BP Oil New Zealand Limited, the Reserve Bank of New Zealand and the New Zealand Police. These organisations do not have an obligation to pay the fire and emergency levy but choose to make a contribution to the organisation to assist with the provision of essential services.

Public good contributions

The Crown contributed \$10.0 million to Fire and Emergency NZ to assist the funding of activities related to medical emergencies, services to the public and the New Zealand Police, rescue and other emergencies, domestic and commercial water services, and wider emergency management.

Commercial services

Revenue in this category is predominantly generated from building advisory services, relating to the number of building evacuation plans submitted for review. Changes to the legislation covering Fire and Emergency NZ mean that we no longer charge for this service. Instead, the costs of this aspect of our operations are met by levy.

Gain on disposal of property, plant and equipment

Land at Wanaka, which had been identified as surplus to the organisation's requirements, was sold during this financial year. The sale resulted in a gain on disposal of \$0.6 million. Fire appliances and motor vehicles that had reached the end of their operational life were disposed of on the open market. The gain on fire appliance and motor vehicle disposals was \$0.1 million.

Rural Firefighting Fund

Included above are residual receipts paid to the RFFF for claims prior to 1 July 2018. The fund was disestablished on 30 June 2017; however, the wind up continues into the 2018/19 financial year and probably beyond. For an overview of these receipts, refer to Note 6: Net surplus/(deficit) attributable to the Rural Firefighting Fund.

Donations

The favourable variance against budget in this category was a consequence of non-cash capital expenditure donations and cash contributions of \$0.3 million from brigades and Selwyn District Council of \$0.6 million towards the West Melton Fire Station.

Deployment recovery

Fire and Emergency NZ deployed 80 firefighters and incident management specialists to help contain wildfires raging in Canada in August 2017. New Zealand has an agreement with Canada to supply mutual support via the CIFFC and the deployment followed a formal request from the CIFFC. The deployment recovery represents the recovery of our costs for this deployment from the Canadian Government. Costs associated with the deployment are included in the appropriate expense categories.

Fair value of transferred assets

Assets and liabilities transferred from the RFAs on amalgamation are recognised at their fair value at the acquisition date 1 July 2017. The fair value of transferred assets revenue represents the excess of the fair value of the net assets transferred from RFAs over the consideration paid. No consideration was paid. The following net assets were transferred:

	Note	2018	2017
		\$000	\$000
Cash and cash equivalents		2,517	–
Trade and other receivables		337	–
Prepayments		5	–
Property, plant and equipment	11	15,708	–
Intangible assets	12	1,201	–
Trade and other payables		(1,446)	–
Employee and volunteer benefits		(514)	–
Borrowings	15	(877)	–
Fair value of transferred assets		16,931	–

If the amalgamation had not been assessed as a business combination, the pooling of interests method would have been used rather than the acquisition method. In this case, assets and liabilities would be recorded at their existing carrying value without any fair value adjustment and no fair value of transferred assets revenue would have been recognised. Instead, the difference between the consideration paid and the carrying value of the transferred assets would be recognised as equity.

Differences between the acquisition method and pooling of interests method are shown below:

	2018	
	Acquisition \$000	Pooling \$000
Property, plant and equipment	15,708	15,231
Other transferred assets and liabilities	1,223	1,223
Fair value of transferred assets revenue	(16,931)	–
Equity	–	(16,454)

Miscellaneous revenue

Revenue was \$0.8 million higher than budgeted mainly due to an unbudgeted \$0.6 million reimbursement from KiwiRail for the Broken River fire and \$1.4 million cost recovery from third party usage of the Fire and Emergency NZ paging network.

3. Employee and volunteer benefits expense

Accounting policy

Superannuation schemes

Defined contribution schemes

Contributions to KiwiSaver, the State Sector Retirement Savings Scheme, the New Zealand Fire Service Superannuation Scheme and the National Provident Fund are accounted for as defined contribution superannuation schemes and are expensed in the Statement of Comprehensive Revenue and Expense as they fall due.

Defined benefit schemes

The organisation makes contributions to the National Provident Fund Defined Benefit Plan Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. It is not possible to determine from the terms of the scheme the extent to which the surplus/(deficit) will affect future contributions by individual employers, as there is no prescribed basis for allocation.

Although this is a defined benefit scheme, there is insufficient information to account for the scheme as a defined benefit scheme. Therefore, the scheme is accounted for as a defined contribution scheme.

Breakdown of personnel costs and further information

	2018		2017
	Actual \$000	Unaudited budget \$000	Actual \$000
Salaries and wages	251,414	252,527	222,404
Employer contributions to defined contribution plans	20,276	21,060	18,178
ACC levies	936	1,593	621
Other employee and volunteer benefits expense	47,576	47,711	30,269
Total employee and volunteer benefits expense	320,202	322,891	271,472

Although there were differing variances under the various categories that make up personnel costs, overall personnel costs as a whole were \$2.7 million below budget. Explanations for the variances in the various categories are provided below.

Salaries and wages

Salaries and wages came in under budget but were higher than last year mainly due to the additional head count resulting from the amalgamation to form Fire and Emergency NZ. Also contributing to the outcome was the additional \$3.8 million (2017: \$2.7 million) for estimated holiday pay remediation payments, bringing the provision to \$7.0 million (2017: \$3.2 million). This provision covers liabilities due to employees arising from payments made in the last seven years that were not compliant with the Holidays Act. Total salaries and wages attributable to the Integration Project were \$2.8 million (2017: \$2.7 million) against a budget of \$2.7 million.

Employer contributions to defined contribution plans

The increase from the previous year was due to the additional headcount resulting from the amalgamation to form Fire and Emergency NZ. Employer contributions to defined contribution plans include contributions to KiwiSaver, the State Sector Retirement Savings Scheme, the New Zealand Fire Service Superannuation Scheme and the National Provident Fund Defined Benefit Plan Scheme.

Accident Compensation Corporation (ACC) levies

ACC levies were favourable against budget due to the reduction of the ACC Partnership Programme (ACPP) liability as a consequence of the annual actuarial valuation of the liability.

Other employee and volunteer benefits expense

The other employee and volunteer benefits expense was slightly under budget but \$17.3 million higher than last year mainly due to the additional costs of the larger amalgamated organisation, along with a \$4.3 million increase in gratuities (for both paid personnel and volunteers) and long service leave due to the annual actuarial valuation. Included in this cost are contractors used for short-term roles. Total other employee and volunteer benefits expense attributable to the Integration Project was \$14.7 million (2017: \$13.7 million) against a budget of \$19.7 million. The underspend was primarily due to a greater use of seconded staff and external consultants rather than budgeted contractors.

Remuneration of employees

	2018	2017
Total remuneration paid or payable	Actual	Actual
\$100,000 – \$109,999	351	324
\$110,000 – \$119,999	240	196
\$120,000 – \$129,999	189	173
\$130,000 – \$139,999	153	140
\$140,000 – \$149,999	104	64
\$150,000 – \$159,999	60	33
\$160,000 – \$169,999	28	10
\$170,000 – \$179,999	24	11
\$180,000 – \$189,999	9	7
\$190,000 – \$199,999	9	4
\$200,000 – \$209,999	6	8
\$210,000 – \$219,999	3	3
\$220,000 – \$229,999	3	2
\$230,000 – \$239,999	5	–
\$240,000 – \$249,999	1	5
\$250,000 – \$259,999	2	–
\$260,000 – \$269,999	1	–
\$280,000 – \$289,999	1	5
\$290,000 – \$299,999	1	–
\$310,000 – \$319,999	1	–
\$320,000 – \$329,999	1	–
\$380,000 – \$389,999	1	1
\$450,000 – \$459,999 (Chief Executive)	1	1
Total employees	1,194	987

Of the 207 count increase, 58 employees were from National Headquarters or Region management and a further 149 were from regional operations. There were 24 employees who commenced part way through 2016/17 and have now moved into this category having completed a full year.

The remuneration values disclosed above include overtime payments. Consequently, events such as severe weather where firefighters work extra hours to attend weather-related call outs over the period of the event have an impact on the number of employees that then go over the \$100,000 banding.

Cessation payments

Gratuities were paid out in accordance with the Act to employees who leave Fire and Emergency NZ following a minimum of 10 years' service. There were 74 employees (2017: 60 employees) and 133 volunteers (2017: 139 volunteers) who received gratuities, costing a total of \$2.4 million (2017: \$2.1 million) and \$0.3 million (2017: \$0.3 million) respectively.

During the year, five employees were paid severances costing \$0.2 million (2017: 0 employees, \$nil).

Remuneration of the Board and Committee members

		2018	2017
		Actual \$000	Actual \$000
Hon. Paul Swain	Chair		
Base fee		66	61
Temporary member's fee – FY17/18		31	–
Temporary member's fee – FY16/17*		20	–
Dr Nicola Crauford	Deputy Chair		
Base fee		33	30
Temporary member's fee – FY17/18		20	–
Temporary member's fee – FY16/17*		20	3
Te Arohanui Cook	Member		
Base fee		26	24
Temporary member's fee – FY17/18		29	–
Temporary member's fee – FY16/17*		5	–
Peter Drummond	Member		
Base fee		26	24
Temporary member's fee – FY17/18		26	–
Temporary member's fee – FY16/17*		8	–
Angela Hauk-Willis	Member		
Base fee		32	27
Temporary member's fee – FY17/18		22	–
Temporary member's fee – FY16/17*		9	–
Total remuneration of the Board		373	169
Angela Hauk-Willis (Audit and Risk Committee)	Chair	–	–
Peter Taylor (Audit and Risk Committee)	Independent Member	8	6
Total for year		381	175

* The 2016/17 temporary member's fees should have been accounted for in the 2016/17 financial year. They were not and as such have been disclosed separately in the table.

Due to the increased complexity in function of the Board's work in continuing to lead the transition to Fire and Emergency NZ and the additional time commitment of Board members, Cabinet approved a temporary additional member's fee for all Board members up to a maximum of 40 days per annum from 1 January 2017 to 31 March 2018. The majority of these extra duty fees (\$0.2 million) were paid in the current financial year, including \$0.07 million relating to the previous financial year. All members also received a 10 percent increase in their base annual fees, effective 1 January 2017.

During the year, no transactions were entered into with any member of the Board other than for the payment of their fees and the reimbursement of their expenses, and no members received any other compensation or benefits relating to cessation (2017: \$nil).

An interest register is maintained for members of the Board so that there is transparency and full disclosure, and a range of insurance cover is in place for Board and Committee members' liabilities.

4. Finance costs

Accounting policy

Borrowing costs are expensed in the financial year in which they are incurred.

	Note	2018		2017
		Actual \$000	Unaudited budget \$000	Actual \$000
Finance charge on finance leases	18	499	522	230
Other		72	167	62
Total finance costs		571	689	292

Finance charges on finance leases were under budget but higher than the previous year primarily due to the full year impact of the leasing of Incident Ground Command (IGC) radios.

5. Other expense Breakdown of other expense and further information

	Notes	2018		2017
		Actual \$000	Unaudited budget \$000	Actual \$000
Auditors – Audit NZ fees for other services		44	44	29
Auditors – Audit NZ fees for statutory audit		232	215	200
Other audit fees for other services		7	50	57
Clothing and other consumables		11,867	13,678	8,569
Communications		9,350	9,178	8,016
Computer maintenance and support		12,402	13,743	8,862
Fleet		19,492	18,400	13,517
Grants		4,104	3,897	6,094
Hire of aerial services		3,400	13	278
Impairment of receivables		(254)	–	229
Insurance		2,236	2,311	1,374
Loss on disposal of property, plant and equipment	18	326	–	228
Occupancy		23,360	20,810	17,901
Printing, stationery and postages		1,933	1,672	1,611
Professional fees and consultants		8,497	6,744	6,697
Publicity and advertising		4,782	6,746	5,243
Purchase of equipment < \$1K		2,548	2,013	1,244
Remuneration of Commission and Committee members	3	381	366	175
Repairs and maintenance		3,517	3,578	3,087
Research and development		1,283	1,109	1,128
Travel		12,813	12,366	9,400
Other expense		5,105	3,693	3,411
Total other expense		127,425	120,626	97,350

Auditors – Audit NZ fees for other services

This expense category is for Audit NZ fees for services other than the statutory audit of Fire and Emergency NZ, and comprises mainly of fees for the review of procurement contracts.

Clothing and other consumables

This category had a favourable variance of \$1.8 million against budget due to a slower roll out of uniforms to rural staff than anticipated. This was in part due to the unavailability of protective clothing that met the Wildland Firefighting standards. Costs were \$3.3 million higher than last year mainly due to additional spend on foam, clothing and consumables relating to the amalgamation of the rural operations. Other factors contributing to the variance were clothing and consumables for extra career recruit courses and clothing for USAR.

Communications

Communications costs were overspent against budget by \$0.2 million. Costs were \$1.3 million higher than last year mainly due to the costs of the new paging network and increased charges for use of the New Zealand Police radio network. The paging network is used to transmit time-critical 111 messages to enable firefighters to turn out to emergency incidents. Costs of \$1.5 million for the paging network were offset by \$1.4 million revenue recorded in miscellaneous revenue.

Computer maintenance and support

This category had a favourable variance of \$1.3 million against budget due to delays in the new rural network and mobility project for volunteers. The mobility project was delayed due to hardware and software issues; therefore, it was decided not to hold the planned nine station pilot at the end of the 2017 calendar year. Costs were \$3.5 million higher than last year due to increased software maintenance and support costs with the larger organisation.

Fleet

Fleet costs were \$1.1 million unfavourable to budget due to additional costs for rebranding appliances and higher fuel prices. Budget for the fuel was included in the RFFF claims expense (Note 6). Costs were \$6.0 million higher than last year mainly due to the additional costs of maintaining a larger fleet, of which \$3.6 million (2017: \$2.3 million) related to operating leases on motor vehicles. This increase can be attributed to the additional leased vehicles required for the bigger organisation.

Grants

Grants were over budget by \$0.2 million but \$2.0 million lower than last year due to RFA funding no longer being required with the amalgamation of these entities to form Fire and Emergency NZ.

Hire of aerial services

This category is for aerial resources (helicopter, fixed wing aircraft) that are required to suppress fires, including the Chatham Islands, Mt Aspiring and Tīwai Point rural fires. The budget for these costs are included in the RFFF claims expense (Note 6).

Impairment of receivables

The impairment of receivables expense was in credit due to a \$0.5 million reduction in the provision for impairment of trade and other receivables (Note 8) netted off by \$0.2 million of bad debts written off. Aged debtors over 120 days are regarded as impaired and provided for at year end. The reduction in the provision from the prior year was mainly due to the credit of false alarm invoices previously provided for (Note 2), as the organisation no longer recovers the costs of attending false alarms.

Insurance

Insurance costs were close to budget but \$0.9 million higher than last year mainly due to additional insurance for vehicles and other assets transferred on amalgamation and additional personal accident insurance for the increased number of employees.

Occupancy

Occupancy costs were \$2.6 million unfavourable to budget due to remedial property repairs and maintenance. Costs increased \$5.5 million from last year mainly due to the leasing of additional office space and associated utility costs for increased staff. Occupancy operating lease costs for the year were \$4.0 million (2017: \$3.2 million). Total occupancy costs attributable to the Integration Project were \$0.5 million (2017: \$0.4 million) against a budget of \$0.4 million.

Professional fees and consultants

This category had an unfavourable variance of \$1.8 million against budget. \$1.0 million related to higher than expected use of consultants for various work, including two Operations and Performance reviews and the set up of an Enterprise Portfolio Management Office (EPMO). The other \$0.8 million variance was related to the Integration Project, which spent \$2.8 million (2017: \$1.6 million) against a budget of \$2.0 million. This variance was mainly due to the decision to use external support on developing the Target Operating Model.

Publicity and advertising

Publicity and advertising costs were \$2.0 million favourable to budget primarily due to the advertising campaigns 'Escape My Home' and 'Recruitment' not occurring as planned in the 2017/18 financial year. Other factors were underspend in publications and lower than expected costs for initial branding concepts and rural promotions. Costs were \$0.5 million lower than last year.

Purchase of equipment < \$1K

The purchase of equipment was overspent against budget by \$0.5 million as a result of investing in furniture for rural facilities and improving the quality of rural operational equipment. Costs were \$1.3 million higher than last year due to the increased size of the organisation.

Travel

Travel costs were unfavourable by \$0.4 million against budget due to the Volunteer Chief Fire Officers (VCFO) conferences held in June. These were originally budgeted to occur in July and August 2018. Costs were \$3.4 million higher than last year mainly due to the VCFO conferences, extra recruit courses and other additional training for the larger organisation. The Integration Project spent \$1.1 million (2017: \$1.4 million) against a budget of \$1.0 million.

6. Rural Firefighting Fund

Accounting policy

The RFFF was established under section 46A of the Fire Service Act 1975. The fund was financed by a first right to the proceeds of the levy and an annual Crown grant paid on behalf of the Minister of Conservation. Funds from the RFFF were put towards meeting the costs of Fire Authorities in the control, restriction, suppression or extinction of fires. This fund was disestablished on 30 June 2017; however, the wind up continues into the 2018/19 financial year and probably beyond.

Net surplus/(deficit) attributable to the Rural Firefighting Fund

	2018		2017
	Actual \$000	Unaudited budget \$000	Actual \$000
Revenue			
Levy	484	164	7,592
Department of Conservation	649	–	4,087
Other revenue	119	–	851
Total revenue	1,252	164	12,530
Deduct claims expense	(226)	(9,825)	(14,137)
Net surplus/(deficit) attributable to the Rural Firefighting Fund	1,026	(9,661)	(1,607)

The RFFF reserve had a nil balance at year end (2017: (\$1.0 million)).

Levy

The Minister is asked annually to authorise the allocation of levy receipts to the RFFF under section 46H of the Fire Service Act 1975.

7. Cash and cash equivalents

Accounting policy

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

i) Total cash and cash equivalents

	Note	2018	2017
		Actual \$000	Actual \$000
Cash on hand and at bank		34,055	21,125
Short-term deposits		69,800	27,000
Total cash and cash equivalents	23	103,855	48,125

The carrying value of cash on hand and at bank and short-term deposits approximates their fair value. The maximum exposure to credit risk is limited to the amount invested at the respective banks. The risk has been reduced by diversifying the investment in any given bank, in line with the Board's direction. Investments are held in financial institutions with A- or above Standard and Poor's credit ratings. No collateral or other securities are held by Fire and Emergency NZ in respect to cash and deposits at the financial institutions. The organisation maintains an unsecured bank overdraft facility of \$0.25 million (2017: \$0.25 million). In addition, the organisation has uncommitted borrowing facilities available to it from financial institutions. These facilities have been approved in accordance with the Crown Entities Act 2004.

Sensitivity analysis

The weighted average effective interest rate for term deposits at 30 June 2018 is 2.97 percent (2017: 2.91 percent). As at 30 June 2018, if the interest rates increased/decreased by 1 percent, the interest revenue for the year and accumulated funds would increase/decrease by \$1.0 million (2017: \$0.5 million).

ii) Reserves supported by cash and cash equivalents

	2018	2017
	Actual \$000	Actual \$000
Capital infrastructure investment reserve	53,750	–
Total reserves supported by cash and cash equivalents	53,750	–

During the year, the Board approved \$53.8 million of additional capital infrastructure investment that will occur over the next three years. We will invest \$11.0 million, \$24.1 million and \$18.7 million respectively over the three years commencing in the 2018/19 financial year. The capital infrastructure investment reserve has been established to track the balance required to complete the approved future investment.

The reserve has funds that have been ring-fenced for its stated purpose within cash and cash equivalents.

iii) Other reserves

	2018	2017
	Actual \$000	Actual \$000
Seismic resilience reserve	19,788	21,245
Total seismic resilience reserve	19,788	21,245

The seismic resilience reserve has been established to assist the organisation in tracking the projected balance required for the seismic strengthening programme. This reserve is not directly supported by cash and cash equivalents.

8. Trade and other receivables

Accounting policy

Short-term receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that the organisation will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amount expected to be collected.

Breakdown of trade and other receivables, and further information

		2018	2017
	Note	Actual \$000	Actual \$000
Levy receivables		121,462	79,782
Other receivables		2,608	8,359
Deduct provision for impairment		(1,120)	(1,593)
Total receivables	23	122,950	86,548
Total receivables comprises:			
Receivables from non-exchange transactions (levy)		121,462	79,782
Receivables from exchange transactions (sale of goods and services)		2,608	8,359

Trade and other receivables mainly arise from the organisation's statutory functions and the carrying value approximates their fair value. The organisation does not have any significant concentration of credit risk in relation to trade and other receivables, and there are no procedures in place to monitor or report the credit quality with reference to internal or external credit ratings. No collateral is held as security for any trade and other receivables, and the organisation's credit exposures are limited to the individual balances. The organisation does not have any receivables at year end (2017: \$nil) that would otherwise be past due, but not impaired, whose terms have been renegotiated.

Trade and other receivables were higher than budget, in line with the increase in levy revenue. The accrual for levy revenue at 30 June 2018 was \$121.5 million (2017: \$79.8 million), which is consistent with the increase in levy rate from 7.6 cents to 10.6 cents per \$100 insured that occurred during the year.

The aging profile of receivables at year end is detailed below. Any overdue receivables at year end have been assessed for impairment and appropriate provisions have been applied as summarised below.

	Actual 2018			Actual 2017		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	122,798	–	122,798	85,359	–	85,359
Past due 1–30 days	78	–	78	677	–	677
Past due 31–60 days	46	–	46	335	–	335
Past due 61–90 days	22	–	22	176	–	176
Past due > 91 days	1,126	(1,120)	6	1,594	(1,593)	1
Total receivables	124,070	(1,120)	122,950	88,141	(1,593)	86,548

All levy receivables greater than 60 days are considered to be past due. All other receivables are considered past due after 30 days.

Provision for impairment of trade and other receivables

At year end, the provision for impairment is calculated by completing an assessment of the likelihood of recovery based on historical payments, losses in previous periods, and a review of specific trade and other receivables.

	2018	2017
	Actual \$000	Actual \$000
Provision for impairment of trade and other receivables at beginning of year	1,593	1,388
Addition/(reduction) of provision made during the year	(473)	205
Total provision for impairment of trade and other receivables	1,120	1,593

9. Prepayments

	2018	2017
	Actual \$000	Actual \$000
Prepaid computer licenses	1,845	1,275
Prepaid travel	–	222
Prepaid other	863	360
Total prepayments	2,708	1,857

10. Non-current assets held for sale

Accounting policy

Non-current assets held for sale are assets whose carrying amounts will be recovered through a sale transaction rather than through continuing use. These assets are available for immediate sale and the sale is considered to be highly probable. Non-current assets held for sale are recognised at the lower of their carrying amount and fair value (market value) less costs to sell, and are not depreciated or amortised while classified as held for sale. Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Revenue and Expense.

	Note	2018		
		Land Actual \$000	Buildings Actual \$000	TOTAL Actual \$000
Balance at beginning of year		852	46	898
Disposals		(750)	(46)	(796)
Transfers		5	116	121
Net book value at end of year	11	107	116	223

	Note	2017		
		Land Actual \$000	Buildings Actual \$000	TOTAL Actual \$000
Balance at beginning of year		6,510	–	6,510
Disposals		(6,510)	–	(6,510)
Transfers		852	46	898
Net book value at end of year	11	852	46	898

Non-current assets held for sale are valued at the lower of the carrying amount or fair value less costs to sell at the time of reclassification. Included this year was the planned disposal of properties in Selwyn District (Southbridge Station) and South Taranaki (Waitotara Station) (2017: Queenstown Lakes District (Wanaka Station) and Selwyn District (Southbridge Station)). The Southbridge Station was not sold in 2018 and remains as held for sale at the end of 2018.

11. Property, plant and equipment

Accounting policy

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses. Assets are classed as land, buildings, leasehold improvements, fire appliances, motor vehicles, communications, computer, operational equipment and non-operational equipment.

Revaluations

After initial recognition, land and buildings are valued annually to fair value by an independent registered valuer. Fair value is determined using market-based evidence and by reference to the highest and best use of those assets. Where there is no market-related evidence, fair value is determined by the optimised depreciated replacement cost. The organisation accounts for revaluations on a class basis. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount, which is then adjusted to equal the revalued amount. The result of the revaluation of land and buildings is recognised in the asset revaluation reserve for that class of asset. Where this results in the carrying value of the revaluation reserve having a loss, this is expensed in the Statement of Comprehensive Revenue and Expense. Any subsequent revaluation increase is recognised in the Statement of Comprehensive Revenue and Expense, and expensed to the extent that it offsets previous revaluation decreases already recognised in the Statement of Comprehensive Revenue and Expense. Otherwise, the gain is credited to the asset revaluation reserve for that class of asset.

Additions

Costs are capitalised as property, plant and equipment when they create a new asset or increase the economic benefits over the total life of an existing asset. This includes all costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. For existing assets, subsequent expense that extends or expands the asset's service potential is capitalised. Costs that do not meet the criteria for capitalisation, including costs of day-to-day servicing of property, plant and equipment, are recognised in the Statement of Comprehensive Revenue and Expense. An asset is complete when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended. Costs associated with incomplete assets are recognised as work in progress. When the asset is complete, the costs are transferred to the relevant asset class and depreciated in accordance with that class. Where an asset is acquired at no cost or nominal cost (e.g. a donated asset) and is controlled by the organisation, it is recognised at fair value at the date when control of the asset was obtained.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset less any disposal costs. Gains and losses on disposal are recognised in the Statement of Comprehensive Revenue and Expense when they occur. When assets are disposed of, any related amount in the asset revaluation reserve is transferred to accumulated funds.

Transfer of assets on amalgamation

Property, plant and equipment transferred from RFAs on amalgamation were measured at fair value at the acquisition date. This is consistent with the acquisition method of accounting for business combinations. Any revaluation has been recognised subsequently in line with Fire and Emergency NZ's revaluations policy.

Leasehold improvements

Leasehold improvements are capitalised as property, plant and equipment.

Depreciation

Depreciation is charged to the Statement of Comprehensive Revenue and Expense on all property, plant and equipment other than land and work in progress. Depreciation is calculated on a straight-line basis at rates estimated to write off the cost (or valuation) of an asset, less any residual value, over its useful life.

Estimated useful lives and associated depreciation rates for asset classes are:

Buildings	10–70 years	1–10%
Fire appliances	10–30 years	3–10%
Motor vehicles	4–20 years	5–25%
Communications equipment	5–10 years	10–20%
Computer equipment	4–10 years	10–25%
Operational equipment	4–12 years	8–25%
Non-operational equipment	5–15 years	7–20%
Leasehold improvements	3–10 years	10–33%

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful life of the improvements. Assets recognised under a finance lease are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Impairment of non-financial assets

The carrying amounts for property, plant and equipment are reviewed annually to determine if there is any impairment. Impairment is where events or changes in circumstances occur that result in the carrying amount of an asset not being recoverable. An impairment loss is the amount by which the asset's net carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses on revalued land and buildings are treated as a revaluation decrease. Impairment losses on other property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense.

Critical accounting estimates and assumptions

Property, plant and equipment, and intangible assets' useful lives and residual values

The useful lives and residual values of property, plant and equipment and intangible assets are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires the organisation to consider a number of factors, such as the physical condition, expected period of use and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact on the depreciation or amortisation expense recognised in the Statement of Comprehensive Revenue and Expense, and the carrying amount of the asset in the Statement of Financial Position.

The organisation minimises the risk of this estimation process by:

- › performing asset verifications
- › revaluing land and buildings
- › conducting impairment testing
- › having an asset replacement programme.

The organisation has not made significant changes to past estimates of useful lives and residual values.

Breakdown of property, plant and equipment, and further information

30 June 2018	Note	2018										
		Land Actual \$'000	Buildings Actual \$'000	Fire appliances Actual \$'000	Motor vehicles Actual \$'000	Communications equipment Actual \$'000	Operational equipment Actual \$'000	Non-operational equipment Actual \$'000	Computer equipment Actual \$'000	Leasehold improvements Actual \$'000	Work in progress Actual \$'000	TOTAL Actual \$'000
Cost at beginning of year		–	–	293,071	3,177	15,843	76,241	20,911	13,409	6,897	35,896	465,445
Valuation at beginning of year		219,776	298,680	–	–	–	–	–	–	–	–	518,456
Net book value of leased assets at beginning of year		–	–	–	–	7,527	4,428	–	–	–	–	11,955
Accumulated depreciation		–	–	(147,223)	(2,090)	(12,744)	(44,614)	(14,237)	(8,052)	(5,113)	–	(234,073)
Impairment losses		–	–	–	–	–	–	–	–	–	–	–
Work in progress		64	18,252	6,457	–	2,304	4,804	75	3,940	–	(35,896)	–
Net book value at beginning of year		219,840	316,932	152,305	1,087	12,930	40,859	6,749	9,297	1,784	–	761,783
Acquisitions		642	27,665	10,254	1,036	19,349	9,247	2,158	2,943	313	15,524	89,131
Fair value of assets transferred on amalgamation		277	1,202	11,406	1,536	89	620	38	187	70	283	15,708
Disposals		–	(31)	(23)	–	–	(100)	(2)	(2)	(107)	–	(265)
Transfers		–	(33)	–	–	33	–	–	–	–	–	–
Depreciation	18	–	(16,408)	(11,159)	(903)	(3,136)	(7,275)	(1,386)	(2,949)	(602)	–	(43,818)
Impairment losses to Statement of Comprehensive Revenue and Expense		–	–	–	–	–	–	–	–	–	–	–
Transfer to non-current assets held for sale	10	(5)	(116)	–	–	–	–	–	–	–	–	(121)
Revaluation movement	17	75,581	27,473	–	–	–	–	–	–	–	–	103,054
Work in progress		(61)	3,890	252	127	2,115	5,494	39	3,858	93	(15,807)	–
Net book value at end of year		296,274	360,574	163,035	2,883	31,380	48,845	7,596	13,334	1,551	–	925,472
Cost at end of year		–	–	312,534	5,711	35,315	86,469	23,101	16,537	6,986	51,703	538,356
Valuation at end of year		296,271	338,432	–	–	–	–	–	–	–	–	634,703
Net book value of leased assets at end of year		–	–	–	–	6,755	2,864	–	–	–	–	9,619
Accumulated depreciation		–	–	(156,208)	(2,955)	(15,109)	(50,786)	(15,619)	(11,001)	(5,528)	–	(257,206)
Impairment losses		–	–	–	–	–	–	–	–	–	–	–
Work in progress		3	22,142	6,709	127	4,419	10,298	114	7,798	93	(51,703)	–
Net book value at end of year		296,274	360,574	163,035	2,883	31,380	48,845	7,596	13,334	1,551	–	925,472

2017

30 June 2017	Note	Land Actual \$'000	Buildings Actual \$'000	Fire appliances Actual \$'000	Motor vehicles Actual \$'000	Communications equipment Actual \$'000	Operational equipment Actual \$'000	Non-operational equipment Actual \$'000	Computer equipment Actual \$'000	Leasehold improvements Actual \$'000	Work in progress Actual \$'000	TOTAL Actual \$'000
Cost at beginning of year		-	-	282,229	3,053	22,992	70,474	19,618	10,983	6,129	33,042	448,520
Valuation at beginning of year		202,959	261,820	-	-	-	-	-	-	-	-	464,779
Net book value of leased assets at beginning of year		-	-	-	-	-	5,568	-	-	-	-	5,568
Accumulated depreciation		-	-	(140,538)	(1,984)	(20,053)	(39,323)	(12,610)	(6,133)	(4,480)	-	(225,121)
Impairment losses		-	-	-	-	-	-	-	-	-	-	-
Work in progress		84	12,728	14,973	62	2,598	1,338	135	1,085	39	(33,042)	-
Net book value at beginning of year		203,043	274,548	156,664	1,131	5,537	38,057	7,143	5,935	1,688	-	693,746
Acquisitions		5,723	13,869	14,930	188	16,970	6,051	1,395	2,900	768	2,854	65,648
Fair value of assets transferred on amalgamation		-	-	-	-	-	-	-	-	-	-	-
Disposals		(40)	(41)	(320)	-	(7,721)	(84)	-	-	-	-	(8,206)
Transfers		-	-	-	-	-	128	(128)	-	-	-	-
Depreciation	18	-	(14,143)	(10,453)	(170)	(1,562)	(6,759)	(1,601)	(2,393)	(633)	-	(37,714)
Impairment losses to Statement of Comprehensive Revenue and Expense		-	-	-	-	-	-	-	-	-	-	-
Transfer to non-current assets held for sale	10	(852)	(46)	-	-	-	-	-	-	-	-	(898)
Revaluation movement	17	11,986	37,221	-	-	-	-	-	-	-	-	49,207
Work in progress		(20)	5,524	(8,516)	(62)	(294)	3,466	(60)	2,855	(39)	(2,854)	-
Net book value at end of year		219,840	316,932	152,305	1,087	12,930	40,859	6,749	9,297	1,784	-	761,783
Cost at end of year		-	-	293,071	3,177	15,843	76,241	20,911	13,409	6,897	35,896	465,445
Valuation at end of year		219,776	298,680	-	-	-	-	-	-	-	-	518,456
Net book value of leased assets at end of year		-	-	-	-	7,527	4,428	-	-	-	-	11,955
Accumulated depreciation		-	-	(147,223)	(2,090)	(12,744)	(44,614)	(14,237)	(8,052)	(5,113)	-	(234,073)
Impairment losses		-	-	-	-	-	-	-	-	-	-	-
Work in progress		64	18,252	6,457	-	2,304	4,804	75	3,940	-	(35,896)	-
Net book value at end of year		219,840	316,932	152,305	1,087	12,930	40,859	6,749	9,297	1,784	-	761,783

Fair value of property

		2018		
		Land Actual \$000	Buildings Actual \$000	TOTAL Actual \$000
30 June 2018	Note			
Independent valuation		296,378	338,548	634,926
Total fair value at end of year		296,378	338,548	634,926
<i>The above is represented by:</i>				
Net book value at end of year		296,274	360,574	656,848
Work in progress		(3)	(22,142)	(22,145)
Non-current assets held for sale	10	107	116	223
Total fair value at end of year		296,378	338,548	634,926

Property consists primarily of special-purpose fire stations, land and buildings, which form an integral part of the operational network.

The fair value of property at 30 June 2018 was determined by the independent registered valuer TelferYoung (Canterbury) Ltd at \$634.9 million (2017: Jones Lang LaSalle (JLL) valued at \$519.4 million), from which impairments to buildings planned to be demolished are deducted, if any. The \$115.5 million increase in the property valuation was mainly due to the \$103.0 million revaluation. This revaluation movement was largely attributable to the increase in land valuations, particularly in the Auckland region. Other factors were the addition and completion of new assets in Christchurch, the addition of rural assets and the refurbishment/improvement of various assets.

TelferYoung, as part of the valuation, tests the market value for all properties and, where no active market exists, adopts Optimised Depreciation Replacement Cost (ODRC). Land, dwellings, site improvements and small sheds are treated using an added value or market value approach. The fire stations are mainly valued using an ODRC approach as not a lot of market evidence tends to exist for the sale of fire stations. Given the number of properties in the portfolio and their geographical spread, not all properties are physically inspected. All properties are inspected within a three-year cycle. A desktop valuation exercise is carried out on those properties that are not physical inspected. The organisation had 490 (2017: 463) properties in its property portfolio at year end, of which 202 were inspected during the year (representing 41 percent of the portfolio).

To ensure that properties with high values and significant changes are inspected, the following criteria are used to determine the sample for inspection in any given year:

- › Properties with carrying values greater than \$5.0 million.
- › New property acquisitions during the year.
- › Properties with improvement values of over \$1.0 million during the year.
- › Properties where assets required verification.
- › Properties that required an inspection due to changes in their nature.
- › Properties not inspected in the last two years.

30 June 2017	Note	2017		
		Land Actual \$000	Buildings Actual \$000	TOTAL Actual \$000
Independent valuation		220,629	298,726	519,354
Total fair value at end of year		220,629	298,726	519,354
<i>The above is represented by:</i>				
Net book value at end of year		219,840	316,932	536,772
Work in progress		(64)	(18,252)	(18,316)
Non-current assets held for sale	10	852	46	898
Total fair value at end of year		220,628	298,726	519,354

The fair value of property at 30 June 2017 was determined by the independent registered valuer JLL at \$519.4 million (2016: \$471.3 million), from which impairments to buildings planned to be demolished were deducted, if any.

Seismic strengthening programme

The seismic resilience reserve projected by the organisation for the seismic strengthening programme amounted to \$19.8 million at year end (2017: \$21.2 million). The organisation requires a minimum standard of at least 67 percent of the current seismic loading standard as defined in the Building Act 2004 for fire stations (and other operational areas) to be considered earthquake resilient. It has approved a programme of works (either strengthening or replacement) based on a range of structural engineering work and risk assessment. TelferYoung factors into its valuation the organisation's programme of seismic strengthening works, which is supplied at year end.

Other

All properties for disposal are subject to a consultative clearance process set up for the settlement of Māori land claims. Transfers and revaluation movements are shown net of accumulated depreciation. Disposals are shown net of accumulated depreciation and any impairment losses.

Capital cash spend

30 June 2018	2018		2017
	Actual cash flow \$000	Unaudited budget cash flow \$000	Actual cash flow \$000
Fleet	11,646	12,750	9,009
Property	34,093	26,150	28,009
Information and communications technology*	36,372	28,628	21,972
Operational equipment	15,448	13,620	9,345
Total property, plant and equipment	97,559	81,148	68,335
Cash proceeds from disposals	(1,588)	(7,350)	(19,795)
Net spend	95,971	73,798	48,540

* Information and communications technology actual and budget include capex for intangible assets.

The organisation holds over \$635 million (2017: \$519 million) of property assets. This includes a revaluation gain of over \$103 million (2017: \$49 million), which reflects the distribution of fire stations, particularly in the major cities. Since fire stations are positioned to match risk, they are only ever disposed of to reposition into new stations that allow the more effective redistribution of resources. Consequently, fire stations are not disposed of without already having reinvested elsewhere in the community.

We continued to invest in capital infrastructure this financial year, with a net spend of \$96.0 million compared to a budgeted spend of \$73.8 million. Net capital expenditure of \$32.7 million on property reflected the receipt of \$1.4 million from the disposal of land at Wanaka and a gross spend of \$34.1 million. Property spend included land acquisitions, the Christchurch rebuild, major site refurbishment and new builds, integrating and upgrading rural facilities, exhaust fume management solutions, and seismic upgrading. This year's investment resulted in a further 10 fire stations being deemed earthquake resilient.

The focus of the fleet capital programme in 2017/18 was to continue the urban appliance replacement programme as part of standard asset lifecycle management and to establish a rural appliance supply capability. In 2017/18, we took delivery of 21 new appliances and 25 support vehicles under the fleet capital programme. Production of the new light pump appliance is now underway, and this appliance has been well received by our volunteer brigades. Twelve new light pump appliances were received along with the remaining eight heavy pumper appliances from the total production run of 47 appliances.

The rural appliance programme has focused on defining the operational requirements for rural appliances, refining designs and procuring cab chassis ready for delivery of completed appliances in 2018/19. Cab chassis for 16 medium rural appliances and two water tankers were received in 2017/18 in preparation for the completion and delivery of the appliances in 2018/19. A prototype light rural appliance was delivered and is now in service, and a second prototype light rural appliance has been ordered to further refine this concept and test the feasibility of meeting the demand for an appliance that can be driven with a car licence only instead of requiring the driver to have a truck licence, which is a barrier for some volunteer brigades when they are looking to train more drivers.

Capital expenditure for the year was \$97.6 million, which was significantly higher than for the previous year (2017: \$68.3 million). Net spend was \$22.2 million more than budget due to:

- proceeds from the disposal of assets being lower than anticipated due to the decision not to sell IGC radios and lease back
- increased spending on the property portfolio mainly due to purchases of rural property and Christchurch rebuild projects
- ICT spend being higher mainly due to overspend on IGC radios and the Mobility project
- spend on operational equipment being higher than expected due to the purchase of protective clothing for volunteers being brought forward into the 2017/18 financial year.

12. Intangible assets

Accounting policy

Intangible assets comprise computer software and the Shared Information Technology Environment (SITE). Intangible assets are shown at cost less accumulated amortisation and impairment losses. Included are the benefit of leases for rural properties with minimal rent, which were transferred to Fire and Emergency NZ on amalgamation. This benefit is recognised at fair value less accumulated amortisation.

Computer software

Costs are capitalised as computer software when they create a new asset or increase the future economic benefits of an existing asset. Costs capitalised for acquired computer software licences include the costs incurred to acquire the software and bring it into use. Costs capitalised for internally developed computer software include the costs incurred in the development phase only. Expense incurred on research is recognised in the Statement of Comprehensive Revenue and Expense, as well as costs that do not meet the criteria for capitalisation (including staff training and software maintenance).

Shared Information Technology Environment

SITE is a systems and technology platform that supports receiving calls and dispatching resources to emergency incidents. The asset represents the organisation's proportional ownership of SITE located at communication centres shared with the New Zealand Police (Auckland, Wellington and Christchurch). These SITE assets include computer-aided dispatch software, a land mobile radio network and associated telecommunications structures. The New Zealand Police maintains SITE and proportionally charges the organisation. This charge is recognised in the Statement of Comprehensive Revenue and Expense.

Benefit of rural leases transferred

Some leases for rural properties that were transferred to Fire and Emergency NZ on amalgamation at 1 July 2017 have only a peppercorn rental. An intangible asset has been recognised to reflect the benefit of acquiring the right to lease these properties. The value of the intangible asset is the annual market rental for these leases as assessed by JLL for the number of years Fire and Emergency NZ has the right to lease.

Disposals

Gains and losses on the disposal of intangible assets are determined by comparing the proceeds with the carrying amounts of the assets, less any disposal costs. Gains and losses on disposal are recognised in the Statement of Comprehensive Revenue and Expense when they occur.

Amortisation

Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis at rates estimated to write off the cost of an asset, less any residual value, over its useful life.

Estimated useful lives and amortisation rates for asset classes are:

Computer software internally generated	4–10 years	10–25%
Computer software purchased	4–10 years	10–25%
SITE	4–10 years	10–25%
Benefit of leases on rural property	1–2 years	50–100%

The organisation does not own any intangible assets with an infinite life.

Impairment of non-financial assets

The carrying amounts for intangible assets are reviewed annually to determine if there is any impairment. Impairment is where events or changes in circumstances occur that result in the carrying amount of an asset not being recoverable. An impairment loss is the amount by which the asset's net carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses on intangible assets are recognised in the Statement of Comprehensive Revenue and Expense.

Critical accounting estimates and assumptions

Property, plant and equipment, and intangible assets' useful lives and residual values

The useful lives and residual values of property, plant and equipment and intangible assets are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires the organisation to consider a number of factors, such as the physical condition, expected period of use and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact the depreciation or amortisation expense recognised in the Statement of Comprehensive Revenue and Expense, and the carrying amount of the asset in the Statement of Financial Position.

The organisation minimises the risk of this estimation process by:

- › performing asset verifications
- › revaluing land and buildings
- › conducting impairment testing
- › having an asset replacement programme.

The organisation has not made any significant changes to past estimates of useful lives and residual values.

Breakdown of intangibles and further information

	Note	2018					
		Computer software (internally generated)	Computer software (purchased)	Shared Information Technology Environment (SITE)	Work in progress	Rural leases	TOTAL
		Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
30 June 2018							
Cost at beginning of year		12,193	16,578	18,292	10,339		57,402
Accumulated amortisation		(10,419)	(14,110)	(18,292)	–		(42,821)
Work in progress		1,153	9,186	–	(10,339)		–
Total at beginning of year		2,927	11,654	–	–	–	14,581
Acquisitions		1,016	9,644	–	(2,624)	–	8,036
Fair value of assets transferred on amalgamation		–	2	–	–	1,199	1,201
Work in progress		2,295	(4,919)	–	2,624		–
Amortisation	18	(1,026)	(2,458)	–	–	(622)	(4,106)
Net book value at end of year		5,212	13,923	–	–	577	19,712
Cost at end of year		13,024	25,429	18,292	7,715	1,199	65,659
Accumulated amortisation		(11,260)	(15,773)	(18,292)	–	(622)	(45,947)
Work in progress		3,448	4,267	–	(7,715)		–
Net book value at end of year		5,212	13,923	–	–	577	19,712

No restrictions are placed over the title of the organisation's intangible assets, nor are any assets pledged as security for liabilities.

		2017					
		Computer software (internally generated) Actual \$000	Computer software (purchased) Actual \$000	Shared Information Technology Environment (SITE) Actual \$000	Work in progress Actual \$000	Rural leases Actual \$000	TOTAL Actual \$000
30 June 2017	Note						
Cost at beginning of year		11,699	16,058	18,292	166	–	46,215
Accumulated amortisation		(9,362)	(12,561)	(18,292)	–	–	(40,215)
Work in progress		97	69	–	(166)	–	–
Total at beginning of year		2,434	3,566	–	–	–	6,000
Acquisitions		494	520	–	10,173	–	11,187
Fair value of assets transferred on amalgamation		–	–	–	–	–	–
Work in progress		1,056	9,117	–	(10,173)	–	–
Amortisation	18	(1,057)	(1,549)	–	–	–	(2,606)
Net book value at end of year		2,927	11,654	–	–	–	14,581
Cost at end of year		12,193	16,578	18,292	10,339	–	57,402
Accumulated amortisation		(10,419)	(14,110)	(18,292)	–	–	(42,821)
Work in progress		1,153	9,186	–	(10,339)	–	–
Net book value at end of year		2,927	11,654	–	–	–	14,581

13. Trade and other payables

Accounting policy

Trade payables

Short-term creditors and other payables are recorded at their face value.

		2018	2017
	Note	Actual \$000	Actual \$000
Payables under exchange transactions			
Trade payables		12,348	15,167
Accrued expenses		19,345	22,244
Total payables under exchange transactions		31,693	37,411
Payables under non-exchange transactions			
Levy in advance		973	469
Taxation payables (GST, PAYE, FBT)		6,762	13
Total payables under non-exchange transactions		7,735	482
Total payables	23	39,428	37,893

Trade and other payables are non-interest bearing and are typically settled on 30-day terms. As a result, the carrying value of trade and other payables approximates their fair value.

Trade and other payables were \$12.3 million more than budget mainly due to higher trade payables and GST payable at year end. Trade payable balances are dependent on the timing of expenditure, with spend being higher in June than budgeted. GST payable at year end was higher than budgeted due to more levy charges being invoiced in June than anticipated.

14. Employee and volunteer benefits

Accounting policy

Employee and volunteer benefits

A provision for employee and volunteer benefits is recognised as a liability when the benefits have been measured but not paid.

Current employee and volunteer benefits

Benefits to be settled within 12 months of balance date are calculated at undiscounted current rates of pay according to the amount of the accrued entitlements. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and retirement and long service leave entitlements expected to be settled within 12 months. Non-accumulating absences such as maternity leave are compensated when the absences occur and therefore no accrual is necessary. Sick leave is paid when taken under the organisation's wellness policy and therefore no accrual is necessary. Gratuities for both paid personnel and volunteers are calculated on an actuarial basis.

Non-current employee and volunteer benefits

Benefits that are payable beyond 12 months, such as long service leave, retirement leave and gratuities for both paid personnel and volunteers, are calculated on an actuarial basis. The actuarial calculation takes into account the future entitlements accruing to staff, based on years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, contractual entitlements information and the present value of the estimated future cash flows. The discount rate, as prescribed by the Treasury, is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees. Movements in the actuarial valuations are recognised in the Statement of Comprehensive Revenue and Expense.

Critical accounting estimates and assumptions

Long service leave and gratuities

Entitlements that are payable beyond 12 months (such as long service leave and gratuities) are calculated on an actuarial basis. The calculations are based on:

- › likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- › the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock, with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Breakdown of employee and volunteer benefits, and further information

	2018	2017
	Actual \$000	Actual \$000
Current employee and volunteer benefits		
Accrued salaries and wages	9,143	7,644
Annual leave	27,337	21,393
Long service leave and gratuities	6,430	4,513
Total current employee and volunteer benefits	42,910	33,550
Non-current employee and volunteer benefits		
Long service leave and gratuities	40,860	38,428
Total non-current employee and volunteer benefits	40,860	38,428
Total employee and volunteer benefits	83,770	71,978

Expense on personnel represents 65 percent (2017: 65 percent) of total operating costs for the organisation and consequently any changes within personnel can have a significant impact on the overall cost structure.

Accrued salaries and wages

The increase this year was due to the timing of the last payroll payment for the year compared with the previous year and an increased head count attributable to the larger organisation. The last payroll payment this year was on 19 June versus 20 June in the previous year, resulting in an additional one day of payroll accruals this year.

Annual leave

This reflects the current leave liabilities as at the end of the financial year. Included in this was a \$7.0 million (2017: \$3.2 million) provision for holiday pay remediation payments resulting from the implementation of the Holidays Act.

Long service leave and gratuities

The valuation of long service leave and gratuities for both paid personnel and volunteers depends on a number of factors that are determined on an actuarial basis using a range of assumptions. Key economic assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions can have a significant impact on the carrying value of the liability. The following key economic assumptions were made:

- Treasury rates were calculated as at 30 June 2018 (2017: 30 June 2017).
- Implied risk-free rates over the period of cash outflows ranged from 1.78 percent to 4.75 percent (2017: 1.97 percent to 4.75 percent).
- The salary inflation factor was determined (at a minimum) at 2.50 percent (2017: 2.50 percent) per annum.

Sensitivity analysis

If the discount rate were to (decrease)/increase by 1 percent each year from the organisation's estimates with all other factors held constant, the carrying amount of the liability would (decrease)/increase by (\$3.8 million)/\$4.3 million (2017: (\$3.4 million)/\$3.8 million), thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

15. Borrowings

Accounting policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless the organisation has an unconditional right to defer settlement of the liability at least 12 months after balance date.

Crown funding injection

The Crown funding injection has been designated as a loan. The loan is at below market interest rates as it has no interest charged. Interest rates are initially recognised at the present value of their expected future cash flows, discounted using a rate for loans of a similar term and credit risk. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised as a reduction in the carrying value.

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases where the organisation is the lessee are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the organisation will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. Where a sale and leaseback transaction results in a finance lease, the gain on sale is amortised over the lease term. The gain on sale is calculated as the excess of sale proceeds over the carrying amount of the asset.

Critical judgements in applying the organisation's accounting policies

Lease classification

Determining whether a lease agreement is finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the organisation. The organisation classifies leases as finance leases in the following situations:

- › The lease transfers ownership to the organisation by the end of the lease.
- › The organisation has the option to purchase the asset at a price lower than fair value and expects to exercise this option.
- › The lease term is for the major part of the economic life of the asset.
- › The present value of total minimum lease payments equates to the fair value of the leased assets.
- › The leased assets are of a specialised nature and only the organisation can use them without major modification.

Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no asset is recognised. The organisation has exercised its judgement on the appropriate classification of equipment leases and has determined that a number of lease agreements are finance leases.

Breakdown of borrowings and further information

		2018	2017
	Note	Actual \$000	Actual \$000
Current borrowings			
Finance leases	23	974	1,070
Crown funding injection – payable	23	11,790	8,826
Other borrowings	23	877	–
Total current borrowings		13,641	9,896
Non-current borrowings			
Finance leases	23	5,940	7,098
Crown funding injection – payable	23	40,228	16,038
Total non-current borrowings		46,168	23,136
Total borrowings		59,809	33,032
Analysis of minimum finance lease payments due			
Not later than 1 year		1,409	1,591
Later than 1 year and not later than 2 years		1,384	1,453
Later than 2 years and not later than 5 years		5,571	4,272
Later than 5 years and not later than 10 years		–	2,879
Later than 10 years		–	–
Total minimum lease payments due		8,364	10,195
Future finance charges		(1,451)	(2,027)
Present value of lease payments due		6,913	8,168
Analysis of present value of finance lease payments due			
Not later than 1 year		973	1,070
Later than 1 year and not later than 2 years		1,014	999
Later than 2 years and not later than 5 years		4,926	3,343
Later than 5 years and not later than 10 years		–	2,756
Later than 10 years		–	–
Present value of lease payments due		6,913	8,168

The organisation typically enters into finance leases for various items of plant and equipment and these are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The net carrying value of assets held under finance leases is included in Note 11.

Crown funding injection

The Crown funding injection is being made available to the organisation to help fund the transition to the new integrated, national fire and emergency service. It is for up to \$112.0 million spread over four years and can only be used for funding the transition programme. There is no obligation on the Crown to pay the full amount applied for and so a lesser amount may be released if deemed appropriate.

The funding injection is being made available interest free. The first repayment was paid on 29 June 2018 and the full amount of the funding injection must be repaid by 30 June 2026. Repayments of the funding injection will be funded through levy.

A net funding injection of \$29.3 million was received this financial year, leaving a balance of \$55.3 million, of which \$12.0 million is repayable to the Department of Internal Affairs (DIA) in 2018/19. Given the funding injection is interest free, the future cash flows on the outstanding principal have been discounted to provide the fair value of \$52.0 million for the funding injection liability.

		2018	2017
	Note	Actual \$000	Actual \$000
Crown funding injection at beginning of year at face value		25,961	–
Additional funding injection at face value		38,320	25,961
Deduct funding repayment at face value		(9,000)	–
Crown funding injection at face value		55,281	25,961
Deduct fair value write-down at initial recognitions		(3,263)	(1,097)
Carrying value at end of year	23	52,018	24,864

Other borrowings

Interest free loans valued at \$0.9 million from territorial authorities (TA) arose from individual agreements to transfer ownership of each TA's rural fire assets to the Otago Rural Fire Authority (ORFA), effective from 1 July 2014. The loans from the TAs were assigned to Fire and Emergency NZ at 1 July 2017. Even though the original agreement between ORFA and the TAs was that the loans would be written off, Fire and Emergency NZ had not received confirmation from the councils by year end. Due to this, these loans are recorded as liabilities in the Statement of Financial Position.

Fire and Emergency NZ has since received confirmation from Central Otago District Council that the \$0.4 million loan will be written off.

	2018
	Actual \$000
Clutha District Council	34
Central Otago District Council	427
Dunedin City Council	149
Queenstown Lakes District Council	267
Other borrowings	877

16. Provisions

Accounting policy

The organisation recognises a provision for future expense of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expense will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are distinct from other liabilities (such as trade payables) because there is uncertainty about the timing or the amount of the future expense required in settlement. The organisation provides for the amount it estimates is needed to settle the obligation at its present value.

The organisation uses a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as a finance cost. Specific accounting policies for major provisions are outlined below.

Lease make-good

The lease make-good provision covers the costs involved in returning leased items of property, plant and equipment to the state they were in when the organisation entered the lease. The expected future make-good costs are discounted using market yields on government bonds at balance date, with terms to maturity that match, as closely as possible, the estimated future payments.

Loss of medical scheme

The loss of medical scheme provision provides insurance cover for personnel who contributed to a former medical compensation scheme and elected not to join the organisation's superannuation scheme.

Accident Compensation Corporation Partnership Programme

The organisation belongs to the ACCPP, which is a full self-cover plan with the ACC. Under this plan, the organisation accepts the management and financial responsibility for employee work-related illnesses and accidents, manages all claims, and meets all claim costs for a period of four years. At the end of this period, the liability for ongoing claims passes to ACC, with the organisation paying a premium for the value of residual claims.

The provision for the ACCPP is calculated on an actuarial basis as the present value of expected future payments to be made in respect of employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels, and experience of employee claims and injuries. Movements in the provision are recognised in the Statement of Comprehensive Revenue and Expense. Expected future payments are discounted using market yields on government bonds at balance date, with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Breakdown of provisions and further information

	2018	2017
	Actual \$000	Actual \$000
Current provisions		
Loss of medical scheme	169	168
ACC Partnership Programme	1,533	1,617
Total current provisions	1,702	1,785
Non-current provisions		
Lease make-good	1,030	896
ACC Partnership Programme	1,234	1,395
Total non-current provisions	2,264	2,291
Total provisions	3,966	4,076

Major movements for each provision are summarised below.

i) Loss of medical scheme

	2018	2017
	Actual \$000	Actual \$000
Loss of medical scheme at beginning of year	168	166
Contributions made to the scheme	1	2
Total loss of medical scheme provision	169	168

The loss of medical scheme provision provides insurance cover for personnel who contributed to a former medical compensation scheme and elected not to join the organisation's superannuation scheme.

ii) Lease make-good

	2018	2017
	Actual \$000	Actual \$000
Lease make-good at beginning of year	896	1,014
Additional provisions made	134	(118)
Total lease make-good	1,030	896

A provision has been established by the organisation for leased premises where, at the expiry of the lease term, the organisation is required to remove and make good any damage caused to the premises by installed fixtures and fittings.

iii) Accident Compensation Corporation Partnership Programme (ACCPP)

Liability valuation

The organisation has participated in the ACCPP since 1 October 2000. The organisation uses an external independent actuarial valuer, Melville Jessup Weaver (the Actuaries), to calculate the liability at year end. Claims are managed by the organisation for a period of 48 months (2017: 48 months) from the claim lodgement date. At the end of the specified period, if an injured employee is still receiving entitlements, the financial management responsibility of the claim will be transferred to ACC for a price calculated on an actuarial valuation basis.

Method and assumptions

The Actuaries use an actuarial Bornheutter-Ferguson (BF) paid claims valuation methodology. BF applies the weighted average of past claims development to an estimate of the ultimate claims costs to project future claims development.

The estimated ultimate claims costs are derived for each loss period using some measure of exposure and an assumed loss ratio. They can be applied to claims paid, incurred claims and also to claim counts.

The methodology for this valuation used liable earnings as the measure of exposure and the weighted average of past claim payments development to project future claim payments development. The key assumptions of the methodology were as follows:

- › The development pattern of claims payments was the same for all loss periods (this was the principal assumption).
- › The assumed 'loss ratio' (claims/liable earnings) was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs.
- › Projected future payments were discounted based on spot rates published by the Treasury for valuations at year end.
- › A risk margin of 11.6 percent (2017: 12.8 percent) was included to allow for the inherent uncertainties in the central estimate of the claims liability.
- › A provision for future claim handling costs of 9.1 percent (2017: 9.5 percent) of the expected future claim cost was allowed for.
- › Future inflation will be the same as the historical weighted average inflation that is present in the claims data (it is not possible to calculate the inflation rate explicitly).

Accident Compensation Corporation Partnership Programme provision summary

	2018			2017
	Current \$000	Non-current \$000	TOTAL \$000	TOTAL \$000
Undiscounted estimated future claims costs	1,291	1,041	2,332	2,509
Discounting	(31)	(28)	(59)	(70)
Discounted estimated future claims costs	1,260	1,013	2,273	2,439
Claims handling expenses	114	92	206	231
Total discounted outstanding claims liabilities	1,374	1,105	2,479	2,670
Risk margin (11.6%)	159	129	288	342
ACCPP provision at end of year	1,533	1,234	2,767	3,012
Claim handling cost %	9.1%	9.1%	9.1%	9.5%
Risk margin %	11.6%	11.6%	11.6%	12.8%

The estimated Accredited Employers Programme (AEP) liability as at 30 June 2018 was \$2.5 million (2017: \$2.7 million). This decrease was due to lower interest rates, which resulted in a lower discount rate, a revision of the claims handling expenses provision from 9.5 percent to 9.1 percent of the expected future claims costs and a better claim experience than had been forecasted in the previous year's valuation. The organisation includes a risk margin in its provision and, allowing for this, decreased the liability at 30 June to \$2.8 million (2017: \$3.0 million).

Accident Compensation Corporation Partnership Programme provision movement summary

	2018	2017
	Actual \$000	Actual \$000
ACCPP provision at beginning of year	3,012	3,270
Net increase/(decrease) to provision during year	(245)	(258)
Total ACCPP provision	2,767	3,012

Objectives for managing risks

The organisation manages its exposure arising from the programme by promoting a safe and healthy working environment in the following ways:

- Implementing and monitoring procedures, standards and workplace conditions that aim to comply with all legal duties and responsibilities.
- Providing induction training on health and safety.
- Maintaining accurate records of all incidents that have or could have caused harm.
- Investigating any incidents that occur to establish how they were caused and to ensure that appropriate corrective actions are implemented in an effort to prevent future occurrences.
- Actively managing workplace injuries to ensure that employees have access to appropriate treatment and rehabilitation to assist with a safe and durable return to work.
- Working towards identifying, assessing and controlling workplace hazards, and training personnel in safe work practices.

Sensitivity analysis

	2018		2017	
	Loss ratio %	Liability \$000	Loss ratio %	Liability \$000
The assumed loss ratio of 1.00% to 1.10% of liable earnings was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs since Fire and Emergency NZ entered the AEP. The table sets out the discounted provision (central estimate) with loss ratios of 0.90% and 1.10%.	0.90	2,232	0.90	2,404
	1.00	2,479	1.00	2,670
	1.10	2,727	1.10	2,937
As stated above, the discount rates used were derived from rates specified by the Treasury. The table sets out the discounted provision (central estimate) when the discount rates are set 1.0% higher and lower than the bond rates.	Loss ratio %	Liability \$000	Loss ratio %	Liability \$000
	(1.00)	2,511	(1.00)	2,706
	0.00	2,479	0.00	2,670
	1.00	2,449	1.00	2,636

17. Revaluation reserves

	Note	2018		
		Land Actual \$000	Buildings Actual \$000	TOTAL Actual \$000
Balance at beginning of year		73,258	112,552	185,810
Revaluation movement	11	75,581	27,473	103,054
Total revaluation gains/(losses)		148,839	140,025	288,864
Deduct transfer to accumulated funds on disposal		(20)	(140)	(160)
Total revaluation reserve		148,819	139,885	288,704

	Note	2017		
		Land Actual \$000	Buildings Actual \$000	TOTAL Actual \$000
Balance at beginning of year		63,839	75,380	139,219
Revaluation movement	11	11,986	37,221	49,207
Total revaluation gains/(losses)		75,825	112,601	188,426
Deduct transfer to accumulated funds on disposal		(2,567)	(49)	(2,616)
Total revaluation reserve		73,258	112,552	185,810

Revaluation reserves are used to record accumulated increases and decreases in the fair value of land and buildings. When a property is disposed of (either through sale or demolition), any balance in the revaluation reserve relating to that property is transferred to accumulated funds.

18. Reconciliation of net surplus to the net cash flows from operating activities

		2018	2017
	Note	Actual \$000	Actual \$000
Net surplus attributable to the owners of the organisation		115,914	(5,844)
Add/(subtract) non-cash items			
Amortisation of (gain) on sale and leaseback	2	–	(92)
(Gain) unrealised foreign exchange	2	–	(8)
Fair value of transferred assets	2	(16,931)	–
Property, plant and equipment write-offs	5	326	228
Amortisation	12	4,106	2,606
Depreciation	11	43,818	37,714
Total non-cash items		31,319	40,448
(Subtract)/add movements in Statement of Financial Position items			
Increase/(decrease) in trade and other payables including GST		2,676	8,213
(Increase)/decrease in prepayments	9	(851)	(599)
(Increase)/decrease in receivables	8	(36,402)	(8,250)
Increase/(decrease) in provisions	16	(110)	(374)
Increase/(decrease) in employee and volunteer benefits	14	11,792	1,484
Total net movements		(22,895)	474
Add/(subtract) investing activities			
(Gain) on disposal of fixed assets	2	(689)	(5,566)
Interest paid	4	499	230
Total investing activity items		(190)	(5,336)
Net cash flows from operating activities		124,148	29,742

Cash flow net GST received (paid)

The net GST component of operating activities reflects the net GST paid and received with IRD. The net GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

19. Capital commitments

Accounting policy

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Cancellable commitments that have penalty or exit costs explicit in the agreement are reported at the minimum future payments, including the value of the penalty or exit cost.

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for, but not recognised as paid or provided for, at balance date.

Future minimum asset payments due under non-cancellable contracts

	2018	2017
	Actual \$000	Actual \$000
Buildings	10,117	13,274
Fleet	8,741	5,513
Information and communications technology	291	3,827
Plant and equipment	803	368
Intangibles	116	203
Total capital commitments	20,068	23,185
Buildings	10,117	13,274
Fleet	8,741	5,513
Information and communications technology	291	3,827
Plant and equipment	803	368
Intangibles	116	203
Not later than 1 year	20,068	23,185
Later than 1 year and not later than 5 years	–	–
Total capital commitments	20,068	23,185

Capital commitments arise when orders are placed before balance date but the goods and services are received after balance date and where commercial penalties exist for the cancellation of these contracts. The majority of the capital commitments are for the acquisition of property, plant and equipment, including fire appliances. Included in the building non-cancellable contracts was a \$6.0 million contract with Ebert Construction who went into receivership on 31 July 2018. The receivers PricewaterhouseCoopers (PwC) confirmed that Ebert would not be able to continue or complete the contract. On 28 August, McMillan & Lockwood PN Limited were engaged to complete the construction at a cost of \$6.4 million.

20. Operating lease commitments as lessee

Accounting policy

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the organisation are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Revenue and Expense. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense and expensed over the lease term as an integral part of the total lease expense.

Non-cancellable operating leases

Non-cancellable operating leases include future payments due under the lease contract. Operating leases are principally for property and motor vehicles. Interest commitments on borrowings and commitments relating to employment contracts are not included in the commitments note.

Future minimum lease payments due under non-cancellable operating leases as lessee

	2018	2017
	Actual \$000	Actual \$000
Not later than 1 year	8,883	6,964
Later than 1 year and not later than 5 years	13,129	10,248
Later than 5 years	11,336	291
Total operating lease commitments as lessee	33,348	17,503

The organisation has operating lease commitments for office and fire station premises, motor vehicles, and office equipment. Significant leases include the five floors and car parks at National Headquarters located at 80 The Terrace, Wellington. During the year, the organisation entered into a lease agreement for the Integration team on level 8 at 80 The Terrace after swapping level 3 at 88 The Terrace with Damwatch Engineering Limited. As the level 3 lease ends in February 2019, Fire and Emergency NZ has continued lease payments and is recovering these by subleasing to Damwatch. An agreement was also entered into for Region 4 staff accommodation at the Christchurch Justice and Emergency Services Precinct. No restrictions are placed on the organisation by any of its operating leasing arrangements, other than the premises must be used as commercial premises. Lease payments recognised as an expense in the period amounted to \$7.7 million (2017: \$5.7 million). The organisation does not have any contingent rents or sublease payments.

21. Operating lease commitments as lessor

Future minimum lease payments due under non-cancellable operating leases as lessor

	2018	2017
	Actual \$000	Actual \$000
Not later than 1 year	235	129
Later than 1 year and not later than 5 years	101	98
Later than 5 years	55	70
Total operating lease commitments as lessor	391	297

The organisation leases out some property under operating leases. The majority of these leases have a non-cancellable term of one month. No contingent rents have been recognised in the Statement of Comprehensive Revenue and Expense during the year (2017: \$nil). The increase in not later than one year commitments is mainly due to the sublease of level 3 at 88 The Terrace, which expires in February 2019. These premises were previously occupied by the Integration team and swapped for level 8 at 80 The Terrace.

22. Contingencies **Accounting policy**

Contingent assets and contingent liabilities are disclosed in the notes to the financial statements at the point at which the contingency is evident. Contingent assets are disclosed if it is probable that the benefits will be realised. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Contingent liabilities

Replacement of fire stations in the Christchurch area

The organisation has commenced and completed new builds, purchased new land, and demolished and refurbished fire stations during the year, and continues to evaluate its options around the replacement programme for fire stations (replace, repair, demolish or relocate) located in the Christchurch area due to earthquake damage.

Seismic strengthening programme

There remains some uncertainty around cost projections for the seismic strengthening programme and there is a possibility that total spend may exceed the seismic resilience reserve amount of \$19.8 million at year end (2017: \$21.2 million).

Personnel issues

At 30 June, there were three employment and 10 volunteer related issues pending resolution in the legal system or in mediation. It is difficult to predict the final outcome of these matters with any great degree of certainty. Therefore, any possible financial reparations eventuating from the settlement decision of these matters are currently unquantifiable.

Firefighting foam contamination

A national investigation is currently underway to determine the environmental impact of the historical use of firefighting foams containing substances known as per- and poly-fluoroalkyl substances (PFAS). The obligation for remediating contaminated land sits with the polluter and landowner, so there may be a liability on a polluter if they have discharged to the environment. The extent of any future costs for mitigation and remediation related to the past use of firefighting foams by Fire and Emergency NZ is currently unknown.

Contingent assets

Historical claims for cost recovery

In accordance with section 43 of the former Forest and Rural Fires Act 1977, there are a number of RFFF claims with legal advisors for cost recovery at year end. Possible recoveries have been estimated to be \$5.0 million (2017: \$3.3 million).

23. Financial instruments

Accounting policy

Financial instruments

The organisation is party to financial instruments as part of its normal operations. Financial instruments include financial assets and financial liabilities. Financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the organisation at initial recognition. Financial instruments are classified into the following categories based on the purpose for which they were acquired.

Financial assets

The organisation classifies its financial assets as follows:

A. Financial assets at fair value through the Statement of Comprehensive Revenue and Expense, which are comprised of derivative financial instruments.

The organisation uses derivative financial instruments (forward foreign exchange contracts) to manage its exposure to foreign exchange risk in relation to the purchases of significant items of property, plant and equipment. The organisation does not hold or issue these financial instruments for trading purposes and has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date the organisation entered into the contract and are subsequently remeasured to their fair value at each balance date. Fair value is determined as the value of entering into a forward foreign exchange contract, for the same quantity of foreign currency with the same settlement date as the original contract, at the date on which the fair value is determined. Movements in the fair value of the forward foreign exchange contracts are recognised in the Statement of Comprehensive Revenue and Expense. Derivative financial instruments can also be classified as financial liabilities depending on the fair value at balance date.

B. Loans and receivables, which comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents include cash on hand, deposits held on call with banks (both domestic and international) and other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the organisation provides goods or services directly to a debtor with no intention of selling the receivable asset. Trade and other receivables are recognised initially at fair value plus transaction costs. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance date for assets of a similar maturity and credit risk. Trade and other receivables issued with a duration of less than 12 months are recognised at their nominal value. Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the organisation will not be able to collect all amounts due in accordance with the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expense. When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment of receivables in the Statement of Comprehensive Revenue and Expense.

Financial liabilities

Financial liabilities comprise trade and other payables and bank overdrafts. These items represent unpaid liabilities for goods and services provided to the organisation before the end of the financial year. The amounts are unsecured and usually paid within 30 days of recognition. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value. Financial liabilities with a duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. The amortisation and any realised gain or loss on disposal of financial liabilities is recognised in the Statement of Comprehensive Revenue and Expense.

The organisation is exposed as part of its everyday operations to a range of financial instruments, including cash at bank, investments, trade and other receivables, trade and other payables, borrowings, and forward foreign exchange contracts.

Categories of financial assets and liabilities

	Note	2018	2017
		Actual \$000	Actual \$000
Loans and receivables			
Cash and cash equivalents	7	103,855	48,125
Trade and other receivables	8	122,950	86,548
Total loans and receivables		226,805	134,673
Financial liabilities measured at amortised cost			
Trade and other payables	13	39,428	37,893
Finance leases	15	6,914	8,168
Borrowings – Crown injection payable	15	52,018	24,864
Other borrowings	15	877	–
Total financial liabilities measured at amortised cost		99,237	70,925

Financial instrument risks

The organisation has a range of policies to manage its exposure to financial instrument risks (including market risk, credit risk and liquidity risk) and seeks to minimise this exposure. Policies do not allow the organisation to enter into any transactions that are speculative in nature.

Market risk

Interest rate risk

The organisation is exposed to interest rate risk, which is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The organisation's exposure to the interest rate risk is limited to call deposits included in the cash and cash equivalents balance. The organisation aims to reduce the risk by investing at fixed interest rates with maturities that are in line with the cash requirements of the organisation. The Fire and Emergency New Zealand Act 2017 does not provide for the organisation to enter into hedging transactions and therefore interest rate investments are not hedged.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The organisation's currency risk arises when sourcing property, plant and equipment denominated in foreign currency. The organisation enters into foreign exchange forward contracts to manage its foreign currency exposure in relation to supply contracts entered into for the purchase of property, plant and equipment. There were no forward foreign exchange contracts in place at year end (2017: no contracts).

Credit risk

Credit risk is the risk that a third party will default on its obligation to the organisation, causing a loss to be incurred. In the normal course of business, the organisation incurs credit risk from trade and other receivables and transactions with financial institutions. The organisation has processes in place to review the credit quality of customers prior to the granting of credit. Due to the timing of its cash flows and outflows, the organisation invests surplus cash with registered banks that have a high credit rating, as required by section 161 of the Crown Entities Act 2004. There is no significant concentration of credit risk arising from trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position. The organisation holds no collateral or other credit enhancement for financial instruments that give rise to credit risk.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the organisation will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions. The organisation mainly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements. The forecast cash flows are updated on a daily basis and include both known and perceived cash flow requirements.

Contractual maturity analysis of financial liabilities

The organisation's financial liabilities are analysed into relevant maturity groupings based on the remaining period from year end to the contractual maturity date.

	Note	Actual 2018			Actual 2017		
		Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Creditors and other payables	13	39,428	–	–	37,893	–	–

24. Capital management

The organisation's capital is equity (represented by net assets), which comprises accumulated funds, reserves and contributed capital. The organisation is subject to the financial management and accountability provisions in the Crown Entities Act 2004 (the Act). These provisions impose restrictions in relation to borrowings, the acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. Approval has been obtained from the Minister of Finance in accordance with the Act for the organisation to enter into derivatives and to maintain committed and uncommitted borrowing facilities at financial institutions. The organisation manages its equity as a by-product of prudently managing revenue, expenses, assets, liabilities and risk, and aims for best practice with regard to its operations and financial dealings. This helps to ensure that the organisation effectively achieves its goals and objectives.

25. Related party disclosures

The organisation is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions that are no more or less favourable than those that it is reasonable to expect the organisation would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (e.g. government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation

	Note	2018	2017
		Actual \$000	Actual \$000
Board members			
Remuneration	3	373	169
Full-time equivalent members		1.0	1.0
Strategic Leadership Team			
Remuneration		3,268	3,418
Full-time equivalent members		9.9	9.0
Operational Leadership Team			
Remuneration		2,745	1,642
Full-time equivalent members		15.0	11.0
Total key management personnel remuneration		6,386	5,229
Total full time equivalent personnel		22.9	18.0

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time required for Board members to prepare for meetings. An analysis of Board member remuneration is provided in Note 3.

Key management personnel include the organisation members, the Chair of the Audit and Risk Committee, the Chief Executive and the 21 members (2017: 15 members) of the Organisational Leadership Team (OrgLT). The increase in costs for key management personnel was mainly due to the addition of five rural regional managers to the OLT, payouts to key employees who left the organisation and additional costs incurred for personnel who acted up when positions were vacant or while the incumbents were on leave. Other than the Board, Fire and Emergency NZ has three key management teams: the SLT, the OLT, and the two combined together, making the OrgLT. The role of each team is outlined below.

Strategic Leadership Team

The SLT represents all of the critical business functions. It provides dynamic, strategic decision-making for the organisation, and quality advice for the Chief Executive and the organisation. The National Commander Urban and National Manager Rural are also part of the OLT. For the purposes of the table above, they have only been reported as being part of the SLT with regard to remuneration.

Operational Leadership Team

The purpose of the OLT is to provide national, strategic, operational leadership for Fire and Emergency NZ's core external service delivery functions, provide operational advice to the SLT, drive the integration of risk reduction and response activities, ensure appropriate operational capability and readiness, and continuously improve the risk reduction and response performance of Fire and Emergency NZ.

Organisational Leadership Team

The OrgLT has been established to bring together the two groups above (the SLT and OLT) for better integration across all business functions and thus a more effective deployment of national programmes and initiatives.

Other related party disclosures

No close family members of key management personnel are employed by Fire and Emergency NZ. The terms and conditions of employment are no more favourable than Fire and Emergency NZ would offer if there were no direct relationship to key management personnel.

Board members, staff and volunteers of Fire and Emergency NZ who insure their property against the risk of fire pay fire service levies. Levies are payable at the same market rate as for any other member of the public.

26. Business combination

Fire and Emergency NZ was established on 1 July 2017 with the amalgamation of the New Zealand Fire Service, the NRFA, the Commission and 38 RFAs, including ERFDs. The decision for this change in structure followed two comprehensive reviews of the fire services undertaken between 2012 and 2015 and extensive consultation on the type of fire and emergency services that are needed in New Zealand.

The Minister of Internal Affairs announced on 13 November 2015 that the Government had agreed to bring urban and rural fire services together into one integrated fire services organisation. It agreed to provide up to \$112 million over four years to allow Fire and Emergency NZ to embed all of the requirements of the Fire and Emergency New Zealand Act, creating a single integrated organisation. This funding is to be repaid over 10 years.

The Act has stated that Fire and Emergency NZ is the same body as the Commission. Consequently, the financial statements of Fire and Emergency NZ reflect a continuation of the Commission.

The amalgamation is a business combination within the scope of PBE IFRS 3 Business Combinations because the operations and assets transferred to Fire and Emergency NZ appear to meet the definition of a business and the transfers are not common control transactions. Fire and Emergency NZ is the acquirer because the Crown, the ultimate controlling entity, initiated the formation of Fire and Emergency NZ and through Fire and Emergency NZ obtained control of the firefighting operations of the RFAs.

Consequently, the acquisition method of accounting in PBE IFRS 3 has been used to account for the transfer of asset and liabilities from the RFAs. Identifiable assets acquired and liabilities and contingent liabilities assumed have been measured initially at their fair values at acquisition date. As at 30 June 2018, all the properties were valued based on added value or market value approach, and ODRC where no active market exists. The treatment has resulted in the following:

a) Transfer of assets and liabilities

Assets and liabilities transferred from the RFAs on amalgamation are recognised at their fair value at the acquisition date 1 July 2017. The fair value of transferred assets and liabilities comprised:

		2018
	Note	\$000
Cash and cash equivalents		2,517
Trade and other receivables		337
Prepayments		5
Property, plant and equipment	11	15,708
Intangible assets	12	1,201
Trade and other payables		(1,446)
Employee and volunteer benefits		(514)
Borrowings	15	(877)
Transferred assets and liabilities		16,931

Breakdown of property, plant and equipment

		2018
	Note	\$000
Land	11	277
Buildings	11	1,485
Fire appliances	11	11,406
Motor vehicles	11	1,536
Communications equipment	11	89
Computer equipment	11	187
Operational equipment	11	620
Non-operational equipment	11	38
Leasehold improvements	11	70
Property, plant and equipment		15,708

b) Intangible assets

Operating leases for rural properties were acquired where there was only a peppercorn rental. Intangible assets of \$1.2 million have been recognised in accordance with PBE IFRS 3. This value represents the fair value of the benefit of leases for rural properties with minimal rent, transferred to Fire and Emergency NZ.

c) Fair value of transferred assets revenue

The excess of the fair value of the net assets acquired over the consideration paid is recorded as fair value of transferred assets revenue. As no consideration was paid, the excess shown in the Statement of Comprehensive Revenue and Expense is the value of the net transferred assets (\$16.9 million).

d) Acquisition-related costs

Any acquisition-related costs are expensed as incurred. These have been combined with the other business expenses.

e) Revenue and surplus/deficit

It is impracticable to disclose the revenue and surplus/deficit of the acquired entities since the acquisition date on 1 July 2017. Revenue and expenses have been recorded on the basis that Fire and Emergency NZ is one integrated organisation. Funding has been provided for the one integrated organisation and the provision of national services is centralised.

27. Post balance date events

There were no significant events after the balance date.

28. Explanation of significant variances against budget

Explanations for major variances from the organisation's budget in the SPE are included in the notes above. Other explanations for major variances are summarised below.

30 June 2018 – Statement of Cash Flows

The most significant variance was cash and cash equivalents, which was \$59.6 million higher than budget at year end with the following major variances:

- › The opening balance of cash and cash equivalents was \$20.4 million favourable – refer to Note 7.
- › Revenue (including levy receipts) was \$56.8 million favourable – refer to Note 2.
- › Spend, including payroll and volunteers (excluding capex/GST), was \$4.8 million favourable – refer to Notes 3 and 5.
- › GST was \$0.2 million unfavourable.
- › Net capex spend (including intangibles) was \$22.2 million unfavourable – refer to Notes 11 and 12.
- › Net proceeds from the Crown funding injection was \$0.1 million unfavourable.
The funding injection was made available to the organisation to help fund the transition to the new integrated, national fire and emergency service.

30 June 2017 – Statement of Cash Flows

The most significant variance was cash and cash equivalents, which was \$29.5 million higher than budget at year end with the following major variances:

- › The opening balance of cash and cash equivalents was \$8.2 million favourable – refer to Note 7.
- › Revenue (including levy receipts) was \$3.6 million unfavourable – refer to Note 2.
- › Spend, including payroll and volunteers (excluding capex/GST), was \$5.0 million favourable – refer to Notes 3 and 5.
- › GST was \$5.5 million unfavourable.
- › Net capex spend (including intangibles) was \$0.6 million unfavourable – refer to Notes 11 and 12.
- › Net proceeds from the Crown funding injection was \$26.0 million favourable.
The funding injection was made available to the organisation to help fund the transition to the new integrated, national fire and emergency service.

Major variances against budget in the Statement of Cash Flows

		2018		
		Actual \$000	Unaudited budget \$000	Variance \$000
30 June 2018	Notes			
Opening balance of cash and cash equivalents	7	48,125	27,765	20,360
Revenue (including levy receipts)	2	559,078	502,260	56,818
Spend, including payroll and volunteers (excluding capex/GST)	3, 5	(437,656)	(442,447)	4,791
GST		2,726	2,966	(240)
Net capex spend (including intangibles)	11, 12	(95,971)	(73,798)	(22,173)
Net proceeds from Crown funding injection made available to the organisation to help fund the transition to the new integrated, national fire and emergency service		29,320	29,405	(85)

		2017		
		Actual \$000	Unaudited budget \$000	Variance \$000
30 June 2017	Notes			
Opening balance of cash and cash equivalents	7	42,757	34,573	8,184
Revenue (including levy receipts)	2	403,437	407,042	(3,605)
Spend, including payroll and volunteers (excluding capex/GST)	3, 5	(371,585)	(376,541)	4,956
GST		(2,110)	3,379	(5,489)
Net capex spend (including intangibles)	11, 12	(48,540)	(47,916)	(624)
Net proceeds from Crown funding injection made available to the organisation to help fund the transition to the new integrated, national fire and emergency service		25,961	–	25,961

GOVERNANCE

Te mana whakahaere



Hon. Paul Swain, QSO (Chair) – April 2016 – present

Paul was appointed as the Board's Chair in April 2016 after leading the independent review of the New Zealand Fire Service in 2012, which resulted in a call for reform.

His political career has spanned some 18 years, during which time he has held a number of ministerial portfolios, including State-Owned Enterprises, Corrections and Immigration. He was also a negotiator in Waitangi settlements, and holds a seat on the Wellington Regional Council.

Paul was made a Companion of the Queen's Service Order (QSO) in 2009.

Organisational committees:

- › Member – Audit and Risk Committee.
- › Member – Remuneration Committee.

Declaration of interests:

- › Greater Wellington Regional Councillor.
- › Chair – New Zealand Utilities Advisory Group.
- › Principal – Paul Swain Consulting.
- › Former Chair – Fire Review Panel (2012).



Dr Nicola Crauford (Deputy Chair) – April 2016 – present

Nicola was appointed as the Board's Deputy Chair in 2016. She is a professional company director with a wealth of governance experience, including a sound understanding of rural fire that was gained during her time as Chair of the Wellington Rural Fire Authority. She has undertaken research, investigating fire spread in buildings and other enclosed spaces. Nicki is a Chartered Professional Engineer, a Fellow of Engineering New Zealand and the Australian Institute of Company Directors and a Chartered Fellow of the Institute of Directors.

Organisational committees:

- › Chair – Integration Committee.
- › Member – Remuneration Committee.

Declaration of interests:

- › Director – Watercare Services.
- › Director – Wellington Water.
- › Director – Orion New Zealand.
- › Chair – GNS Science, and subsidiaries.
- › Director – Environmental Protection Agency.
- › Advisor – WorleyParsons New Zealand and Advision.
- › Member – Electoral Authority of the Co-operation Bank.
- › Director and Shareholder – Riposte Consulting.

Members of the Board of Fire and Emergency NZ are appointed by the Minister of Internal Affairs having regard to criteria set out in both the Crown Entities Act 2004 (as amended in 2013) and the Fire and Emergency New Zealand Act 2017.

The Board members are:

Board Member	Board meetings	Audit and Risk Committee meetings	Integration Committee meetings
Paul Swain	11	4	11
Nicola Crauford	12	1*	12
Te Arohanui Cook	11	0*	9
Peter Drummond	12	4	9
Angela Hauk-Willis	9	4	9
Peter Taylor	0*	3	0*

* Not a member of the Committee.



**Te Arohanui Cook –
April 2016 – present**

First appointed to the Board in April 2016, Te Arohanui has had significant engagement with rural fire at both an operational level and through her involvement in rural fire training.

Organisational committees:

- › Member – Audit and Risk Committee.
- › Member – Integration Committee.

Declaration of interests:

- › Volunteer firefighter – Waipukurau.
- › Former Director and Shareholder – RFNS Training Services Limited.
- › Former Principal Rural Fire Officer – Central Hawke's Bay.
- › Director and Shareholder – Phoenix Ventures Waipukurau Limited.



**Peter Drummond MNZM –
April 2016 – present**

Peter was appointed to the Board in April 2016 and has an extensive background in governance and leadership roles. As a former Chair of the United Fire Brigades Association, Peter has an in-depth understanding of volunteers and the role they play in fire and emergency services. Peter was also a member of the Fire Review Panel in 2012.

Organisational committees:

- › Member – Integration Committee.

Declaration of interests:

- › Chairman – Appliance Connexion Group Services Limited.
- › Director – Score Limited.
- › Chairman – Medical Missions South Pacific.
- › Director – Port Marlborough New Zealand Limited.
- › Director – Ngāti Awa.
- › Director – NARTA New Zealand Limited.
- › Director – NARTA International Pty Limited.
- › Chairman – Watercare Harbour Clean-Up Trust.
- › Chairman – Whip Around.
- › Former Member – Fire Review Panel (2012).



**Angela Hauk-Willis –
July 2011 – June 2018**

Angela has a wide range of governance experience, including being a Board member of the New Zealand Fire Service Commission from 2011 to 2016 and its successor, Fire and Emergency NZ, since 1 July 2017. Angela brings continuity of governance to the Board as it leads the establishment of a new organisation.

Organisational committees:

- › Chair – Audit and Risk Committee.
- › Deputy Chair – Integration Committee.
- › Chair – Remuneration Committee.

Declaration of interests:

- › Trustee – 2020 Trust.
- › Chair – Risk and Assurance Committee, Ministry of Transport.
- › Principal – Angela Hauk-Willis Consulting.

Directors Meetings

The Board operates under the Crown Entities Act 2004. The Board had three standing committees for the year ended 30 June 2018. All meetings and attendance is outlined in the table on page 131.

Committees of the Board

Audit and Risk Committee

The Audit and Risk Committee assist the Board in discharging its responsibility relative to financial reporting, external audit, legislative compliance and internal audit. The Committee oversees that the management has an appropriate risk management framework. The Committee was chaired by Angela Hauk-Willis, and members comprised Te Aroha Cook, Paul Swain has an independent member Peter Taylor.

Remuneration Committee

The Remuneration Committee supports the Board in fulfilling their responsibilities in relation to the recruitment, remuneration and performance setting for the Chief Executive. The Committee was chaired by Angela Hauk-Willis and members comprised all of Board.

Integration Committee

The Integration Committee supports the Board in overseeing all initiatives to implement the Governments reforms, the Crown's investment and support the organisation to one becoming unified fire and emergency service. The committee is comprised of all members and chaired by Nicola Crauford.

Remuneration of the Board and Committee members

Full details of Board and Committee members' remuneration are set out in Note 3 (page 88) of the Notes to the Financial Statements.

Conflicts of Interest

All Directors are required to disclose any conflicts of interest. All interests are outlined on pages 130–131.

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Glossary

ACC	Accident Compensation Corporation	IMS	Incident Management System	PAYE	Pay As You Earn
ACCPP	Accident Compensation Corporation Partnership Programme	IMT	Incident Management Team	PBE	Public Benefit Entity
AEP	Accredited Employers Programme	INSARAG	International Search and Rescue Advisory Group	PFA	Private Fire Alarm
AFAC	Australasian Fire and Emergency Services Authorities Council	IPSAS	International Public Sector Accounting Standard	PFAS	Per- and poly-fluoroalkyl substances
BF	Bornheutter-Ferguson	IRD	Inland Revenue Department	PFOA	Perfluorooctanoic acid
CEO	Chief Executive Officer	JLL	Jones Lang LaSalle	PFOS	Perfluorooctane sulfonate
CDEMG	Civil Defence Emergency Management Group	LAC	Local Advisory Committee	PSA	Public Service Association /Te Pūkenga Here Tikanga Mahi
CIFFC	Canadian Interagency Forest Fire Centre	MBIE	Ministry of Business, Innovation and Employment	PwC	Pricewaterhouse Coopers
DART	Disaster Assistance Response Team	MCDEM	Ministry of Civil Defence and Emergency Management	QSO	Queen's Service Order
DIA	Department of Internal Affairs	MFAT	Ministry of Foreign Affairs and Trade	RCC	Regional Coordination Centre
DOC	Department of Conservation	MOH	Ministry of Health	RFA	Rural Fire Authority
EMA	Emergency Mobile Alert	MOU	Memorandum of Understanding	RFFF	Rural Freightage Fund
EPMO	Enterprise Portfolio Management Office	NBS	New Building Standard	RPA	Rural Professional Association
ERFD	Enlarged Rural Fire District	NRFA	National Rural Fire Authority	SITE	Shared Information Technology Environment
ERP	Employer Recognition Programme	NZ GAAP	New Zealand Generally Accepted Accounting Practice	SLT	Strategic Leadership Team
FAIP	Fire Awareness Intervention Programme	NZDF	New Zealand Defence Force	SMS	Station Management System
FBT	Fringe Benefit Tax	NZFFA	New Zealand Farm Forestry Association	SPE	Statement of Performance Expectations
FECA	Fire and Emergency Commanders Association	NZFOA	New Zealand Forest Owners Association	TA	Territorial Authority
FRS	Financial Reporting Standard	NZMAT	New Zealand Medical Assistance Team	UFBA	United Fire Brigades Association
GST	Goods and Services Tax	NZPFU	New Zealand Professional Firefighters Union	USAR	Urban Search and Rescue
ICT	Information and Communications Technology	ODRC	Optimised Depreciation Replacement Cost	VCFO	Volunteer Chief Fire Officers
IFRS	International Financial Reporting Standards	OFRA	Otago Rural Fire Authority	WFENZ	Women in Fire and Emergency New Zealand
IGC	Incident Ground Command	OLT	Operational Leadership Team	WHO	World Health Organisation
IL4	Importance Level 4	OrgLT	Organisational Leadership Team	XRB	External Reporting Board

