



ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2002



Partners in Community Safety

Mā te kotahitanga, ka ora ai te iwi whānui

Vision:

Working with communities to protect what they value

Mission:

To reduce the incidence and consequence of fire and to provide a professional response to other emergencies

Goals to achieve by 30 June 2006:

- 1 Reduce the total number of fires by 20%
- 2 Reduce residential structure fire fatalities to 10 or less
- 3 Reduce the number of injuries as a result of fire by 50%
- 4 Increase by 5% the percentage of fires in structures where 80% or more is saved
- 5 Contain 95% of all wildfires within two hours of them being reported

Quick Facts:

- 348 fire districts (urban)
- 437 fire stations
- Approx 800 fire appliances
- 1680 career firefighter positions
- 8000 urban volunteer firefighters
- 74 communications centre staff positions

Table Of Contents

Commission Overview	5
Chief Executive Overview	10
Statement of Responsibility	16
Report of the Auditor-General	17
Statement of Objectives and Service Performance	19
Statement of Accounting Policies	72
Statement Specifying Financial Performance	77
Statement of Financial Performance	80
Statement of Movements in Equity	80
Statement of Financial Position	81
Statement of Cashflows	82
Statement of Commitments	83
Statement of Contingent Liabilities	83
Notes to the Financial Statements	84

30 October 2002

Hon George Hawkins
Minister of Internal Affairs
Parliament Buildings
WELLINGTON

Dear Minister

New Zealand Fire Service Commission Annual Report



Dame Margaret with Len Doughty fellowship winner Jon Graham and a Doughty family member.

In accordance with the Fire Service Act 1975, the Forest and Rural Fires Act 1977 and the Public Finance Act 1989, I present to you the annual report of the New Zealand Fire Service Commission for the year ended 30 June 2002.

Fire Outcomes – Residential Fire Fatalities.

Deaths from fires in residential occupancies increased from 16 in 2000/01 to 26 in 2001/02. After four successive years of falling numbers of fire deaths this sudden reversal of the trend in 2001/02 was disturbing. As a matter of course, the Fire Service investigates all fatal fires to identify common causes or

new factors as early as possible. During the year under review two causes were identified as being more prevalent than in previous years:

- Cooking while intoxicated
- The improper use of candles in households disconnected from the electricity supply.

The Commission is satisfied the Fire Service responded promptly by making appropriate adjustments to its pre-planned public fire safety education programme. A hard hitting television campaign addressed the dangers of cooking while intoxicated and printed material was prepared for power companies to give to households being disconnected from the electricity supply.

Fire Safety Review. The sudden upturn in fire deaths caused the Commission to review other aspects of its approach to fire safety. Was there anything different in the delivery of fire safety in 2001/02 that would explain such a significant increase in fire deaths? Two possible explanations emerged.

Statistical Variation No major changes were made to the general approach to fire safety. The definition of some at-risk groups was refined and in the case of severely deprived rural communities in Northland, Eastern Bay of Plenty and the East Coast substantial additional resources were put into the areas with support from allied agencies. Some year-on-year variation is to be expected particularly when the number of incidents is small. It is encouraging, though, that the incidence of death from fire in New Zealand remains close to the world's lowest as the table below demonstrates.

Preventable Fire Deaths per 100,000 Population					
New Zealand	0.65	Australia	0.75	United Kingdom	0.85
Queensland	0.90	New South Wales	0.90	Scotland	1.40
(Latest available statistics – three-year averages)					

Smoke Alarms Eighty six percent of all New Zealand residences now have at least one smoke alarm and many have more. By international standards this is a high penetration rate and reflects well on the efforts of the Fire Service and its fire safety partners over the last three years. Emerging anecdotal evidence suggests, however, that as few as 50% of all smoke alarms installed in New Zealand homes are operative at any one time. Smoke alarms continue to save lives every week but making sure they are maintained in working order is a key strategic issue for the Fire Service.

Other Fire Outcomes. All other key fire outcome indicators showed positive trends for the year. Surprisingly, given the higher number of residential fire deaths discussed above, total fire fatalities (which includes deaths from fires in motor vehicles, suicides and homicides) declined from 46 to 38. The total number of fires recorded also declined although the number of urban fires remained at the same level. The area lost to wildfire fell dramatically reflecting the relatively wet summer and autumn.

Industrial Relations. Following the land mark settlement of the firefighters' collective employment agreement in late June 2001, positive progress was made on building a harmonious and efficient workforce. Government's preference to have all firefighters employed on common terms and conditions was essentially achieved during the year. All but one of the personal grievance claims received following the settlement (noted as contingent liabilities in last year's report) were resolved on terms and conditions acceptable to both parties.

An examination of the non-emergency activity management system (NEAMS) statistics for the 2001/02 year compared with the previous year (adjusted for the under reporting during the period before settlement) shows a marked increase in productive hours worked by paid staff. This increase in productivity is a direct result of the more settled and positive work environment.

Supporting Volunteerism. Initiatives started during the International Year of the Volunteer continued during this year. A television campaign celebrating the

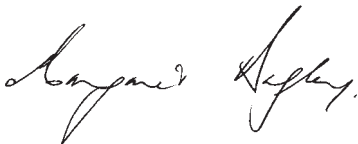
diversity of volunteers was shown over the January 2002 summer holiday period and generated a surge in inquiries to join volunteer brigades. A position to advise the chief executive on volunteer matters was formalised and a staff position focussed on volunteer support was created. The Commission expresses again its gratitude to its 8,000 volunteers whose selfless contribution makes such a difference to so many communities.

Funding. For the first time in several years the proceeds of the Fire Service levy were sufficient to meet the net operating expenditure of the Commission and the contribution to the rural fire fighting fund. Sufficient levy was also collected to wipe out the accumulated shortfall from previous years.

Accordingly, the Commission enters the 2002/03 year in a positive financial position relative to the position of two years ago. The Commission appreciates your contribution to the turn-around in its finances and assures you of its ongoing support as more comprehensive structural changes to the Commission's funding arrangements are considered. Elsewhere in this report we have described in some detail the unique arrangements for funding this Crown entity. We trust this will help readers to better understand the present funding arrangements and to form a clearer view of the financial position of the Commission.

I extend my thanks to the members of the Commission for their personal support during the year and on behalf of the Commission I acknowledge the contribution of Mike Hall, chief executive, his management team and all staff and volunteers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Margaret Bazley', written in a cursive style.

Dame Margaret Bazley, DNZM
Chairperson

Commission Overview

COMMISSION MEMBERSHIP

There were no changes to the membership of the Commission during the year under review. The members were:

Dame Margaret Bazley, DNZM, chairperson

Mr Terry Scott, deputy chairperson

Mr Neville Young, member

Ms Angela Foulkes, member

Dr Piers Reid, member.

The terms of appointment of Dame Margaret, Terry Scott and Neville Young expired during the year. No replacements were appointed so they continued to serve as members under section 8(3) of the Fire Service Act 1975.

STATUTORY FUNCTIONS OF THE COMMISSION

In addition to its role as the Crown's principal manager of fire risk in New Zealand, the Commission has four main statutory functions:

- Co-ordination of fire safety throughout New Zealand as established by sections 20 and 21 of the Fire Service Act 1975 and section 12-(2) of the Building Act 1991.
- Governance of the New Zealand Fire Service as required by section 14 of the Fire Service Act 1975.
- Exercise of the functions of the National Rural Fire Authority as set out in section 14A of the Fire Service Act 1975 and section 18(2) of the Forest and Rural Fires Act 1977.
- Receipt and audit of the proceeds of the Fire Service levy as established by sections 47B and 48 to 53A of the Fire Service Act 1975.

CO-ORDINATION OF FIRE SAFETY

The Commission discharged the co-ordination of fire safety in a variety of ways. It:

- Considered and endorsed the annual fire safety promotion plan prepared by the Fire Safety Planning and Performance Group.
- Met twice with the Building Industry Authority in formal sessions.
- Sought determinations from the Building Industry Authority on buildings the Commission considered did not comply with the fire safety provisions of the Building Code.
- Entered into a partnership with the Historic Places Trust to prepare a strategy for the protection of historic and heritage buildings.

- Prepared, in conjunction with iwi, a video and written material to encourage the fire protection of whareniui and historic buildings constructed from traditional materials.
- Extended the Firewise strategy and supporting promotional material to cover other age groups including the elderly.
- Progressed and promoted fire-safe codes of practice for special occupancies such as:
 - Back country huts
 - Homestay and backpacker accommodation
 - Schools and other educational facilities
 - Hospitals and rest homes
 - Housing New Zealand residential units.
- Awarded a further \$550,000 of fire safety-related research contracts on such diverse topics as:
 - Integrated climate and fire season severity forecasting
 - Modelling post-earthquake fire spread in and around urban centres
 - Fire safety in small tourist accommodation businesses
 - Cost/benefit of regulating fire safety performance of upholstered furniture
 - Case control study of the risk factors for adolescent fire setting
 - Preventing domestic fire injuries with special reference to vulnerable groups.
- Hosted a seminar at the University of Canterbury to communicate the results of research contracts let in previous years.
- Hosted evening functions for fire safety stakeholders and partners in Palmerston North, Manukau City, Napier and Porirua City.
- Funded the ongoing development of a national standard for a low cost residential sprinkler system and sponsored a plumbers' guide to installing such a system.
- Developed national promotional material on the dangers of cooking while intoxicated and the safe use of candles for households disconnected from the electricity supply.

GOVERNANCE OF THE NEW ZEALAND FIRE SERVICE

The Commission discharged its principal governance responsibilities through:

- **The Appointment of the Chief Executive.** Mike Hall was appointed to the position of chief executive/national commander of the New Zealand Fire Service in May 2001 for a term of five years.
- **The Performance Agreement.** The terms and conditions of the employment agreement with Mike Hall include specific performance expectations. The Commission assessed the chief executive's performance against the expectations in May 2002.
- **The Purchase Agreement.** This document establishes the quantity, price, quality and timeliness of the outputs to be delivered by the Fire Service and must be consistent with the statement of intent and estimates of expenditure approved by the Minister. The estimates of expenditure were approved by the Minister in July 2001.
- **The Instrument of Delegation.** This document gives the chief executive authority to exercise certain of the Commission's statutory powers subject to relevant policy direction. The instrument dated 20 June 2001 remained in force during the year under review.
- **The Audit Committee.** This committee advises the Commission on risk management, policy compliance, the annual audit programme and statutory reporting. Members of the audit committee were Neville Young (chairperson), Piers Reid, Angela Foulkes and Dame Margaret Bazley *ex officio*.

NATIONAL RURAL FIRE AUTHORITY

Responsibility for the delivery of rural fire prevention, suppression and extinction services rests with rural fire authorities – mostly territorial authorities but also the Department of Conservation, the New Zealand Defence Force, private forest plantation owners and other special purpose entities. The Commission acting as the National Rural Fire Authority is responsible for rural fire policy at a national level. This includes establishing national standards and codes of practice, auditing compliance with those standards, co-ordinating rural fire authorities and reimbursing the costs incurred by rural fire authorities in fighting rural fires.

Highlights of the year included:

- **USA/New Zealand Wildfire Arrangement.** Following the deployment of New Zealand rural fire managers to the United States in August and September 2000, formal arrangements to cover similar circumstances in the future were put in place.
- **New South Wales Wildfires.** Ten New Zealand rural fire managers were sent to New South Wales in January 2002 to help manage the worst bush fire season in 20 years.

- **Long Duration, Large Incident Capability.** A workshop at Burnham in June further developed the national incident management teams.
- **National Wildfire Threat Analysis.** The design phase of this initiative to help rural fire authorities manage the risk from rural fires was completed and approved by the National Rural Fire Advisory Committee.

LEVY RECEIPT AND AUDIT

Section 48 of the Fire Service Act requires insurance companies and certain other entities to collect a levy on all contracts of fire insurance and to remit the proceeds of the levy to the Commission. The proceeds of the levy are applied to the:

- Rural fire fighting fund
- Actual net expenditure of the Commission.

The rate of levy is reviewed annually by the Minister of Internal Affairs. The review undertaken during the year made no change to the levy rate of 7.3 cents per \$100 of insured value that first came into effect on 1 March 2001.

The Commission continued a comprehensive audit programme of insurers and brokers. The audits were conducted by an auditor with specialist knowledge of the insurance industry contracted to the Commission. The audit objectives were to:

- Provide an opinion on the level of compliance with the levy provisions of the Fire Service Act 1975
- Identify and recover any levy due but not collected
- Identify the extent to which the adoption of certain policy structures affects the amount of levy due
- Identify organisations that have moved their insurance offshore to enable subsequent audits of these organisations to determine that levy due is being remitted to the Commission
- Highlight any significant developments within the insurance industry that may affect the future income base of the Commission.

Insurers' and brokers' systems were found to be adequate to enable the levy to be calculated correctly and compliance levels were assessed as being generally good. Common areas of non-compliance included:

- Failure to collect levy on policy extensions such as capital additions
- Failure to obtain the proper support for indemnity value where levy is paid on that basis.

Previous annual reports noted the trend to policy structures such as first loss and excess of indemnity and their adverse effect on levy proceeds. The levy audit report for the year noted a further increase in the use of these structures.

The statutory declaration exercise described in last year's report continues to generate additional levy revenues, interest and penalties. The exercise has now been extended to include Australian entities operating in New Zealand.

COMMISSION FUNDING AND EXPENDITURE ARRANGEMENTS

The statutory framework governing the funding and expenditure of the Commission is unique to the Commission. The Auditor-General considers the financial provisions of the Fire Service Act 1975 to be "outdated, over prescriptive and inconsistent with current public sector financial practices. The provisions are typical of the financial environment that existed in the public sector 25 years ago - cash based fund accounting with mechanistic approval regimes".

The Commission agrees with the view of the Auditor General but is nevertheless required to work within the financial provisions of the Act as currently worded. To help readers of this report get as clear a view as possible of the financial position of the Commission the following brief explanation is offered.

- **Levy Proceeds.** The proceeds generated by the Fire Service levy depend on two factors: the rate of levy (which is reviewed annually by the Minister of Internal Affairs having regard to the financial position of the rural fire fighting fund, the net expenditure of the Commission and the need for a stable rate of levy over time) and the underlying amount for which all property in New Zealand is insured against the risk of fire. Neither factor is within the control of the Commission.
- **Commission Expenditure.** Each year the Commission must submit estimates of its expenditure to the Minister of Internal Affairs and obtain the Minister's approval before committing that expenditure. The approved estimates of expenditure determine the Commission's spending levels, not the state of the levy account. A surplus in the levy account does not enable the Commission to spend more. A shortfall in the account does not mean the Commission must spend less.
- **Commission Funding.** The Commission is authorised to draw from the levy account funds equal to its net expenditure. When the account is insufficiently funded to meet that expenditure the Commission is authorised to borrow the shortfall from its bankers in anticipation of future levy income. That situation prevailed in the two financial years preceding the year under review. This year levy proceeds were sufficient to wipe out the previous shortfall in the levy account, fund the net operating expenditure of the Commission and return the account to a positive balance.

Chief Executive Overview



Chief Executive/National Commander, Mike Hall

The Commission through the Fire Service and the National Rural Fire Authority aims to reduce the incidence and consequences of fire. This overview covers some of the significant events and achievements in 2001/02.

EMERGENCY RESPONSES

The Fire Service responded to 62,397 emergency incidents during the 2001/02 year.

The following table provides a breakdown of the incidents.

	2001/02	2000/01	1999/00
Fires	20,298	21,270	20,358
Hazardous emergencies	2,857	2,492	2,448
Medical emergencies	3,040	3,267	2,515
Motor vehicle incidents (<i>excluding fires</i>)	4,820	4,791	5,467
False alarms	25,862	27,306	24,548
Other emergencies	5,520	5,281	4,529
Total	62,397	64,407	59,865

STAKEHOLDER CONSULTATION

Strong emphasis on stakeholder consultation continued during 2001/02.

Consultation at the national level included:

- Briefings in November and May with insurance industry representatives. These briefings included consultation on the Commission's estimates of expenditure for 2002/03 as required by the Fire Service Act.
- Quarterly briefings were held with officials from government organisations such as the Department of Internal Affairs, the State Services Commission, Treasury, the Office of the Controller and Auditor-General, Audit New Zealand and the Department of the Prime Minister and Cabinet on the Commission's performance and other major issues.
- Occasional meetings with the Building Industry Authority, Building Research Association of New Zealand (BRANZ), Standards New Zealand and territorial authorities on building regulations and standards.
- Meetings with the United Fire Brigades Association (UFBA) concerning volunteer issues.
- Meetings with the Professional Firefighters Union on operational issues affecting paid firefighters.
- Regular meetings with representatives in the rural fire industry.

EQUAL EMPLOYMENT OPPORTUNITIES

Positive progress was made in attracting and recruiting women and Maori into the Fire Service and retaining them.

Key achievements of the Fire Service against its 2001/02 EEO programme included:

- **EEO Trust.** The Fire Service has become a member of the EEO Trust. Membership is promoted in our advertising booklet for potential firefighter recruits.
- **Women's Forum.** In March a two-day forum was held for paid female firefighters. This was the first national forum for this group of employees since 1997. Women who attended the forum provided a paper on areas discussed, including steps the organisation can take to further support women in paid firefighting roles. These steps will be actioned in the 2002/03 year.
- **Women's Website and Newsgroup.** Recruitment information on the Fire Service website now includes a direct email link for those who want information about women firefighters. A similar link has also been established for inquiries from Maori. In addition, a newsgroup for female firefighters has been established on the organisation's intranet.
- **Hui for Maori Employees.** Four hui were held for all Fire Service employees who identified as being Maori. Feedback on the key issues discussed will be built into the 2002/03 work programme.
- **Marae Visit.** Two overnight marae visits were held for Fire Service management. All paid chief fire officers, assistant fire region commanders and a number of managers from the corporate office attended the overnight marae visits.
- **Cultural Awareness Training.** A number of cultural awareness training programmes were delivered to operational support staff. These programmes will be developed into a standardised nation-wide programme in 2002/03.
- **Recruit Open Day.** A total of six workshops were held in Auckland, Wellington and Christchurch. A total of 290 potential recruits attended the workshops with almost half of those attending being from one or other of the target groups. Of those attending 16% were women, 23% were Maori and 8% were from a Pacific Island. This response compared favourably with the response rates achieved through traditional advertising.
- **Support to Target Groups.** All female recruits were informed of the women's network group and given contact details of a network group member for peer support. A similar support system will be introduced for Maori and Pacific Islanders.
- **Training Culture.** Approximately 150 recruit trainees were surveyed to assess the culture of the training environment. Feedback from the survey was used to enhance procedures within the training environment.
- **Research.** The contestable research fund is funding research into the recruitment and retention of paid female firefighters and reviewing the effectiveness of our current recruitment practices. The results are expected in 2002/03.

TE KOTAHITANGA



More than 12,000 smoke alarms were installed in Northland homes

A spate of fatal house fires, several involving children, led to the development of an inter-agency strategy to educate Northland people about keeping safe from fire.

The partnership – Te Kotahitanga – involved the Fire Service, Work and Income New Zealand, Housing New Zealand, ACC and People Potential.

Unemployed Northlanders were put through a training programme to become fire safety ambassadors. They visited 2976 houses, met 6149 people and installed 12,543 smoke alarms by 30 June 2002.

The focus was on educating people about how to avoid fire dangers and how to protect themselves if a fire occurred in their home.

The programme is now being introduced in the Bay of Plenty and on the East Coast.

EQUAL EMPLOYMENT OPPORTUNITIES – MAORI



Maori staff had their say about making the service a better place

The Fire Service held a series of hui with its Maori personnel to establish the issues facing Maori as employees and when working with Maori to deliver fire safety education.

The hui were held as part of the Fire Service Commission's equal employment opportunities programme for 2001/02

Four hui attracted 65 employees.

Issues raised included individual experiences as a Maori employee in the Fire Service, recruitment and retention, good employers' principles and effective fire safety strategies.

BUSINESS EXCELLENCE



Firefighters had the opportunity to be involved in the service's business excellence conference

employees and how it plans its strategies and measures its results.

Employees from recruit firefighters to the chief executive and volunteers met in Wellington to discuss how to make the Fire Service an organisation that meets the principles of business excellence.

The business excellence model, used internationally, measures an organisation's ability to perform in a range of criteria, including the service it provides to the public, how it communicates to its

FIREWISE PROGRAMME



Brightspark proved a hit with children

Brightspark has made visits to schools and community events and is a big hit with children. Children chant "c'mon guys get firewise" whenever Brightspark makes an appearance.

Research commissioned by the Fire Service continues to show that New Zealanders favour television as the best way to communicate fire safety messages.

The Fire Service continued its series of television advertisements featuring its cartoon character, Brightspark, and a group of children.

PARTNERSHIP WITH PLUNKET



Firefighter Craig Gush with Charlotte Rempala at the Plunket launch

the partnership offered firefighters the opportunity to get into homes they would not normally have access to.

The Fire Service and Plunket have joined forces in a major new initiative to get fire safety into homes.

Plunket nurses, Plunket Kaiawhina and Community Karitane who visit families with young babies in Nelson, Wairarapa, Porirua and the Hutt Valley were identified homes in need of smoke alarms.

Several groups donated smoke alarms and

THE NEW STATION MANAGEMENT SYSTEM



Firefighters identify the risks in their own patch

A “firefighter-first” approach to delivering Fire Service outcomes is the aim of the Fire Service station management system for career fire stations.

Using the Fire Service strategic direction, each fire station looks at the risks in its patch, identifies how it can reduce those risks and works out the number of risk-reducing activities to be achieved.

The use of a computer-based station management system enables firefighters to set their activities and targets, allocate and schedule work, record work completed and produce progress reports.

Work started on the system this financial year, with several fire stations trialling the computer system.

NEW TRAINING INITIATIVE FOR OFFICERS



Life-like fire training in Brisbane

Fire officers were exposed to life-like fire and other incident scenarios at a live fire campus facility in Brisbane.

The course was designed by Fire Service trainers and also covered theory, such as station management and leadership skills.

It was the first time officers in training have had the opportunity to apply newly learnt incident management skills in a variety of realistic live fire scenarios.

This course provides a cost-effective way to train officers. The alternative would be to establish a multi-million dollar facility in New Zealand, which is not feasible financially.

THE NEW VECTOR COMMAND TRAINING SYSTEM



Computer-based training with real life scenarios

Another training initiative was the establishment of vector command. This is a virtual reality incident management simulation that puts officers on the scene and gives them the chance to develop and enhance their skills.

It can be almost as stressful and demanding as the real thing and is designed to teach strategic command and control on the incident ground.

The software carries several incident scenarios ranging from a house fire to a plane crash and responds appropriately to every action or command given by the trainee.

DEVELOPMENT OF URBAN SEARCH AND RESCUE



Urban search and rescue in action

New Zealand is developing a world class urban search and rescue capability and has established two taskforces each comprising 35 urban search and rescue specialists.

New Zealand is also establishing a pool of 40 qualified trainers for teaching light search and rescue techniques at structural collapse incidents.

Training for the 40 qualified trainers was delivered by the Ministry of Civil Defence and Emergency Management and the Fire Service. The trainers came from several agencies including fire, ambulance, police, civil defence, the defence force, private training establishments and search dog teams.

RECRUITMENT REACHES WIDER COMMUNITY



Dame Margaret Bazley with top recruit Melanie Horne

The Fire Service has actively recruited more women, Maori and Pacific Islanders to its career ranks. This recruitment will ensure that, over time, the Fire Service's workforce reflects the communities it serves.

Auckland firefighter Melanie Horne, one of the recruits who graduated last year, topped her course.

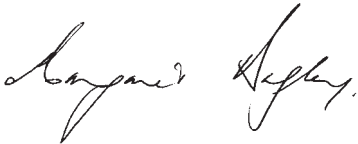
Statement of Responsibility

for the year ended 30 June 2002

Pursuant to section 42 of the Public Finance Act 1989, the New Zealand Fire Service Commission and management of the New Zealand Fire Service accepts responsibility for:

- The preparation of the financial statements and the judgements used therein.
- The establishment and maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the New Zealand Fire Service Commission and management of the New Zealand Fire Service, the financial statements for the year ended 30 June 2002 set out on pages 19 to 96 fairly reflect the financial position and operations of the New Zealand Fire Service Commission.



Dame Margaret Bazley DNZM
Chairperson
25 October 2002



Mike Hall
Chief Executive
25 October 2002



Report of the Auditor-General

To the readers of the financial statements of New Zealand Fire Service Commission for the year ended 30 June 2002.

We have audited the financial statements on pages 19 to 96. The financial statements provide information about the past financial and service performance of New Zealand Fire Service Commission and its financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 72 to 76.

Responsibilities of the New Zealand Fire Service Commission

The Public Finance Act 1989 and New Zealand Fire Service Act 1975 require the Commission to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of New Zealand Fire Service Commission as at 30 June 2002, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Commission. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed E M Mason, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the Commission in the preparation of the financial statements; and
- Whether the accounting policies are appropriate to New Zealand Fire Service Commission's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered

necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have performed assurance related assignments for the New Zealand Fire Service Commission in the area of contract tendering, payroll and tax compliance. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in New Zealand Fire Service Commission.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of New Zealand Fire Service Commission on pages 19 to 96:

- Comply with generally accepted accounting practice in New Zealand; and
- Fairly reflect:
 - New Zealand Fire Service Commission's financial position as at 30 June 2002;
 - The results of its operations and cash flows for the year ended on that date; and
 - Its service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 25 October 2002 and our unqualified opinion is expressed as at that date.



E M Mason

Audit New Zealand

On behalf of the Controller and Auditor-General

Wellington, New Zealand

Statement of Objectives and Service Performance

Section 41 of the Public Finance Act 1989 requires the Commission to report against the measures set out in the approved 2001/02 statement of intent. This section sets out the Commission's results against those outcomes, outputs and performance measures.

SUPPORTING THE GOVERNMENT'S GOALS

One of the Government's goals includes:

“building safe communities”

through

“working in partnerships with communities”

The Commission contributed to building safe communities by reducing the incidence and consequences of fires and responding to other emergencies. It worked in partnership with communities to deliver effective fire safety education so people understood fire risks and the ways to prevent fires and to take action in the event of a fire.

The Fire Service also provided fire suppression services to minimise fire consequences and provided a professional response to a range of other emergencies, eg motor vehicle crashes and civil emergencies. Through the National Rural Fire Authority, the Commission sets standards for putting out fires in rural areas and co-ordinates rural fire authorities.

Figure 1 illustrates the relationship between the Government's goal of “building safe communities”, the Commission's objectives, fire outcomes, intermediate outcomes and the activities and services (outputs) provided by the Commission.

To illustrate the relationship in more detail two examples are give in this sub-section:

- Outputs relating to education and advice (figure 2)
- Outputs relating to preparing for and suppressing fires (figure 3).

Figure 1 – Relationship between Government Goals and Commission Objectives, Outcomes and Outputs

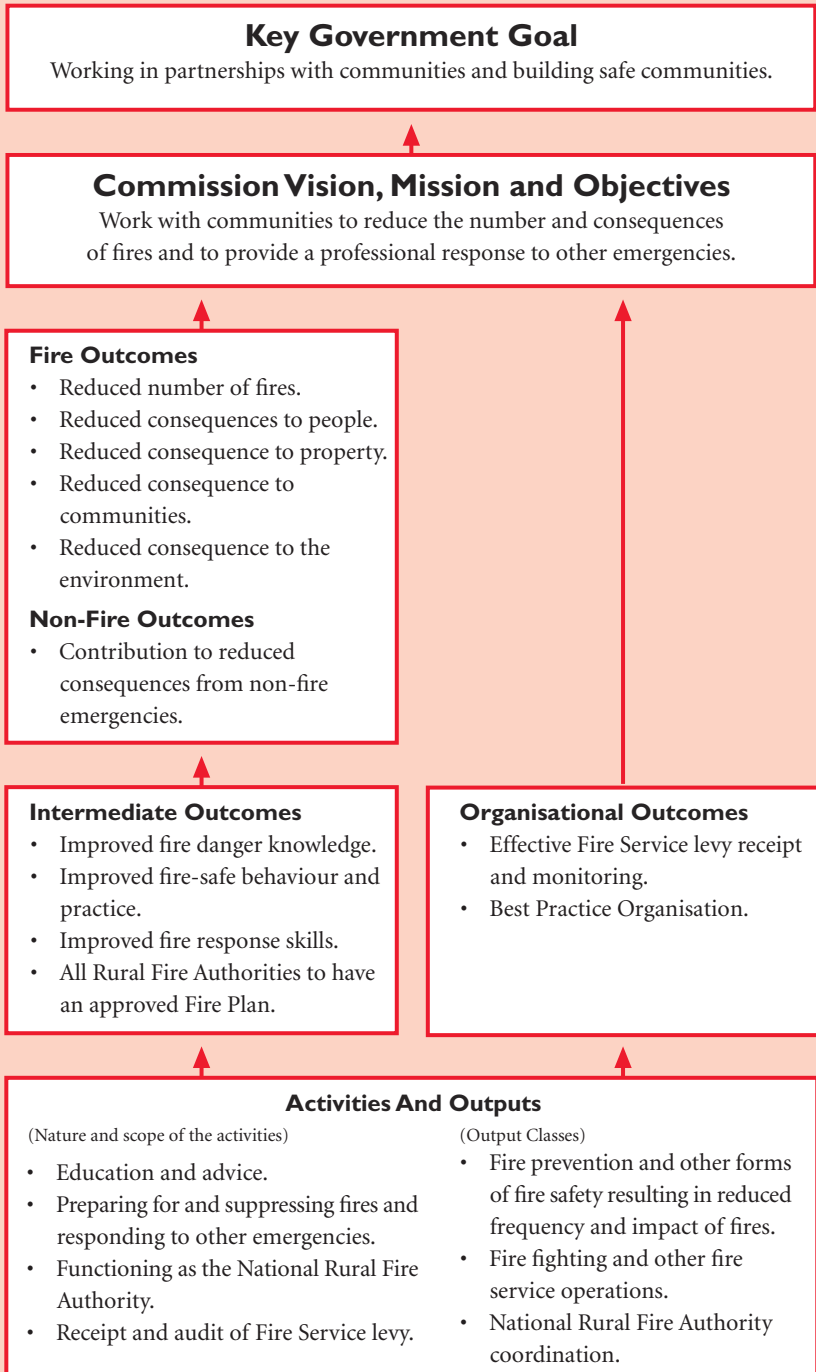


Figure 2 – The relationship between Fire Outcomes and Education and Advice Activities



FIRE OUTCOMES - EDUCATION AND ADVICE

This example illustrated in figure 2 shows how outputs relating to education and advice contribute to fire outcomes and Government goals.

Intermediate Outcomes

Fire safety education programmes delivered by the Fire Service and the National Rural Fire Authority resulted in improved fire safety knowledge, behaviour and response skills among the public.

Partnerships with external organisations were developed and enhanced to help the Fire Service improve the public's knowledge about fire safety and fire-safe behaviour and how to respond to fire. Documentaries and news media coverage of fires with fire safety messages also contributed to greater public awareness.

Evidence of improved fire safety knowledge among the public is provided on page 27.

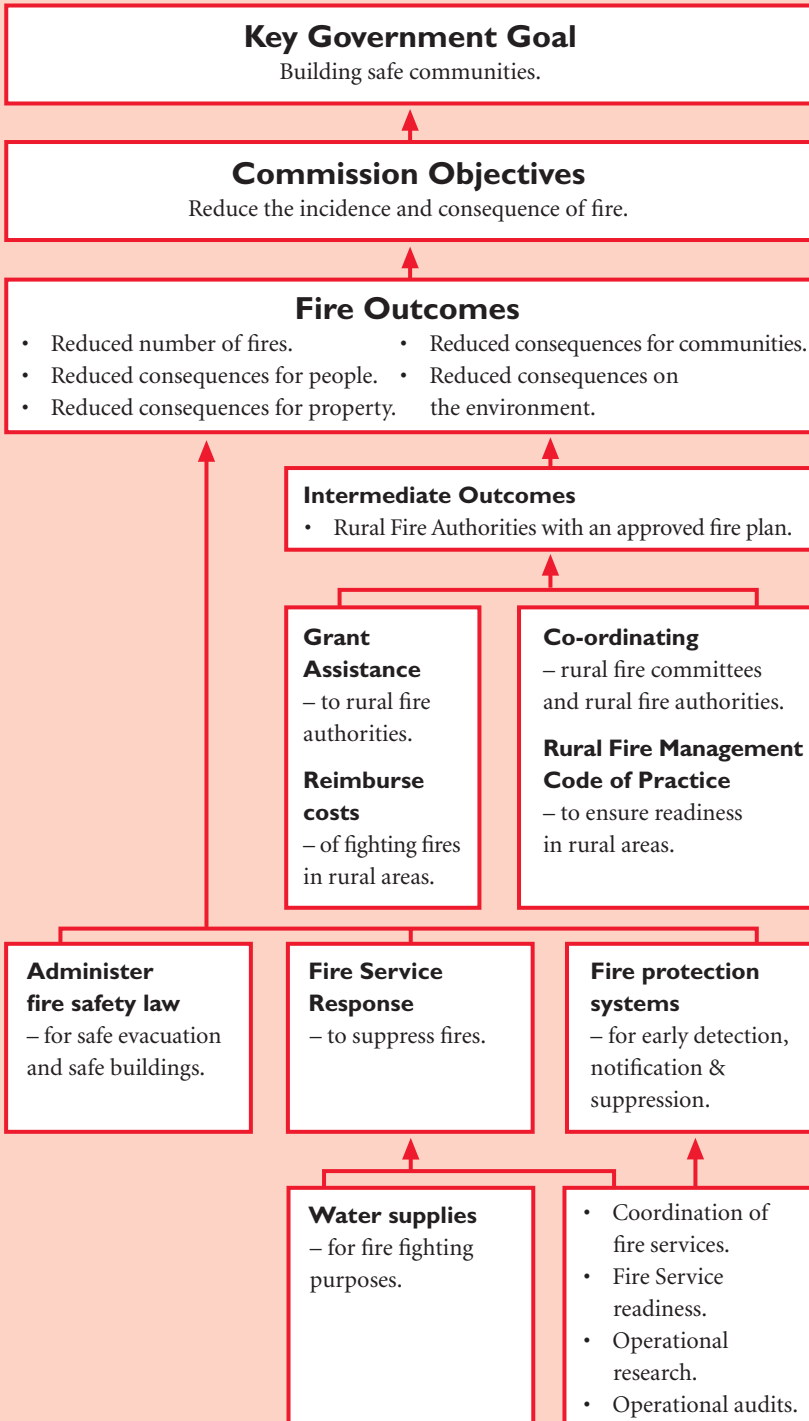
Commission Outputs

Commission outputs (services) improved the public's fire safety knowledge and produced a positive change in fire-safe behaviour and fire response skills. Fire prevention and advice campaigns were delivered through the Fire Service and the National Rural Fire Authority. Campaigns targeted high-risk groups within communities to achieve the greatest impact on fire outcomes.

The Commission funded research, carried out fire investigations and monitored fire weather information to target fire prevention and advice campaigns more effectively. Research objectives included quantifying fire risk better, identifying characteristics of high-risk groups, and how to reach these groups to achieve a change in fire-safe behaviour.

The Commission through the National Rural Fire Authority supplied rural fire authorities with fire weather data to help monitor fire risk in rural areas.

Figure 3 – The relationship between Fire Outcome and Preparing for and Suppressing Fires Activities



FIRE OUTCOMES - PREPARING FOR AND SUPPRESSING FIRES

This example illustrated in figure 3 shows how outputs relating to preparing for and suppressing fires contribute to fire outcomes and Government goals.

Intermediate Outcome

This example includes only one intermediate outcome. The majority of the Commission's outputs in the category "Preparing for and suppressing fires" relate directly to fire outcomes.

Ninety-seven of the 102 rural fire authorities (95%) had an approved fire plan in place in accordance with the Rural Fire Management Code of Practice. These plans ensure that rural fire authorities have the necessary resources in place to respond to fire emergencies in rural areas.

Commission Outputs

Reducing the consequences of fire requires effective actions both in preparing for, and in suppressing, an actual fire. Effective actions include installing automatic fire alarm and suppression systems, administering fire safety law covering public safety, and the direct intervention by fire suppression service providers.

Through the National Rural Fire Authority, the Commission helps to ensure an effective response to wildfires in rural areas by setting standards and monitoring rural fire authorities against them. The National Rural Fire Authority also provides financial assistance to rural fire authorities to maintain and enhance their response readiness and to reimburse a proportion of the costs associated with putting fires out.

STATISTICAL REPORTING

The number and consequences of fires shown in this annual report for earlier years may vary slightly from the same data given in previous annual reports. At the end of each year detailed information on a small percentage of incidents is not available. The incident data is proportionately increased across all incidents to address this difficulty. In the following year the detailed information becomes available and the incident statistics are revised accordingly.

Small changes in the fatality statistics are attributable to the outcomes of coronial inquests after the close of the year.

OUTCOME PERFORMANCE

This sub-section details the Commission's performance in the achievement of outcomes during 2001/02 with data from historic years included for comparison purposes.

The results of outcome areas one, two and three have been measured by an independent public survey carried out in July/August of each year. Outcome areas four to nine have been measured through the Fire Service's in-house fire incident reporting system (FIRS). They therefore reflect those incidents the Fire Service attended. Rural fire authorities and the National Rural Fire Authority have reported outcome areas 10 and 11. Other in-house and external reporting processes have measured outcome areas 12 and 13.

2001/02 COMPLETENESS

The fire incident reporting system (FIRS) was 98.7% complete in the 2001/02 financial year. The remaining 1.3% was proportionally spread across all incident types.

2000/01 COMPLETENESS

The FIRS database was incomplete during the last financial year (2000/01) because of industrial action by members of the New Zealand Professional Firefighters Union. The FIRS database was just over 90% complete. That is, 90% (58,021) of the 64,407 incidents attended by the Fire Service have detailed incident reports completed and entered into the database. For reporting and comparison purposes FIRS data was prorated to 100%. This meant that 58,021 incidents were proportionally increased to reflect the 64,407 incidents attended during the year. Comparison data for the 2000/01 year reported in outcome areas four, seven, eight and nine was affected. Fire fatality information (outcome areas five and six) does not rely on the FIRS system and was therefore unaffected. By prorating the data the Commission believes meaningful comparisons can be made between years.

Fire Outcomes – 2001/02 Summary

The number of fires

- Total fires – 20,298 compared to 21,270 in 2000/01
- Urban fires – 14,072 compared to 14,139 in 2000/01
- Rural fires – 3,495 compared to 4,256 in 2000/01
- Motor vehicle fires – 2,731 compared to 2,875

The consequence of fire to people

- Total fire fatalities –
38 compared to 46 in 2000/01
- Avoidable residential structure fire fatalities –
26 compared to 16 in 2000/01
- Injuries to the public from fire –
442 compared to 327 in 2000/01

The consequence of fire to property

- 71% of fires contained to the room of origin compared to 70% last year
- Area lost to wildfire – 3,938 hectares damaged compared to 12,666 in 2000/01

Fire Outcome Performance

INTERMEDIATE OUTCOMES

This sub-section of the annual report summarises the results of the Commission's annual fire knowledge survey. The survey is carried out in July/August of each year. It monitors the effectiveness of fire safety promotions by measuring the direct impact services (outputs) have on maintaining and improving the level of public fire safety knowledge and fire-safe behaviour. The 2002 survey shows contrasting results:

- Encouragingly, the survey identifies links between improved fire knowledge, recalling fire safety messages and taking action to make households more fire safe.
- The survey also identifies, however, a core section of the public who don't take fire safety action because they accept the current level of fire risk as being normal or believe a serious fire will not happen to them. These people are often in the most at-risk groups identified by the Fire Service, suggesting their attitudinal barriers are difficult and time consuming to change.

INTERMEDIATE OUTCOME – FIRE DANGER KNOWLEDGE

Seventy-seven percent of people recalled seeing or hearing a fire safety message in 2002 compared to 56% in 1999 and 48% in 1998. Knowledge that fires can develop rapidly and can become unsurvivable is increasing with 85% of people believing this could happen in five minutes or less. This compares to 70% four years ago.

Despite this progress public awareness of fire-safe behaviour is unacceptable. For example, 31% of people do not believe leaving cooking unattended is a fire risk, despite extensive fire safety advertising on this subject. The tables below set out some of the key findings from the 2002 survey.

Knowledge about fire	2002	2001	2000	1999
People who estimate a fire can become unsurvivable in five minutes or less	85%	80%	78%	70%
Recall of a fire safety message	77%	75%	74%	56%
Awareness of roadside fire danger signs in rural areas	80%	82%	85%	89%

Percent of people who perceive each of the following to be a fire risk	2002	2001	2000	1999
Children having access to matches	93%	95%	91%	93%
Leaving clothing to dry in front of an open fire	82%	86%	80%	84%
Using candles in the bedroom	80%	82%	80%	80%
Leaving clothing to dry close to or on a heater	79%	81%	77%	76%
Leaving cooking unattended	69%	72%	70%	70%
Using multiple pugs in the same power socket	64%	67%	66%	63%
Leaving an electric blanket on overnight	63%	62%	64%	63%
Using open flame heating	55%	58%	50%	47%

The survey data now demonstrates a link between knowledge and action. For example, people who believe a fire takes one-two minutes to develop were significantly more likely to have installed five or more smoke alarms.

Significantly, people who take some fire safety action are more likely to undertake multiple actions to reduce their fire risk. Two examples are:

- People who keep matches away from children are significantly more likely to have five or more smoke alarms installed.
- People who have installed four smoke alarms are significantly more likely to have developed and practiced a fire escape plan.

This appears to indicate that once fire safety awareness reaches a certain threshold people take action to reduce their fire risk. The difficulty for the Commission is that each person's threshold for action may vary and may be prompted by different things. The challenge is to better understand these thought processes and refine fire safety promotions to better effect changes in behaviour while still being broad enough to meet a wide audience.

INTERMEDIATE OUTCOME – FIRE-SAFE BEHAVIOUR AND PRACTICES

The percent of households with smoke alarms installed has increased steadily over the last four years. Eighty-four percent now have at least one smoke alarm installed with 25% of these households having installed four or more. Significantly, 92% of these households believe all their smoke alarms are in working order. Emerging anecdotal evidence from Fire Service operational staff suggests this overstates the real position. Next year's survey will seek to measure this discrepancy.

The percent of households with an escape plan has not increased over the last few years. This result is disappointing given the considerable effort put into promoting personal fire escape plans.

The table below sets out some of the key findings from the 2002 survey.

Fire-safe behaviour and practice	2002	2001	2000	1999
Households with at least one smoke alarm installed	84%	81%	81%	79%
Households with four or more smoke alarms installed	25%	24%	19%	-
Belief that all smoke alarms are working	92%	-	-	-
Households that clean smoke alarms	65%	66%	65%	71%
Fire escape plans developed	54%	54%	57%	-
Households with a fire escape plan who practice it	38%	36%	40%	-
Households where children do not have access to lighters or matches	70%	70%	67%	65%
People who are more fire safe after seeing roadside fire danger signs in rural areas	73%	75%	81%	76%

The most disappointing findings from the 2002 survey are the attitudes some people have towards fire safety. Half of the people surveyed considered that taking risks with fire is a part of human nature, 36% considered a serious house fire would not happen in their households and 28% thought that most causes of serious house fires were beyond the householders' control. These results have changed little over the last four years despite extensive promotions covering these areas. This reinforces that changing the attitudes and behaviour of this core group will only happen over the medium term and will require the help and support of a range of organisations and community groups.

The table below sets out some of the key findings from the 2002 survey.

Fire-safe behaviour attitudes – people who agree “strongly” or “a little” with:	2002	2001	2000	1999
I am very safety conscious when it comes to fire risk	88%	88%	89%	89%
I am doing everything possible to prevent the risk of fire in my household	80%	79%	79%	74%
Taking risks with fire is part of human nature	49%	46%	49%	43%
A serious house fire is not something that is likely to happen to my household	36%	36%	32%	36%
Most causes of serious house fires are beyond the householders' control	28%	26%	31%	27%
The cost of smoke alarms has made me think twice about installing one	22%	22%	20%	17%
As long as children have been taught to play with lighters and matches safely it is OK to leave them within their reach	8%	9%	8%	7%

Sixty-five percent of people reported taking action after they had seen or heard a fire safety message compared to 52% in the 2001 survey. The main actions taken are shown in the table below.

Action taken as a result of seeing a fire safety message	2002	2001	2000	1999
Installed smoke alarms	29%	25%	-	-
Checked the operation of smoke alarms	26%	13%	-	-
Kept matches away from children	21%	10%	-	-
Taught others in the household to be fire safe	20%	9%	-	-
Do night safety checks	14%	7%	-	-
Developed an escape plan	16%	6%	-	-
Do not leave candles burning unattended	15%	6%	-	-
Do not leave cooking on the stove unattended	14%	6%	-	-
Do not leave clothes drying close to the heater	13%	6%	-	-

INTERMEDIATE OUTCOME – FIRE RESPONSE SKILLS

The survey results demonstrate progress in two key areas targeted by the Commission. Compared to four years ago more people know that in the event of a fire they must first get everyone out of the house and secondly call the Fire Service. However, almost one quarter of people would try to put the fire out. This is despite improved knowledge that fires grow quickly and become unsurvivable within a short space of time. This highlights the challenge the Commission faces to change behaviour. People are still prepared to take risks even when they are aware their behaviour is risky and the potential consequences are severe.

The tables below sets out some of the key findings from the 2002 survey.

Actions people would take in the event of a fire	2002	2001	2000	1999
Get everyone out of the house	83%	86%	87%	77%
Ring 111 or the Fire Service	72%	71%	64%	64%
Get valuables out of the house	7%	6%	12%	13%
Try to put the fire out	21%	19%	16%	25%

Knowledge of actions to take	2002	2001	2000	1999
Dial 111	97%	97%	97%	98%
Give the address of the fire	97%	94%	91%	95%

INTERMEDIATE OUTCOME – THE NUMBER AND PERCENTAGE OF RURAL FIRE AUTHORITIES WITH AN APPROVED FIRE PLAN

	Target	2001/02 Actual	2000/01 Actual
Number of rural fire authorities	-	100	102
Number of rural fire authorities with an approved fire plan	-	99	97
Percentage of rural fire authorities with an approved fire plan	95%	99%	95%

Fire Outcome – Reduce the Incidence of Fire

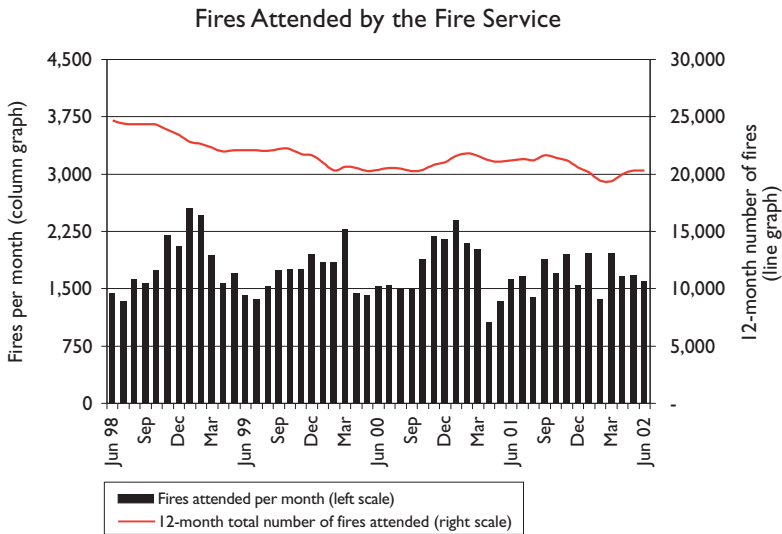
	For the Year			
	2001/02	2000/01	1999/00	1998/99
Fire Incidents				
Urban fires	14,072	14,139	14,076	14,825
Rural fires	3,495	4,256	2,960	3,649
Motor Vehicle Fires	2,731	2,875	3,322	3,607
Total Fire Incidents	20,298	21,270	20,358	22,081

Note: FIRS data for 2001/02 has been pro-rated up from 98.7% to 100%.

Urban fires are those that occurred within New Zealand Fire Service fire district boundaries. Rural fires are those that occurred outside New Zealand Fire Service fire district boundaries.

This table shows the total number of fires attended by the Fire Service has decreased by 5% (972) over the last year compared to the goal of a 4% reduction. Fires in urban areas have remained almost unchanged, motor vehicle fires are down 144 and fires in rural areas are down 761. The lower number of rural fires reflects the less extreme summer conditions and the lower fire danger existing in many parts of the country during 2001/02.

This graph shows the 12-month rolling total number of fires attended by the Fire Service has reduced steadily over the last four years.



NUMBER OF FIRE INCIDENTS BY PROPERTY TYPE

	For the Year			
	Per 1,000 Popn		Number of Fires	
	2001/02	2000/01	2001/02	2000/01
Public assembly	0.30	0.30	1,168	1,161
Educational	0.14	0.14	545	523
Health care and detention	0.04	0.04	171	159
Residential – domestic	1.57	1.70	6,110	6,508
Residential – other	0.07	0.06	257	240
Shop and office	0.26	0.23	1,013	897
Primary industry and utility property	0.29	0.37	1,138	1,429
Manufacturing property	0.15	0.13	566	497
Storage property	0.17	0.14	645	530
Misc property	2.24	2.43	8,685	9,326
Total	5.30	5.55	20,298	21,270

Note: The main items in miscellaneous property are roads/streets and outdoor areas.

This table shows the breakdown of fire incidents by property type. Decreases in fire incidents attended by the Fire Service occurred in the miscellaneous property (641) and primary industry and utility property (291) areas. These properties are where the majority of vegetation fires are recorded. This is consistent with the decrease in the number of rural fires reported earlier in this sub-section.

Fires also decreased in residential – domestic properties by 398 following a 540 decrease last year. Reducing these fires is the principal focus of the national promotion plan. The results are encouraging but further work is needed to establish a statistical link between the Fire Service fire safety initiatives and the number of fires in residential – domestic properties.

The only increase of substance was in shop and office properties where there were 116 (13%) more fires than in 2000/01.

Fire Outcome – Reduce the Consequences of Fire to People

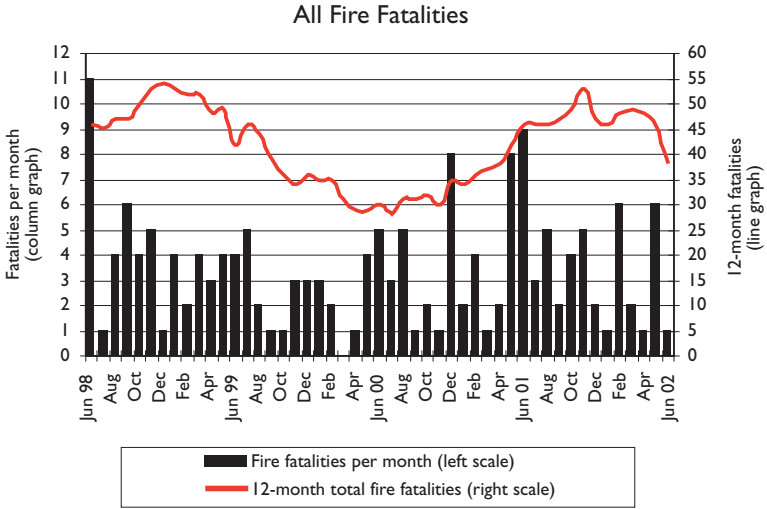
FIRE FATALITIES

The following table shows the breakdown of fire fatalities for the last four years. It includes incidents the Fire Service attended plus other incidents brought to the attention of the Fire Service principally through news media coverage and results from coronial inquests. There may be some changes to these statistics as a result of the outcomes of coronial inquests. This relates mostly to fire fatalities in motor vehicles where it is unclear whether the fatality resulted from the accident or from the fire following the accident. The Commission includes these fatalities in its statistics until the results of coronial investigations determine otherwise.

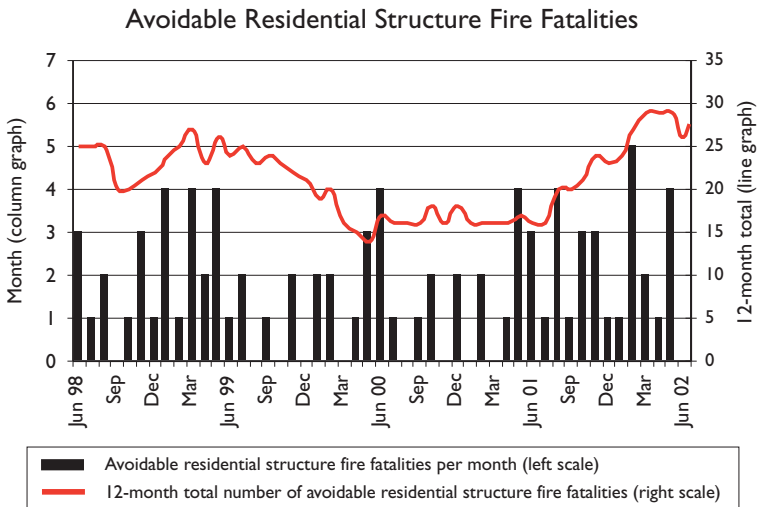
	For the Year			
	2001/02	2000/01	1999/00	1998/99
Avoidable Residential Structure Fire Fatalities				
Residential structure fire	26	16	16	23
Mobile property (as residential structure)	0	0	1	1
Total Avoidable Residential Structure Fire Fatalities	26	16	17	24
Avoidable Residential Structure Fire Fatalities per 100,000 population	0.67	0.42	0.45	0.63
Other Fire Fatalities				
Residential structure - suicide/unlawful	2	5	4	2
Motor vehicle fires	7	11	5	12
Other mobile property	0	10	3	0
Other suicide/unlawful	2	3	1	4
Other	1	1	0	0
Total Fire Fatalities	38	46	30	42

Overall the total number of fire fatalities decreased by eight to 38 compared to 2000/01. This was due to fewer fire fatalities in mobile property fires (mostly cars) following road accidents and from other mobile property fires (mostly light aircraft crashes).

The number of avoidable residential structure fire fatalities for 2001/02 went up to 26 from 16 in 2000/01. This compared to the Commission’s goal of 16 for the year. The increase, following several years of a reducing trend, is concerning and reinforces the need for fire safety education programmes to reach the most at-risk people.



This graph shows the monthly and 12-month rolling total number of fire fatalities has decreased in the last year, particularly in the last six months. This reflects the decrease in the number of fatalities in fires following motor vehicle accidents (mostly cars) and other mobile property fires (mostly aircraft crashes)



This graph shows the monthly and 12-month rolling total number of avoidable residential structure fire fatalities.

MULTIPLE FATALITY FIRES

There were three multiple fatality fires in the year compared to four in 2000/01 and four in 1999/00. All the multiple fatality incidents in 2001/02 occurred in residential house fires.

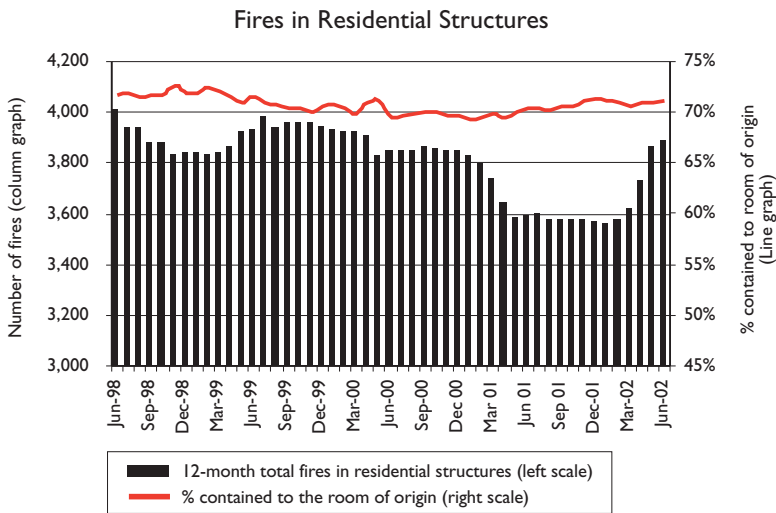
INJURIES TO MEMBERS OF THE PUBLIC AS A RESULT OF FIRE

	For the Year			
	2001/02	2000/01	1999/00	1998/99
Injuries to members of the public	442	327	300	350
Injuries per 100,000 population	11.39	8.53	7.87	9.23

This table shows the number of injuries to members of the public is up from 2000/01. The Commission believes this increase is due to improved reporting methods rather than a real increase in the number of fire-related injuries.

Fire Outcome – Reduce the Consequence of Fire to Properties

DAMAGE TO RESIDENTIAL PROPERTIES



This graph shows the 12-month rolling total number of fires in residential structures and the percent that were contained to the room where the fire started (room of origin).

RURAL LAND AREA DAMAGED BY WILDFIRES

Area damaged by wildfires (hectares)	For the Year			
	2001/02	2000/01	1999/00	1998/99
Grass	1,632	7,878	564	11,727
Scrub	2,187	4,376	1,349	5,759
Forest	119	412	141	213
Total	3,938	12,666	2,054	17,699

Source: Annual returns made by rural fire authorities

This table shows the hectares burnt as a result of wildfires. The results are heavily influenced by weather patterns and may not indicate the success or failure of fire suppression tactics or fire safety education programmes targeting this area. Another complicating issue is that firefighting tactics may include letting a wildfire burn if it poses no threat to the environment, people or property. Options are being investigated to provide better measures to monitor the work of the National Rural Fire Authority in this area.

Organisational Outcome – Effective Fire Service Levy Collection

Eighteen levy audits of insurance brokers and companies were carried out during the year. The results showed that 69% of policies audited and 94% of the value of those policies were paid in accordance with the Fire Service Act. The percentage of policies paid in accordance with the Fire Service Act is significantly below target as a result of the selective rather than random audit programme. The programme targeted larger commercial insureds with more complex insurance arrangements. All the errors identified during the audit programme were followed up and the errors corrected. The key results of the 2001/02 levy audits are:

	Target	2001/02 Actual	2000/01 Actual
Percent of policies paid in accordance with the Fire Service Act	99%	69%	69%
\$value of policies paid in accordance with the Fire Service Act	99%	94%	85%
Percent of errors now paid in accordance with the Fire Service Act	-	100%	100%
Percent value of errors now paid in accordance with the Fire Service Act	-	100%	100%

Organisational Outcome – Best Practice Organisation

The purpose of this outcome is to monitor the Commission's achievements against its goal of becoming a best practice organisation. The Commission has specifically targeted improvements in:

- Managing internal organisational risk - this component was superseded by the introduction of the Business Excellence Framework
- The financial control environment
- Providing management information
- Resource planning.

BUSINESS EXCELLENCE FRAMEWORK

The organisation introduced the Business Excellence Framework (Baldrige Criteria) during the year. Incorporated into the framework is the management of internal risk (reported in last year's annual report). The framework provides the organisation with an internationally recognised process for achieving sustained business improvement. It also allows for international benchmarking against best international practice across a wide range of disciplines. This is the first step for the organisation to achieve international best practice.

FINANCIAL CONTROL ENVIRONMENT

Financial policies were systematically developed, reviewed and updated during the year. Staff throughout the organisation were trained on the practical application of these policies.

The financial management information system (FMIS), implemented in 2000/01, is now being used to monitor and manage the organisation's finances. The next step to improve the financial control environment is the development and implementation of the asset management system. Considerable progress was made during the year to develop system specifications and begin the build phase of the project. The system will provide a modern tool for the organisation to better, manage and utilise its assets.

PROVIDING MANAGEMENT INFORMATION

Three new information technology systems were successfully put in place during the last financial year. They were the:

- Fire incident reporting system (FIRS 2000)
- Human resource management information system (HRMIS)
- Financial management information system (FMIS).

All these systems are now being used to provide accurate and timely management information to monitor organisational performance. Considerable opportunity still exists to further enhancement of information from these systems. This work will be ongoing throughout 2002/03.

IMPROVING RESOURCE PLANNING

Last year the Commission reported the development of a resource allocation model to provide a sound, robust and scientifically valid tool for helping long term resourcing decisions. The model has been applied in the Arapawa Fire Region to help optimise the number and location of fire stations in north Wellington.

The model is now an integral part of the business case justification process for all major capital work carried out on fire stations.

Output Performance

LAST FINANCIAL YEAR COMPARISON DATA

Comparison with last year's output data should be made with caution due to the incompleteness of some output data in 2000/01.

Industrial action by members of the New Zealand Professional Firefighters Union (NZPFU) affected the ability of the Commission to report fully on all of its performance measures in the 2000/01 year. The industrial action banned the use of computers and the recording of activities in the non-emergency activity management system (NEAMS) and the fire incident reporting system (FIRS). NEAMS records non-emergency activity such as fire safety education, training and building inspections and the FIRS records information about emergency incidents. The industrial action began in early 2001 and continued until late June 2001.

The integrity of the NEAMS reporting system was undermined during the period of the industrial action. The Commission therefore has not been able to accurately report against all its performance measures. Where this was the case the reported performance is shown as either **not measured or partial result**. Not measured means the industrial action had a significant impact on the activities recorded in the system and the Commission was not prepared to report the results. Partial result means the industrial action had an impact on the activities recorded in the system but the issue was one of under reporting. In this case the recorded results were shown but with the proviso the results were incomplete.

Personnel who were not members of the NZPFU have completed both NEAMS and FIRS information as required and therefore data reported by these groups was unaffected. These groups included volunteer firefighters, paid firefighters who were not members of the NZPFU (mostly community safety team members), fire safety officers, operational planners and other operational staff.

Output Costs (Net Expenditure)

		2001/02	2001/02	2000/01
		Budget	Actual	Actual
		\$000	\$000	\$000
		GST	GST	GST
		excl.	excl.	excl.
Output Class 1	Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies	32,952	36,094	32,031
Output 1.1	Public education and advice.	23,334	25,865	22,478
Output 1.2	Professional and technical advice.	3,029	3,232	3,007
Output 1.3	Ensuring appropriate enforcement of legislation.	3,109	3,401	3,071
Output 1.4	Emergency management groups and other emergency sector organisations.	220	241	217
Output 1.5	Fire safety research and fire safety law assessment and reform.	1,255	1,251	1,260
Output 1.6	Post incident investigation and follow-up.	2,005	2,104	1,998
Output Class 2	Fire fighting and other fire service operations	172,222	166,044	161,724
Output 2.1	Operational readiness.	137,384	133,099	127,736
Output 2.2	Evacuation scheme approval and monitoring.	5,846	5,975	5,822
Output 2.3	Municipal water supply and building fire water supply monitoring.	5,655	6,119	5,565
Output 2.4	Fire alarm systems monitoring and the reduction in avoidable false alarms.	556	496	538
Output 2.5	Operational planning.	556	496	538
Output 2.6	Operational responses to fire and other emergencies.	22,225	19,859	21,525

		2001/02 Budget \$000 GST excl.	2001/02 Actual \$000 GST excl.	2000/01 Actual \$000 GST excl.
Output Class 3	National Rural Fire Authority administration	2,226	2,292	2,219
Output 3.1	Advice and support to rural fire authorities and regional rural fire committees.	824	940	927
Output 3.2	Rural fire fighting fund and grant assistance schemes.	868	815	773
Output 3.3	Rural Fire Management Code of Practice.	190	195	189
Output 3.4	Advice to the public and to key groups.	344	342	330
Total Cost of Outputs		207,400	204,430	195,974

Net expenditure is gross expenditure (excluding funds) less other income earned by the Commission per section 47 of the Fire Service Act 1975.

Outputs and Performance Measures

OUTPUT CLASS I:

FIRE PREVENTION AND OTHER FORMS OF FIRE SAFETY RESULTING IN REDUCED FREQUENCY AND IMPACT OF FIRES AND OTHER EMERGENCIES (Sections 20, 21 and 29 of the Fire Service Act AND sections 12(2) and 64 to 81 of the Building Act)

OUTPUT I.1 PUBLIC EDUCATION AND ADVICE

This output comprises the delivery of fire safety education to the public. Fire safety education aims to improve knowledge about fire risks and what actions to take to reduce those risks. It is delivered under the direction of the five-year national promotion plan. This plan:

- Identifies the key groups nationally who are “at-risk” in terms of fire risk
- Identifies partnership groups who can work with the Fire Service to help deliver fire safety advice that targets those who need it most
- Ensures fire safety advice is delivered in the most appropriate way to each of the target groups.

How this output links to improved fire outcomes

The aim of this output is to change people’s knowledge, attitude and behaviour towards fire safety to:

- Reduce the risk of a fire starting
- Increase the installation and maintenance of smoke alarms and residential sprinkler systems
- Detect and suppress fires early through the use of smoke alarms and residential sprinkler systems and to give early notification to the Fire Service
- Better prepare people to take the right actions in the event of a fire.

Changing the public’s attitude and behaviour will reduce the number of fires and the consequences of fire to people, property, communities and the environment.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	23,334	25,865	21,981	22,478

Measuring output performance

Performance Measure

- 1.1.1** The national fire safety promotion plan will be reviewed, updated and approved (by the chief executive) by 30 September 2001.

2001/02 Performance

Plan reviewed, updated and approved by 30 September 2001.

2000/01 Performance

Plan approved by 30 September 2000.

- 1.1.2** For those partnership groups identified in the plan an effective partnership plan will be developed by 30 December 2001.

2001/02 Performance

Plan in place with key partners.

2000/01 Performance

Plan in place with key partners.

- 1.1.3** The Fire Service will deliver fire safety education programmes targeted to the identified high-risk groups.

2001/02 Performance

- Fire safety education delivered to 183,949 people in high-risk groups.
- 33,018 smoke alarms installed.
- 11,347 smoke alarms maintained.

2000/01 Performance

Partial result* Fire safety education (excluding national television promotions) reached at least 157,165 people.

- 1.1.4** The Fire Service fire safety messages will improve the fire safety knowledge of the targeted at-risk groups as measured by independent survey.

2001/02 Performance

Overall knowledge improved from the previous year. Refer to results on pages 27-29.

2000/01 Performance

Overall knowledge improved from the previous year.

* Indicates the results were affected by industrial action – see note on page 39.

OUTPUT 1.2 PROFESSIONAL AND TECHNICAL ADVICE

This output comprises the delivery of professional and technical advice to people involved in building standard setting, design, development, ownership and occupation. The aim of the advice is to:

- Increase the use of technically sound fire safety features in building design
- Make sure buildings are used safely and in accordance with their design
- Make sure buildings are well managed in terms of maintaining a high level of fire safety.

To achieve national consistency professional and technical advice is delivered under the direction of a national plan. The plan targets advice to the following at-risk categories of building:

- Aged and disability care facilities, particularly those providing sleeping accommodation
- Places of detention and restraint
- Sleeping accommodation buildings particularly boarding houses and inner city re-developments
- Heritage and historical buildings
- Schools and places of early childhood education
- Large industrial complexes.

The Fire Service works in partnership with key industry representatives to make sure they have consistent national fire safety standards within their respective businesses. The primary focus is on standards for automated fire safety systems and evacuation processes. The representative groups include the Ministry of Education, rest home associations, Housing New Zealand, the Department of Corrections, BRANZ, the Building Industry Authority and building owners.

How this output improves fire outcomes

This output aims to increase the use of fire safety measures in buildings and improve the fire safety design of buildings. In simple terms this means that:

- The risk of a fire starting is reduced
- Fires are detected earlier allowing for the early containment of a fire and the safer evacuation of building occupants
- The spread of a fire is limited through better building design
- People are able to safely evacuate from buildings in the event of a fire
- Fire damage is limited through the use of sprinkler systems.

By achieving these aims there will be less loss of property, greater protection for heritage buildings, improved business continuity in the event of a fire and less potential for the loss of life.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	3,029	3,232	2,434	3,007

Measuring output performance

Performance Measure

- 1.2.1** The national plan to provide professional and technical advice will be reviewed, updated and approved (by the chief executive) by 30 September 2001.

2001/02 Performance

Plan reviewed, updated and approved by 30 September 2001.

2000/01 Performance

Plan reviewed, updated and approved by 30 September 2000.

- 1.2.2** For those partnership groups identified in the plan an effective partnership plan will be developed by 30 December 2001.

2001/02 Performance

Plan updated by December 2001.

2000/01 Performance

Plan in place with key groups by December 2000.

- 1.2.3** The Fire Service will deliver professional and technical advice to the key targeted groups.

2001/02 Performance

Advice delivered through fire safety and fire engineering specialists.

2000/01 Performance

Advice delivered through fire safety and fire engineering specialists.

- 1.2.4** The objectives contained in the plan, under output 1.2.1, for the 2001/02 financial year will be met.

2001/02 Performance

Partnerships and advice provided to the targeted groups as planned.

2000/01 Performance

Partnerships and advice provided to the targeted groups as planned.

OUTPUT 1.3 ENSURING APPROPRIATE ENFORCEMENT OF LEGISLATION

This output includes the actions taken by the Fire Service to ensure buildings are safe from fire hazard and comply with the relevant fire safety law. Buildings are inspected for pre-planning purposes so that fire crews are familiar with a building's design, features and layout. Advice is given to the building owners, managers and occupiers on improving fire safety in the building. During these inspections any features of the building that don't comply with the Building Act 1991 are notified to the relevant territorial authority. The territorial authority has the jurisdiction to ensure non-compliance issues are rectified.

This output also includes applying the fire safety law to buildings considered dangerous because they are a fire hazard. The law is designed to ensure the public

is not exposed to unacceptable fire risk in buildings. The fire safety law is administered jointly by the Fire Service and territorial authorities. The Fire Service recommends territorial authorities close or make safe any building that represents a fire danger to the public. Territorial authorities have the jurisdiction to enforce the legislation.

How this output improves fire outcomes

The aim of this output is to minimise any property damage and the potential for loss of life in the event of a fire. This is achieved by reducing the number of non-complying buildings and making sure any buildings considered dangerous are either closed or made safe. The Fire Service also uses the information collected on buildings to update and improve firefighting tactics.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	3,109	3,401	2,783	3,071

Output performance

Performance Measure

1.3.1 One third of identified buildings that pose a significant risk in terms of the building risk matrix will be inspected for fire safety and evacuation of buildings regulations. This is part of a rolling programme to inspect high-risk buildings at least every three years.

1.3.2 Other buildings not posing a significant risk in terms of the building risk matrix will be inspected for fire safety and evacuation of buildings regulations as considered necessary by each fire region manager.

2001/02 Performance

- 2,476 buildings inspected.
- 316 buildings re-inspected.

2000/01 Performance

Partial result *
 At least 3,470 buildings were
 Note: this includes
 approximately 1,100 buildings
 inspected as part of a pilot project.

1.3.3 Non-compliance with the Building Act 1991 identified during building inspections will be notified to the relevant territorial authority in accordance with section 29(5) of the Fire Service Act 1975.

2001/02 Performance

145 breaches notified to territorial authorities.

2000/01 Performance

Partial result*
 148 breaches notified.

- 1.3.4** All identified dangerous buildings will be notified to the relevant territorial authority together with sufficient information to enable them to act.

2001/02 Performance

37 identified dangerous buildings were notified to territorial authorities.

2000/01 Performance

38 identified dangerous buildings were notified to territorial authorities.

- 1.3.5** All buildings notified to the territorial authority (under 1.3.4) will be monitored to ensure they are either closed, made safe or have legal action being taken.

2001/02 Performance

37 buildings made safe or closed.

2000/01 Performance

38 buildings made safe or closed.

- 1.3.6** Written advice will be provided to external organisations or individuals to encourage them to comply with fire safety law.

2001/02 Performance

Written advice was provided 11,738 times.

2000/01 Performance

Written advice was provided 9,475 times.

- 1.3.7** 98% of written advice provided in 1.3.6 will be technically accurate, as verified by internal audit.

2001/02 Performance

98% technically accurate.

2000/01 Performance

99% technically accurate.

* Indicates the results were affected by industrial action – see note on page 39.

OUTPUT 1.4 EMERGENCY MANAGEMENT GROUPS AND OTHER EMERGENCY SECTOR ORGANISATIONS

This output covers the work the Fire Service does in the wider emergency management field. It includes planning and research work relating to the low frequency but high impact events such as major earthquakes. It also includes working with and supporting the operation of emergency management groups and making sure Fire Service obligations under the National Civil Defence Plan can be met in the event of a major national emergency.

This output also includes work to better understand and reduce the risk of fires following a major earthquake. Work includes understanding the capabilities of the Fire Service to provide services if the transport infrastructure and water supply network is damaged. Also important is understanding the level of self-sufficiency of individual communities.

How this output improves fire outcomes

The aim of this output is to make sure both the community and the Fire Service are well prepared to respond to a major emergency. The improved state of preparedness will help to minimise damage from an emergency and any resulting fire. The measure of the effectiveness of this output is difficult to gauge and will only be tested in the event of a real major emergency event.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	220	241	198	217

Output performance

Performance Measure

1.4.1 The Fire Service obligations under the National Civil Defence Plan will be reviewed and updated by 30 June 2002.

2001/02 Performance
Obligations reviewed by 30 June 2002.

2000/01 Performance
Obligations reviewed by 30 June 2001.

1.4.2 The Fire Service will produce a report on how the risks associated with earthquake fire can be mitigated.

2001/02 Performance
The report has been finalised and published. Analysis of the implications will be carried out in 2002/03.

2000/01 Performance
Report delayed until 2001/02.

OUTPUT 1.5 FIRE SAFETY RESEARCH AND FIRE SAFETY LAW ASSESSMENT AND REFORM

This output includes fire safety research carried out under the contestable research fund.

The \$550,000 per annum fund was established in the 1998/99 financial year. The purpose of the fund is to advance knowledge in fire prevention and fire management. Typically research covers:

- Identifying and influencing vulnerable groups
- Home fire safety
- Social and economic impact of fires on communities
- Vegetation fires in rural areas

- Fire protection systems
- Post-earthquake fire
- Volunteers in the Fire Service
- Improving firefighting and loss control tactics.

In addition, the Commission funds a lectureship in fire engineering at the University of Canterbury. The lectureship aims to encourage masters programme graduates in fire engineering. The programme continues to generate innovative studies into fire behaviour in the New Zealand urban environment.

Fire research is reviewed and analysed to determine if changes to either Fire Service practices or to fire safety law would be beneficial. Where changes would result in improved fire outcomes at reasonable cost, the Commission takes appropriate actions to bring about change.

The results of the research are widely communicated and made available for the benefit of any interested parties.

Also included in this output is providing technical legal advice on fire safety law to a number of external organisations.

How this output improves fire outcomes

This aim of this output is to better understand the fire problem and actions the Commission can take to improve fire outcomes. A good example showing the worth of the fire-safety research was carried out in 1999/00. The Fire Service's fire incident data from 1991 to 1998 was analysed and compared with the New Zealand 1991 and 1996 indices of social and economic deprivation. The analysis showed that people living in the most deprived areas are two and one half times more likely to have a fire and five times more likely to have a fatal fire than those living in the least deprived areas. This research is used to target resources and fire safety education to communities most at risk from fire.

By targeting high-risk communities the Commission is applying resources to the areas where the greatest positive impact on fire outcomes can be made.

Providing advice on the technical legal aspects of fire safety law means organisations are better informed about their fire safety obligations. This will help to improve compliance with fire safety law and to make buildings safer.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	1,255	1,251	940	1,260

Output performance

Performance Measure

- 1.5.1** Fire research will be reviewed and analysed to determine where the greatest cost-benefit would arise from changes to building, consumer or fire safety law and practice and to take appropriate action to bring about change.

2001/02 Performance

- A contract was let for analysing the cost-benefit covering the flammability of furnishings.
- Contributed to the New Zealand residential sprinkler standard.
- Sponsored the publication of a residential sprinkler plumbers' installation guide.

2000/01 Performance

This body of work was carried over to the 2001/02 year.

- 1.5.2** The Fire Service will provide quality legal advice to organisations on relevant aspects of fire safety law.

2001/02 Performance

Legal advice provided.

2000/01 Performance

Legal advice provided.

- 1.5.3** Information will be widely communicated to inform relevant organisations of the research conducted under the contestable research fund.

2001/02 Performance

- Seminar held to launch research publications.
- Publications available on the Fire Service web site.
- Publications distributed to interested parties

2000/01 Performance

Seminar held to launch research publications.

OUTPUT 1.6 POST INCIDENT INVESTIGATION AND FOLLOW-UP

This output involves the post-incident investigation and follow-up to determine the cause of fire and the factors that have led to the fire starting and spreading. It also includes the sharing of knowledge and information gained from fire investigations to improve the management of fire risk. Fire investigations results are used to:

- Inform relevant organisations or individuals of fire risks to encourage them to take the correct actions to ensure similar incidents either do not happen in the future or the consequences from them are minimised
- Provide a basis from which to target fire safety advice and prevention programmes.

How this output improves fire outcomes

Results from fire investigations are used to work out what are the most common types of fires, what are the main sources of fire ignition and where fires occur most. This information is used to develop and target fire safety education. By doing this the number of fires, fire fatalities and property damages are minimised.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	2,005	2,104	1,488	1,998

Output performance

Performance Measure

1.6.1 Fire investigations will be completed in accordance with the National Commander’s operational instructions.

<p>2001/02 Performance 724 fire investigations carried out in accordance with the National Commander’s operational instructions.</p>	<p>2000/01 Performance 884 fire investigations carried out in accordance with the National Commander’s operational instructions.</p>
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1.6.2 A report will be produced as a result of fire investigations on the underlying factors influencing fire ignition and fire spread (where these can be determined), including human behaviour, fire safety knowledge and exposure to fire safety messages.

<p>2001/02 Performance Report published in early 2001/02.</p>	<p>2000/01 Performance A report was completed and will be published in early 2001/02.</p>
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1.6.3 Fire investigation reports produced under 1.6.1 will be technically accurate as verified by peer review processes.

<p>2001/02 Performance 97% of reports technically accurate.</p>	<p>2000/01 Performance 99% of reports technically accurate.</p>
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1.6.4 Information will be made available to relevant organisations on the results of fire investigations where those results will help reduce the number of or consequences from similar incidents occurring in the future.

<p>2001/02 Performance Information provided 616 times.</p>	<p>2000/01 Performance Information provided 711 times.</p>
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- 1.6.5** The Fire Service will report monthly to the Commission on all major/unusual incidents.

2001/02 Performance

Monthly reports provided to the Commission.

2000/01 Performance

Monthly reports provided to the Commission.

- 1.6.6** The Fire Service will produce technical and statistical publications that contribute to the knowledge about fire for internal and external audiences.

2001/02 Performance

- Annual statistics book published.
- Issues of the Bulletin of Research and Technology produced.

2000/01 Performance

- Annual statistics book published.
- Issues of the Bulletin of Research and Technology produced.

OUTPUT CLASS 2:

FIRE FIGHTING AND OTHER FIRE SERVICE OPERATIONS

(Sections 17N, 17O, 21A, 23 to 26, 27, 27A, 28, 28A, 29, 30, 32, 34, 35, 36, 36A, 40 and 41 of the Fire Service Act AND the provisions of the Civil Defence Act)

OUTPUT 2.1 OPERATIONAL READINESS

This output includes the activities that make sure the Fire Service is maintained in a state of operational readiness 24 hours of the day, 365 days of the year. Critical to this is staff training and the maintenance of equipment. The Fire Service verifies its own state of readiness by conducting operational readiness audits.

Fire Service operational readiness is continually being improved by research into better fire responses and by putting in place improvements identified in post-incident operations investigations. The Northland fire region is the focal point for field research and development covering:

- Community risk management
- Improved methods for putting fires out
- Access to information and data in the field
- Fire ground communications
- The trial and evaluation of firefighting plant and equipment.

This output also covers the Fire Service's participation in multi-agency training exercises for the response to community-scale incidents. Included in this activity is the co-ordination of fire services through formal co-ordination schemes.

How this output improves fire outcomes

The aim of this output is to make sure the Fire Service is well trained and prepared to respond effectively to a wide range of emergency incidents. This means that when an emergency incident occurs the Fire Service is able to respond in an effective manner thereby reducing the consequences of the incident.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	137,384	133,099	135,699	127,736

Output performance

Performance Measure

- 2.1.1** All resources will be operationally ready, in accordance with the National Commander's operational instructions, as judged by operational readiness audit sampling.

2001/02 Performance

Resources ready as judged by audit and certified by each of the eight fire region managers.

2000/01 Performance

Resources certified ready by each of the eight fire region managers.

- 2.1.2** Operational readiness audits carried out under 2.1.1 will be technically accurate as judged by a review of a sample of the audits.

2001/02 Performance

Audit reports technically accurate.

2000/01 Performance

Audit reports technically accurate.

- 2.1.3** An estimated 50 exercises will be carried out with other emergency management service providers and agencies in the management of community-scale incidents.

2001/02 Performance

- 289 multi-agency exercises carried out.
- 49 civil defence exercises.

2000/01 Performance

Partial result *

- 189 multi-agency exercises.
- 38 civil defence exercises.

- 2.1.4** Pre-determined attendance data will be current in the Fire Service emergency dispatch system as judged by audit sampling.

2001/02 Performance

A quality assurance process was put in place that monitored and updated data held in the system.

2000/01 Performance

An audit sample was not carried out. However, resources to over 64,000 incidents were successfully dispatched.

- 2.1.5** Fire Service resources will be benchmarked across fire regions and fire districts to ensure resources are deployed in a rational manner.

2001/02 Performance

The resource allocation is used in all fire station capital work justifications.

2000/01 Performance

The resource allocation methodology was applied to all fire regions.

* Indicates the results were affected by industrial action – see note on page 39.

OUTPUT 2.2 EVACUATION SCHEME APPROVAL AND MONITORING

This output comprises actions to promote, enforce and monitor the compliance of evacuation schemes with the Fire Service Act 1975.

Fire safety law relating to evacuation schemes is designed to ensure the public can evacuate safely from a building in the event of a fire. It also ensures the Fire Service can carry out fire fighting activities unobstructed. It is the responsibility of the building owner to develop an evacuation scheme for approval by the Fire Service.

However, the Fire Service is being more proactive in this area by developing and maintaining a building register in each of the fire regions. The registers list buildings that require an evacuation scheme or have the potential to require one. When fully completed the building registers will enable the Fire Service to track each building and ensure the building has an operable evacuation scheme where required. It is the building owner's responsibility to carry out regular trial evacuations to make sure the evacuation schemes work. However, the Fire Service also attends some of the trial evacuations to monitor whether they are performing as intended.

Where a building owner does not comply with the requirement to have an approved evacuation scheme in place the Fire Service will take legal action to either ensure compliance or close the building.

How this output improves fire outcomes

The principal aim of this output is to make sure that members of the public can safely evacuate a building in the event of a fire or other emergency. This reduces the potential for large loss of life in the event of a major building fire. The output also aims to make sure buildings are evacuated to enable the Fire Service to concentrate on firefighting activities. This helps to reduce property damage and helps to minimise business down time due to fires.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	5,846	5,975	4,370	5,822

Output performance

Performance Measure

2.2.1 A register will be maintained of buildings that are referred to in section 21A(1) and (2) of the Fire Service Act.

2001/02 Performance

- 73,778 buildings on the eight building registers.
- 20,686 section 21A(1) buildings.
 - 6,130 section 21A(2) buildings.

2000/01 Performance

At least 71,020 buildings have been identified and recorded in the eight fire region building registers.

2.2.2 Buildings in the register will be monitored to ensure :

- Buildings protected by Insurance Council approved sprinkler systems continue to have a current Insurance Council certification for maintaining that sprinkler system, including those buildings exempt under section 21A(1) of the Act.
- Buildings for which the Fire Service has provided a waiver continue to meet the conditions of that waiver. Where this is not the case the waiver will be withdrawn.

2001/02 Performance

- 2,020 buildings with Insurance Council approved sprinkler systems.
- 416 buildings with waivers.

2000/01 Performance

Not measured.*

2.2.3 To undertake approval and monitoring processes (including by means of trial evacuations where appropriate) during the next two years (note this is the third year of a three-year initiative) so that:

- Operable evacuation schemes are in place for 95% of buildings that in the opinion of the National Commander present a significant risk in terms of the building risk matrix.
- For all other buildings for which an evacuation scheme is required:
 - Buildings which have approved evacuation schemes continue to be monitored to make sure those schemes work
 - Buildings that do not have approved evacuation schemes and where the owner provides a suitable draft scheme, steps should be taken to approve schemes for those buildings.

2001/02 Performance

- To date there are 3,414 significant risk buildings on the registers.
- Of these 2,536 (74%) have an approved scheme.
- 5,239 trial evacuations attended to monitor scheme operability.
- 1,305 draft schemes approved.

2000/01 Performance

Not measured.*

- 2.2.4** Legal action will be taken to close an estimated 20 buildings that do not have approved evacuation schemes.

2001/02 Performance

Legal action initiated on 17 occasions.

2000/01 Performance

Legal action initiated on 13 occasions.

* Indicates the results were affected by industrial action – see note on page 39.

OUTPUT 2.3 MUNICIPAL WATER SUPPLY AND BUILDING FIRE WATER SUPPLY MONITORING

This output involves the activities to make sure the water supply needs for fire suppression and sprinkler systems are met. The successful functioning of the water supply systems for firefighting requires partnerships involving the Fire Service, the fire protection industry, water industry representatives and territorial authorities. The Fire Service updates and maintains a code of practice for water supply. A revised code is currently in the consultation phase and generated wide interest resulting in over 700 submissions.

How this output improves fire outcomes

The purpose of this output is to make sure adequate water supplies are available when an emergency incident occurs. Water supplies are needed for sustained Fire Service firefighting activities, the proper operation of sprinkler systems and the operation of built-in hose reels in buildings. Adequate water supplies mean that property damage and life loss is minimised in the event of a fire.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	5,655	6,119	5,406	5,565

Output performance

Performance Measure

- 2.3.1** Undertake public and Fire Service consultation on the draft code of practice for fire fighting water supplies so that the code is finalised and communicated by 30 September 2001.

2001/02 Performance

The consultation phase generated wide interest and a second round of consultation was required. Standards New Zealand was commissioned to co-ordinate this process and publish the standard. This will be finalised in 2002/03.

2000/01 Performance

The consultation phase was extended into 2001/02.

- 2.3.2** The Fire Service will review the implementation of the code of practice for water supplies by 30 December 2001.

2001/02 Performance

Carried over to 2002/03.

2000/01 Performance

Carried over to 2001/02.

- 2.3.3** Street hydrants will be tested to monitor the number and percentage that meet the predetermined standards in accordance with the National Commander's operational instructions.

2001/02 Performance

24,420 hydrants tested.

2000/01 Performance

Partial result *

At least 13,326 hydrants tested.

* Indicates the results were affected by industrial action – see note on page 39.

OUTPUT 2.4 FIRE ALARM SYSTEMS MONITORING AND THE REDUCTION IN AVOIDABLE FALSE ALARMS

This output covers the actions the Fire Service takes to monitor the number of fire alarm system connections and the number of false alarms these types of systems generate. The purpose of this monitoring is to provide feedback to the building owners, fire alarm manufacturers and organisations involved in the installation of fire alarms. The Fire Service aims to minimise the number of false alarms these systems generate through actively working with all interested groups. False alarms occupy Fire Service resources that could be better used elsewhere. A five-year plan to reduce the number of avoidable false alarms by 30% commenced in 2000/01.

How this output improves fire outcomes

The purpose of this output is twofold. Firstly, to reduce the amount of time and effort the Fire Service uses in responding to false alarms. This will reduce the potential for more serious emergency incidents happening at the same time the Fire Service is responding to a false alarm call. While these incidents will always be responded to there is the potential for a delayed response due to resources being occupied by a false alarm. Delayed responses can lead to the fire getting larger than it would otherwise have got and causing more property damage or even loss of life.

Secondly, a high number of false alarms have the potential to create a public apathy to fire alarms in the belief it is just another false alarm. This could slow evacuation from buildings endangering lives or slow the notification of fire incidents to the Fire Service thereby giving a real fire incident more time to develop into a major fire.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	556	496	687	538

Output performance**Performance Measure**

- 2.4.1** The national plan to reduce the number of avoidable false alarms will be reviewed, updated and approved (by the chief executive) by 31 August 2001.

2001/02 Performance

Plan reviewed and approved by 31 August 2001.

2000/01 Performance

Plan reviewed and approved by 31 August 2000.

- 2.4.2** The implementation of the national plan will reduce the number of avoidable false alarms from fire alarm systems by 6% in 2001/02. This is the second year of the goal for a 30% reduction over five years.

2001/02 Performance

Number of calls decreased by 3.3%.
The rate per 100 monitored systems dropped by 4.3%.

2000/01 Performance

Number of calls increased by 0.4%.
The rate per 100 monitored systems dropped by 3.6%.

OUTPUT 2.5 OPERATIONAL PLANNING

This output includes the pre-planning the Fire Service does to ensure it takes the most appropriate actions in the event of an emergency incident. Tactical plans provide information for managing tactics and resources for incidents involving a significant specific risk (typically large industrial complexes or hospitals). Risk plans provide detailed fire risk information of individual properties to ensure the Fire Service is familiar with a property's layout and facilities.

The Fire Service reviews and updates these tactical and risk plans to make sure the information remains current.

How this output improves fire outcomes

This output makes sure that when fires occur decisions can be made about appropriate firefighting tactics based on current information. This means valuable time is not wasted in gathering information on the building design, location of fire hydrants and the types of activities carried out in the building. In most cases the result will be a reduction in property damage and a reduced risk of the fire spreading beyond the building it started in.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	556	496	687	538

Output performance

Performance Measure

2.5.1 All identified buildings that pose a significant risk in terms of the building risk matrix will have an appropriate Fire Service risk plan in accordance with the National Commander’s operational instructions.

2001/02 Performance

Risk plans in place for all identified significant risk buildings. Of these, 530 plans were refined or reviewed during the year.

2000/01 Performance

Partial result *
At least 2,326 tactical or risk plans were reviewed during the year.

2.5.2 All identified buildings that pose a significant risk in terms of the building risk matrix will have an appropriate Fire Service tactical plan in accordance with the National Commander’s operational instructions.

2001/02 Performance

295 plans developed or reviewed for other buildings.

2000/01 Performance

Partial result *
At least 2,326 tactical or risk plans were reviewed during the year.

2.5.3 Tactical and risk plans will be reviewed in accordance with the National Commander’s operational instructions.

2001/02 Performance

Plans reviewed in accordance with the National Commander’s instructions.

2000/01 Performance

Plans reviewed in accordance with the National Commander’s instructions.

* Indicates the results were affected by industrial action – see note on page 39.

OUTPUT 2.6 OPERATIONAL RESPONSES TO FIRE AND OTHER EMERGENCIES

This output includes the timely and tactically appropriate operational responses to fire and other emergencies. This includes:

- Suppressing fires to ensure the safety of people and property endangered by fire
- Stabilising, containing and minimising the impact of emergencies involving hazardous substances

- Attendance at incidents involving motor vehicles, for suppressing fire, for extricating people from motor vehicles, or otherwise assisting them, and for helping to stabilise and make safe the accident location
- Work carried out to protect life and property through extrications, rescues and other special services
- A range of other emergency incidents
- Incidents that turn out to be false alarms.

Also included in this output are post-incident operations investigations. The investigations are carried out following major incidents the Fire Service has attended to review its performance. The investigations are used to:

- Highlight examples of good operational practice that can be shared throughout the organisation
- Identify opportunities for improvement.

How this output improves fire outcomes

The principal focus of this output is to provide an effective operational response to a range of emergency incidents. Achieving this minimises the consequences of those incidents in terms of loss of life and injury, property damage, damage to the environment and loss to the wider community including business capacity.

This output also includes activities that review current performance to identify and put in place improvements to the way the Fire Service carries out its response activities. These improvements will result in better responses and tactics in future emergency incidents.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	22,225	19,859	27,464	21,525

Output performance

Performance Measure

2.6.1 The Fire Service will respond to and take the appropriate action at all alarms of fire in fire districts.

<p>2001/02 Performance 16,260 fires responded to appropriately within fire districts.</p>	<p>2000/01 Performance 16,349 fires responded to appropriately within fire districts.</p>
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- 2.6.2** Responses under 2.6.1 will be monitored for performance against the National Commander's operational response guidelines endorsed by the Fire Service Commission.

2001/02 Performance

Calls responded to within:

- 7 mins-86%
- 10 mins-97%.

2000/01 Performance

Calls responded to within:

- 7 mins-85%
- 10 mins-96%.

- 2.6.3** The Fire Service will respond to and take the appropriate action at alarms of other emergency incidents inside fire districts where assistance can be rendered.

2001/02 Performance

34,573 other emergencies responded to appropriately within fire districts.

2000/01 Performance

35,301 other emergencies responded to appropriately within fire districts.

- 2.6.4** The Fire Service will respond to and take the appropriate action at alarms of fire outside fire districts where effective protection to life and property can be rendered.

2001/02 Performance

4,038 fires responded to appropriately outside fire districts.

2000/01 Performance

4,921 fires responded to appropriately outside fire districts.

- 2.6.5** The Fire Service will respond to and take the appropriate action at alarms of other emergency incidents outside fire districts where effective protection to life and property can be rendered.

2001/02 Performance

7,526 other emergencies responded to appropriately outside fire districts.

2000/01 Performance

7,836 other emergencies responded to appropriately outside fire districts.

- 2.6.6** Assistance will be provided for all declared civil defence emergencies where the Fire Service is called.

2001/02 Performance

One declared civil defence emergency.

2000/01 Performance

None declared.

- 2.6.7** Obligations under the agreed civil defence plan will be fulfilled, as shown through post-emergency audits.

2001/02 Performance

The Fire Service fulfilled all its obligations.

2000/01 Performance

None declared.

- 2.6.8** To ensure the Fire Service continues to improve the use of resources and improve fire attack techniques, responses will be monitored through post-incident operational audits in accordance with the National Commander's operational instructions. The audits will determine whether tactically appropriate actions were taken and how improvements can be made in the future.

2001/02 Performance

16 audits carried out in accordance with the National Commander's instructions.

2000/01 Performance

22 audits carried out in accordance with the National Commander's instructions.

OUTPUT CLASS 3:

NATIONAL RURAL FIRE AUTHORITY ADMINISTRATION

(Sections 14A, 17X and 46A to 46L of the Fire Service Act AND section 18 of the Forest and Rural Fires Act)

OUTPUT 3.1 ADVICE AND SUPPORT TO RURAL FIRE AUTHORITIES AND RURAL FIRE COMMITTEES

This output covers National Rural Fire Authority (NRFA) activities to maintain an administrative infrastructure to support firefighting services in rural areas.

Advice, including interpretations of the legal requirements of rural fire authorities, and assistance is provided to rural fire authorities and regional rural fire committees so they can carry out their roles.

The NRFA provides support to rural fire committees through the rural fire managers and the national rural fire officer.

Also included in this output is the establishing, amending or revoking of rural fire districts. This ensures value for money in rural firefighting through sharing resources and merging rural fire authorities where appropriate.

How this output improves fire outcomes

The aim of this output is to provide sound advice and assistance to rural fire authorities. Over the long term, this makes sure that sound, researched approaches to rural fire management are being applied within the industry. By applying modern approaches the number of unplanned fires occurring is minimised and the consequences of fires are managed in the appropriate way. It is important to note that in rural fire management extinguishing a fire may not always be the best approach depending on the circumstances involved.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	824	940	945	927

Output performance

Performance Measure

3.1.1 Regional rural fire committees will be maintained by the national rural fire officer in accordance with section 17X(1)(d) of the Fire Service Act 1975.

2001/02 Performance
13 committees in place.

2000/01 Performance
14 committees in place.

3.1.2 Administrative and technical support will be provided for regional rural fire committees.

2001/02 Performance
Support provided.

2000/01 Performance
Support provided.

3.1.3 At least 95% of regional rural fire committee members will indicate they are satisfied with administrative support and meeting facilitation as determined by independent survey.

2001/02 Performance
88% satisfied with admin support and 91% with meeting support.

2000/01 Performance
82% satisfied with admin support and 80% with meeting support.

3.1.4 Establish, amend and revoke rural fire districts as required in accordance with section 4 of the Forest and Rural Fires Act 1977.

2001/02 Performance
Three revoked, two amended and one established.

2000/01 Performance
Two revoked, one amended and one established.

OUTPUT 3.2 RURAL FIRE FIGHTING FUND AND GRANT ASSISTANCE SCHEMES

This output covers the administration of the grant assistance scheme and the rural fire fighting fund. The grant assistance scheme helps rural fire authorities achieve the required level of operational readiness. The rural fire fighting fund reimburses rural fire authorities for the majority of the expenses relating to putting out wildfires.

Included in this output is the requirement for the National Rural Fire Authority to carry out its activities in accordance with the rural Fire Management Code of Practice. The code makes sure that consistent decisions are made in a transparent way. It also provides for a mediation process if rural fire authorities have any issues to do with the decision process.

How this output improves fire outcomes

This output is wholly concerned with administering funding mechanisms to rural fire authorities in the two areas outlined above. By administering these funding mechanisms rural fire authorities are able to carry out their roles in rural fire management. Ultimately, this will help to minimise the number of rural fires and the consequences of them.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	868	815	995	773

Output performance**Performance Measure**

- 3.2.1** An estimated 40 rural fire authority applications for grant assistance will be actioned during the year.

2001/02 Performance
46 applications actioned.

2000/01 Performance
44 applications actioned.

- 3.2.2** Rural fire authorities will be advised of the results of their grant applications within two months of the application cut-off date.

2001/02 Performance
100% advised within the
30th August deadline.

2000/01 Performance
0% advised within two months due
to revised deadline. 100% within
revised 2½-month deadline.

- 3.2.3** All approvals for grant assistance applications will be in accordance with Rural Fire Management Code of Practice requirements and Fire Service Commission policy as verified by internal audit.

2001/02 Performance
100% in accordance with the code.

2000/01 Performance
100% in accordance with the code.

- 3.2.4** An estimated 100 claims under the rural fire fighting fund will be actioned during the year.

2001/02 Performance
All 65 claims received were actioned.

2000/01 Performance
All 85 claims received were actioned.

- 3.2.5** 90% of rural fire authorities will be advised of the results of their applications within two months of their applications being lodged with the National Rural Fire Authority.

2001/02 Performance
90% advised within two months.

2000/01 Performance
90% advised within two months.

- 3.2.6** 95% of claim decisions will be accepted without recourse to mediation.

2001/02 Performance
100% accepted.

2000/01 Performance
100% accepted.

OUTPUT 3.3 RURAL FIRE MANAGEMENT CODE OF PRACTICE

This output includes the activities of the National Rural Fire Authority (NRFA) that make sure rural fire authorities are prepared to respond to fires in rural areas. This is achieved through the maintenance and application of the Rural Fire Management Code of Practice. The NRFA audits rural fire authorities against the Rural Fire Management Code of Practice to ensure they keep up an effective level of operational capability. The code sets out the required standards and procedures that each rural fire authority must maintain.

This output also includes fire weather monitoring and information. Weather monitoring is an important tool for managing fire risk in rural areas. Information gathered enables fire managers to assess the levels of preparedness and the resources needed to put the fires out and to keep fire losses to a minimum. The fire danger rating system measures the variable elements that cause day-to-day changes in fire risk. The information is used to:

- Define the fire season
- Determine the appropriate fire prevention measures
- Assess the likelihood of fire occurring
- Determine the fire fighting response and resources
- Inform the public
- Make decisions to close areas at high risk
- Issue or cancel burn permits
- Plan and conduct controlled burns.

The NRFA provides fire weather information to all rural fire authorities, so they can maintain the fire danger rating system. In addition, the NRFA issues fire danger notifications to the news media during the fire season when the fire danger is very high or extreme.

How this output improves fire outcomes

This output aims to improve fire outcomes in two ways by:

- Making sure a minimum national standard is in place for rural fire authorities in terms of operational preparedness and response activities.
- Providing information for rural fire authorities to assess the level of fire risk throughout the year.

Combined, this achieves better levels of operational readiness which results in improved responses to rural fire incidents.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	190	195	218	189

Output performance

Performance Measure

- 3.3.1** Operational audits of 18 of the 106 rural fire authorities and an estimated 12 re-audits will be completed by end of the year.

2001/02 Performance

18 audits and 17 re-audits.

2000/01 Performance

19 audits and nine re-audits.

- 3.3.2** Audits will be carried out in accordance with the Rural Fire Management Code of Practice.

2001/02 Performance

100% in accordance with the code.

2000/01 Performance

100% in accordance with the code.

- 3.3.3** Rural fire authorities will receive written reports on Rural Fire Management Code of Practice audits and re-audits within two months of audit completion.

2001/02 Performance

94% within two months.

2000/01 Performance

100% within two months.

- 3.3.4** 95% of audits and re-audits will be accepted by rural fire authorities without the need for mediation.

2001/02 Performance

100% accepted.

2000/01 Performance

100% accepted.

- 3.3.5** Fire weather information will be available to all rural fire authorities on a daily basis during the fire season and at least monthly at other times.

2001/02 Performance

Available 174 days out of 182 (96%) during fire season and 353 out of 365 (97%) days during the year.

2000/01 Performance

Available 202 days out of 212 (95%) during fire season and 351 out of 365 (96%) days during the year.

- 3.3.6** Fire weather information will be updated daily by 3pm on 95% of days during the fire season.

2001/02 Performance

Updated on 96% of days by 3pm.

2000/01 Performance

Updated on 95% of days by 3pm.

- 3.3.7** An estimated 90 fire danger notifications will be issued to the news media during the fire season.

2001/02 Performance

Less extreme fire weather conditions resulted in only two fire danger notifications being issued to the media.

2000/01 Performance

Fire danger conditions meant 44 danger notifications were issued to the media.

- 3.3.8** Advice will be sent to relevant news media by 3pm on 95% of the days when fire danger is very high or extreme.

2001/02 Performance

100% sent by 3pm.

2000/01 Performance

100% sent by 3pm.

- 3.3.9** The national rural fire officer will declare prohibitions in accordance with section 20 of the Forest and Rural Fires Act 1977. Prohibitions will be when the weather or other conditions present an extreme fire hazard and life and property may be endangered by the outbreak of fires in a specified area.

2001/02 Performance

None declared.

2000/01 Performance

None declared.

OUTPUT 3.4 ADVICE TO THE PUBLIC AND TO KEY GROUPS

This output includes advice to the public and to key groups about:

- Mitigation and hazard reduction to reduce the consequences of wildfires on forest and rural lands
- Fire safety behaviour appropriate to the use and enjoyment of forest and rural land
- Liability that landowners and members of the public have for fires which cause.

The National Rural Fire Authority (NRFA) co-ordinates a national campaign to promote fire-safe behaviour in rural areas. The national campaign is run in conjunction with the New Zealand Forest Owners Association and the Department of Conservation.

The campaign focuses on fire prevention and making landowners and the general public aware of their legal obligations with respect to wildfires. Rural fire authorities also carry out local campaigns within their jurisdictions during the year.

The output also includes the training and education of people involved in preventing and suppressing rural fires.

The NRFA also promotes and encourages research in matters relating to rural fire control. The key component of this is the wildfire threat analysis. It provides a framework for systematically identifying the level of threat a particular area faces from wildfire. The level of wildfire threat is related to a combination of:

- Ignition potential
- Potential fire behaviour
- Value of the property threatened.

How this output improves fire outcomes

This output aims to change the behaviour of people using rural lands so they act in a manner that is fire-safe. Changing behaviour will reduce the number of fires starting and therefore reduce the consequences of fire.

Also included is the training of people who carry out rural fire management activities. Improving the skills of these people will result in improved understanding of the risk of fire and improved response skills. This will lead to better fire outcome results.

Research improves the level of knowledge and understanding of rural fire control. This results in well-targeted and improved service delivery and will lead produce better fire outcomes in rural areas.

Cost of the Output

Financial Performance	2001/02		2000/01	
	Budget	Actual	Budget	Actual
Net expenditure \$000	344	342	394	330

Output performance

Performance Measure

3.4.1 Co-ordinate an education and promotion campaign during the fire season in partnership with rural stakeholders, to raise public awareness of the hazards associated with fire in forest and rural areas.

2001/02 Performance

Campaign carried out jointly with DOC, New Zealand Defence and New Zealand Forest Owners Association.

2000/01 Performance

Campaign carried out jointly with DOC, New Zealand Defence and New Zealand Forest Owners Association.

- 3.4.2** Advice will be provided to landowners in conjunction with rural fire authorities to ensure landowners:
- Are aware of their legal obligations
 - Have the knowledge to make fire-safe decisions concerning the management of their own property and the safeguarding of neighbouring properties.

2001/02 Performance

Advice provided through mail outs and pamphlets.

2000/01 Performance

Advice provided through mail outs and pamphlets.

- 3.4.3** An estimated 78 people will be trained using the rural fire tutorial packages.

2001/02 Performance

107 people trained.

2000/01 Performance

63 people trained.

- 3.4.4** 95% of trainees in rural fire will meet the knowledge requirements of the New Zealand Qualifications Authority unit standards.

2001/02 Performance

86% passed and 14% going through re-sit process.

2000/01 Performance

85% passed and 15% going through re-sit process.

- 3.4.5** To promote and encourage research in matters relating to rural fire control in partnership with rural stakeholders to:

- Better manage the risk of fire
- Better understand fire behaviour in different fuel types
- Provide improved standards for fire preparedness
- Improve the understanding of fire ecology in land management.

2001/02 Performance

Wildfire threat analysis tested and validated. It is now available for use by rural fire authorities.

2000/01 Performance

Wildfire threat analysis design and build phase completed.

Statement of Accounting Policies

for the year ended 30 June 2002

REPORTING ENTITY

These are the financial statements of the New Zealand Fire Service Commission (the Commission), a Crown entity under the Public Finance Act 1989 and a body constituted under Section 4 of the Fire Service Act 1975. These financial statements have been prepared in accordance with these Acts.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance, cash flows and financial position on a historical cost basis, modified by the revaluation of certain assets, have been applied in the preparation of these financial statements.

CHANGES IN ACCOUNTING POLICIES

The Commission has changed its accounting policy for the valuation of land and buildings in order to comply with FRS-3, Property, Plant and Equipment, which came into effect for periods ending on or after 31 March 2002. This standard requires the Commission to revalue its land and buildings at fair value, which has been determined by reference to the highest and best use of those assets. The previous policy had been to revalue land and buildings to net current value. Net current value is the price, less costs of disposal, for which an asset could reasonably expect to be sold.

There have been no other changes in accounting policies. All other policies have been applied on a basis consistent with those used in the previous year.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

Budget

The budget figures are derived from the Estimates of Expenditure as approved by the Minister of Internal Affairs.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Commission for the preparation of the financial statements.

Revenue recognition

Section 48(12) of the Fire Service Act 1975 deems the proceeds of the fire service levy on contracts of fire insurance to be revenue of the Commission upon receipt. Insurance levies are therefore recognised on a cash basis.

The levy funding recognised in the Statement of Financial Performance is set at the level required to cover the actual net expenditure of the Commission in accordance with section 47 of the Fire Service Act 1975. Any shortfall or excess is recognised as an asset or liability in the statement of financial position.

The revenue recognised in the Statement of Financial Performance includes all revenue from operating and special fund sources. Special funds have been set up in accordance with the Fire Service Act 1975 to finance activities related to special purposes.

Donated services

The operations of the Commission are dependent on the services provided by volunteer firefighters. Their contributions are essential for enabling the Commission to provide a comprehensive, efficient and effective service throughout New Zealand. Because of the difficulty of determining their value with reliability, donated services are not recognised in these financial statements.

Investments

Investments are valued at the lower of cost or net realisable value.

Accounts receivable

Accounts receivable are stated at net realisable value after providing for doubtful debts.

Property, Plant and Equipment

Land and buildings are stated at fair value, as determined by an independent registered valuer. Fair value is determined using market-based evidence and is determined by reference to the highest and best use of those assets. The valuation of land and buildings is on a three-year cyclical basis. Additions to land and buildings between revaluations are recorded at cost.

The results of revaluing land and buildings are credited or debited to the revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the statement of financial performance.

All other fixed assets are revalued at historical cost. Any write-down of an item to its recoverable amount is recognised in the statement of financial performance.

Individual fire brigades have independently acquired or received additional fixed assets, largely through fundraising and donations from local communities. While these assets are available for use in general operation, they are not considered to be “controlled” by the Commission as defined under the Statement of Concepts for General Purpose Financial Reporting. For this reason, such assets are not included in the statement of financial position.

Depreciation

Fixed assets, other than land and capital work in progress, are depreciated on a straight line basis at rates estimated to write off the cost (or revaluation), less the residual value, over their useful life. At each revaluation of a building a reassessment is made of that particular asset’s useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings (including components)	10-70 years	1-10%
Fire appliances (including components)	20-30 years	3-5%
Motor vehicles	4-20 years	5-25%
Communications equipment	5 years	20%
SITE	10 years	10%
Operational equipment	4-10 years	10-25%
Non-operational equipment	5-10 years	10-20%
Computer equipment	4-10 years	10-25%
Leasehold improvements	3-10 years	10-33%
Leased assets	Life of lease	

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

Capital work in progress is not depreciated. The total cost of a project is transferred to the fixed asset class on its completion and then depreciated.

Employee and volunteer entitlements

Provision is made in respect of the Commission’s liability for annual leave, long service leave and gratuities. Annual leave has been calculated on an entitlement basis at current remuneration rates. Long service leave and gratuities have been calculated on an actuarial basis. This approach recognises the liability attributable to employees’ services already rendered, and the liability is measured using expected future cash outflows.

Debt

Debt in the form of local authority stock has been recorded at cost.

Foreign currency

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction. Where a forward exchange contract has been entered into, the forward exchange rate is used to convert the transaction into New Zealand dollars. Consequently, no gain or loss resulting from the difference between the forward exchange contract rate and the settlement date spot rate is recognised.

Monetary assets and liabilities held in foreign currencies are translated at the closing mid-point exchange rate at balance date and the resulting unrealised gain or loss is recognised in the statement of financial performance.

Financial instruments

The Commission is party to financial instruments as part of its normal operations. These instruments include bank accounts, investments, accounts receivable, accounts payable and debt. All these financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to these financial instruments are recognised in the statement of financial performance.

The Commission uses foreign exchange forward contracts to manage its foreign currency exposure in relation to the purchase of fixed assets. All costs relating to foreign currency instruments are capitalised to the asset they relate.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated with GST included.

Taxation

The Commission is exempt from the payment of income tax in accordance with both the Income Tax Act 1994 and the Fire Service Act 1975.

Finance Leases

Leases which effectively transfer to the Commission substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases. These leases are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Commission is expected to benefit from their use.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Commitments relating to employment contracts are not disclosed.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency becomes evident.

Statement of cash flows

- 1 Cash is defined as notes and coins and current bank balances that can be converted to cash within two days.
- 2 Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.
- 3 Investing activities are those activities relating to the acquisition and disposal of non-current assets.
- 4 Financing activities are those activities that result in changes to equity or debt.

Output costing

The outputs are costed against net expenditure. Net expenditure is gross expenditure (excluding funds) less other income earned by the Commission per section 47 of the Fire Service Act 1975.

The Commission has derived the cost of outputs using the following cost allocation system:

- 1 Direct costs are directly charged to outputs (Direct costs are those costs directly attributed to an output).
- 2 Indirect costs relating to output delivery, administration and financing costs are allocated to the Operational Readiness output (Indirect costs include all costs other than direct costs).
- 3 Allocations are made from Operational Readiness to other outputs using incident, personnel and time factor bases. The incident, personnel and time factors are derived from the Fire Incident Reporting System (FIRS) operated by the Commission. Changes in the level of incidents and activities have the effect of varying the relative cost allocation between outputs.

Statement Specifying Financial Performance

for the year ended 30 June 2002

The Commission agreed the following financial targets with the Minister at the beginning of the year:

	Actual \$000	Budget \$000
Total gross operating expenditure (excluding funds)	210,811	213,200
Contribution to the rural fire fighting fund from levy	700	1,000
Capital expenditure	22,784	24,800

Approved Estimates of Expenditure

The Minister of Internal Affairs approved the gross operating expenditure budget for the New Zealand Fire Service Commission at \$214.2 million. This amount comprised two elements:

- \$213.2 million of gross operating expenditure
- \$1.0 million contribution to the Rural Fire Fighting fund.

Actual total gross expenditure for the Commission (excluding funds expenditure and the contribution to the Rural Fire Fighting Fund funded from levy) was \$210.8 million.

The Contribution to the Rural Fire Fighting Fund from the levy amounted to \$0.7 million compared to the \$1.0 million approved by the Minister of Internal Affairs.

Levy Receipts

	Actual \$000	Budget \$000
Total levy receipts	220,995	215,241

The rate of levy remained constant throughout the year at 7.3cents per \$100 of insured value. The focus on educating the insurance industry and levy payers on their levy responsibilities continued from the prior year. This was achieved through Statutory Declaration mail-outs and strict enforcement of interest and penalty surcharge for levy payers who failed to meet their statutory obligations.

Increased awareness of levy obligations resulted in increased receipts from insurance companies and brokers. The enforcement policy resulted in an increase in interest and penalty surcharge collections.

Total operating expenditure excluding funds

	01/02 Actual \$000	00/01 Actual \$000
Total operating expenditure	210,811	200,686

The increase in the total operating expenditure between the two financial years was primarily driven by the 2% increase in salaries and wages and associated employment related costs from 1 July 2001 (\$5.5 million) and the increase in depreciation through the application of FRS3 (\$2.6 million).

Fund Expenditure

	01/02 Actual \$000	00/01 Actual \$000
Total fund expenditure	4,155	1,173

Expenditure from the fund accounts is dependent upon the claims made against those funds in any particular year. The largest fund, the ACC Partnership Fluctuation Fund, had no claims made against it in 2001/02 and therefore no expenditure was incurred by that fund. The Rural Fire Fighting fund had significantly more claims made against it in 2001/02 than the prior financial year due to the number of rural fires.

Debt

	Actual \$000	Budget \$000
Debt	21,722	40,273

The difference arises primarily because:

- The Commission received \$8.0m more in levy receipts than budgeted
- Operating receipts in cash terms were \$3.4m above budget
- Operating expenditure was \$5.5m below budget in cash terms
- Capital cash expenditure was \$7.0m below budget.

Levy in advance

	Actual \$000	Budget \$000
Levy in (advance) / shortfall	(1,578)	6,223

The Commission expected to be in a shortfall levy position at year-end. Through good levy collections and lower than anticipated expenditures the shortfall was turned around to an advance position.

	Actual \$000	Target \$000	Difference \$000
Levy shortfall balance at 30 June 2001	(14,287)	(13,064)	(1,223)
Collections for the year	220,995	215,241	5,754
Net expenditure for the year	(204,430)	(207,400)	2,970
Levy funding of the Rural Fire Fighting Fund	(700)	(1,000)	300
Levy in advance balance at 30 June 2002	1,578	(6,223)	7,801

Revenue Recognition

The statement of accounting policies discloses the basis on which the proceeds of the Fire Service levy are recognised as revenue of the Commission. This basis is derived from the interpretation of the Fire Service Act.

The Fire Service Act 1975 provides somewhat contradictory guidance on the point in time at which levy should be recognised as income. The following sections refer:

- Insurance companies, agents or owners become liable for Fire Service levy when a contract of fire insurance is entered into (Sections 48, 49, 49A, 49B)
- Insurance companies, agents and owners must remit the proceeds of the levy “by the 15th day of the second month following the end of the month in which the contract of fire insurance is made” (Section 50)
- The Commission is only paid “such income from the proceeds of the levy as is required to meet the actual net expenditure of the Commission” (Section 47)
- Money received by the Commission in respect of levy is “deemed to be income of the Commission in the financial year in which it is received” (Section 48 (12)).

We therefore believe this is an area which requires reconsideration. This work is expected to be completed in time for 30 June 2003 annual reporting purposes.

Statement of Financial Performance

for the year ended 30 June 2002

	Note	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
Operating Revenue				
Levy funding of Fire Service operations	9	205,130	208,400	196,974
Interest		38	0	0
Other revenue	1	9,912	5,800	9,488
Total operating revenue		215,080	214,200	206,462
Operating Expenditure				
Personnel expenditure	2	140,875	145,566	134,065
Other expenditure	3	69,936	67,634	66,621
Fund Contribution	4	700	1,000	1,000
Total operating expenditure excluding funds		211,511	214,200	201,686
Fund expenditure	4	4,155	0	1,173
Operating expenditure including funds		215,666	214,200	202,859
Net surplus/(deficit)	4	(586)	0	3,603

Statement of Movements in Equity

for the year ended 30 June 2002

	Note	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
Equity at beginning of year		186,126	184,565	182,523
Net surplus/(deficit)	4	(586)	0	3,603
Net increase in revaluation reserve	13	45,745	0	0
Total recognised revenue and expenditure for the period		45,159	0	3,603
Equity at end of year		231,285	184,565	186,126

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of Financial Position

as at 30 June 2002

	Note	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
Current assets				
Cash and bank	6	104	0	27
Investments		178	0	0
Levy shortfall	9	0	6,223	14,287
Other current assets	7	3,887	3,000	3,401
Total current assets		4,169	9,223	17,715
Non-current assets				
Property, plant and equipment	8	305,773	269,115	267,460
Total non-current assets		305,773	269,115	267,460
Total assets		309,942	278,338	285,175
Current liabilities				
Levy in advance	9	1,578	0	0
Employee and volunteer entitlements	10	7,776	7,000	14,106
Current portion of debt	11	13,972	20,000	23,860
Unamortised gain on sale and leaseback		1,950	0	1,610
Other current liabilities		13,266	18,500	15,163
Total current liabilities		38,542	45,500	54,739
Non-current liabilities				
Employee and volunteer entitlements	10	31,205	28,000	29,331
Unamortised gain on sale and leaseback		1,160	0	2,415
Term debt	11	7,750	20,273	12,564
Total non-current liabilities		40,115	48,273	44,310
Total liabilities		78,657	93,773	99,049
Equity				
Equity and funds	12	106,308	104,565	106,662
Revaluation reserve	13	124,977	80,000	79,464
Total equity		231,285	184,565	186,126
Total liabilities and equity		309,942	278,338	285,175

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of Cashflows

for the year ended 30 June 2002

	Note	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
Cash flows from operating activities				
Cash was provided from:				
Levy	9	220,995	215,241	190,097
Interest		38	0	0
Other revenue		8,777	5,800	8,352
Net GST received/(paid)		387	0	(642)
		230,197	221,041	197,807
Cash was disbursed to:				
Employees		(144,560)	(154,566)	(125,124)
Suppliers		(51,983)	(45,874)	(45,048)
Interest		(1,133)	(2,760)	(2,215)
		(197,676)	(203,200)	(172,387)
Net cash flows from operating activities	5	32,521	17,841	25,420
Cash flows from investing activities				
Cash was provided from:				
Disposal of fixed assets		7,127	1,910	18,602
Cash was disbursed to:				
Purchase of fixed assets		(22,784)	(24,800)	(18,302)
Net cash flows from investing activities		(15,657)	(22,890)	300
Cash flows from financing activities				
Cash was provided from:				
Borrowing debt		5,894	5,049	0
Cash was disbursed to:				
Repayment of debt		(12,285)	0	(19,045)
Sale and leaseback of assets		(10,396)	0	(6,643)
Net cash flows from financing activities		(16,787)	5,049	(25,688)
Net increase/(decrease) in cash and bank		77	0	32
Add cash and bank/(bank overdraft) at beginning of year		27	0	(5)
Cash and bank at end of year		104	0	27

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of Commitments

as at 30 June 2002

	Actual 2002 \$000	Actual 2001 \$000
Capital commitments	7,997	10,739
Operating lease commitments		
Not later than one year	3,233	6,480
Later than one year and not later than two years	2,008	3,659
Later than two years and not later than five years	2,889	3,451
Later than five years	1,497	2,345
Total operating lease commitments	9,627	15,935
Total commitments	17,624	26,674

Capital commitments relate to firm orders placed before the end of year. The majority of these are contracts for fire appliances, property and operational equipment. Commercial penalties exist for the cancellation of these contracts.

Operating lease commitments include lease payments for motor vehicles, office premises, computer equipment and office equipment.

Statement of Contingent Liabilities

as at 30 June 2002

Contingent liabilities are disclosed at the estimated cost of a possible financial settlement.

	Actual 2002 \$000	Actual 2001 \$000
Personal grievances	68	897
Legal proceedings	2	50
Total contingent liabilities	70	947

There are various other claims that the Commission is currently contesting which have not been quantified due to the nature of the issues, their uncertainty of the outcome and/or the extent to which the Commission has a responsibility to a claimant.

Notes to the Financial Statements

for the year ended 30 June 2002

Note 1 – Other Revenue

	Actual 2002 \$000	Actual 2001 \$000
Commercial services	197	297
Private fire alarms revenue	1,882	1,853
Rural fire fighting contributions	1,315	1,178
False alarms	1,400	1,095
Rents	548	600
Contributions	1,956	1,481
Gain on disposal of fixed assets	0	131
Amortisation of gain on sale and leaseback	1,922	1,073
Miscellaneous revenue	692	1,780
Total other revenue	9,912	9,488

Contributions of \$1.956m (2001 \$1.481m) were received from “good corporate citizens”. These are entities which do not insure their property portfolios against fire and therefore have no liability for Fire Service levy payments.

Note 2 – Personnel Expenditure

	Actual 2002 \$000	Actual 2001 \$000
Salaries and wages	115,617	109,093
Superannuation subsidy	10,685	9,442
ACC	1,403	1,932
Volunteers	3,974	4,150
Other personnel expenditure	9,196	9,448
Total personnel expenditure	140,875	134,065

Note 3 – Other Expenditure

	Actual 2002 \$000	Actual 2001 \$000
Remuneration of auditors - audit fees	135	150
Remuneration of auditors - other services	9	16
Fees paid to Commissioners	112	102
Depreciation:		
Buildings	5,925	1,956
Fire appliances	5,005	7,804
Motor vehicles	319	211
Communications equipment	355	527
SITE	1,959	1,959
Operational equipment	1,120	1,850
Non-operational equipment	218	359
Computer equipment	702	699
Leasehold improvements	226	0
Leased communications equipment	2,275	1,855
Leased operational equipment	5,711	3,864
Leased non-operational equipment	55	3
Leased computer equipment	1,705	1,131
Total depreciation	25,575	22,218
Impairment loss:		
Land	1	3
Buildings	289	122
Fire appliances	71	508
Non-operational equipment	2	2
Total impairment loss	363	635
Loss on disposal of fixed assets	0	221
Increase in provision for doubtful debts	152	59
Interest	603	1,661
Finance charge on finance lease	518	493
Rental expense on operating leases	3,593	2,870
Occupancy	6,497	7,152
Fleet	7,542	7,450
Supplies and consumables	3,966	4,341
Communications	5,365	6,045
Publicity and advertising	3,689	2,830
Other	11,817	10,378
Total other expenditure	69,936	66,621

Pursuant to the change in accounting policy noted on page 72. The depreciation on property, plant and equipment containing two or more components has been accounted for using the standards established under FRS-3. The depreciation charge has changed for this year because items of property, plant and equipment containing two or more components have been accounted for separately. The components approach recognises the different economic life or pattern of consumption for each component and complies with the requirement of FRS-3 accounting for property plant and equipment. The financial effect of this change has been to increase the depreciation charge for the year by \$2.5m.

Note 4 – Net Surplus/(Deficit)

The Fire Service operations are totally funded from levy receipts and produce no surplus or deficit. However, the Commission has a number of funds that produced the following net surplus/(deficit) for the period.

	Revenue	Expenditure	Net surplus /(deficit)	Net surplus /(deficit)
	2002	2002	2002	2001
	\$000	\$000	\$000	\$000
ACC Partnership Fluctuation Fund	0	0	0	2,044
Contestable Research Fund	550	(595)	(45)	74
Loss of Medical (Residual) Fund	4	(35)	(31)	4
Physical Competency Transition Fund	1,000	0	1,000	0
Rural Fire Fighting Fund	2,015	(3,365)	(1,350)	1,576
Volunteer Needs Fund	0	(160)	(160)	(95)
Total	3,569	(4,155)	(586)	3,603

The rural fire fighting fund revenue includes levy funding of \$0.7m (2001 \$1.0m).

Note 5 – Reconciliation of Net Surplus/(Deficit) with the Net Cash Flows from Operating Surplus

	2002 \$000	2001 \$000
Net surplus/(deficit)	(586)	3,603
Add/(subtract) non-cash items:		
Depreciation	25,575	22,218
Increase provision for doubtful debts	152	59
Amortisation of gain on sale and leaseback	(1,922)	(1,073)
Fixed asset write-offs	363	635
Increase in investments	(178)	0
Increase provision for non-current employee and volunteer entitlements	1,874	1,623
Total non-cash items	25,864	23,462
Add/(subtract) movements in working capital:		
Decrease in accounts payable and accruals	(1,654)	(2,240)
Increase/(decrease) in current employee and volunteer entitlements	(6,330)	7,632
Increase/(decrease) in levy in advance	15,865	(6,877)
(Increase)/decrease in other current assets	(638)	(250)
Net movements in working capital	7,243	(1,735)
Add/(subtract) items classified as investing activities:		
Loss/(gain) on disposal of fixed assets	0	90
Total investing activity items	0	90
Net cash flows from operating activities	32,521	25,420

Note 6 – Bank Overdraft

The bank overdraft facility available totals \$250,000 and is unsecured. The current interest rate on the bank overdraft is 10.00% per annum (2001 9.75%). This is a floating rate set by the bank.

In addition, the organisation has committed and uncommitted borrowing facilities available to it from financial institutions.

Note 7 – Other Current Assets

	2002 \$000	2001 \$000
Accounts receivable	3,451	2,817
Less provision for doubtful debts	(329)	(176)
	3,122	2,641
Prepayments	765	760
Total other current assets	3,887	3,401

Note 8 – Property, Plant and Equipment

	Cost 2002 \$000	Valuation 2002 \$000	Accumulated Depreciation 2002 \$000	Net Book Value 2002 \$000
Land	36	62,693	0	62,729
Buildings	6,956	137,375	616	143,715
Fire appliances	147,930	0	93,765	54,165
Motor vehicles	1,850	0	1,154	696
Communications equipment	4,083	0	3,007	1,076
SITE	17,904	0	7,451	10,453
Operational equipment	10,634	0	5,732	4,902
Non-operational equipment	3,889	0	2,590	1,299
Computer equipment	5,353	0	2,152	3,201
Leasehold improvements	1,319	0	490	829
Leased assets:				
Communications equipment	7,393	0	4,415	2,978
Operational equipment	18,962	0	9,224	9,738
Non-operational equipment	164	0	82	82
Computer equipment	6,979	0	2,199	4,780
Work in progress:				
Buildings	1,671	0	0	1,671
Fire appliances	2,169	0	0	2,169
Computer equipment	599	0	0	599
Other	691	0	0	691
Total work in progress	5,130	0	0	5,130
Total	238,582	200,068	132,877	305,773

Note 8 – Property, Plant and Equipment (cont...)

	2001	2001	Depreciation	Value
	2001	2001	2001	2001
	\$000	\$000	\$000	\$000
Land	115	49,669	0	49,784
Buildings	7,644	107,020	3,283	111,381
Fire appliances	144,586	0	89,374	55,212
Motor vehicles	1,959	0	982	977
Communications equipment	7,576	0	5,388	2,188
SITE	17,904	0	5,491	12,413
Operational equipment	10,005	0	6,858	3,147
Non-operational equipment	3,908	0	2,822	1,086
Computer equipment	8,410	0	4,057	4,353
Leasehold improvements	1,362	0	290	1,072
Leased assets:				
Communications equipment	5,565	0	1,854	3,711
Operational and equipment	17,475	0	3,864	13,611
Computer equipment	3,682	0	1,131	2,551
Work in progress:				
Buildings	2,883	0	0	2,883
Fire appliances	1,892	0	0	1,892
Computer equipment	1,036	0	0	1,036
Other	163	0	0	163
Total work in progress	5,974	0	0	5,974
Total	236,165	156,689	125,394	267,460

Land and buildings were revalued at fair value by Quotable Value New Zealand, members of the New Zealand Institute of Valuers, as at 30 June 2002.

All land and buildings for disposal are subject to a consultative clearance process set up for the settlement of Maori land claims.

The Shared Information Technology Environment (SITE) asset is the systems and technology platform that supports receiving emergency calls and dispatching resources to emergency incidents.

These SITE assets include the computer aided dispatch software, Land Mobile Radio (LMR) network and associated telecommunications infrastructures. This asset is primarily housed in the communication centres.

The Fire Service shares SITE with the New Zealand Police. The value capitalised reflects the Fire Service's proportional ownership of the SITE asset.

The Fire Service has no proprietary interest in the leased assets and cannot dispose of them.

Note 9 – Levy in Advance/(Levy Shortfall)

	2002 \$000	2001 \$000
Levy shortfall at beginning of year	(14,287)	(7,410)
Levy receipts	220,995	190,097
Levy receipts available for operations	206,708	182,687
Funding of Fire Service net operating expenditure	204,430	195,974
Funding of Rural Fire Fighting Fund	700	1,000
Levy required to fund operations	205,130	196,974
Levy in advance/(levy shortfall) at end of year	1,578	(14,287)

Section 47 of the Fire Service Act 1975 states that where in any financial year the levy income is less than the actual net expenditure of the Commission, that shortfall is deemed to be a shortfall in the payment of levy when the levy income is greater than the actual net expenditure of the Commission, the excess is deemed to be an advance to the Commission.

The rate of levy was increased from 6.2 cents to 7.3 cents per \$100 of insured value with effect from 1 March 2001.

Note 10 – Employee and Volunteer Entitlements

	2002 \$000	2001 \$000
Current employee and volunteer entitlements		
Accrued salaries and wages	2,650	8,471
Provision for annual leave	3,484	4,092
Provision for long service leave and gratuities	1,642	1,543
Total current employee and volunteer entitlements	7,776	14,106
Non-current employee and volunteer entitlements		
Provision for long service leave and gratuities	31,205	29,331
Total non-current employee and volunteer entitlements	31,205	29,331

Accrued salaries and wages at June 2001 included the accrual for the financial impact of the firefighter contract settlement. The monies were primarily paid out in July 2001.

Note 11 – Debt

	Note	2002 \$000	2001 \$000
Debt balances are comprised of the following:			
Levy shortfall debt	9	0	14,287
Capital expenditure debt		21,722	22,137
		21,722	36,424
(a) Current			
Finance lease liabilities		10,947	8,550
Unsecured debt		3,025	15,310
		13,972	23,860
(b) Non-Current			
Finance lease liabilities		6,750	11,564
Unsecured debt		1,000	1,000
		7,750	12,564
Analysis of finance lease liabilities			
Payable no later than 1 year		11,330	8,958
1-2 years		5,881	8,958
2-5 years		1,007	2,757
		18,218	20,673
Future finance charges		(521)	(559)
		17,697	20,114

The effective interest rate on the finance leases is 3.6% (2001 3.0%). The finance leases are secured over the assets to which they relate.

Repayment terms of unsecured debt

Payable no later than 1 year	3,025	15,310
1-2 years	1,000	0
2-5 years	0	1,000
	4,025	16,310

The weighted average interest rate on unsecured debt is 8.2% (2001 6.5%). Current unsecured debt is mainly comprised of money market deposits while term debt comprises unsecured local authority stock. Local authority stock interest rates are fixed for their term, whilst money market deposits attract on-call interest rates.

Note 12 – Equity and Funds

	Balance at beginning of year 2002 \$000	Net surplus/ (deficit) (note 4) \$000	Revaluation realised on disposal (note 13) \$000	Balance at end of year 2002 \$000
Fire Service equity	99,686	0	232	99,918
ACC Partnership Fluctuation Fund	2,044	0	0	2,044
Contestable Research Fund	626	(45)	0	581
Loss of Medical (Residual) Fund	169	(31)	0	138
Physical Competency Transition Fund	0	1,000	0	1,000
Rural Fire Fighting Fund	3,834	(1,350)	0	2,484
Volunteer Needs Fund	303	(160)	0	143
Total	106,662	(586)	232	106,308

	Balance at beginning of year 2001 \$000	Net surplus/ (deficit) (note 4) \$000	Revaluation realised on disposal (note 13) \$000	Balance at end of year 2001 \$000
Fire Service equity	99,167	0	519	99,686
ACC Partnership Fluctuation Fund	0	2,044	0	2,044
Contestable Research Fund	552	74	0	626
Loss of Medical (Residual) Fund	165	4	0	169
Rural Fire Fighting Fund	2,258	1,576	0	3,834
Volunteer Needs Fund	398	(95)	0	303
Total	102,540	3,603	519	106,662

The Accident Compensation Commission (ACC) partnership fluctuation fund was established in 2001 under section 58A of the Fire Service Act 1975. The purpose of the fund is to pay for any claim in excess of the annual amount budgeted prior to stop loss cover taking place. It also allows for payments to be made to ACC (or body established to undertake the functions currently performed by the ACC) upon transfer of open claims at the end of the five year period.

The contestable research fund was established in 1999 under section 58A of the Fire Service Act 1975, and is funded by an annual allocation from the Commission's operating expenditure. Money from this fund is available on a contestable basis to internal and external parties for research on fire related matters, as recommended by the research advisory group and approved by the Commission. The balance at end of year represents monies not yet committed.

The loss of medical (residual) fund was established under section 58A of the Fire Service Act 1975. This fund was established to provide insurance cover for personnel who were contributing to a former medical compensation insurance scheme and who have not joined the Fire Service superannuation fund. Contributions to the fund are received from those personnel who are covered by it.

The physical competency transition fund was established in 2002 under section 58A of the Fire Service Act 1975. The purpose of the fund is to provide for the remuneration of firefighters assigned to light duties through:

- Failing the physical competency assessment (PCA), or
- Accident or illness.

The rural fire fighting fund was established under section 46A of the Fire Service Act 1975. The Fund is financed by a first charge against the proceeds of the levy and a crown grant through the Department of Conservation. Money from the fund is applied towards meeting costs of Fire Authorities in the control, restriction, suppression or extinction of fires.

The volunteer needs fund was established in 1997 under section 58A of the Fire Service Act 1975, and was funded by an allocation from the Commission's operating funds. Expenditure from the fund is applied to projects addressing the issues identified as essential to the ongoing development of the volunteer force.

Note 13 – Revaluation reserve - land and buildings

	Land 2002 \$000	Buildings 2002 \$000	Total 2002 \$000
Revaluation reserve at beginning of year	43,901	35,563	79,464
Revaluations	12,651	33,094	45,745
Realisation on disposal	6	(238)	(232)
Revaluation reserve at end of year	56,558	68,419	124,977

	Land 2001 \$000	Buildings 2001 \$000	Total 2001 \$000
Revaluation reserve at beginning of year	44,262	35,721	79,983
Realisation on disposal	(361)	(158)	(519)
Revaluation reserve at end of year	43,901	35,563	79,464

On disposal of an item of land or buildings the portion of the revaluation reserve that relates to that item is taken out of the revaluation reserve, and is transferred to equity.

Note 14 – Financial Instruments

The Commission is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, investments, accounts receivable, accounts payable, debt and foreign currency forward contracts.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates.

The Commission enters into foreign exchange forward contracts to manage its foreign currency exposure in relation to the purchase of fixed assets. Foreign exchange forward contracts in place at 30 June 2002 were \$CAD 59,000 which converts to \$NZ 84,000 (2001 £GBP 275,000 which converts to \$NZ 944,000).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fire Service Act 1975 does not provide for the Commission to enter into hedging transactions, and therefore interest rate investments and debt are not hedged. To limit the interest rate risk the Commission's policy restricts the range of financial instruments that can be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Commission, causing a loss to be incurred.

In the normal course of business the Commission incurs credit risk from trade debtors and transactions with financial institutions.

The Commission places its funds with financial institutions that have a high credit rating and does not require any collateral to support these financial instruments. There is no significant concentration of credit risk arising from trade debtors.

Fair values

The fair values of financial instruments at 30 June are as follows:

	2002 \$000	2001 \$000
Cash	104	27
Investments	178	0
Accounts receivable	3,122	2,641
Employee and volunteer entitlements	38,981	43,437
Debt	21,722	36,424
Accounts payable and accruals	13,266	15,163
Foreign exchange forward contracts	84	944

Note 15 – Related Party Disclosures

The Commission is a Crown entity. Crown entities are expected to give effect to government policy. All transactions entered into with government departments, state owned enterprises and other crown entities are conducted at arms length on normal business terms.

The office of the Commission maintains a conflict of interest register for members of the Commission. During the period no transactions were entered into with members of the Commission (other than payment of their fees and reimbursement of their expenses).

There were no other related party transactions.

Note 16 – Remuneration of Commissioners

Remuneration received by members of the Commission during the year was:

	2002 \$	2001 \$
Dame Margaret Bazley, DNZM	50,000	50,000
Mr Neville Young, LLB	15,500	15,500
Mr Terry Scott (appointed 14/11/00)	15,500	9,658
Dr Piers Reid (appointed 14/11/00)	15,500	9,658
Ms Angela Foulkes (appointed 14/11/00)	15,500	9,658
Mr Brian Stanley (term expired 14/11/00)	-	7,442

Note 17 – Employee Remuneration

Number of employees receiving total remuneration over \$100,000 per annum:

Band \$000	2002		2001	
	Non-Operational	Operational	Non-Operational	Operational
100-110	3	30	2	-
110-120	4	3	3	-
120-130	7	-	6	-
130-140	0	1	2	-
140-150	3	-	3	-
150-160	3	-	1	-
160-170	-	-	-	-
170-180	1	-	1	-
220-230*	1	-	1	-

* Chief Executive

Two abnormal factors contributed to the level of earnings of operational staff:

- Auckland Officers worked a large number of overtime shifts to cover an officer shortage. This issue is anticipated to impact outlying years
- The back pay component of the collective agreement settlement was paid out in the year under review.

The number of employees whose employment ceased prior to 30 June and whose total earnings exceeded \$100,000 was:

	2002	2001
Number of former employees	5	3
Normal remuneration	\$0.376m	\$0.481m
Severance	\$0.271m	-

The severance payments above result from settling the personal grievances disclosed in the 2000/01 statement of contingent liabilities.

Note 18 – Segmental Reporting

The Commission operates in the industry of providing fire safety and other fire emergency services. These services are provided throughout New Zealand. The Commission is also the National Rural Fire Authority. This function involves the co-ordination of fire services provided by rural fire authorities. These authorities include district councils, some forest owners and land owning government departments. Funding for this is administered through the rural fire fighting fund.

Map of Fire Regions



