



NEW ZEALAND
FIRE
SERVICE
COMMISSION

Whakaratonga Iwi

Partners in
Community safety

Ma te kotahitanga, ka ora ai te iwi whanui



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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.

New Zealand Fire Service Commission

Annual Report

30 October 2003

Hon George Hawkins
Minister of Internal Affairs
Parliament Buildings
WELLINGTON

Dear Minister

New Zealand Fire Service Commission Annual Report

In accordance with the Fire Service Act 1975, the Forest and Rural Fires Act 1977 and the Public Finance Act 1989, I present the annual report of the New Zealand Fire Service Commission for the year ended 30 June 2003.

Fire Outcomes

Key fire outcome indicators for people, property and the environment in 2002/03 were mixed when compared with the previous year.

Comparison 2002/03 to 2001/02

Avoidable Residential Fire Fatalities		Fire Injuries to Public	
2002/03	2001/02	2002/03	2001/02
27	26	409	442
Fires Contained to Room of Origin (%)		Hectares lost to Wildfire	
2002/03	2001/02	2002/03	2001/02
72%	71%	5,532	3,938

Some natural variability is to be expected when comparing fire statistics from one year to the next so it is important to consider the longer-term trend rather than the “bobble” around the trend line. All the key indicators were below the longer-term average with the exception of avoidable residential fire fatalities.

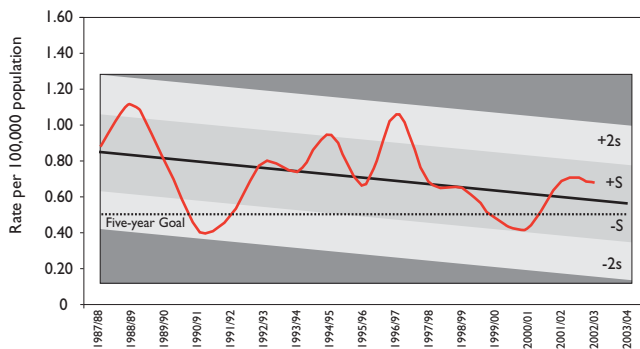
Comparison 2002/03 to long-term averages

Avoidable Residential Fire Fatalities		Fire Injuries to Public	
2002/03	30 year average	2002/03	5 year average
27	26	409	420
Fires Contained to Room of Origin (%)		Hectares lost to Wildfire	
2002/03	5 year average	2002/03	23 year average
72%	71%	5,532	9,330

Note: the variation in comparison periods is due to availability of comparable data. The longest period available has been used.

However, when expressed as a rate per 100,000 population, avoidable residential fire fatalities showed an improving long-term trend.

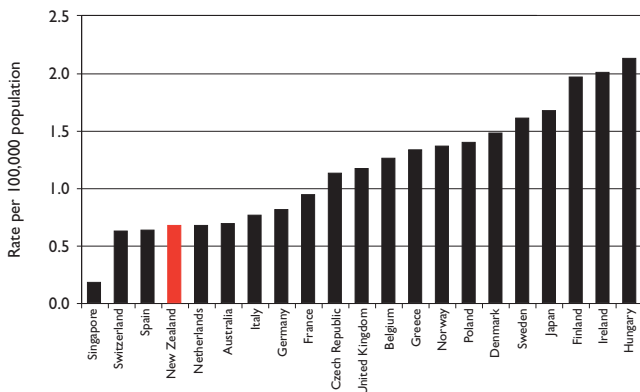
New Zealand Annual Avoidable Residential Fire Fatality Rate



Note: This graph illustrates that the avoidable residential fire fatality rate per 100,000 population is trending (black line) down over time and that annual fluctuations in the rate are within normal limits (shaded areas of one and two standard deviations from the trendline).

The New Zealand public may be confident, therefore, that the Commission is making steady progress in addressing the fire problem in New Zealand. New Zealand's avoidable fire fatality rate ranks in the best four by international standards.

International Comparison of Fire Fatality Rates 1999/00



Note: The latest international data available is for 1999/00. The New Zealand rate shown is for 2002/03. The New Zealand rate in 1999/00 was 0.48, which would have improved the rate to the second lowest.

Fire Service Commission Priorities

In your most recent letter of expectations you set out three priorities for the Commission:

- Fire safety and prevention
- Continuous business improvement
- Support for volunteer firefighters.

I comment below on some of the highlights in each of the priority areas.

Fire Safety

The Commission draws to your attention the fire safety ambassador/Te Kotahitanga programme deployed in many remote rural communities in Northland, eastern Bay of Plenty and the East Coast during the year. These multi-agency collaborative programmes contributed to very substantial improvements in the fire outcomes in these communities. In addition the programmes provided a pathway to paid employment for many of the ambassadors. The Commission also funds fire safety advertisements on national television and in the print media. This year an innovative television advertisement highlighting the speed of fire growth in contemporary residential homes attracted international commendation.

Continuous Business Improvement

The Fire Service has adopted the internationally recognised business excellence framework as its primary means of driving business improvement. The Fire Service completed its first comprehensive assessment under the framework during 2002/03. Opportunities for improvement were identified and a series of action plans known as Firex 500 were agreed for implementation by December 2004. The Commission gratefully acknowledges the assistance of the New Zealand Navy in establishing the business excellence framework within the Fire Service.

Supporting Volunteerism

Amendments to the Health and Safety in Employment Act introduced during the year under review caused Fire Service volunteers some concerns. The Commission records its thanks to you and your colleague, the Minister of Labour for responding positively to these concerns. The Commission applied substantial resources to ensure Fire Service volunteers were able to meet the new

requirements and commends the volunteer arm of the New Zealand Fire Service for the responsible and professional way in which it responded to the challenges presented by the legislation.

Employee Relations

The landmark June 2001 collective employment agreement expired in June 2003. Negotiations to conclude a new agreement commenced in February 2003. At the time of writing this transmittal letter the executive of the New Zealand Professional Firefighters Union had recommended unanimously to its members that they ratify an offer. The Commission congratulates both negotiating teams on this very satisfactory outcome.

Funding and the Wider Role of the Fire Service

The Commission welcomes your recent announcement to extend the scope of the funding review to consider broader service delivery issues in conjunction with local government. In common with many overseas fire services, the Fire Service attends a very different mix of emergencies today compared to the mix of incidents it attended five years ago. Fires are declining as a proportion of the Fire Service's business while motor vehicle accidents, hazardous substance emergencies and support for police and ambulance operations are increasing. Against this background obtaining broad support for more integrated service delivery arrangements and an equitable funding system will not be easy. The Commission will assist in whatever way it can.

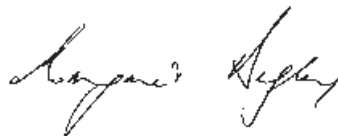
Crown Entity Reform

Your Government has outlined proposals to change the governance arrangements of this Crown Entity. For the most part the Commission welcomes these proposals. The Commission is satisfied it has been assigned to the correct class of crown entity, it supports the need for a whole of government approach and is confident the proposed accounting measures will address the long identified problems in the accounting provisions of the Fire Service Act. The Commission notes, however, that the underlying governance philosophies of the proposed Crown Entity legislation and the Fire Service Act are very different. The Commission will seek your support for extensive consequential amendments to the Fire Service Act.

Acknowledgements

I extend my thanks to the members of the Commission for their personal support during the year and in particular to retiring member Neville Young, whose wise counsel the Commission will miss. On behalf of the Commission I again acknowledge the contribution of Mike Hall, Chief Executive, his management team and all staff and volunteers.

Yours sincerely



**Dame Margaret Bazley, DNZM
Chairperson.**



Dame Margaret Bazley

Commission Overview

Commission Membership

During the course of the year Dame Margaret Bazley and Terry Scott were reappointed for three year terms of office. John Hercus was appointed to replace Neville Young who did not seek reappointment on the expiry of his term. Since the close of the year under review Dr Piers Reid has been reappointed for a second term. Membership of the Commission currently comprises:

Dame Margaret Bazley, DNZM, Chairperson

Mr Terry Scott, Deputy Chairperson

Dr Piers Reid, member

Mr John Hercus, member

Ms Angela Foulkes, member

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 sections 14 of the Fire Service Act 1975.
- Exercise of the functions of the National Rural Fire Authority as set out in sections 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 its responsibilities to co-ordinate and promote fire safety throughout New Zealand in a variety of ways. It:

- Monitored the level of fire safety awareness in the community through regular surveys
- Developed the annual fire safety promotion plan based on the survey data and analysis
- Met with the Building Industry Authority in formal session
- Made submissions on the fire safety provisions of the proposed new building legislation
- Sought determinations from the Building Industry Authority on buildings the Commission considered did not comply with the fire safety provisions of the Building Code
- Prepared in partnership with the Historic Places Trust a strategy for the protection of historic and heritage buildings
- Prepared in partnership with iwi and the Historic Places Trust, a video and written material to encourage the fire protection of wharehau and historic buildings constructed from traditional materials
- 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 houses and apartments.

Awarded \$500,000 of fire safety-related research contracts.

- Awarded a further \$500,000 of fire safety-related research contracts on topics including:
 - The role of alcohol in serious unintentional fire incidents
 - Fire Safety and the Building Act; a cost benefit analysis
 - Daily weather sequences and seasonal forecasting of severe fire seasons
 - Fire danger climatology analyses and tools
 - Assessing and selecting high performing Fire Service recruits of the future
 - Improving the fire performance of polystyrene insulated panels in New Zealand
 - Mapping and interpretation of fire weather information
- Hosted a seminar in Auckland to disseminate the results of research contracts let in previous years
- Hosted evening functions for fire safety stakeholders and partners in Whangarei, North Shore City, Rotorua, Greymouth, and New Plymouth
- Funded the Len Doughty Fellowship for research into fire prevention best practice in Sweden and the United Kingdom.

Governance of the New Zealand Fire Service

The Commission discharges its principal governance responsibilities through:

- **Appointment of the Chief Executive.**
Mike Hall was appointed to the position of Chief Executive 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. These expectations include:

- Delivery of the outputs set out in the statement of intent.
- Management of Fire Service expenditure within the approved Estimates of Expenditure. The Estimates of Expenditure were approved by the Minister in July 2002.

The Commission assessed the Chief Executive's performance against these expectations in May 2003.

- **The Instrument of Delegation.**

This document delegates to the Chief Executive certain of the Commission's statutory powers subject to relevant policy direction. The delegation 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 comprised Neville Young (Chair), Piers Reid, Angela Foulkes and Dame Margaret Bazley ex officio. Following the retirement of Neville Young from the Commission in November 2002 the Commission resolved to appoint an independent chairperson and in March 2003 appointed Mr Alan Isaac, National Chairman KPMG, to the role.

New Zealand assisted with rural fires in the United States and Australia.

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 under review included:

- **Oregon, USA Wildfires.**

Immediately following completion of formal standing arrangements between the United States and New Zealand for mutual assistance in fighting wildfires nine New Zealand rural fire managers were deployed to the state of Oregon in July 2002 as part of a 50 strong Australasian contingent.

- **Victoria, Australia Wildfires.**

Sixty-three New Zealand rural fire managers and firefighters were deployed in three tranches to the state of Victoria in January and February 2003 under long standing mutual assistance arrangements.

- **National Incident Management Teams.**

The capability of the three national incident management teams was further enhanced with regular workshops and field exercises.

- **Fire Protection Agreements.**

The Commission approved nine new fire protection agreements with territorial authorities. These commit the Fire Service to provide specified first response resources in the event of vegetation wild fire while the rural fire authority marshalls its firefighting resources.

- **Rural Fire Mediators Panel.**

The Commission recommended to the Minister the names of six people suitably qualified to be appointed to the Rural Fire Mediators Panel.

- **First Response Appliances.**

The first four new rural fire appliances funded through the increased grant assistance scheme were delivered to rural fire authorities during the year.

- **Grant Assistance Scheme Eligibility.**

The Commission agreed in the Statement of Intent to review the long standing rules around eligibility for grants under the grant assistance scheme. The National Rural Fire Officer is expected to report on the outcome of a consultation with stakeholders on this matter during 2003/04.

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 course of the year resulted in no change to the 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 during the year under review. 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 quantum of levy due
- Identify organisations that may have moved their insurance offshore to enable subsequent audits of these organisations to determine that levy due is being remitted to the Commission
- To highlight any significant developments within the insurance industry which may affect the future income base of the Commission.

The systems maintained by insurers and brokers to ensure levy is calculated correctly were found to be adequate and compliance levels were generally assessed as being good.

Common areas of non-compliance included:

- Failure to collect levy on policy extensions such as capital additions
- Failure by some companies to pay levy on the due date
- 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 under review noted continued use of these structures. The Statutory Declaration exercise described in previous reports continues to generate additional levy revenues, interest and penalties.



Chief Executive Overview

The Commission through the Fire Service and the National Rural Fire Authority aims to reduce the incidence and consequence of fire. This overview covers some of the significant events and achievements in 2002/03.

Emergency Responses

The Fire Service responded to 64,166 emergency incidents during the 2002/03 year. The following table provides a breakdown of the incidents.

	2002/03	2001/02	2000/01	1999/00
Fires	22,626	20,298	21,270	20,358
Hazardous emergencies	3,051	2,857	2,481	2,448
Medical emergencies	2,974	3,040	3,250	2,515
Motor vehicle incidents (excluding fires)	4,803	4,820	4,774	5,467
False alarms	25,867	25,862	27,445	24,548
Other emergencies	4,845	5,560	5,258	4,529
Total	64,166	62,437	64,478	59,865

Stakeholder Consultation

Strong emphasis on stakeholder consultation was continued during 2002/03.

Consultation at the national level included:

- Briefings in November and April with insurance industry representatives. These briefings included consultation on the Commission's estimates of expenditure for 2003/04 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 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 Māori into the Fire Service and retaining them.

Key achievements of the Fire Service against its 2002/03 EEO programme included:

- **EEO Steering Group.**
The EEO Steering group was extended to include the National Advisor Māori, a representative of the Women's Network Group, a representative of Pacific staff and a representative of the New Zealand Professional Firefighters Union (NZPFU). This group meets monthly.

A scholarship was established to assist personal learning te reo Māori.

- **Feedback to Staff.**

In September 2002 each attendee from the regional staff hui and Female Firefighter Forum received a letter of thanks outlining the recommendations that had been adopted to form part of the 2002/3 EEO Programme.

- **Policy Review.**

A working party comprised both male and female operational staff reviewed the sexual harassment policy specifically for ease of use by staff. Recommendations are being considered as part of the wider misconduct and performance management policy review currently being undertaken.

- **Audit of Station Facilities.**

Fire Stations with paid firefighters and the three regional training facilities have been audited to establish the extent to which ablution and bedroom facilities are suitable for women. The findings have shown a number of areas for improvement. A process for improvement and improved monitoring is being put in place.

- **Recruitment and Training of Māori firefighters.**

Māori personnel were included in the research study group on firefighter recruitment being undertaken as part of the Contestable Research Fund.

- **Māori Language Plan.**

Te Taura Whiri i te Reo Māori (Māori Language Commission) has been engaged to assist in the development of a Māori language plan. A workshop was held with staff from across the organisation, together with formal representation from the NZPFU. A second workshop will take place in July 2003.

- **Māori Language Capability.**

Arrangements were made for the Regional Iwi Liaison Officers to undertake the Māori Language Commission's standard test in July 2003. Individual development plans will follow this assessment. A scholarship fund, open to any personnel undertaking te reo Māori studies, was promulgated in the Fire Service Gazette during March. Ten applicants were granted financial assistance from the scholarship fund. The Human Resource Information System now includes data on language skill, including te reo.

- **“Tikanga Māori” (an introduction to the Māori World).**

The existing booklet on marae protocol and effective ways to work with Māori communities was revamped. Firefighter recruits continue to participate in the “Tikanga Māori” seminar as part of their recruit course.

- **Festivals.**

The Fire Service was represented at the following festivals: Tagata Pacifika in Auckland; Women's Life Style expo in Tauranga; Tuhoe Festival at Ruatokia; Ratana Festival at Ratana Pa; Fletcher Challenge Forests Career Expo in Rotorua.

- **Annual EEO forum.**

Guidelines for an annual EEO Forum were developed. The forum is intended to be a joint venture between the EEO Steering Group, headed by the Director of Human Resources and the Media, Liaison and Communications Department. The inaugural forum was held in June. The focus of the first forum was Māori, both as employees and as an at risk group amongst society.

- **Iwi Liaison.**

Each fire region has put in place personnel protocols to ensure a point of contact for iwi liaison is established and known to personnel within the region.

- **Recruit Open Days.**

Open days were held in Auckland and Christchurch. Promotion of open days was targeted at Māori, Pacific people and women. A pilot programme (First Steps) was put in place to provide development for candidates in either physical or written tests. First Steps also provided assistance in completing written application and interview techniques. Two candidates from the First Steps programme were subsequently appointed to recruit courses and all candidates demonstrated an improvement in their performance. The programme will be expanded in 2003/04.

2002/03

Highlights



Success of Te Kotahitanga

This initiative focused on installing smoke alarms and providing fire safety advice for households most at-risk from fire. Local long-term unemployed people were used to carry out this work.

About 4,500 homes were visited and 22,000 smoke alarms were installed.

Another outcome of this initiative was that most of the people used to deliver the fire safety advice were able to gain skills to help them get full-time employment.

Te Kotahitanga – supported by a range of agencies, including Housing New Zealand and ACC – was extended from Northland into the Bay of Plenty and the East Coast.

Saving Historic Places

The Fire Service worked with the Historic Places Trust to encourage owners of historic homes to install better fire safety systems.

The Fire Service's message was that fire can not only take lives but it can also take away New Zealand's heritage.

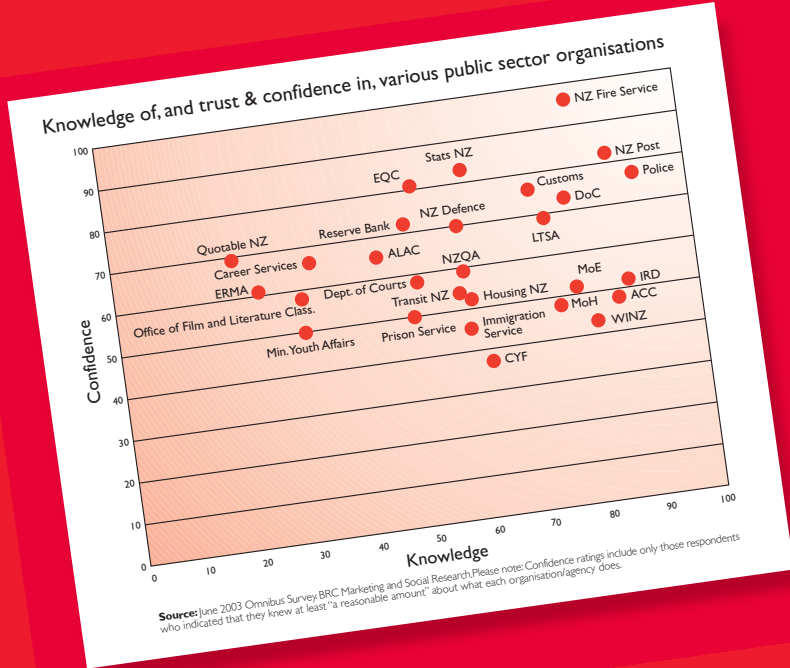
Another stream of work developed was a marae fire safety strategy – again encouraging marae to improve fire safety systems to save buildings and taonga (treasures).



Home Sprinklers

The Fire Service joined with major New Zealand insurer IAG, owner of State and NZI, to promote the installation of home sprinklers.

The aim was to explain that these sprinklers were affordable, unobtrusive and only activated in an area where a fire occurred.



Trust and Confidence

An independent survey of government agencies rated the Fire Service as the agency the public had most trust and confidence in.

The survey of 500 New Zealanders asked them about their knowledge of 28 public sector organisations and to identify those they had complete trust and confidence in. The Fire Service was rated at 96%.



Speed of Fire

The Fire Service launched a television campaign to educate New Zealanders about the speed of fire because research showed people underestimated just how quickly a fire developed. The advertisement has won several international awards, including a gold award at Cannes – the most prestigious international advertising awards.

More Women, Māori Recruited

The Fire Service continued to work to attract more women, Māori and Pacific people to join as career firefighters. The percentage continues to grow despite the limit on the number of recruits taken in each year. In 2002/03 16% of recruits were female, 23% were Māori and 4% were Pacific people. This compares well to overall workforce diversity at the end of June 2002. At that time 1.6% of the workforce were female, 6.2% were Māori and 1.2% were Pacific people.

Our diversity figures are favourable compared to many fire services internationally.



Kiwi Firefighters Help in Australia, US Wildfires

New Zealand rural firefighters helped battle wildfires in Australia and the United States following formal requests. In August 2002, nine went to South West Oregon. In January 2003, a total of 65 hill and high country firefighters went to Victoria.



Volunteer Recruitment

A shortage of members among some volunteer fire brigades has inspired new ways of approaching the recruitment of volunteer firefighters.

The Blenheim Volunteer Fire Brigade used a professional profiler to analyse brigade members and determine what sort of person would best fit in with the crew.

Another initiative was a partnership with Panadol to increase the range of recruitment material for volunteer brigades to use. The Fire Service now has a comprehensive range of professional material available to help brigades recruit new members.

Station Management System

Development of the station management system continued through 2002/03. The system will enable firefighters to better translate the organisation's strategic direction into tasks they carry out. The tasks can then be quantified (targets set) and scheduled throughout the year. The system also provides the means to record completed tasks and report performance at the station level.

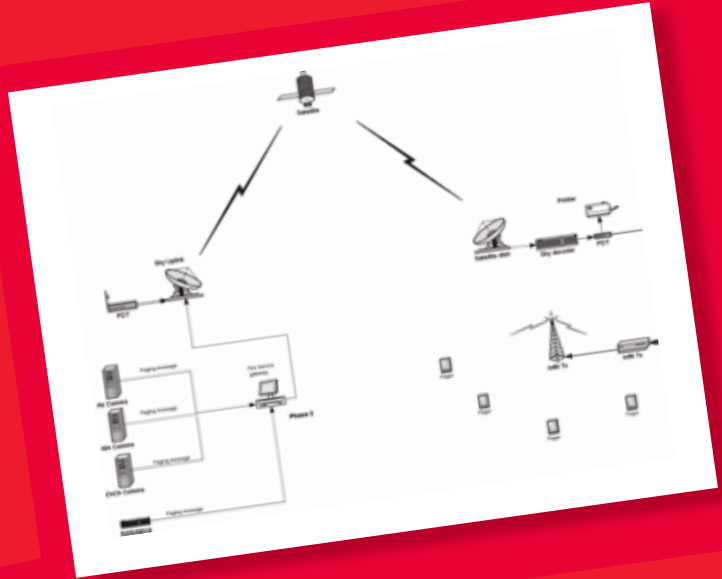


Improvements in Technology

The Fire Service computer network and the number of systems available to users have grown enormously.

Work is progressing to upgrade information technology at fire stations, district offices and regional offices to ensure firefighters have access to up-to-date technology.

Another initiative is underway to rollout satellite paging. This will improve reliability of paging services for stations in poor coverage areas.



Training and Progression

The Training and Progression System (TAPS) aims to provide all operational staff with the best tools and training to do their job. Roll out to volunteer brigades began at the end of June, introducing more consistency to volunteer training standards. The rollout for career firefighters begins in 2003/2004.

Protecting Commercial Premises

New resources were developed to educate owners of commercial premises about fire safety.

A series of colourful tip sheets was produced for firefighters and fire safety officers to use when talking to building owners about various aspects of fire safety, such as heat detectors and smoke control doors.



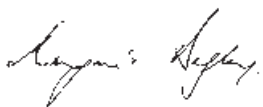
Statement of Responsibility

For the year ended 30 June 2003

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 2003 set out on pages 20 to 89 fairly reflect the financial position and operations of the New Zealand Fire Service Commission.



Dame Margaret Bazley, DNZM

Chairperson

28 October 2003



Mike Hall

Chief Executive

28 October 2003

Report of the Auditor-General



To the readers of the financial statements of the New Zealand Fire Service Commission for the year ended 30 June 2003.

We have audited the financial statements on pages 20 to 76. 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 2003. This information is stated in accordance with the accounting policies set out on pages 56 to 59.

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 2003, the results of its operations, 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 HC Lim, 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 processes. 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 20 to 76:

- Comply with generally accepted accounting practice in New Zealand; and
- Fairly reflect:
 - New Zealand Fire Service Commission's financial position as at 30 June 2003;
 - 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 set out in the forecast financial statements the year ended on that date.

Our audit was completed on 28 October 2003 and our unqualified opinion is expressed as at that date.



HC Lim
Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand

Statement of Objectives and Service

Performance

For the year ended 30 June 2003

Section 41 of the Public Finance Act 1989 requires the Commission to report against the measures set out in the approved 2002/03 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 consequence 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, such as motor

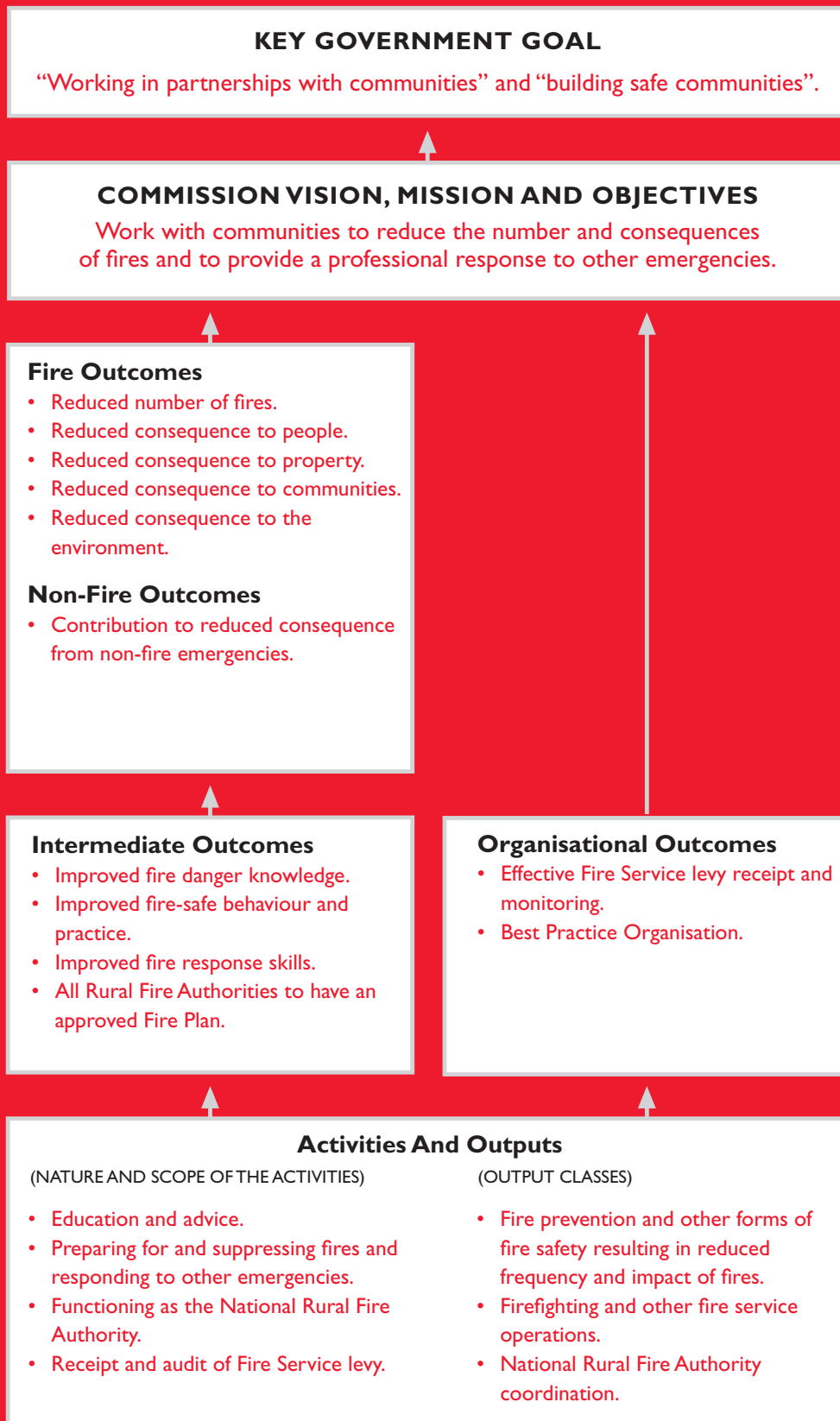
vehicle crashes and civil emergencies. Through the National Rural Fire Authority, the Commission set standards for putting out fires in rural areas and co-ordinates rural fire authorities.

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 given 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.



Seventy-eight per cent of households recalled a fire safety message.

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 pages 27 to 30.

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 2: THE RELATIONSHIP BETWEEN FIRE OUTCOMES AND EDUCATION AND ADVICE ACTIVITIES.



FIGURE 3: THE RELATIONSHIP BETWEEN FIRE OUTCOMES AND PREPARING FOR AND SUPPRESSING FIRES.



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-nine of the 101 rural fire authorities (98%) 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 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.

The Commission, through the National Rural Fire Authority, 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.

2002/03 Completeness

The fire incident reporting and management system (FIRMS) was 99.3% complete in the 2002/03 financial year. The remaining 0.7% was proportionally spread across all incident types.

2001/02 Completeness

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

Fire Outcomes

2002/03 Summary

THE NUMBER OF FIRES

Total fires – **22,626** compared to **20,298** in 2001/02

Urban fires – **15,128** compared to **14,072** in 2001/02

Rural fires – **4,305** compared to **3,495** in 2001/02

Motor vehicle fires – **3,193** compared to **2,731** in 2001/02

THE CONSEQUENCE OF FIRE TO PEOPLE

Total fire fatalities – **42** compared to **38** in 2001/02

Avoidable residential structure fire fatalities – **27** compared to **26** in 2001/02

Injuries to the public from fire – **409** compared to **442** in 2001/02

THE CONSEQUENCE OF FIRE TO PROPERTY

72% of fires contained to the room of origin compared to **71%** last year

62% of fires in structures resulted in **80%** or less damage

(Note; this is a new measure for 2002/03)

Area lost to wildfire – **5,532** hectares damaged compared to **3,938** in 2001/02

91.5% of vegetation fires extinguished within 2 hours from notification compared to **93.9%** last year

(Note; this is a new measure for 2002/03)



Fire Outcome

Performance

This sub-section details the Commission's performance in the achievement of outcomes during 2002/03 with data from historic years included for comparison purposes.

The results for intermediate outcomes were measured by an independent public survey carried out in July/August of each year and internal National Rural Fire Authority reporting.

Fire outcome were measured through:

- The Fire Service's in-house fire incident reporting and management system (FIRMS). They therefore reflect those incidents the Fire Service attended.
- Rural fire authority returns to the National Rural Fire Authority.

Organisational outcomes were measured through in-house reporting processes.

INTERMEDIATE OUTCOMES

This sub-section of the annual report summarises the results of the Commission's annual fire knowledge survey. The telephone survey asks people aged 13 years and over a series of fire safety questions and 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 2003 survey shows improving results in key areas:

- More people are recalling having seen a fire safety message (78%). This result has increased in each of the last four years.
- Fire safety education is changing people's behaviour. More people have taken action as a result of receiving a fire safety message. Seventy-seven percent of people took fire safety action last year compared to 65% and 52% in the previous two years.
- More houses have smoke alarms installed. Eighty-seven percent of houses have at least one smoke alarm installed.

Detailed results from the survey are set out in the following pages under

- Fire danger knowledge
- Fire safe behaviour and practices
- Fire response skills.

Intermediate Outcome – Fire Danger Knowledge

Seventy-eight percent of people recalled seeing or hearing a fire safety message in 2003 compared to 56% in 1999 and 48% in 1998. Knowledge that fires can develop rapidly and can become unsurvivable is increasing with 88% of people believing this could happen in five minutes or less. This compares to 70% five years ago.

The tables below set out some of the key findings from the survey over the last five years.

Knowledge about fire	2003	2002	2001	2000	1999
People who estimate a fire can become unsurvivable in five minutes or less	88%	85%	80%	78%	70%
Recall of a fire safety message	78%	77%	75%	74%	56%
Awareness of roadside fire danger signs in rural areas	83%	80%	82%	85%	89%

Percent of people who perceive each of the following to be a fire risk	2003	2002	2001	2000	1999
Children having access to matches	91%	93%	95%	91%	93%
Leaving clothing to dry in front of an open fire	83%	82%	86%	80%	84%
Using candles in the bedroom	80%	80%	82%	80%	80%
Leaving clothing to dry close to or on a heater	79%	79%	81%	77%	76%
Leaving cooking unattended	72%	69%	72%	70%	70%
Using multiple plugs in the same power socket	65%	64%	67%	66%	63%
Leaving an electric blanket on overnight	62%	63%	62%	64%	63%
Using open flame heating	60%	55%	58%	50%	47%

Intermediate Outcome – Fire-Safe Behaviour and Practices

The percentage of households with smoke alarms installed has increased steadily over the last five years. Eighty-seven percent now have at least one smoke alarm installed, with 24% of these households having installed four or more. Significantly, 94% of these households believe that at least one smoke alarm is in working order.

The percentage of households with an escape plan increased to 58% from 54% last year. This result is encouraging and may reflect the increased focus on this area through the Firewise schools program.

The table below sets out some of the key findings from the 2003 survey.

Fire-safe behaviour and practice	2003	2002	2001	2000	1999
Households with at least one smoke alarm installed	87%	84%	81%	81%	79%
Households with four or more smoke alarms installed	24%	25%	24%	19%	-
Belief that all smoke alarms are working	87%	92%	-	-	-
Households that clean smoke alarms	64%	65%	66%	65%	71%
Fire escape plans developed	58%	54%	54%	57%	-
Households with a fire escape plan who practice it	36%	38%	36%	40%	-
Households where children do not have access to lighters or matches	81%	70%	70%	67%	65%
People who are more fire safe after seeing roadside fire danger signs in rural areas	77%	73%	75%	81%	76%

Some results from the survey continue to be disappointing, particularly some attitudes towards fire safety. Half of the people surveyed considered that taking risks with fire is a part of human nature and 30% thought that most causes of serious house fires were beyond the householders' control. These results have actually deteriorated slightly over the last five 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 2003 survey.

Fire-safe behaviour attitudes – people who agree “strongly” or “a little” with:	2003	2002	2001	2000	1999
I am very safety conscious when it comes to fire risk	91%	88%	88%	89%	89%
I am doing everything possible to prevent the risk of fire in my household	82%	80%	79%	79%	74%
Taking risks with fire is part of human nature	51%	49%	46%	49%	43%
A serious house fire is not something that is likely to happen to my household	41%	36%	36%	32%	36%
Most causes of serious house fires are beyond the householders' control	30%	28%	26%	31%	27%
The cost of smoke alarms has made me think twice about installing one	19%	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	9%	8%	9%	8%	7%

Seventy-seven percent of people reported taking action after they had seen or heard a fire safety message compared to 65% in 2002 and 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	2003	2002	2001	2000	1999
Installed smoke alarms	43%	29%	25%	-	-
Checked the operation of smoke alarms	36%	26%	13%	-	-
Kept matches away from children	38%	21%	10%	-	-
Taught others in the household to be fire safe	39%	20%	9%	-	-
Do night safety checks	25%	14%	7%	-	-
Developed an escape plan	29%	16%	6%	-	-
Do not leave candles burning unattended	28%	15%	6%	-	-
Do not leave cooking on the stove unattended	29%	14%	6%	-	-
Do not leave clothes drying close to the heater	26%	13%	6%	-	-
Stopped drinking or drinking less while cooking	16%	7%	5%	-	-

Intermediate Outcome – Fire Response Skills

The survey results demonstrate progress in two key areas targeted by the Commission. Compared to five 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 continued 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 2003 survey.

Actions people would take in the event of a fire	2003	2002	2001	2000	1999
Get everyone out of the house	88%	83%	86%	87%	77%
Ring 111 or the Fire Service	75%	72%	71%	64%	64%
Get valuables out of the house	5%	7%	6%	12%	13%
Try to put the fire out	24%	21%	19%	16%	25%

Knowledge of actions to take	2003	2002	2001	2000	1999
Dial 111	96%	97%	97%	97%	98%
Give the address of the fire	98%	97%	94%	91%	95%

Intermediate Outcome – The Number and Percentage of Rural Fire Authorities with an Approved Fire Plan

	Target	2002/03 Actual	2001/02 Actual	2000/01 Actual
Number of rural fire authorities	-	101	100	102
Number of rural fire authorities with an approved fire plan	-	99	99	97
Percentage of rural fire authorities with an approved fire plan	95%	98%	99%	95%

FIRE OUTCOMES

Fire Outcome - Reduce the Incidence of Fire

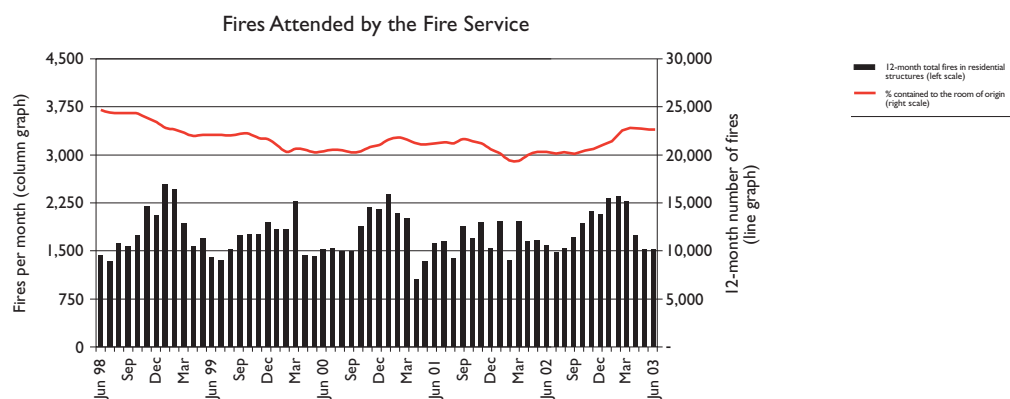
	For the Year				
	2002/03	2001/02	2000/01	1999/00	1998/99
Fire Incidents					
Urban fires	15,128	14,072	14,139	14,076	14,825
Rural fires	4,305	3,495	4,256	2,960	3,649
Motor Vehicle Fires	3,193	2,731	2,875	3,322	3,607
Total Fire Incidents	22,626	20,298	21,270	20,358	22,081

Note: FIRMS data for 2002/03 has been pro-rated up from 99.3% 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.

The table above shows the total number of fires attended by the Fire Service has increased to its highest level in the last five years. Increases occurred over in all areas.



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

	Per 1,000 Population		For the Financial Year Number of Fires			
	2002/03	2001/02	2000/01	2002/03	2001/02	2000/01
Public assembly	0.34	0.30	0.30	1,341	1,168	1,161
Educational	0.14	0.14	0.14	558	545	523
Health care and detention	0.04	0.04	0.04	146	171	159
Residential – domestic	1.60	1.57	1.70	6,374	6,110	6,508
Residential – other	0.08	0.07	0.06	316	257	240
Shop and office	0.27	0.26	0.23	1,060	1,013	897
Primary industry and utility property	0.38	0.29	0.37	1,527	1,138	1,429
Manufacturing property	0.13	0.15	0.13	530	566	497
Storage property	0.16	0.17	0.14	626	645	530
Miscellaneous property	2.55	2.24	2.43	10,148	8,685	9,326
Total	5.69	5.23	5.55	22,626	20,298	21,270
<i>Miscellaneous property breakdown</i>						
Misc property – outdoor areas				5,108		
Misc property – roads, streets				3,118		
Misc property – other				1,922		

This table shows the breakdown of fire incidents by property type. There were no significant decreases in fire incidents across the property types. The largest increases in the number of fires occurred in miscellaneous properties (1,463), primary industry and utility property (389) and residential property (264).

Fire Outcome – Reduce the Consequences of Fire to People

Fire Fatalities

The following table shows the breakdown of fire fatalities for the last five 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.

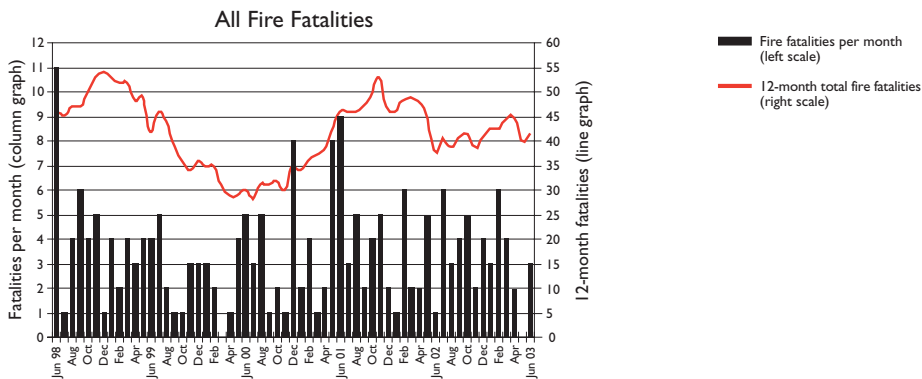
	2002/03	2001/02	For the Year		
			2000/01	1999/00	1998/99
Avoidable Residential Structure Fire Fatalities					
Residential structure fire	25	26	16	16	23
Mobile property (as residential structure)	2	0	0	1	1
Total Avoidable Residential Structure Fire Fatalities	27	26	16	17	24
Avoidable Residential Structure Fire Fatalities per 100,000 population	0.68	0.67	0.42	0.45	0.63
Other Fire Fatalities					
Residential structure – suicide/unlawful	5	2	5	4	2
Motor vehicle fires	9	7	11	5	12
Other mobile property (mostly aircraft)	1	0	10	3	0
Other suicide/unlawful	0	2	3	1	4
Other	0	1	1	0	0
Total Fire Fatalities	42	38	46	30	42

The avoidable residential structure fire fatality rate per 100,000 population remained almost unchanged from last year at 0.68. The Commission amended the goal for this outcome during the year. The revised goal is to reduce and maintain the rate per 100,000 population to less than 0.5. This change reflects international practice and takes into account the impact of population change.

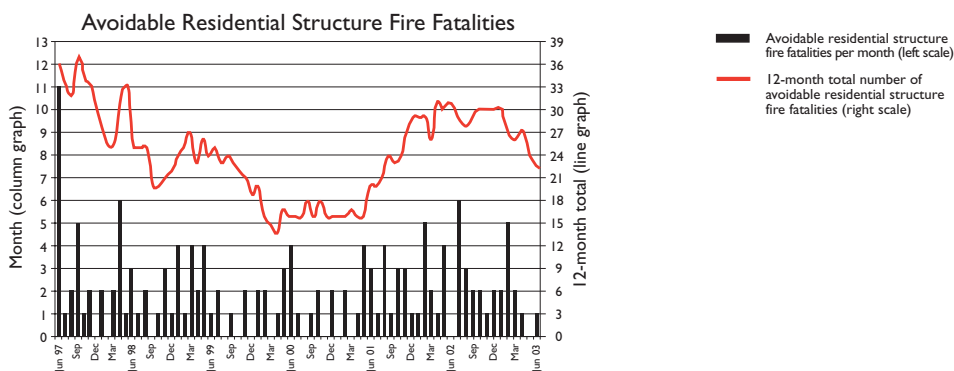
Overall the total number of fire fatalities increased by four to 42 compared to 2001/02.

Multiple Fatality Fires

There were four multiple fatality fires in the year compared to three in 2001/02, four in 2000/01 and four in 1999/00. Of the four multiple fire fatality incidents in 2002/03 two occurred in residential house fires and two in mobile vehicle fires following accidents.



This graph shows the monthly number (columns) and 12-month rolling total number of fire fatalities.



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

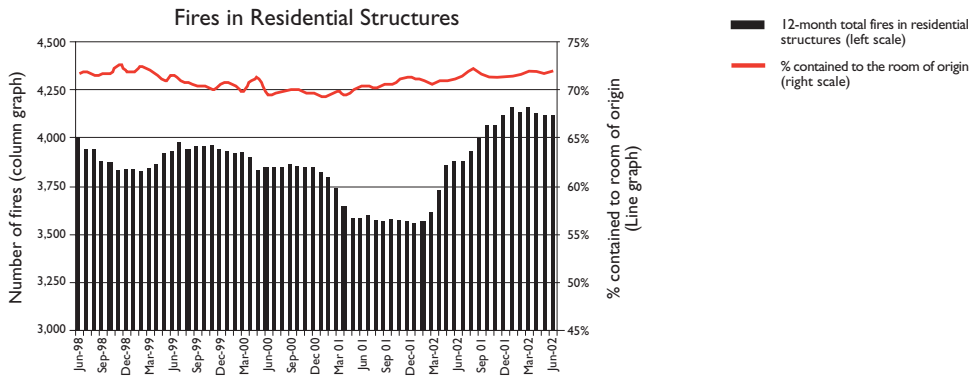
Injuries to Members of the Public as a Result of Fire

This table shows the number of injuries to members of the public reduced to 409 from 442 in 2001/02. The Commission believes that increases from 1999/00 to 2001/02 were due to improved reporting methods rather than a real increase in the number of fire-related injuries. The Commission is hopeful that results of fire safety education programmes will now start to become evident.

	2002/03	2001/02	For the Year 2000/01	1999/00	1998/99
Injuries to members of the public	409	442	327	300	350
Injuries per 100,000 population	10.29	11.39	8.53	7.87	9.23

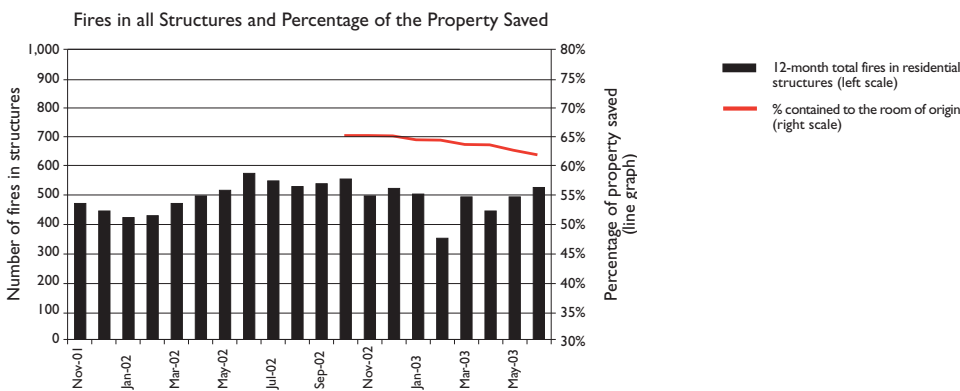
Fire Outcome – Reduce the Consequence of Fire to Properties

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).

Damage to all Structures



This graph shows the percentage of fires in structures that resulted in 80% or more of the structure being saved. This is a new measure developed during the year and will be used to assess improvement in Fire Service performance in reducing property damage. The initial five-year goal for the organisation is to improve the % saved by 1% per annum.

Vegetation Fires

This table shows the percentage of vegetation fires extinguished within two hours from notification to the Fire Service or rural fire authority. The preliminary five-year target is to extinguish 95% within two hours. To achieve this the Commission must investigate innovative solutions on how respond to vegetation fires, particularly in rural areas.

Vegetation fires extinguished within 2 hours of notification	2002/03	2001/02	For the Year		
			2000/01	1999/00	1998/99
Within urban areas (Fire Service districts)	96.9%	97.5%	97.0%	-	-
Rural areas (outside Fire Service districts)	84.3%	88.2%	85.4%	-	-
Total	91.5%	93.9%	92.3%	-	-

Rural Land Area Damaged by Wildfires

	Number of fires	Area damaged (hectares)	Area damaged 75th percentile for the previous 10-year period
1989/90	3,356	3,356	15,250
1990/91	7,279	7,279	12,900
1991/92	1,805	1,805	11,292
1992/93	3,025	3,025	7,346
1993/94	7,350	7,350	7,364
1994/95	4,594	4,594	7,332
1995/96	4,586	4,586	7,332
1996/97	6,937	6,937	7,194
1997/98	6,253	6,253	7,194
1998/99	17,694	17,694	7,194
1999/00	2,054	2,054	7,194
2000/01	10,432	10,432	7,247
2001/02	3,937	3,937	7,247
2002/03	5,532	5,532	7,247

This table shows the annual number of wildfires, hectares burnt and the 10-year 75th percentile of hectares burnt. The Commission's goal for this outcome area is to maintain hectares burnt to below the 75th percentile for the previous ten years. This approach aims to minimise the peaks caused by adverse weather cycles. In doing so the Commission will significantly reduce the damage caused by wildfires and the cost this damage causes to communities.

ORGANISATIONAL OUTCOMES

Organisational Outcome – Effective Fire Service Levy Collection

Seventeen levy audits of insurance brokers and companies were carried out during the year. The results showed that 57% of policies audited and 96% 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. All the errors identified during the audit programme were followed up and errors were mostly corrected.

The key results of the 2002/03 levy audits are:

	Target	2002/03 Actual	2001/02 Actual	2000/01 Actual
Percent of policies in accordance with the Fire Service Act	99%	57%	69%	69%
\$ value of policies paid in accordance with the Fire Service Act	99%	96%	94%	85%
Percent of errors now in accordance with the Fire Service Act	-	85%	100%	100%
Percent value of errors now paid in accordance with the Fire Service Act	-	93%	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:

- Business excellence
- The financial control environment
- Providing management information
- Resource planning.

Business Excellence

The organisation introduced the business excellence framework (Baldrige Criteria) during last year. During 2002/03 a self-assessment against the business excellence framework was completed. The self-assessment identified a range of opportunities for improvement. These opportunities were prioritised and action plans established to improve organisational performance for each identified area.

Improvement initiatives will be actioned during the 2003/04 period and a further self-assessment carried out during the 2004/05 financial year. The Commission acknowledges that this process is a long-term journey that will continuously improve the way the organisation performs.

Financial Control Environment

Financial policies were systematically developed, reviewed and updated during the year. Revised policies are disseminated through organisation's management structure and through the Fire Service intranet.

The financial management information system (FMIS), implemented in 2000/01, continues to be used to monitor and manage the organisation's finances. A new asset management system was implemented during the year with progressive rollout of major asset classes. To date fleet, property and breathing apparatus assets have been moved onto the new asset management system. The capital budgeting process also uses the new system with a view to move to a forecasting system of rolling long-term capital planning and maintenance. Forecast periods for capital investment and maintenance requirements will depend on the type of asset and their expected lives.

Providing Management Information

The Commission continues to use three core information technology systems. The:

- Fire incident reporting and management system (FIRMS)
- Human resource management information system (HRMIS)
- Financial management information system (FMIS).

These systems continue to provide accurate and timely management information for monitoring organisational performance and providing factual information for decision making.

During 2002/03 the Commission initiated a project to develop a new station management system. The system provides a means for firefighters to plan, schedule, record, monitor and analyse data and performance at the station level. The station management system will build on existing technology within the organisation and provide a modern tool for front line staff to use. The first components of the system will be developed during 2003/04 and implemented in time for the start of the 2004/05 financial year.

Improving Resource Planning

The Commission's resource allocation model is the principle tool that provides a sound, robust and scientifically valid tool for helping long term resourcing decisions. The model will principally be used to determine where demand for new fire stations is. This will ensure that areas of rapid expansion that require a response capability are identified and planned for in the organisation's capital investment strategy.

Output Performance

Output Costs (Gross Expenditure)		2002/03 Budget \$000 GST excl.	2002/03 Actual \$000 GST excl.	2001/02 Actual \$000 GST excl.
Output Class 1	Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies	38,177	38,227	36,266
Output 1.1	Public education and advice.	27,733	27,740	25,915
Output 1.2	Professional and technical advice.	3,487	3,502	3,273
Output 1.3	Ensuring appropriate enforcement of legislation.	3,693	3,673	3,416
Output 1.4	Emergency management groups and other emergency sector organisations.	262	260	242
Output 1.5	Fire safety research and fire safety law assessment and reform.	742	767	1,277
Output 1.6	Post incident investigation and follow-up.	2,260	2,285	2,143
Output Class 2	Fire fighting and other fire service operations	184,412	187,488	177,062
Output 2.1	Operational readiness.	148,455	148,079	141,327
Output 2.2	Evacuation scheme approval and monitoring.	6,409	6,583	6,161
Output 2.3	Municipal water supply and building fire water supply monitoring.	6,663	6,689	6,190
Output 2.4	Fire alarm systems monitoring and the reduction in avoidable false alarms.	545	622	557
Output 2.5	Operational planning.	545	622	557
Output 2.6	Operational responses to fire and other emergencies.	21,795	24,893	22,270
Output Class 3	National Rural Fire Authority administration	2,732	2,732	2,338
Output 3.1	Advice and support to rural fire authorities and regional rural fire committees.	1,012	1,012	949
Output 3.2	Rural fire fighting fund and grant assistance schemes.	1,065	1,065	841
Output 3.3	Rural Fire Management Code of Practice.	233	233	198
Output 3.4	Advice to the public and to key groups.	422	422	350
Total Cost of Outputs		225,321	228,447	215,666

Gross expenditure includes operating expenditure and funds expenditure. Operating expenditure is summarised on page 61. Funds expenditure is detailed under note 13 on page 73.

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 1.1 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	27,733	27,740	23,429	25,915

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 2002.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Plan reviewed, updated and approved by 30 September 2002.	Plan reviewed, updated and approved by 30 September 2001.

1.1.2 Partnership plans with groups identified in the promotion plan will be in place by the target date set out in the plan.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Plan in place with key partners.	Plan in place with key partners.

1.1.3 The Fire Service will deliver fire safety education programmes targeted to the identified at-risk groups as set out in the promotion plan.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
<ul style="list-style-type: none"> • Fire safety education delivered to 784,628 people in high-risk groups. • 40,698 smoke alarms installed. • 12,955 smoke alarms maintained. 	<ul style="list-style-type: none"> • Fire safety education delivered to 183,949 people in high-risk groups. • 33,018 smoke alarms installed. • 11,347 smoke alarms maintained.

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Overall knowledge improved from the previous year. Refer to results on page 27.	Overall knowledge improved from the previous year. Refer to results on page 27.

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.

Professional and technical advice is delivered under the direction of a national plan to achieve national consistency. 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	3,487	3,502	3,035	3,273

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 2002.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Plan reviewed, updated and approved by 30 September 2002.	Plan reviewed, updated and approved by 30 September 2001.

1.2.2 Partnership plans with groups identified in the promotion plan will be in place by the target date set out in the professional and technical advice plan.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Plan in place with key partners.	Plan in place with key partners.

1.2.3 The Fire Service will deliver professional and technical advice as set out in the professional and technical advice plan.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Advice delivered through operational crews, fire safety and fire engineering specialists.	Advice delivered through operational crews, fire safety and fire engineering specialists.

1.2.4 At least 75% of customers will be satisfied with the professional and technical advice provided.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Process being set up to measure satisfaction for the 2003/04 year.	New measure for 2002/03

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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	3,693	3,673	3,122	3,416

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
• 2,037 buildings inspected.	• 2,476 buildings inspected.
• 331 buildings re-inspected.	• 316 buildings re-inspected.

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
131 breaches notified to territorial authorities.	145 breaches notified to territorial authorities.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
36 identified dangerous buildings were notified to territorial authorities.	37 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
35 buildings made safe or closed.	37 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Written advice was provided 11,002 times.	Written advice was provided 11,738 times.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
99% technically accurate.	98% technically accurate.

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 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	262	260	221	242

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 2003.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Obligations reviewed by 30 June 2003.	Obligations reviewed by 30 June 2002.

1.4.2 The Fire Service will contribute to building the capability of the urban search and rescue function from one team to three by 30 June 2003.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Capability increased to two teams. Third team planned for 2003/04.	New measure for 2002/03.

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 \$500,000 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	742	767	1,253	1,277

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
<ul style="list-style-type: none"> A follow-up study was commissioned to refine the cost-benefit covering the flammability of furnishings. Residential sprinkler demonstrations held Firefighter and public booklets on residential sprinkler systems produced. 	<ul style="list-style-type: none"> 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.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Legal advice provided.	Legal advice provided.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
<ul style="list-style-type: none"> Seminar held to launch research publications. Publications available on the Fire Service web site. Publications distributed to interested parties. 	<ul style="list-style-type: none"> Seminar held to launch research publications. Publications available on the Fire Service web site. Publications distributed to interested parties.

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 the most common types of fires, 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	2,260	2,285	2,007	2,143

Output performance

Performance Measure

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
708 fire investigations carried out in accordance with the National Commander's operational instructions.	724 fire investigations carried out in accordance with the National Commander's operational instructions.

- 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Report not produced in 2002/03.	Report published in early 2001/02.

- 1.6.3** Fire investigation reports produced under 1.6.1 will be technically accurate as verified by peer review processes.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
98% of reports technically accurate.	97% of reports technically accurate.

- 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Information provided 772 times.	Information provided 616 times.

- 1.6.5** The Fire Service will report monthly to the Commission on all major/unusual incidents.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Monthly reports provided to the Commission.	Monthly reports provided to the Commission.

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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	148,455	148,079	142,455	141,327

Output performance**Performance Measure**

2.1.1 Operational readiness audits will be carried out in accordance with the National Commander's operational instructions.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
229 audits carried out in accordance with the National Commander's operational instructions as certified by each of the eight fire region managers.	Resources ready as judged by audit and certified 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Audit reports technically accurate.	Audit reports technically accurate.

2.1.3 Exercises will be carried out with other emergency management service providers and agencies in the management of community-scale incidents.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
<ul style="list-style-type: none"> • 555 multi-agency exercises carried out. • 22 civil defence exercises. 	<ul style="list-style-type: none"> • 289 multi-agency exercises carried out. • 49 civil defence exercises.

2.1.4 Fire Service resources will be benchmarked across fire regions and fire districts using rational and transparent process.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
The resource allocation is used in all fire new station capital work justifications.	The resource allocation is used in all fire new station capital work justifications.

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 firefighting 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	6,409	6,583	5,879	6,161

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
69,799 buildings on the eight building registers.	73,778 buildings on the eight building registers.
<ul style="list-style-type: none"> • 22,628 section 21A(1) • 6,231 section 21A(2) 	<ul style="list-style-type: none"> • 20,686 section 21A(1) • 6,130 section 21A(2)

2.2.2 Buildings in the register will be monitored to ensure that:

- 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
498 buildings with waivers.	416 buildings with waivers.

2.2.3 To undertake approval and monitoring processes so that:

- 95% of high-risk buildings in terms of the building risk matrix have an approved operable evacuation scheme in place.
- Buildings which have approved evacuation schemes continue to be monitored (including trial evacuations) to make sure those schemes work
- Buildings that do not have approved evacuation schemes and where the owner provides a suitable draft scheme, then steps should be taken to approve schemes for those buildings in a timely manner.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
<ul style="list-style-type: none"> To date there are 6,805 significant risk buildings on the registers. Of these 5,429 (80%) have an approved scheme. 4,331 trial evacuations attended to monitor scheme operability. 1,226 draft schemes approved. 	<ul style="list-style-type: none"> 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.

2.2.4 Legal action will be taken as necessary to close buildings that do not have approved evacuation schemes.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Legal action initiated as necessary.	Legal action initiated on 17 occasions.

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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	6,663	6,689	5,715	6,190

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 December 2002.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
The code was finalised during the year. Formal publication of the code occurred early in the 2003/04 financial year.	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.

2.3.2 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
20,994 hydrants tested.	24,420 hydrants tested.

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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	545	622	592	557

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 30 August 2002.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Plan reviewed and approved by 31 August 2002.	Plan reviewed and approved by 31 August 2001.

2.4.2 The implementation of the national plan will reduce the number of avoidable false alarms from fire alarm systems by 6% in 2002/03. This is the third year of the goal for a 30% reduction over five years.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Number of calls decreased by 5.2%.The rate per 100 monitored systems dropped by 6.5%.	Number of calls decreased by 3.3%.The rate per 100 monitored systems dropped by 4.3%.

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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	545	622	592	557

Output performance

Performance Measure

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
1,127 plans were refined or reviewed during the year.	1,455 plans were refined or reviewed during the year.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
A quality assurance process is in place that monitors and updates data held in the system.	A quality assurance process was put in place that monitored and updated data held in the system.

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, extricating people from motor vehicles, or otherwise assisting them, and 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	21,795	24,893	23,674	22,270

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
17,614 fires responded to appropriately within fire districts.	16,260 fires responded to appropriately within fire districts.

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Calls responded to within:	Calls responded to within:
• 7 mins-90%.	• 7 mins-86%.
• 10 mins-98%.	• 10 mins-97%.

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
34,220 other emergencies responded to appropriately within fire districts.	34,573 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
5,012 fires responded to outside fire districts.	4,038 fires responded to 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
7,320 other emergencies responded to appropriately outside fire districts.	7,526 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Three declared civil defence emergencies.	One declared civil defence emergency.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
The Fire Service fulfilled all its obligations.	The Fire Service fulfilled all its obligations.

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
16 audits carried out in accordance with the National Commander's instructions.	16 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	1,012	1,012	824	949

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
13 committees in place.	13 committees in place.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Support provided.	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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
85% satisfied with admin support and 86% with meeting support.	88% satisfied with admin support and 91% 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Two revoked, one amended and one established.	Three revoked, two 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 firefighting 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 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	1,065	1,065	868	841

Output performance

Performance Measure

3.2.1 An estimated 45 rural fire authority applications for grant assistance will be actioned during the year.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
65 applications actioned.	46 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
100% advised within the 30 August deadline.	100% advised within the 30 August 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
100% in accordance with the code.	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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
All 122 claims received were actioned.	All 65 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
93% advised within two months.	90% advised within two months.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
100% accepted.	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 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	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$000	233	233	190	198

Output performance

Performance Measure

3.3.1 Operational audits of 19 of the 100 rural fire authorities and an estimated 16 re-audits will be completed by end of the year.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
18 audits and 10 re-audits.	18 audits and 17 re-audits.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
100% in accordance with the code.	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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
86% within two months.	94% within two months.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
100% accepted.	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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Available 179 days out of 182 (98%) during fire season and 353 out of 365 (97%) days during the year.	Available 174 days out of 182 (96%) during fire season and 353 out of 365 (97%) days during the year.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Updated on 98% of days by 3pm.	Updated on 96% of days by 3pm.

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

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Less extreme fire weather conditions resulted in only four fire danger notifications being issued to the media.	Less extreme fire weather conditions resulted in only two fire danger notifications being 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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
100% sent by 3pm.	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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
None declared.	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 produce better fire outcomes in rural areas.

Cost of the Output

FINANCIAL PERFORMANCE	2002/03		2001/02	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Gross expenditure \$'000	422	422	344	350

Output performance

Performance

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Campaign carried out jointly with DOC, New Zealand Defence and New Zealand Forest Owners Association.	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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Advice provided through mail outs and pamphlets.	Advice provided through mail outs and pamphlets.

3.4.3 An estimated 150 people will be trained using the rural fire tutorial packages.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
134 people trained.	107 people trained.

3.4.4 Rural fire course content provides the knowledge requirements of the New Zealand Qualifications Authority unit standard.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Content of course meets NZQA requirements.	New measure for 2002/03.

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.

2002/03 PERFORMANCE	2001/02 PERFORMANCE
Wildfire threat analysis is now being rolled out to rural fire authorities.	Wildfire threat analysis tested and validated. It is now available for use by rural fire authorities.

Financials

STATEMENT OF ACCOUNTING POLICIES *For the year ended 30 June 2003*

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 with respect to revenue recognition. From 1 July 2002, all levy receipts in the year that they are received are to be recognised as revenue, generating a potential surplus or deficit from Fire Service operations. Treatment of levy receipts in this manner is considered to provide a fairer presentation of the financial performance of the Commission, which is consistent with generally accepted accounting practice.

Previously Section 47 of the Fire Service Act 1975 had been interpreted that where in any year 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 and was

recognised as an asset in the Statement of Financial Position. When the levy income is greater than the actual net expenditure of the Commission, the excess is deemed to be in advance to the Commission and was recognised as a liability in the Statement of Financial Position. Therefore Fire Service operations were totally funded from levy receipts and produced no surplus or deficit.

For the year ended 30 June 2003 the effect of this change is to disclose a surplus of \$10.3m, if this policy had been in place in the prior year a surplus of \$15.28m would have been disclosed.

In the prior year only the surplus or deficit arising from funds activity were shown in the statement of financial performance, the excess levy receipts over net expenditure was shown in the statement of financial position as a liability of \$1.58m. If this policy had remained in force then in the current financial year a liability of \$11.87m would have been shown in the statement of financial position and a deficit attributed to funds activity of \$1.56m would have been shown in the statement of financial performance.

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 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 re-valuing 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 valued 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.

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 lease are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased asset 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 gross expenditure, including funds.

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 and Management System (FIRMS) 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 <i>For the year ended 30 June 2003</i>
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The Commission agreed the following financial targets with the Minister at the beginning of the year:

	ACTUAL 2002/03 \$000	BUDGET 2002/03 \$000
Total operating expenditure (excluding funds)	225,194	225,321
Contribution to the rural fire fighting fund from levy	500	700
Capital expenditure (incl Committals)	33,760	34,200

Levy Receipts

	ACTUAL 2002/03 \$000	BUDGET 2002/03 \$000
Total levy receipts	226,176	216,229

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)

	ACTUAL 2002/03 \$000	ACTUAL 2001/02 \$000
Total operating expenditure (excluding funds)	225,194	210,811

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 2002 (\$5.2m) and the increase in depreciation primarily as a result of building revaluations (\$5.9m).

Fund Expenditure

	ACTUAL 2002/03 \$000	ACTUAL 2001/02 \$000
Total fund expenditure	3,253	4,155

Expenditure from the fund accounts is dependent upon the claims made against those funds in any particular year. The Rural Fire Fighting fund had fewer claims made against it in 2002/03 than the prior financial year due to the lower number of rural fires.

Debt

	ACTUAL 2002/03 \$000	BUDGET 2002/03 \$000
Debt	20,345	25,022

STATEMENT OF FINANCIAL PERFORMANCE *For the year ended 30 June 2003*

	NOTE	ACTUAL 2003 \$000	BUDGET 2003 \$000	ACTUAL 2002 \$000
Operating Revenue				
Levy receipts		226,176	216,229	204,430
Funding of Rural Fire Fighting Fund		500	700	700
Levy in advance 2002	9	1,578	0	0
Interest		444	25	38
Other revenue	1	10,056	8,367	9,912
Total operating revenue		238,754	225,321	215,080
Operating Expenditure				
Personnel expenditure	2	146,073	147,436	140,875
Other expenditure	3	79,121	77,885	70,636
Total operating expenditure excluding funds		225,194	225,321	211,511
Fund expenditure	4	3,253	0	4,155
Total operating expenditure including funds		228,447	225,321	215,666
Net surplus/(deficit)	4	10,307	0	(586)

STATEMENT OF MOVEMENTS IN EQUITY *For the year ended 30 June 2003*

	NOTE	ACTUAL 2003 \$000	BUDGET 2003 \$000	ACTUAL 2002 \$000
Equity at beginning of year		231,285	186,126	186,126
Net surplus/(deficit) from operations	4	10,307	0	(586)
Net increase in revaluation reserve	14	279	0	45,745
Total recognised revenue and expenditure for the period		10,586	0	45,159
Equity at end of year		241,871	186,126	231,285

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 2003*

	NOTE	ACTUAL 2003 \$000	BUDGET 2003 \$000	ACTUAL 2002 \$000
Current assets				
Cash and bank	6	9,749	0	104
Investments		3	0	178
Other current assets	7	3,943	3,401	3,887
Total current assets		13,695	3,401	4,169
Non-current assets				
Property, plant and equipment	8	307,175	267,860	305,773
Total non-current assets		307,175	267,860	305,773
Total assets		320,870	271,261	309,942
Current liabilities				
Levy in advance	9	0	8,613	1,578
Employee and volunteer entitlements	11	8,210	6,600	7,776
Current portion of debt	12	5,670	0	13,972
Unamortised gain on sale and leaseback		1,233	0	1,950
Other current liabilities		17,685	18,500	13,266
Total current liabilities		32,798	33,713	38,542
Non-current liabilities				
Employee and volunteer entitlements	11	31,329	26,400	31,205
Unamortised gain on sale and leaseback		197		1,160
Term debt	12	14,675	25,022	7,750
Total non-current liabilities		46,201	51,422	40,115
Total liabilities		78,999	85,135	78,657
Equity				
Equity	10	112,957	99,686	99,918
Funds	13	4,828	6,976	6,390
Revaluation reserve	14	124,086	79,464	124,977
Total equity		241,871	186,126	231,285
Total liabilities and equity		320,870	271,261	309,942

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 2003

	NOTE	ACTUAL 2003 \$000	BUDGET 2003 \$000	ACTUAL 2002 \$000
Cash flows from operating activities				
Cash was provided from:				
Levy		226,676	221,000	220,995
Interest		444	25	38
Other revenue		7,969	7,367	8,777
Net GST received/(paid)		(12)	0	387
		235,077	228,392	230,197
Cash was disbursed to:				
Employees		(142,268)	(147,437)	(144,560)
Suppliers		(47,572)	(51,191)	(51,915)
Interest		(841)	0	(1,201)
		(190,681)	(198,628)	(197,676)
Net cash flows from operating activities	5	44,396	29,764	32,521
Cash flows from investing activities				
Cash was provided from:				
Disposal of fixed assets		4,761	0	7,127
Disposal of investments		175	0	0
Cash was disbursed to:				
Purchase of fixed assets		(25,445)	(26,650)	(22,784)
Net cash flows from investing activities		(20,509)	(26,650)	(15,657)
Cash flows from financing activities				
Cash was provided from:				
Borrowing debt		0	0	5,894
Cash was disbursed to:				
Borrowing debt from sale & leaseback of assets		(10,217)	0	0
Repayment of debt		(3,025)	(3,114)	(12,285)
Sale and leaseback of assets		(1,000)	0	(10,396)
Net cash flows from financing activities		(14,242)	(3,114)	(16,787)
Net increase/(decrease) in cash and bank		9,645	0	77
Add cash and bank at beginning of year		104	0	27
Cash and bank at end of year		9,749	0	104

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

STATEMENT OF COMMITMENTS *As at 30 June 2003*

	ACTUAL 2003 \$000	ACTUAL 2002 \$000
Capital commitments	20,023	7,997
Operating lease commitments		
Not later than one year	3,391	3,233
Later than one year and not later than two years	1,877	2,008
Later than two years and not later than five years	3,309	2,889
Later than five years	1,973	1,497
Total operating lease commitments	10,550	9,627
Total commitments	30,573	17,624

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 2003*

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

	ACTUAL 2003 \$000	ACTUAL 2002 \$000
Personal grievances	32	68
Legal proceedings	0	2
Total contingent liabilities	32	70

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.

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

NOTES TO THE FINANCIAL STATEMENTS *For the year ended 30 June 2003*
Note 1 – Other Revenue

	ACTUAL 2003 \$000	ACTUAL 2002 \$000
Commercial services	113	197
Private fire alarms revenue	2,661	1,882
Rural fire fighting contributions	637	1,315
False alarms	1,342	1,400
Rents	484	548
Contributions	1,956	1,956
Amortisation of gain on sale and leaseback	1,958	1,922
Miscellaneous revenue	905	692
Total other revenue	10,056	9,912

Contributions of \$1.956m (2002 \$1.956m) were received from “good corporate citizens”. These are entities that do not insure their property portfolios against fire and therefore have no liability for Fire Service levy payments.

Note 2 – Personnel Expenditure

	ACTUAL 2003 \$000	ACTUAL 2002 \$000
Salaries and wages	119,006	115,617
Superannuation subsidy	12,680	10,685
ACC	1,209	1,403
Volunteers	3,732	3,974
Other personnel expenditure	9,446	9,196
Total personnel expenditure	146,073	140,875

The increase in personnel expenditure was a result of the 2% increase in salaries and wages during the year and the increased cost of overtime from the amount of training undertaken.

Note 3 – Other Expenditure

	ACTUAL 2003 \$000	ACTUAL 2002 \$000
Remuneration of auditors - audit fees	130	135
Remuneration of auditors - other services	51	9
Fees paid to Commissioners	112	112
Depreciation:		
Buildings	10,013	5,925
Fire appliances	5,314	5,005
Motor vehicles	368	319
Communications equipment	495	355
SITE	1,959	1,959
Operational equipment	1,616	1,120
Non-operational equipment	438	218
Computer equipment	886	702
Leasehold improvements	229	226
Leased communications equipment	2,392	2,275
Leased operational equipment	5,626	5,711
Leased non-operational equipment	55	55
Leased computer equipment	2,090	1,705
Total depreciation	31,481	25,575
Impairment loss:		
Land	4	1
Buildings	750	289
Fire appliances	1	71
Operational equipment	112	0
Non-operational equipment	16	2
Total impairment loss	883	363
Decrease/(Increase) in provision for doubtful debts	(83)	152
Interest	334	603
Finance charge on finance lease	456	518
Rental expense on operating leases	3,480	3,593
Occupancy	6,782	6,497
Fleet	7,490	7,542
Supplies and consumables	4,967	3,966
Communications	5,899	5,365
Publicity and advertising	3,489	3,689
Other	13,650	12,517
Total other expenditure	79,121	70,636

Note 4 – Net Surplus/(Deficit)

Per the change in accounting policy, all levy revenue is now recognised in the year that the income is received. An adjustment to the levy in advance account is no longer made to reflect levy income matching operating expenditure.

	REVENUE	EXPENDITURE	NET SURPLUS /(DEFICIT)	NET SURPLUS /(DEFICIT)
	2003 \$000	2003 \$000	2003 \$000	2002 \$000
ACC Partnership Fluctuation Fund	0	0	0	0
Contestable Research Fund	550	(457)	93	(45)
Loss of Medical (Residual) Fund	4	0	4	(31)
Physical Competency Transition Fund	0	0	0	1,000
Rural Fire Fighting Fund	1,137	(2,793)	(1,656)	(1,350)
Volunteer Needs Fund	0	(3)	(3)	(160)
Total surplus (deficit) from funds	1,691	(3,253)	(1,562)	(586)
Total surplus/(deficit) from operations	237,064	(225,195)	11,869	0
Total surplus/(deficit)	238,755	(228,448)	10,307	(586)

The rural fire fighting fund revenue includes levy funding of \$0.5m (2002 \$0.7m).

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

	2003 \$000	2002 \$000
Net surplus/(deficit)	10,307	(586)
Add/(subtract) non-cash items:		
Depreciation	31,481	25,575
Decrease/(increase) provision for doubtful debts	(83)	152
Amortisation of gain on sale and leaseback	(1,958)	(1,922)
Fixed asset write-offs	883	363
Increase in investments	0	(178)
Increase provision for non-current employee and volunteer entitlements	124	1,874
Total non-cash items	30,448	25,864
Add/(subtract) movements in working capital:		
Increase/(decrease) in accounts payable and accruals	4,693	(1,654)
Increase/(decrease) in current employee and volunteer entitlements	434	(6,330)
Increase/(decrease) in levy in advance	(1,578)	15,865
Increase/(decrease) in other current assets	27	(638)
Net movements in working capital	3,576	7,243
Add items classified as investing activities:		
Loss on disposal of fixed assets	65	0
Total investing activity items	65	0
Net cash flows from operating activities	44,396	32,521

Note 6 – Bank Overdraft

The bank overdraft facility available totals \$250,000 and is unsecured. The current interest rate on the bank overdraft is 10.0% per annum (2002 10%). This is a floating rate set by the bank.

The Commission also has a wholesale advance facility up to a maximum of \$10 million with the Westpac Bank. Interest rates are charged at 0.15% above the official cash rate.

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

Note 7 – Other Current Assets

	2003 \$000	2002 \$000
Accounts receivable	3,958	3,451
Less provision for doubtful debts	(216)	(329)
	3,742	3,122
Prepayments	201	765
Total	3,943	3,887

Note 8 – Property, Plant and Equipment

	COST 2003 \$000	VALUATION 2003 \$000	ACCUMULATED DEPRECIATION 2003 \$000	NET BOOK VALUE 2003 \$000
Land	783	61,042	0	61,825
Buildings	16,311	136,071	10,208	142,174
Fire appliances	151,005	0	98,495	52,510
Motor vehicles	2,285	0	1,357	928
Communications equipment	5,173	0	3,618	1,555
SITE	17,904	0	9,410	8,494
Operational equipment	13,153	0	6,304	6,849
Non-operational equipment	5,551	0	2,945	2,606
Computer equipment	7,490	0	2,602	4,888
Leasehold improvements	1,389	0	364	1,025
Leased assets:				
Communications equipment	2,221	0	0	2,221
Operational equipment	13,432	0	0	13,432
Non-operational equipment	220	0	0	220
Computer equipment	4,472	0	0	4,472
Work in progress:				
Buildings	1,946	0	0	1,946
Fire appliances	1,971	0	0	1,971
Computer equipment	33	0	0	33
Other	26	0	0	26
Total work in progress	3,976	0	0	3,976
Total	245,365	197,113	135,303	307,175

Note 8 – Property, Plant and Equipment (continued)

	COST	VALUATION	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	2002 \$000	2002 \$000	2002 \$000	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

Land and buildings were re-valued 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

As a result of the change in accounting policy, the levy in advance previously recognised in the Statement of Financial Position, has now been reflected as an adjustment to the Statement of Financial Performance.

Note 10 – Equity

	NOTE	2003 \$000	2002 \$000
Equity at beginning of year		99,918	99,686
Revaluation realised on disposal of land and buildings	14	1,170	232
Net surplus from operations	4	11,869	0
Total		112,957	99,918

Note 11 – Employee and Volunteer Entitlements

	2003 \$000	2002 \$000
Current employee and volunteer entitlements		
Accrued salaries and wages	3,014	2,650
Provision for annual leave	3,547	3,484
Provision for long service leave and gratuities	1,649	1,642
Total current employee and volunteer entitlements	8,210	7,776
Non-current employee and volunteer entitlements		
Provision for long service leave and gratuities	31,329	31,205
Total non-current employee and volunteer entitlements	31,329	31,205

Note 12 – Debt

Debt balances are comprised of the following:

Levy shortfall debt

Capital expenditure debt

(a) Current

Finance lease liabilities

Unsecured debt

Total current debt

(b) Non-Current

Finance lease liabilities

Unsecured debt

Total non-current debt

Analysis of finance lease liabilities

Payable no later than 1 year

1-2 years

2-5 years

Future finance charges

Total finance lease liability

	2003 \$000	2002 \$000
	0	0
	20,345	21,722
	20,345	21,722
	5,670	10,947
	0	3,025
	5,670	13,972
	14,675	6,750
	0	1,000
	14,675	7,750
	6,493	11,330
	12,985	5,881
	2,453	1,007
	21,931	18,218
	(1,586)	(521)
	20,345	17,697

The effective interest rate on the finance leases is 5.04% (2002 3.6%). The finance leases are secured over the assets to which they relate.

Note 13 – Funds

	BALANCE AT BEGINNING OF YEAR 2003 \$000	NET SURPLUS/ (DEFICIT) (NOTE 4) \$000	BALANCE AT END OF YEAR 2003 \$000
ACC Partnership Fluctuation Fund	2,044	0	2,044
Contestable Research Fund	581	93	674
Loss of Medical (Residual) Fund	138	4	142
Physical Competency Transition Fund	1,000	0	1,000
Rural Fire Fighting Fund	2,484	(1,656)	828
Volunteer Needs Fund	143	(3)	140
Total	6,390	(1,562)	4,828

	BALANCE AT BEGINNING OF YEAR 2002 \$000	NET SURPLUS/ (DEFICIT) (NOTE 4) \$000	BALANCE AT END OF YEAR 2002 \$000
ACC Partnership Fluctuation Fund	2,044	0	2,044
Contestable Research Fund	626	(45)	581
Loss of Medical (Residual) Fund	169	(31)	138
Physical Competency Transition Fund	0	1,000	1,000
Rural Fire Fighting Fund	3,834	(1,350)	2,484
Volunteer Needs Fund	303	(160)	143
Total	6,976	(586)	6,390

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 14 – Revaluation Reserve – Land and Buildings

	LAND 2003 \$000	BUILDINGS 2003 \$000	TOTAL 2003 \$000
Revaluation reserve at beginning of year	56,558	68,419	124,977
Revaluations	(245)	524	279
Realisation on disposal	(408)	(762)	(1,170)
Revaluation reserve at end of year	55,905	68,181	124,086

	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

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 15 – 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 2003, for Type 3 Appliances and Aerial Imports, reach maturity within 12 months of balance date.

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:

	2003 \$000	2002 \$000
Cash	9,749	104
Investments	3	178
Accounts receivable	3,742	3,122
Employee and volunteer entitlements	39,539	38,981
Debt	20,345	21,722
Accounts payable and accruals	17,685	13,266
Foreign exchange forward contracts	2,137	84

Note 16 – 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 17 – Remuneration of Commissioners

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

	2003 \$	2002 \$
Dame Margaret Bazley, DNZM	50,000	50,000
Mr Neville Young, LLB (term expired 12/11/02)	5,664	15,500
Mr Terry Scott	15,500	15,500
Mr John Hercus (appointed 12/11/02)	9,836	-
Dr Piers Reid	15,500	15,500
Ms Angela Foulkes	15,500	15,500

Note 18 – Employee Remuneration

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

BAND \$000	2003		2002	
	NON-OPERATIONAL	OPERATIONAL	NON-OPERATIONAL	OPERATIONAL
100 - 110	2	18	3	30
110 - 120	4	-	4	3
120 - 130	4	-	7	-
130 - 140	-	1	-	1
140 - 150	5	-	3	-
150 - 160	3	-	3	-
160 - 170	1	-	-	-
170 - 180	1	-	1	-
230 - 240 *	1	-	1	-

* Chief Executive

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

	2003	2002
Number of former employees	3	5
Normal remuneration	\$0.418m	\$0.376m
Severance	\$0.058m	\$0.271m

Note 19 – 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

