



NEW ZEALAND
**FIRE
SERVICE
COMMISSION**
Whakarātonga Iwi

More than fighting fires

I tua atu i te patu ahi



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.

Table of Contents

Transmittal Letter from the Chairperson	2
Commission Overview	5
Chief Executive Overview	9
Statement of Responsibility	17
Audit Report	18
Statement of Objectives and Service Performance	20
Statement of Accounting Policies	53
Statement Specifying Financial Performance	56
Statement of Financial Performance	58
Statement of Movements in Equity	58
Statement of Financial Position	59
Statement of Cashflows	60
Statement of Commitments	61
Statement of Contingent Liabilities	61
Notes to the Financial Statements	62

New Zealand Fire Service Commission Annual Report

30 October 2004

Hon Mark Burton
Minister Responsible for the NZ Fire Service Commission
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 2004.

Strategic Direction

In April 2003 your colleague, Hon George Hawkins, Minister of Internal Affairs, wrote to set out his expectations of the Commission for the 2003/04 financial year. In summary he expected to see:

- Improved fire outcomes through targeting key messages at high-risk communities.
- Better stewardship of the Commission's resources including asset management, human resources and operating systems.

The annual report sets out in detail how the Commission sought to meet the Minister's expectations. I will highlight just a few matters.

Community Fire Outcomes

In August 2003, the Commission reviewed and refreshed its strategic priorities in line with the Minister of Internal Affairs' expectations. The Commission's top strategic priority is *Community fire outcomes: fire prevention and fire safety*. This priority asserts that the primary responsibility of fire services is to reduce the incidence of fire and its consequences for communities. In 2003/04, key community fire outcome indicators trended favourably when compared with the previous year.

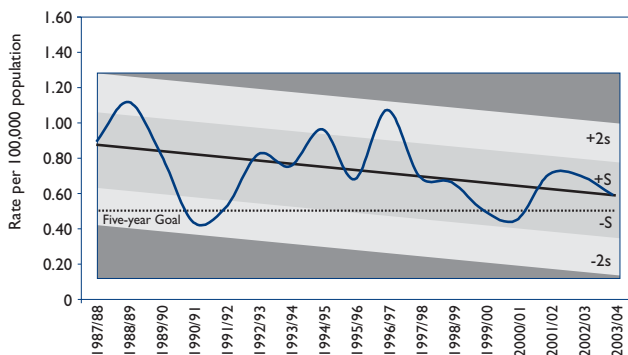
Avoidable Residential Fire Fatalities		Fire Injuries to Public	
2003/04	2002/03	2003/04	2002/03
23	27	408	409
Fires Contained to Room of Origin (%)		Hectares lost to Wildfire	
2003/04	2002/03	2003/04	2002/03
81%	82%	7,626	5,532

As noted in last year's annual report, some natural variability is to be expected when comparing fire statistics over time so it is important to consider the longer-term trend rather than the short-term variations.

Pioneering initiatives put the NZ Fire Service at the forefront of Australasian fire services.

Avoidable Residential Fire Fatalities		Fire Injuries to Public	
2003/04	30 year average	2003/04	10 year average
23	26	408	420
Fires Contained to Room of Origin (%)		Hectares lost to Wildfire	
2003/04	3 year average	2003/04	31 year average
81%	82%	7,626	9,207

New Zealand Annual Avoidable Residential Fire Fatality Rate



The table and the graph demonstrate that the New Zealand public may be confident that the Commission, through both the urban and rural fire services, is making steady progress in improving the fire outcomes for people, communities and the environment across the country.

Stewardship of Resources

The August 2003 review of strategic direction also identified *People and Partnerships* and *Future Performance* as priorities for the Commission. Both these priorities contribute to the improved stewardship of resources across the Fire Service and the National Rural Fire Authority. Highlights for 2003/04 under these headings include:

Human Resources

- Settlement of a three-year collective agreement with career firefighters.
- Implementation of the firefighter physical competency assessment programme.
- New agreements of service with many volunteer fire brigades.

Asset Management

- Implementation of the Auckland station location programme.
- Delivery of the first combined pump/aerial appliances that will enable the retirement of two appliances from the fleet for each combination appliance deployed.
- Contract signed for a type two medium appliance build after a five-year gap.

Operating Systems

- Completion of the Station Management System, nationwide training and rollout.
- Good progress on Business Excellence programme.

I draw your attention to the implementation of the physical competency assessment programme and the Station Management System, dealt with in greater detail elsewhere in this report. The successful implementation of these two pioneering initiatives puts the NZ Fire Service at the forefront of Australasian fire services.

Society looks to fire services to respond to a wide range of community needs.

More than Fighting Fires

The theme of this report is *More than Fighting Fires*.

It is intended to convey two notions:

- Fire fighting will always remain an important aspect of fire service work, but fire prevention and fire safety education work must assume greater importance.
- Society increasingly looks to fire services to respond to a wide range of community needs that have nothing to do with fire.

The series of extreme flood events that devastated the Manawatu, Rangitikei and Bay of Plenty regions in February and March of this year underscore the second bullet point. At the height of the flooding, fire services responded to literally thousands of emergency calls where life and property were threatened. Just as importantly, they played a major role in the long, exhausting post-emergency clean up phase that enabled communities to return to normal daily life.

Society's changing expectations of its fire services presents the Commission with significant challenges. For example, the provision of a wider range of services with more frequent and longer absences from work and family has particular implications for volunteers. Equally, training in new skills, the provision of specialist equipment and resources and the establishment of operating protocols with other agencies all form part of the challenge which the Commission is committed to meeting.

Review of Fire Services Legislation

The Minister of Internal Affairs and the Department of Internal Affairs made good progress on a major review of fire services legislation during the course of the year. The Commission appreciates the opportunity to be involved in the review as a member of the advisory group. Later this year, a discussion document on possible changes to the framework for managing the risk of fire in New Zealand will be put out for public submission. The Commission will ensure that the document receives the widest possible circulation and that all stakeholders are encouraged to make their views on the proposed changes known to officials.

Acknowledgements

I extend my thanks to the members of the Commission for their personal support during the year. 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.



Commission Overview

Commission Membership

The membership of the Commission remained unchanged during the year. Current members are:

Dame Margaret Bazley, DNZM, Chairperson
 Mr Terry Scott, Deputy Chairperson
 Ms Angela Foulkes, member
 Dr Piers Reid, member
 Mr John Hercus, member.

Statutory Functions of the Commission

The Commission has four main statutory functions:

- Co-ordination of fire safety throughout New Zealand (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 (section 14 of the Fire Service Act 1975)
- Exercise of the functions of the National Rural Fire Authority (section 14A of the Fire Service Act 1975 and section 18(2) of the Forest and Rural Fires Act 1977)
- Receipt and audit of the proceeds of the Fire Service levy (sections 47B and 48 to 53A of the Fire Service Act 1975).

Co-ordination of Fire Safety

The Commission discharges its responsibility to co-ordinate and promote fire safety throughout New Zealand in a variety of ways. The Commission:

- Develops an annual Fire Safety Promotion plan based on the comprehensive analysis of incident data and other information.
- Monitors the level of fire safety awareness in the community through regular surveys of at-risk communities and the wider population.
- Publishes a comprehensive range of fire safety brochures on topics as diverse as winter fire safety, Guy Fawkes night and residential sprinkler systems.
- Runs an annual fire-wise campaign on national television targeted at specific risk groups and monitors the effect of the campaign.
- Makes submissions on any changes proposed to the fire safety provisions of the Building Code.
- Applies to the Building Industry Authority for determinations on buildings it considers do not comply with the fire safety provisions of the Building Code.
- Manages, in partnership with the Historic Places Trust, a strategy for the protection of historic and heritage buildings.
- Operates, in partnership with iwi and the Historic Places Trust, programmes to encourage the fire protection of wharehau and culturally significant buildings constructed from traditional materials.
- Promotes 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
 - Places of detention
 - Housing New Zealand houses and apartments.

Research contracts on fire safety subjects were awarded.

- Awards research contracts on fire safety subjects to the value of \$500,000 per annum. Contracts awarded in 2003/04 covered research into:
 - Human behaviour leading to fatal fires
 - Fire protection in heritage buildings
 - Sustaining communities at economic risk from major fires
 - The impact of fire service activity on the environment
 - The total cost of managing the risk of fire in New Zealand
 - Climate variability and seasonal fire danger
 - Developing tools for assessing fire risk at household level.
- Hosts seminars to publicise and disseminate the learning and knowledge derived from research contracts let in previous years. Presentations at the 2003 seminar covered:
 - Modelling post-earthquake fires
 - Use of climate data for fire season forecasting.
- Hosts special functions for stakeholders and fire safety partners throughout the country. In 2003/04, functions were held in:
 - Gisborne
 - Nelson and Blenheim
 - Tauranga and Hamilton
 - Invercargill and Frankton.
- Funds the annual Len Doughty Fellowship for NZ Fire Service personnel to research best practice in a relevant subject area abroad. The 2003/04 award was for research into international best practice in fire investigation.

Governance of the New Zealand Fire Service

The Commission discharges its principal governance responsibilities through:

- The appointment of the Chief Executive. Mike Hall was appointed to the position of Chief Executive of the NZ Fire Service in May 2001 for a term of five years.
- The Performance Agreement. The terms and conditions of the employment Agreement with Mike Hall include specific performance expectations. The Commission assessed the Chief Executive's performance against the expectations in May 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 and a subsequent variation dated 20 December 2002 remained in force during the year under review.
- The Statement of Intent. This document sets out the high level objectives of the Commission and the services it will provide to achieve those objectives. Supporting details in the document establish the quantity, price, quality and timeliness of the outputs to be delivered and must be consistent with the Estimates of Expenditure approved by the Minister. The Estimates of Expenditure were approved by the Minister on 7 July 2003 and the Minister received the Statement of Intent on 18 July 2003.
- 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 are Alan Isaac,

the independent chair, and Commission members Angela Foulkes, Dr Piers Reid, John Hercus and Dame Margaret Bazley.

During the course of the year under review, the Auditor-General published best practice guidelines for public sector agencies that grant public funds to non-governmental bodies. A key recommendation of the Auditor-General's report was that funding agencies should establish procedures to review the governance and accountability arrangements of the organisations they fund. The Commission made grants to a number of non-government organisations in 2003/04 and followed the Auditor-General's recommendations in each case.

National Rural Fire Authority

Responsibility for the delivery of rural fire prevention and suppression services rests with rural fire authorities – mostly local government 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 (NRFA), 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:

- Montana and Idaho USA Wildfires. Under the terms of a mutual assistance agreement signed in 2001, nine rural fire

managers from a variety of New Zealand agencies were deployed to the United States in August 2003. This was the third time in four years New Zealand wildfire managers had responded to requests for support from the United States National Interagency Fire Centre.

- Enlarged Rural Fire Districts. The Authority has long promoted a programme of rural fire district amalgamation to provide for more consistent, professional rural fire management. On 6 August 2003, the Southern Rural Fire District was gazetted. The enlarged district encompasses areas previously administered by the Gore and Southland District Councils, the Invercargill City Council, Southern Plantations and the Department of Conservation all of which are represented on the new rural fire authority for the enlarged district.
- National Incident Management Teams. Following an extended period of extreme fire weather and a series of uncontrolled rural fires in the Canterbury region in December 2003 and early January 2004, it became apparent that regional resources were close to being exhausted. One of the National Incident Management Teams was deployed on 6 January to manage the Mt Somers wildfire and a second team was mobilised to Christchurch on 8 January but was held on standby to support regional resources at short notice if required. A weather change on 11 January provided significant relief and control was returned to regional fire management on 12 January. The incident was a timely reminder of how quickly local resources can come under pressure in extreme conditions and how valuable the backup capability of the national teams is at such times.

- Flood Emergencies. In both the Rangitikei/Manawatu and Bay of Plenty flood emergencies in early 2004, rural fire services played a significant role in the emergency response and clean-up phases. They have been appropriately recognised by their communities and the national agencies for their contribution.

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 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 being made 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 employed by 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 received by the Commission.

- Identify the extent to which the adoption of certain policy structures affects the amount 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 2003/04 audit concluded that insurance brokers demonstrated a good level of compliance with the levy provisions of the Fire Service Act 1975, but that insurance companies' levels of compliance were less than satisfactory. In particular, the audit concluded that systems in place in many insurance companies were inadequate to ensure the timely payment of levy and that as much as 38% of all levy proceeds due to the Commission were paid late.

As in previous years, the audit report attributed the incorrect calculation of levy on heavy motor vehicles and policy extensions on capital additions and contract works to poor record keeping and file maintenance. This year's report noted a modest increase in the use of policy structures such as "first loss" and "excess of indemnity" relative to previous years. The Commission, nevertheless, sought and received comprehensive advice on particular levy compliance issues including "un-insurance" arrangements, indemnity valuation and excess of indemnity policies.

Chief Executive Overview



The Commission through the Fire Service and the National Rural Fire Authority aims to reduce the incidence and consequences of fire. This overview covers some of the significant events and achievements in 2003/04.

Emergency Responses

The Fire Service responded to 64,504 emergency incidents during 2003/04. The following table provides a breakdown of the incidents.

	2003/04	2002/03	2001/02	2000/01	1999/00
Fires	21,580	22,626	20,298	21,270	20,358
Hazardous emergencies	3,073	3,051	2,857	2,481	2,448
Medical emergencies	2,171	2,974	3,040	3,250	2,515
Motor vehicle incidents (excluding fires)	4,619	4,803	4,820	4,774	5,467
False alarms	24,432	25,867	25,862	27,445	24,548
Other emergencies	8,629	4,845	5,560	5,258	4,529
Total	64,504	64,166	62,437	64,478	59,865

Stakeholder Consultation

Strong emphasis on stakeholder consultation was continued during 2003/04.

Consultation at the national level included:

- Briefings in November and April with insurance industry representatives. These briefings included Commission performance and consultation on the Commission's estimates of expenditure for 2004/05, as required by the Fire Service Act.

- Quarterly briefings were held with officials from government organisations including 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 (EEO)

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

Key achievements of the Fire Service against its 2003/04 EEO programme included:

- **Annual EEO Forum.**
In May, the second annual EEO Forum was held at the Royal New Zealand Police College, Porirua. Thirty-seven people attended the forum from across the organisation. The focus of the Forum was on women in paid operational roles and resulted in recommendations and action points for the organisation to implement in the coming year.

English and Maori versions of languages policies were developed.

- **Maori Language Plan.**

Workshops with the Maori Language Commission were completed in July 2003. Subsequent English and Maori versions of the Languages Policy and Maori Language Policy were developed and communicated. The Maori Language Commission advises, that to the best of its knowledge, the Fire Service is the first Crown Entity to achieve this.

- **Develop language capability within the Fire Service.**

The Dr Sir John Te Ahikaiata Turei Memorial Grant was formally established with the assistance of the Turei family. A protocol for the management of the grant was established and 14 grants awarded in the 2003/04 year. In line with the protocol, unallocated funds were redirected to purchase 200 Maori language picture dictionaries which will be distributed to fire stations. Other initiatives included establishing a grant to assist people studying Pacific languages and the inclusion of common Maori words in the Microsoft word dictionary.

- **Introduction to the Treaty of Waitangi.**

Peter Addis, Senior Lecturer, Te Kawa a Maui/School of Maori Studies provided introductory briefings on the Treaty of Waitangi to the Senior Management Team and the EEO Steering Group.

- **Kaumatua.**

A formal kawē mate (carrying of a bereavement by family members) was held for Sir John Turei and attended by the Commission, members of the Senior Management Team, iwi liaison staff and Sir John's family. His successor, Dr Hare Puke, was appointed and formally welcomed as kaumatua of the New Zealand Fire Service.

- **Monitor staff turnover.**

A process has now been established to analyse and report on staff turnover, including ethnicity and gender, on a six-monthly basis.

- **Disability Workshop.**

In September 2003 a disability workshop was held focusing on the organisation's interaction with the disabled community as both an employer and a service provider. A number of areas for improvement were identified.

- **Support Group for Pacific People.**

An intranet page for Pacific people in the Fire Service was developed and will be implemented in 2004/05. The opportunity to formalise into a support group has been put to Pacific employees, through the Pacific peoples representative on the EEO Steering Group.

- **Guide for Firefighters.**

A comprehensive resource kit was developed and distributed to help staff delivering all aspects of the fire safety message to Maori communities.

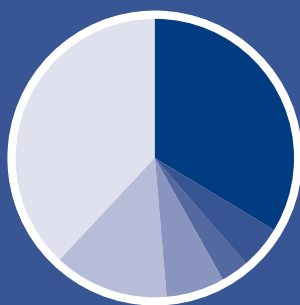
More than fighting fires

Red fire engines and firefighters dressed in yellow protective clothing fighting fires are the most enduring images of the New Zealand Fire Service.

While this traditional role is vital, and always will be, the Fire Service does much more than that, including attending motor vehicle accidents and weather emergencies, rescuing trapped people and responding to medical emergencies. We are not just a fire service, but a fire, rescue and emergency service.

Operations

In 2003/04, the New Zealand Fire Service attended 64,504 incidents including:



- 21,580 fires
- 3,073 hazardous emergencies
- 2,171 medical calls
- 4,619 motor vehicle incidents
- 8,629 other (including natural disasters)
- 24,432 false alarms



Floods

During the February storms this year the central communications centre in Wellington received 2,169 calls in three days. This compares to 1,856 emergency calls for that centre for the whole of January.

The storm immobilised two fire stations but firefighters and communications centre staff took the pressure and got the job done, including rescuing people trapped by floodwaters, pumping out flooded properties and cleaning tonnes of mud from homes.

Storm Damage

Firefighters help pump out flooded buildings and secure roofing and other building material battered by storms.





Motor Vehicle Accidents

Firefighters are trained and equipped to rescue people trapped in motor vehicles after an accident.

Medical Emergencies

Some fire engines are equipped with defibrillators and firefighters are trained in their use. Lives have been saved as a result.



Hazardous Substances

Our training and equipment position us well to deal with hazardous material incidents such as chemical spills.



Urban Search And Rescue

Our role in urban search and rescue (USAR) is another way in which the Fire Service provides a comprehensive emergency service to the New Zealand public.

USAR specialists are trained to rescue trapped people such as in an earthquake or building collapse. It is a multi-agency role and there are three taskforces, comprising about 30 highly trained specialists each, based in Auckland, Palmerston North and Christchurch.

Business Excellence

Business Excellence is one of the major components supporting our strategic plan. It is about building a world-class service by ensuring all our decisions are based on sound research, analysis and facts.





Recruitment

It is important a modern fire service reflects the community it serves. Strategies to increase diversity in the service have included encouraging women to consider fire fighting as a career choice. In 2003/04, a total of eight female firefighters joined the Fire Service as career firefighters bringing the total in the New Zealand Fire Service to 41 by June 2004. This compares to 12 in 2000.



Partnership For Fire Safety

The New Zealand Fire Service works in partnership with communities to deliver fire safety education so people understand the risks and ways to prevent fires and how to take action in the event of a fire. State Insurance is supporting our fire prevention programme through a range of initiatives. It works in partnership to promote home sprinklers and is supporting the Fire Awareness and Intervention programme and the use of fire safety ambassadors.



State supports the Nelson Fire District's project to replace batteries in smoke alarms installed for the elderly and disabled and to provide home escape kits.

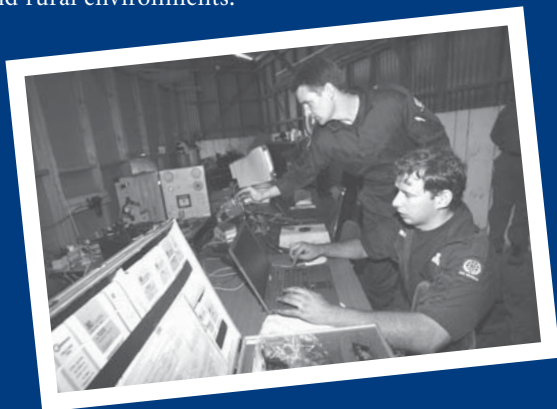


Station Management System

The Station Management System (SMS) is a new approach to the work of creating safer communities. It involves firefighters translating the commission's and chief executives's strategic direction into station based tasks. The principle is that firefighters know their own patch and are therefore the best people to help determine the fire safety initiatives and operational needs of their community.

Expertise

The New Zealand Fire Service provides authoritative advice on all aspects of protection of people and property from fire in the built and rural environments.



Statement of
Responsibility
For the year ended 30 June 2004



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 2004 set out on pages 20 to 72 fairly reflect the financial position and operations of the New Zealand Fire Service Commission.

Dame Margaret Bazley DNZM

Chairperson

26 October 2004

Mike Hall

Chief Executive

26 October 2004

Audit Report

To the readers of the financial statements of New Zealand Fire Service Commission for the year ended 30 June 2004.

The Auditor-General is the auditor of the New Zealand Fire Service Commission (the Commission). The Auditor-General has appointed me, H C Lim, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Commission, on his behalf, for the year ended 30 June 2004.

Unqualified Opinion

In our opinion the financial statements of the Commission on pages 20 to 72:

- Comply with generally accepted accounting practice in New Zealand; and
- Fairly reflect:
 - the Commission's financial position as at 30 June 2004;
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 26 October 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Commission and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Commission;

- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Commission and the Auditor

The Commission is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Commission as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Commission's responsibilities arise from the Public Finance Act 1989 and the New Zealand Fire Service Act 1975.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit, we have carried out assurance related assignments in the area of contract tendering processes, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Commission.

H C Lim

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of New Zealand Fire Service Commission (NZFSC) for the year ended 30 June 2004 included on NZFSC's website. The Chief Executive is responsible for the maintenance and integrity of the NZFSC's website. We have not been engaged to report on the integrity of the NZFSC's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the NZFSC's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 October 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Objectives and Service Performance

For the year ended 30 June 2004

Section 41 of the Public Finance Act 1989 requires the Commission to report against the measures set out in the approved 2003/04 Statement of Intent. This section sets out the Commission's results against those outcomes, outputs and performance measures.

Supporting the Government's Goals

One of the Government's goals includes:

- "building safe communities through
- working in partnerships with communities".

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

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

Fire Outcomes – Education and Advice

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

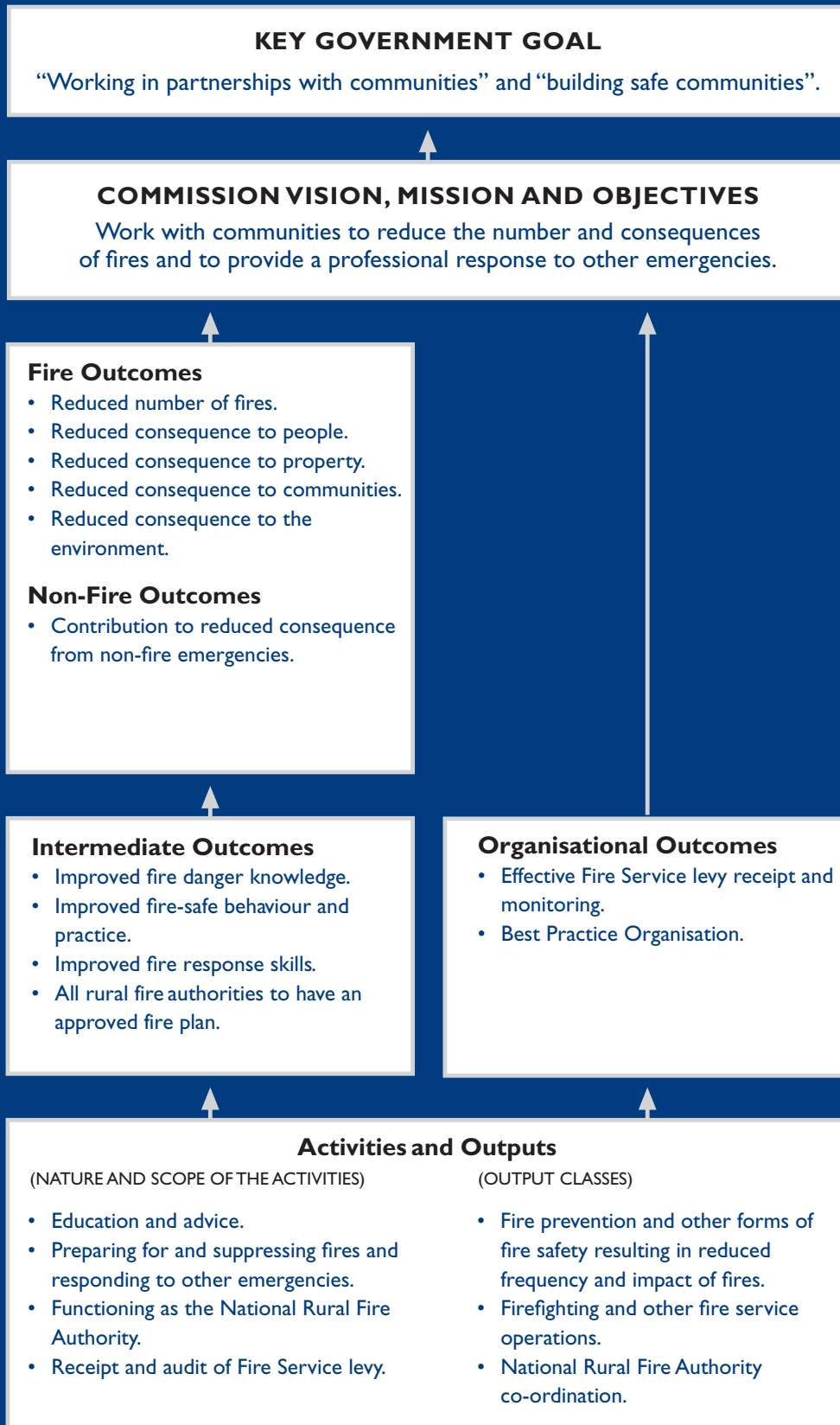
Intermediate Outcomes

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

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

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

FIGURE 1 – RELATIONSHIP BETWEEN GOVERNMENT GOALS AND COMMISSION OBJECTIVES, OUTCOMES AND OUTPUTS



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.

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-one of the 93 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

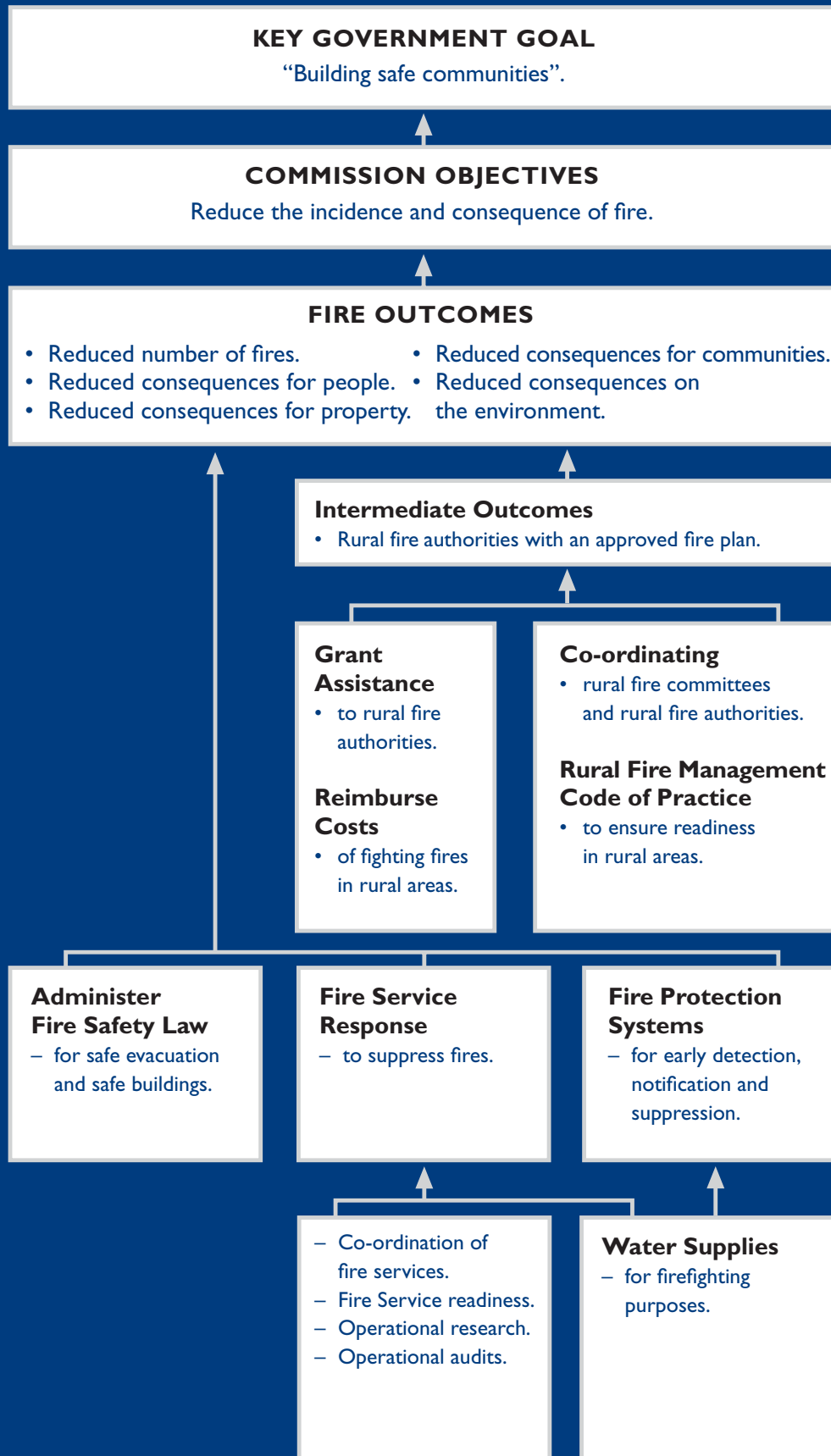
Reducing the consequences of fire requires effective actions both in preparing for, and in suppressing, an actual fire. Effective actions included installing automatic fire alarm and suppression systems, administering fire safety law covering public safety, and the direct intervention by fire suppression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

Through the National Rural Fire Authority, the Commission helped 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 provided 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.

FIGURE 2 – THE RELATIONSHIP BETWEEN FIRE OUTCOMES AND EDUCATION AND ADVICE ACTIVITIES



FIGURE 3 – THE RELATIONSHIP BETWEEN FIRE OUTCOME AND PREPARING FOR AND SUPPRESSING FIRES ACTIVITIES



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.

2003/04 Completeness

The fire incident reporting and management system (FIRMS) was 98.6% complete in the 2003/04 financial year. The remaining 1.4% was proportionally spread across all incident types.

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

2003/04 Summary

THE NUMBER OF FIRES

Total fires – **21,580** compared to **22,626** in 2002/03

Urban fires – **14,397** compared to **15,128** in 2002/03

Rural fires – **4,080** compared to **4,305** in 2002/03

Motor vehicle fires – **3,103** compared to **3,193** in 2002/03

THE CONSEQUENCE OF FIRE TO PEOPLE

Total fire fatalities – **48** compared to **42** in 2002/03

Avoidable residential structure fire fatalities – **23** compared to **27** in 2002/03

Injuries to the public from fire – **408** compared to **409** in 2002/03

THE CONSEQUENCE OF FIRE TO PROPERTY

81% of fires contained to the room of origin compared to **82%** last year*

78% of fires in structures resulted in **80%** or less damage compared to **79%** last year*

Area lost to wildfire – **7,626** hectares damaged compared to **5,532** in 2002/03

87.9% of vegetation fires extinguished within 2 hours from notification compared to **91.5%** last year

*An error in reporting property saved percentages was detected and corrected during the year. Percentages quoted in last years annual report were incorrect (understated) and have been updated in this years annual report.



Fire Outcome

Performance

This section details the Commission's performance in the achievement of outcomes during 2003/04 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 to September of each year and internal National Rural Fire Authority reporting. Fire outcomes 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 between July and September 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 2004 survey shows improving results in key areas:

- Almost three-quarters of people surveyed (73%) were aware of fire safety messages. This result compares favourably to the 1999 baseline of 56%.
- Fire safety education is changing people's behaviour. Sixty percent of people surveyed have taken action as a result of receiving a fire safety message. This compares favourably to the 2001 baseline of 52% but is below the previous two years (77% and 65%).
- More houses have smoke alarms installed. Ninety-one percent of houses have at least one smoke alarm installed. This compares favourably to the 1999 baseline of 79%.

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-three percent of people recalled seeing or hearing a fire safety message in 2004 compared to 56% in 1999 and 48% in 1998. Knowledge that fires can develop rapidly and can become unsurvivable is increasing, with 92% 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 six years.

Knowledge about fire	2004	2003	2002	2001	2000	1999
People who estimate a fire can become unsurvivable in five minutes or less	92%	88%	85%	80%	78%	70%
Recall of a fire safety message	73%	78%	77%	75%	74%	56%
Awareness of roadside fire danger signs in rural areas	83%	83%	80%	82%	85%	89%

Percentage of people who perceive each of the following to be a fire risk	2004	2003	2002	2001	2000	1999
Children having access to matches	91%	91%	93%	95%	91%	93%
Leaving clothing to dry in front of an open fire	86%	83%	82%	86%	80%	84%
Using candles in the bedroom	79%	80%	80%	82%	80%	80%
Leaving clothing to dry close to or on a heater	79%	79%	79%	81%	77%	76%
Leaving cooking unattended	72%	72%	69%	72%	70%	70%
Using multiple plugs in the same power socket	65%	65%	64%	67%	66%	63%
Leaving an electric heater on overnight	64%	62%	63%	62%	64%	63%
Using open flame heating	60%	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 six years. Ninety-one percent now have at least one smoke alarm installed with 23% of households having installed four or more. Significantly, 92% of these households believe that all of their smoke alarms are working.

The percentage of households with an escape plan remains fairly static at 56% down from 58% last year.

The table below sets out some of the key findings from the 2004 survey.

Fire-safe behaviour and practice	2004	2003	2002	2001	2000	1999
Households with at least one smoke alarm installed	91%	87%	84%	81%	81%	79%
Households with four or more smoke alarms installed	23%	24%	25%	24%	19%	-
Belief that all smoke alarms are working	92%	87%	92%	-	-	-
Households that clean smoke alarms	60%	64%	65%	66%	65%	71%
Fire escape plans developed	56%	58%	54%	54%	57%	-
Households with a fire escape plan who practice it	33%	36%	38%	36%	40%	-
Households where children do not have access to lighters or matches	80%	81%	70%	70%	67%	65%
People who are more fire safe after seeing roadside fire danger signs in rural areas	75%	77%	73%	75%	81%	76%

Some results from the survey continue to be disappointing, particularly some attitudes towards fire safety. Forty-four percent of the people surveyed considered that taking risks with fire is a part of human nature although this is down from 51% last year. Twenty-six percent of people thought that most causes of serious house fires were beyond the householders' control. These results have changed little over the last six 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 2004 survey.

Fire-safe behaviour attitudes – people who agree “strongly” or “a little” with:	2004	2003	2002	2001	2000	1999
I am very safety conscious when it comes to fire risk	89%	91%	88%	88%	89%	89%
I am doing everything possible to prevent the risk of fire in my household	79%	82%	80%	79%	79%	74%
Taking risks with fire is part of human nature	44%	51%	49%	46%	49%	43%
A serious house fire is not something that is likely to happen to my household	34%	41%	36%	36%	32%	36%
Most causes of serious house fires are beyond the householders’ control	26%	30%	28%	26%	31%	27%
The cost of smoke alarms has made me think twice about installing one	19%	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	8%	9%	8%	9%	8%	7%

Sixty percent of people reported taking action after they had seen or heard a fire safety message. This compares well to the 2001 baseline survey at 52%, but is worse compared to 2003 (77%) and 2002 (65%). The main actions taken are shown in the table below.

Action taken as a result of seeing a fire safety message	2004	2003	2002	2001	2000	1999
Installed smoke alarms	30%	43%	29%	25%	-	-
Checked the operation of smoke alarms	24%	36%	26%	13%	-	-
Kept matches away from children	22%	38%	21%	10%	-	-
Taught others in the household to be fire safe	23%	39%	20%	9%	-	-
Do night safety checks	22%	25%	14%	7%	-	-
Developed an escape plan	16%	29%	16%	6%	-	-
Do not leave candles burning unattended	15%	28%	15%	6%	-	-
Do not leave cooking on the stove unattended	15%	29%	14%	6%	-	-
Do not leave clothes drying close to the heater	14%	26%	13%	6%	-	-
Stopped drinking or drinking less while cooking	11%	16%	7%	5%	-	-
At least one action taken	60%	77%	65%	52%	-	-

Intermediate Outcome – Fire Response Skills

The survey results demonstrate progress in two key areas targeted by the Commission. Compared to six 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, 17% 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 2004 survey.

Actions people would take in the event of a fire	2004	2003	2002	2001	2000	1999
Get everyone out of the house	86%	88%	83%	86%	87%	77%
Ring 111 or the Fire Service	74%	75%	72%	71%	64%	64%
Get valuables out of the house	1%	5%	7%	6%	12%	13%
Try to put the fire out	17%	24%	21%	19%	16%	25%

Knowledge of actions to take	2004	2003	2002	2001	2000	1999
Dial 111	96%	96%	97%	97%	97%	98%
Give the address of the fire	93%	98%	97%	94%	91%	95%

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

	Target	2003/04 Actual	2002/03 Actual	2001/02 Actual	2000/01 Actual
Number of rural fire authorities *	-	93	101	100	102
Number of rural fire authorities with an approved fire plan	-	91	99	99	97
Percentage of rural fire authorities with an approved fire plan	95%	98%	98%	99%	95%

* Several rural fire authorities merged into larger rural fire authorities during the year resulting in a large decrease in the total number of rural fire authorities.

FIRE OUTCOMES

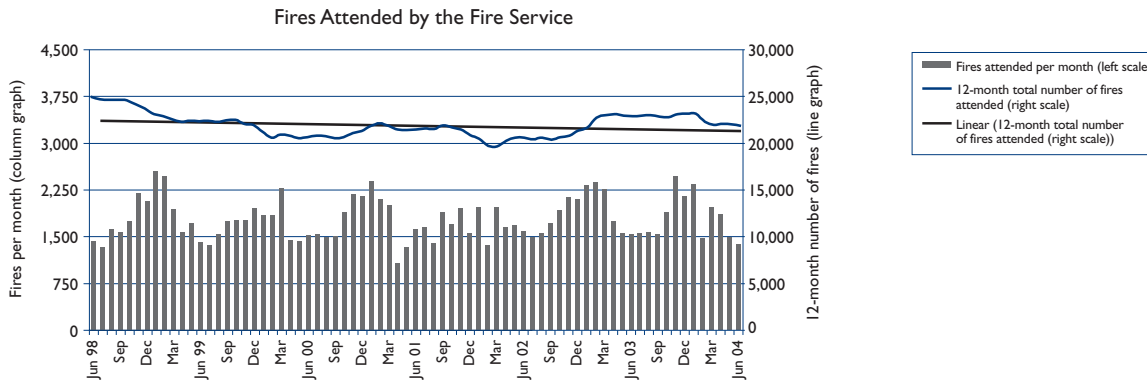
Fire Outcome – Reduce the Incidence of Fire

Fire Incidents

	For the Year					
	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
Fire Incidents						
Urban fires	14,397	15,128	14,072	14,139	14,076	14,825
Rural fires	4,080	4,305	3,495	4,256	2,960	3,649
Motor vehicle fires	3,103	3,193	2,731	2,875	3,322	3,607
Total fire incidents	21,580	22,626	20,298	21,270	20,358	22,081

Note: Incident data for 2003/04 has been pro-rated up from 98.6% 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 and the graph below show the total number of fires attended by the Fire Service has remained relatively unchanged over the last six years.



This graph also shows the trend line for the 12-month rolling total number of fires attended by the Fire Service for the last six years.

Number of Fire Incidents by Property Type

	For the Financial Year					
	Per 1,000 Population			Number of Fires		
	2003/04	2002/03	2001/02	2003/04	2002/03	2001/02
Public assembly	0.32	0.34	0.30	1,305	1,341	1,168
Educational	0.12	0.14	0.14	467	558	545
Health care and detention	0.07	0.04	0.04	291	146	171
Residential – domestic	1.54	1.60	1.57	6,208	6,347	6,110
Residential – other	0.05	0.08	0.07	199	316	257
Shop and office	0.26	0.27	0.26	1,059	1,060	1,013
Primary industry and utility property	0.35	0.38	0.29	1,432	1,527	1,138
Manufacturing property	0.12	0.13	0.15	502	530	566
Storage property	0.13	0.16	0.17	520	626	645
Miscellaneous property*	2.38	2.55	2.24	9,597	10,148	8,685
Total number of fire incidents by property type	5.34	5.69	5.23	21,580	22,626	20,298
<i>*Miscellaneous property breakdown</i>						
Misc Property – outdoor areas				4,661	5,108	
Misc Property – roads, streets				3,137	3,118	
Misc Property – other				1,799	1,922	

This table shows the breakdown of fire incidents by property type. There were decreases in fires for residential property and miscellaneous property.

Fire Outcome – Reduce the Consequence of Fire to People

Fire Fatalities

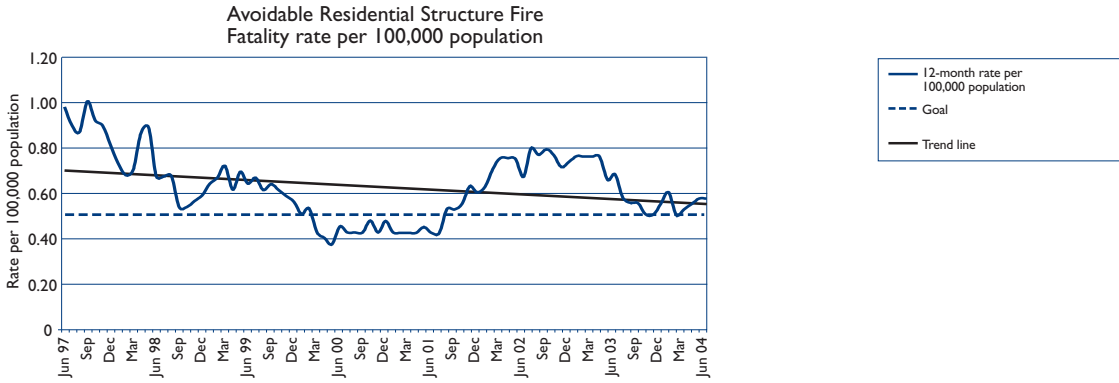
The following table shows the breakdown of fire fatalities for the last six years. It includes incidents the Fire Service attended plus other incidents brought to the attention of the Fire Service, principally through news media coverage and results from coronial inquests. There may be some changes to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

	For the Year					
	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
Avoidable residential structure fire fatalities						
Residential structure fire	22	25	26	16	16	23
Mobile property (as residential structure)	1	2	0	0	1	1
Total avoidable residential structure fire fatalities	23	27	26	16	17	24
Avoidable residential structure fatalities per 100,00 population	0.57	0.68	0.67	0.42	0.45	0.63
Other fire fatalities						
Suicide/unlawful	3	5	2	5	4	2
Motor vehicle fires	14	9	7	11	5	12
Other mobile property (mostly aircraft)	2	1	0	10	3	0
Other suicide/unlawful	6	0	2	3	1	4
Other	0	0	1	1	0	0
Total fire fatalities	48	42	38	46	30	42

The avoidable residential structure fire fatality rate per 100,000 population reduced to 0.57 from 0.68 last year. The Commission's goal over the next five years is to reduce and maintain the rate per 100,000 population to less than 0.5. This reflects international practice and takes into account the impact of population change.

Overall, the total number of fire fatalities increased by six to 48 compared to 2002/03.

This graph shows the avoidable residential fire fatality rate per 100,000 population on a 12-month rolling basis. The Commission's goal is to reduce and maintain the rate to less than 0.5. The overall trend has been reducing over the last eight years.



Multiple Fatality Fires

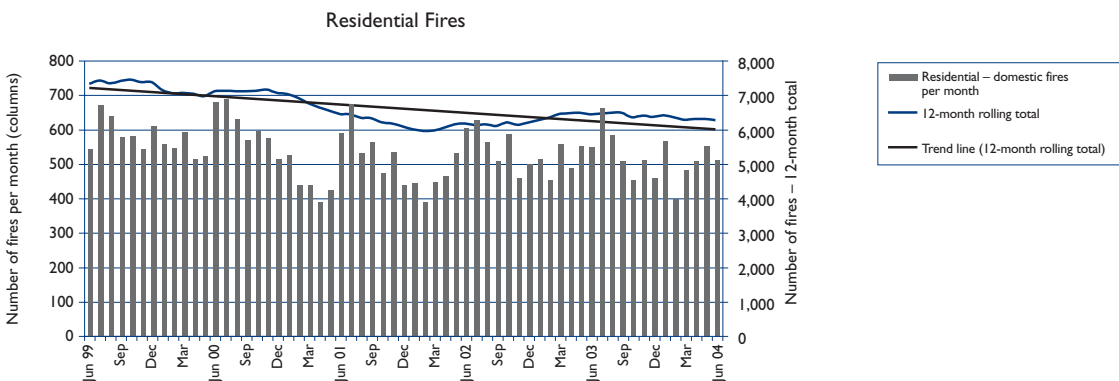
There were six multiple fatality fires in the year compared to four last year, three in 2001/02, four in 2000/01 and four in 1999/00. Of the six multiple fire fatality incidents in 2003/04, two occurred in residential house fires and four in mobile property (mostly motor vehicle) fires following accidents.

Injuries to Members of the Public as a Result of Fire

	For the Year					
	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
Injuries to members of the public	408	409	442	327	300	350
Injuries per 100,000 population	10.10	10.29	11.39	8.53	7.87	9.23

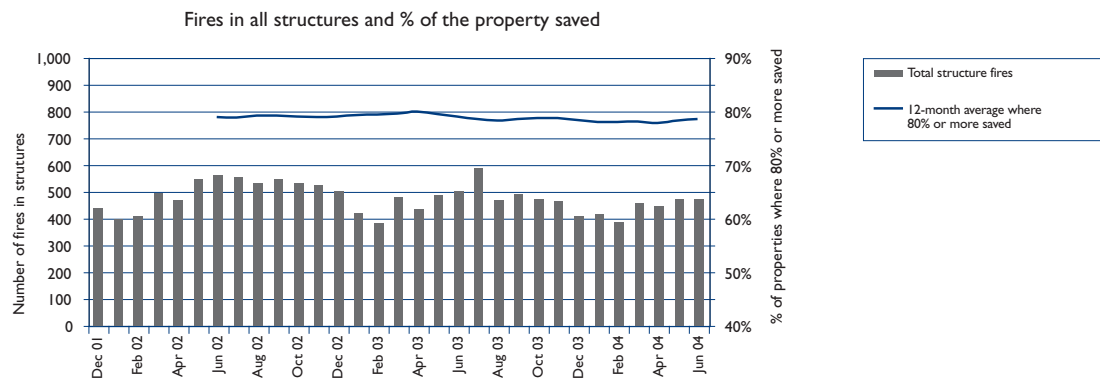
This table shows the number of injuries to members of the public reduced to 408 from 409 in 2002/03. The Commission believes that increases in the previous years were due to improved reporting methods rather than a real increase in the number of fire-related injuries. The Commission is hopeful that results of fire safety education programmes will now start to become more evident.

**Fire Outcome – Reduce the Consequence of Fire to Property
Damage to Residential Properties**



This graph shows the monthly number, 12-month rolling total and trend for fires in residential properties. Reducing these types of incidents is the main focus of the national promotion activities.

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 last year and will be used to assess the improvement in the Fire Service's performance in reducing property damage. The initial five-year goal is to improve the percentage saved by 1% per annum from the June 2002 base of 79%.

Vegetation Fires

Vegetation fires extinguished within 2 hours of notification	For the Year				
	2003/04	2002/03	2001/02	2000/01	1999/00
Within urban areas (within Fire Service districts)	93.5%	96.9%	97.5%	97.0%	-
Rural areas (outside Fire Service districts)	79.5%	84.3%	88.2%	85.4%	-
Total	87.9%	91.5%	93.9%	92.3%	-

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 to respond to vegetation fires, particularly in rural areas.

Rural Land Area Damaged by Wildfires

Vegetation fires extinguished within 2 hours of notification	Area damaged by wildfire		
	Number of fires	Area damaged (hectares)	Area damaged 75th percentile for the previous 10-year period
1989/90	928	3,356	15,250
1990/91	1,234	7,279	12,900
1991/92	1,116	1,805	11,292
1992/93	986	3,025	7,346
1993/94	2,198	7,350	7,364
1994/95	2,023	4,594	7,332
1995/96	1,646	4,586	7,332
1996/97	2,374	6,937	7,194
1997/98	3,610	6,253	7,194
1998/99	3,169	17,694	7,194
1999/00	2,944	2,054	7,194
2000/01	3,318	10,432	7,247
2001/02	3,709	3,937	7,247
2002/03	4,657	5,532	7,247
2003/04	4,336	7,626	7,454

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 10 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 of this damage 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 59% of the policies audited and 82% 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 the errors were mostly corrected.

The key results of the 2003/04 levy audits are:

	Target	2003/04 Actual	2002/03 Actual	2001/02 Actual	2000/01 Actual
Percentage of policies in accordance with the Fire Service Act	99%	59%	57%	69%	69%
\$value of policies paid in accordance with the Fire Service Act	99%	82%	96%	94%	85%
Percentage of errors now in accordance with the Fire Service Act	-	82%	85%	100%	100%
Percentage value of errors now paid in accordance with the Fire Service Act	-	97%	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) in 2001/02. 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 were actioned during 2003/04 and a further self-assessment was conducted to ensure the initiatives were on track to achieve the improvements sought. As part of the business excellence journey, the Commission plans to submit an application for an award to the Business Excellence Foundation in June 2005. 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 the 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 to manage the organisation's finances. A new asset management system was implemented during the year with a 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 moving to a system that rolls out long-term capital planning and maintenance. Forecast periods for capital investment and maintenance requirements will depend on the types of assets and their expected lives.

Providing Management Information

During 2003/04, the Commission successfully developed the first phase of its new station management system (SMS). 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 builds on existing technology within the organisation and provides a modern tool for front-line staff to use. The system went live in the fourth quarter of the 2003/04 year and incorporated the fire incident reporting system (FIRMS).

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

- Fire incident reporting and management system (now incorporated in SMS)
- 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 for providing factual information for decision making.

Resource Planning

The Commission's resource allocation model provides a sound, robust and scientifically valid tool for helping long-term resourcing decisions. The model will principally be used to determine where the 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. Additional modules will be developed to cover fire safety and the fire threat faced by small communities.

Output Performance

Output Costs (Gross Expenditure)		2003/04 Budget \$000 GST excl.	2003/04 Actual \$000 GST excl.	2002/03 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	39,336	38,748	38,155
Output 1.1	Public education and advice.	28,444	28,367	27,718
Output 1.2	Professional and technical advice.	3,453	3,282	3,485
Output 1.3	Ensuring appropriate enforcement of legislation.	3,702	3,686	3,667
Output 1.4	Emergency management groups and other emergency sector organisations.	263	262	260
Output 1.5	Fire safety research and fire safety law assessment and reform.	1,256	1,116	756
Output 1.6	Post-incident investigation and follow-up.	2,218	2,035	2,269
Output Class 2	Fire fighting and other fire service operations	188,037	188,659	184,307
Output 2.1	Operational readiness.	150,836	149,313	145,824
Output 2.2	Evacuation scheme approval and monitoring.	6,290	5,734	6,511
Output 2.3	Municipal water supply and building fire water supply monitoring.	6,734	6,856	6,665
Output 2.4	Fire alarm systems monitoring and the reduction in avoidable false alarms.	576	637	603
Output 2.5	Operational planning.	576	637	603
Output 2.6	Operational responses to fire and other emergencies.	23,025	25,482	24,101
Output Class 3	National Rural Fire Authority administration	2,933	2,875	2,732
Output 3.1	Advice and support to rural fire authorities and regional rural fire committees.	1,065	1,054	1,012
Output 3.2	Rural fire-fighting fund and grant assistance schemes.	1,179	1,146	1,065
Output 3.3	Rural Fire Management Code of Practice.	242	238	233
Output 3.4	Advice to the public and to key groups.	447	437	422
Cost of Outputs (excluding funds expenditure)		230,306	230,282	225,194
Funds expenditure		2,100	3,397	3,253
Total Cost of Outputs		232,406	233,679	228,447

Operating expenditure is summarised on page 58. Funds expenditure is detailed under note 12 on page 69.



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 improves 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	28,444	28,367	27,733	27,718

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 2003.

2003/04 Performance	2002/03 Performance
Plan reviewed, updated and approved by 30 September 2003.	Plan reviewed, updated and approved by 30 September 2002.

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

2003/04 Performance	2002/03 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 at-risk groups as set out in the promotions plan.

2003/04 Performance	2002/03 Performance
<ul style="list-style-type: none"> • Fire safety education delivered to 455,067 people in high-risk groups. • 39,042 smoke alarms installed. • 6,548 smoke alarms maintained. 	<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.

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

2003/04 Performance	2002/03 Performance
Changes from previous years are detailed 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.

To achieve national consistency, professional and technical advice is delivered under the direction of a national plan.

The plan targets advice to the following at-risk categories of building:

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

The Fire Service works in partnership with key industry representatives to make sure they have consistent national fire safety standards within their respective businesses.

The primary focus is on standards for automated fire safety systems and evacuation processes. The representative groups include the Ministry of Education, rest home associations, Housing New Zealand, the Department of Corrections, BRANZ, the Building Industry Authority and building owners.

How this output improves fire outcomes

This output aims to increase the use of fire safety measures in buildings and to 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	3,453	3,282	3,487	3,485

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 2003.

2003/04 Performance	2002/03 Performance
Plan reviewed, updated and approved by 30 September 2003.	Plan reviewed, updated and approved by 30 September 2002.

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

2003/04 Performance	2002/03 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 plan.

2003/04 Performance	2002/03 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.

2003/04 Performance	2002/03 Performance
Results unavailable.	Process being set up to measure satisfaction for the 2003/04 year.

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 fire-fighting tactics.

Cost of the Output

Financial Performance	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	3,702	3,686	3,693	3,667

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 compliance with the fire safety and evacuation of buildings regulations. This is part of a three-year rolling programme to inspect high-risk buildings at least once every three years.

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

2003/04 Performance	2002/03 Performance
<ul style="list-style-type: none"> • 1,458 buildings inspected. • 191 buildings re-inspected. 	<ul style="list-style-type: none"> • 2,037 buildings inspected. • 331 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.

2003/04 Performance	2002/03 Performance
103 breaches notified to territorial authorities.	131 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.

2003/04 Performance	2002/03 Performance
35 identified dangerous buildings were notified to territorial authorities.	36 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.

2003/04 Performance	2002/03 Performance
31 buildings made safe or closed.	35 buildings made safe or closed.

1.3.6 Written advice will be provided to external organisations or individuals to encourage compliance with fire safety law.

2003/04 Performance	2002/03 Performance
Standard written advice was provided 5,100 times. Non-standard written advice was provided 2,396 times.	Written advice was provided 11,002 times.

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

2003/04 Performance	2002/03 Performance
100% of standard written advice and 99% of non-standard written advice technically accurate.	99% 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 both the community and the Fire Service are well prepared to respond to a major emergency. The improved state of preparedness will help to minimise damage from an emergency and any resulting fire. The measure of the effectiveness of this output is difficult to gauge and will only be tested in the event of a real major emergency event.

Cost of the Output

Financial Performance	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	263	262	262	260

Output performance

Performance Measure

1.4.1 The Fire Service obligations under legislation relating to emergency management will be reviewed by 30 June 2004.

2003/04 Performance	2002/03 Performance
Obligations reviewed by 30 June 2004.	Obligations reviewed by 30 June 2003.

1.4.2 The Fire Service will contribute to building the capability of the urban search and rescue function from two teams to three by 30 June 2004.

2003/04 Performance	2002/03 Performance
Capability increased to three teams as planned.	Capability increased to two teams. Third team planned for 2003/04.

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 fire fighting 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	1,256	1,116	742	756

Output performance

Performance Measure

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

2003/04 Performance	2002/03 Performance
<ul style="list-style-type: none"> A study was commissioned on the total cost of fire to help inform the debate on new Fire Service legislation. 	<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.

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

2003/04 Performance	2002/03 Performance
Legal advice provided.	Legal advice provided.

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

2003/04 Performance	2002/03 Performance
<ul style="list-style-type: none"> Seminar held to launch research publications. Publications available on the Fire Service website. Publications distributed to interested parties. 	<ul style="list-style-type: none"> Seminar held to launch research publications. Publications available on the Fire Service website. Publications distributed to interested parties.

Output 1.6 Post-incident investigation and follow-up

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

Fire investigations results are used to:

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

How this output improves fire outcomes

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

Cost of the Output

Financial Performance	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	2,218	2,035	2,260	2,269

Output performance

Performance Measure

1.6.1 Fire investigations will be completed in accordance with the national commander’s operational instructions.

2003/04 Performance	2002/03 Performance
588 fire investigations carried out in accordance with the national commander’s operational instructions.	708 fire investigations carried out in accordance with the national commander’s operational instructions.

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

2003/04 Performance	2002/03 Performance
100% of reports technically accurate.	98% of reports technically accurate.

- 1.6.3** Information will be made available to relevant organisations on the result of fire investigations where those results will help reduce the number of or consequences from similar incidents occurring in the future.

2003/04 Performance	2002/03 Performance
Information provided 714 times.	Information provided 772 times.

- 1.6.4** The Fire Service will report monthly to the Commission on all serious or unusual incidents.

2003/04 Performance	2002/03 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 Emergency Management 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 fire-fighting 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	150,836	149,313	148,455	145,824

Output performance

Performance Measure

- 2.1.1** Operational readiness audits will be carried out in accordance with the national commander's operational instructions.

2003/04 Performance	2002/03 Performance
210 audits carried out in accordance with the national commander's operational instructions as certified by each of the eight fire region managers.	229 audits carried out in accordance with the national commander's operational instructions as 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.

2003/04 Performance	2002/03 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.

2003/04 Performance	2002/03 Performance
<ul style="list-style-type: none"> • 252 multi-agency exercises carried out. • 32 civil defence exercises. 	<ul style="list-style-type: none"> • 555 multi-agency exercises carried out. • 22 civil defence exercises.

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

2003/04 Performance	2002/03 Performance
The resource allocation is used in all new fire station capital work justifications.	The resource allocation is used in all new fire 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 fire-fighting activities unobstructed. It is the responsibility of the building owner to develop an evacuation scheme for approval by the Fire Service.

However, the Fire Service is being more proactive in this area by developing and maintaining a building register in each of the fire regions. The registers list buildings that require an evacuation scheme or have the potential to require one. When fully completed, the building registers will enable the Fire Service to track each building and ensure the building has an operable evacuation scheme where required. It is the building owners' 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 fire-fighting

activities. This helps to reduce property damage and helps to minimise business down time due to fires.

Cost of the Output

Financial Performance	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	6,290	5,734	6,409	6,511

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.

2003/04 Performance	2002/03 Performance
43,248 buildings on the eight building registers: <ul style="list-style-type: none"> • 18,124 section 21A(1) • 9,439 section 21A(2). 	69,799 buildings on the eight building registers: <ul style="list-style-type: none"> • 22,628 section 21A(1) • 6,231 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.

2003/04 Performance	2002/03 Performance
1,022 buildings with waivers.	498 buildings with waivers.

2.2.3 Approval and monitoring processes will be undertaken 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, the schemes for those buildings should be approved in a timely manner.

2003/04 Performance	2002/03 Performance
<ul style="list-style-type: none"> To date there are 1,263 significant risk buildings on the registers. Of these, 1,027 (81%) have an approved scheme. 3,007 trial evacuations attended to monitor scheme operability. 879 draft schemes approved. 	<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.

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

2003/04 Performance	2002/03 Performance
Legal action initiated necessary.	Legal action initiated necessary.

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 has 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 fire-fighting 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	6,734	6,856	6,663	6,665

Output performance

Performance Measure

2.3.1 Monitor the number of territorial authorities that adopt the code of practice for fire-fighting water supply.

2003/04 Performance	2002/03 Performance
Not measured in 2003/04.	New measure in 2003/04.

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.

2003/04 Performance	2002/03 Performance
17,145 hydrants tested.	20,994 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 and endanger 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	576	637	545	603

Output performance

Performance Measure

2.4.1 The national plan to reduce the number of avoidable false alarms will be reviewed, updated and approved (by the chief executive) by 31 August 2003.

2003/04 Performance	2002/03 Performance
Plan reviewed and approved by 31 August 2003.	Plan reviewed and approved by 31 August 2002.

2.4.2 The implementation of the national plan will result in a reduction in the number of avoidable false alarms from fire alarm systems by 6% in 2003/04. This is the third year of the goal for a 30% reduction over five years.

2003/04 Performance	2002/03 Performance
Number of calls decreased by 5.5%. The rate per 100 monitored systems dropped by 1.8%.	Number of calls decreased by 5.2%. The rate per 100 monitored systems dropped by 6.5%.

Output 2.5 Operational planning

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

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

How this output improves fire outcomes

This output makes sure that when fires occur decisions can be made about appropriate fire-fighting 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	576	637	545	603

Output performance

Performance Measure

2.5.1 Tactical and risk plans will be reviewed in accordance with the national commander's operational instructions.

2003/04 Performance	2002/03 Performance
898 plans were refined or reviewed during the year.	1,127 plans were refined or reviewed during the year.

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

2003/04 Performance	2002/03 Performance
A quality assurance process is in place that monitors and updates data held in the system.	A quality assurance process is in place that monitors and updates 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.

These include:

- Suppressing fires to ensure the safety of people and property endangered by fire
- Stabilising, containing and minimising the impact of emergencies involving hazardous substances
- Attendance at incidents involving motor vehicles, for suppressing fire, for extricating people from motor vehicles, or otherwise assisting them, and for helping to stabilise and make the accident location safe
- 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 to 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	23,025	25,482	21,795	24,101

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.

2003/04 Performance	2002/03 Performance
16,814 fires responded to appropriately within fire districts.	17,614 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.

2003/04 Performance	2002/03 Performance
Calls responded to within: <ul style="list-style-type: none"> • 7 mins-89.5% • 10 mins-97.8%. 	Calls responded to within: <ul style="list-style-type: none"> • 7 mins-90% • 10 mins-98%.

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.

2003/04 Performance	2002/03 Performance
35,535 other emergencies responded to appropriately within fire districts.	34,220 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.

2003/04 Performance	2002/03 Performance
4,766 fires responded to outside fire districts.	5,012 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.

2003/04 Performance	2002/03 Performance
7,389 other emergencies responded to appropriately outside fire districts.	7,320 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.

2003/04 Performance	2002/03 Performance
Two declared civil defence emergencies.	Three declared civil defence emergencies.

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

2003/04 Performance	2002/03 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.

2003/04 Performance	2002/03 Performance
17 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 regional 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	1,065	1,054	1,012	1,012

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.

2003/04 Performance	2002/03 Performance
13 committees in place.	13 committees in place.

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

2003/04 Performance	2002/03 Performance
Support provided.	Support provided.

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

2003/04 Performance	2002/03 Performance
85% satisfied with admin support and 88% with meeting support.	85% satisfied with admin support and 86% with meeting support.

3.1.4 Rural fire districts will be established, amended and revoked as required in accordance with section 4 of the Forest and Rural Fires Act 1977.

2003/04 Performance	2002/03 Performance
Ten revoked and two established.	Two revoked, one amended and one established.

Output 3.2 Rural fire fighting fund and grant assistance schemes

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

Included in this output is the requirement for the National Rural Fire Authority to carry out its activities in accordance with the Rural Fire Management Code of Practice. The code makes sure that consistent decisions are made in a transparent way. It also provides for a mediation process if rural fire authorities have any issues to do with the decision-making 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	1,179	1,146	1,065	1,065

Output performance

Performance Measure

3.2.1 An estimated 50 rural fire authority applications for grant assistance will be actioned during the year.

2003/04 Performance	2002/03 Performance
66 applications actioned.	65 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.

2003/04 Performance	2002/03 Performance
Grants for equipment and clothing advised within the 30 August deadline. Grants for appliances and tankers by 30 September.	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.

2003/04 Performance	2002/03 Performance
100% in accordance with the code.	100% in accordance with the code.

3.2.4 An estimated 100 claims under the rural firefighting fund will be actioned during the year.

2003/04 Performance	2002/03 Performance
All 84 claims received were actioned.	All 122 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.

2003/04 Performance	2002/03 Performance
65% advised within two months.	93% advised within two months.

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

2003/04 Performance	2002/03 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 firefighting response and resources
- Inform the public

- Make decisions to close areas at high risk
- Issue or cancel burn permits
- Plan and conduct controlled burns.

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

How this output improves fire outcomes

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

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

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

Cost of the Output

Financial Performance	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	242	238	233	233

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 the end of the year.

2003/04 Performance	2002/03 Performance
20 audits and 7 re-audits.	18 audits and 10 re-audits.

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

2003/04 Performance	2002/03 Performance
100% in accordance with the code.	100% in accordance with the code.

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

2003/04 Performance	2002/03 Performance
96% within two months.	86% within two months.

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

2003/04 Performance	2002/03 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.

2003/04 Performance	2002/03 Performance
Available 181 out of 183 days (99%) during fire season and 360 out of 366 days (98%) during the year.	Available 179 out of 182 days (98%) during fire season and 353 out of 365 days (97%) during the year.

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

2003/04 Performance	2002/03 Performance
Updated on 99% of days by 3pm.	Updated on 98% of days by 3pm.

3.3.7 An estimated 16 fire danger notifications will be issued to the news media during the fire season.

2003/04 Performance	2002/03 Performance
Less extreme fire weather conditions resulted in only one fire danger notification being issued to the media.	Less extreme fire weather conditions resulted in only four 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.

2003/04 Performance	2002/03 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.

2003/04 Performance	2002/03 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 they 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	2003/04		2002/03	
	Budget	Actual	Budget	Actual
Gross expenditure \$000	447	437	422	422

Output performance

Performance Measure

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

2003/04 Performance	2002/03 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.

2003/04 Performance	2002/03 Performance
Advice provided through mail-outs and pamphlets.	Advice provided through mail-outs and pamphlets.

- 3.4.3** An estimated 154 people will be trained using the rural fire tutorial packages.

2003/04 Performance	2002/03 Performance
164 people trained.	134 people trained.

- 3.4.4** Rural fire course content will provide the knowledge requirements of the New Zealand Qualifications Authority unit standard.

2003/04 Performance	2002/03 Performance
Course content meets NZQA requirements.	Course content meets NZQA requirements.

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.

2003/04 Performance	2002/03 Performance
Wildfire threat analysis is now being rolled out to rural fire authorities.	Wildfire threat analysis is now being rolled out to rural fire authorities.

Financials

STATEMENT OF ACCOUNTING POLICIES *For the year ended 30 June 2004*

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

There have been no 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. Levy proceeds 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 established in accordance with the Fire Service Act 1975 to finance particular activities approved by the Commission.

Donated services

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

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 the majority of 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 an asset, 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’ and volunteers’ 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 the contracted liability is established. 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 deposits/overdrafts, 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 material 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 asset are classified as finance leases. These leases are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased 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 attributable 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 *For the year ended 30 June 2004*

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

	ACTUAL 2003/04 \$000	BUDGET 2003/04 \$000
Total operating expenditure (excluding funds)	230,282	230,306
Contribution to the rural fire fighting fund from levy	2,000	1,000
Capital expenditure	26,749	38,600

Total capital expenditure spending is less than estimated as a result of unforeseen delays in property and appliance capital programs.

Levy Receipts

	ACTUAL 2003/04 \$000	BUDGET 2003/04 \$000
Levy receipts	234,982	227,240
Contribution to Rural Fire Fighting Fund	(2,000)	(1,000)
Net levy receipts	232,982	226,240

The levy rate remained constant throughout the year at 7.3 cents per \$100 of insured value. Increased compliance levels were experienced due to a better understanding of levy systems following release of the publication 'A guide to the New Zealand Fire Service Levy'. NZFS continued to develop broker relations through initiatives such as the Australian broker mail out and introduction of new levy forms following the 2003 Fire Service Regulations. Interest and penalty surcharge were consistently imposed on levy payers who failed to meet their statutory obligations.

Total Operating Expenditure (excluding funds)

	ACTUAL 2003/04 \$000	ACTUAL 2002/03 \$000
Total operating expenditure (excluding funds)	230,282	225,194

The increase in the total operating expenditure between the two financial years was primarily driven by the 3% increase in salaries and wages and associated employment related costs from 1 July 2003 (\$4.2m).

Included in the total operating expenditure are expenses of \$126,000 that have been offset by way of sponsorship and other contributions. These offsets have been recognised in the financial statements as revenue. Had it not been for the sponsorship and contribution the expenditure would not have occurred. These offsetting revenues and expenses were not anticipated in the estimates and have the effect of increasing gross expenditure and income.

Fund Expenditure

	ACTUAL 2003/04 \$000	BUDGET 2003/04 \$000
Total fund expenditure	3,397	3,253

Expenditure from the fund accounts is dependent upon the claims made against those funds in any particular year. The two funds against which expenditure was applied were the Rural Fire Fighting Fund and the Contestable Research Fund. The Rural Fire Fighting Fund is impacted by the claims from rural fires and the Contestable Research Fund through the projects commissioned by the fund administrators.

Debt

	ACTUAL 2003/04 \$000	BUDGET 2003/04 \$000
Debt	18,664	-

When the budgets were calculated it was with the assumption that lease charges on Fire Service assets were “operating” rather than “finance” leases.

STATEMENT OF FINANCIAL PERFORMANCE *For the year ended 30 June 2004*

	NOTE	ACTUAL 2004 \$000	BUDGET 2004 \$000	ACTUAL 2003 \$000
Operating Revenue				
Levy receipts		234,982	227,240	228,254
Interest		1,001	320	444
Other revenue	1	11,066	7,643	10,056
Total operating revenue		247,049	235,203	238,754
Operating Expenditure				
Personnel expenditure	2	150,639	151,391	146,073
Other expenditure	3	79,643	78,915	79,121
Total operating expenditure excluding funds		230,282	230,306	225,194
Fund expenditure	4	3,397	2,100	3,253
Total operating expenditure including funds		233,679	232,406	228,447
Net surplus/(deficit)	4	13,370	2,797	10,307

STATEMENT OF MOVEMENTS IN EQUITY *For the year ended 30 June 2004*

	NOTE	ACTUAL 2004 \$000	BUDGET 2004 \$000	ACTUAL 2003 \$000
Equity at beginning of year		241,871	241,091	231,285
Net surplus/(deficit) from operations	4	13,370	2,797	10,307
Net increase in revaluation reserve	13	47,657	0	279
Total recognised revenue and expenditure for the period		61,027	2,797	10,586
Equity at end of year		302,898	243,888	241,871

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 2004*

	NOTE	ACTUAL 2004 \$000	BUDGET 2004 \$000	ACTUAL 2003 \$000
Current assets				
Cash and bank	6	22,175	11,192	9,749
Investments		3	0	3
Other current assets	7	2,847	4,200	3,943
Total current assets		25,025	15,392	13,695
Non-current assets				
Property, plant and equipment	8	354,132	285,378	307,175
Total non-current assets		354,132	285,378	307,175
Total assets		379,157	300,770	320,870
Current liabilities				
Employee and volunteer entitlements	10	9,272	9,315	8,210
Current portion of debt	11	6,082	0	5,670
Unamortised gain on sale and leaseback		106	0	1,233
Other current liabilities		17,905	16,382	17,685
Total current liabilities		33,365	25,697	32,798
Non-current liabilities				
Employee and volunteer entitlements	10	30,222	31,185	31,329
Unamortised gain on sale and leaseback		90	0	197
Term debt	11	12,582	0	14,675
Total non-current liabilities		42,894	31,185	46,201
Total liabilities		76,259	56,882	78,999
Equity				
Equity	9	124,501	112,165	112,957
Funds	12	7,261	6,391	4,828
Revaluation reserve	13	171,136	125,332	124,086
Total equity		302,898	243,888	241,871
Total liabilities and equity		379,157	300,770	320,870

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 2004*

	NOTE	ACTUAL 2004 \$000	BUDGET 2004 \$000	ACTUAL 2003 \$000
Cash flows from operating activities				
Cash was provided from:				
Levy		234,982	227,240	226,676
Interest		1,001	320	444
Other revenue		11,082	7,643	7,969
Net GST received/(paid)		54	335	(12)
		247,119	235,538	235,077
Cash was disbursed to:				
Employees		(150,709)	(148,162)	(142,268)
Suppliers		(55,586)	(46,910)	(47,572)
Interest		(959)	(250)	(841)
		(207,254)	(195,322)	(190,681)
Net cash flows from operating activities	5	39,865	40,216	44,396
Cash flows from investing activities				
Cash was provided from:				
Disposal of fixed assets		2,071	3,380	4,761
Disposal of investments		0	0	175
Cash was disbursed to:				
Purchase of fixed assets		(24,587)	(38,622)	(25,445)
Net cash flows from investing activities		(22,516)	(35,242)	(20,509)
Cash flows from financing activities				
Cash was provided from:				
Borrowing debt		0	0	0
Cash was disbursed to:				
Borrowing debt from sale & leaseback of assets		853	0	(10,217)
Repayment of debt		(5,776)	0	(3,025)
Sale and leaseback of assets		0	0	(1,000)
Net cash flows from financing activities		(4,923)	0	(14,242)
Net increase/(decrease) in cash and bank		12,426	4,974	9,645
Add cash and bank at beginning of year		9,749	6,218	104
Cash and bank at end of year		22,175	11,192	9,749

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

STATEMENT OF COMMITMENTS *as at 30 June 2004*

	ACTUAL 2004 \$000	ACTUAL 2003 \$000
Capital commitments	18,741	20,023
Operating lease commitments		
Not later than one year	2,454	3,391
Later than one year and not later than two years	1,841	1,877
Later than two years and not later than five years	3,996	3,309
Later than five years	2,255	1,973
Total operating lease commitments	10,546	10,550
Total commitments	29,287	30,573

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 2004*

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

	ACTUAL 2004 \$000	ACTUAL 2003 \$000
Personal grievances	0	32
Legal proceedings	50	0
Total contingent liabilities	50	32

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

NOTES TO THE FINANCIAL STATEMENTS *For the year ended 30 June 2004*

Note 1 – Other Revenue

	ACTUAL 2004 \$000	ACTUAL 2003 \$000
Commercial services	96	113
Private fire alarms revenue	1,545	2,661
Rural fire fighting contributions	3,277	637
False alarms	1,348	1,342
Rents	385	484
Contributions	1,961	1,956
Amortisation of gain on sale and leaseback	1,233	1,958
Miscellaneous revenue	1,221	905
Total other revenue	11,066	10,056

Contributions of \$1.961m (2003 \$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 2004 \$000	ACTUAL 2003 \$000
Salaries and wages	123,836	119,006
Superannuation subsidy	12,962	12,680
ACC	1,330	1,209
Volunteers	3,518	3,732
Other personnel expenditure	8,993	9,446
Total personnel expenditure	150,639	146,073

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

Note 3 – Other Expenditure

	ACTUAL 2004 \$000	ACTUAL 2003 \$000
Remuneration of auditors – audit fees	130	130
Remuneration of auditors – other services	24	51
Fees paid to Commissioners	112	112
Depreciation:		
Buildings	10,223	10,013
Fire appliances	4,980	5,314
Motor vehicles	349	368
Communications equipment	580	495
SITE	1,875	1,959
Operational equipment	1,362	1,616
Non-operational equipment	537	438
Computer equipment	1,359	886
Leasehold improvements	194	229
Leased communications equipment	741	2,392
Leased operational equipment	3,875	5,626
Leased non-operational equipment	154	55
Leased computer equipment	1,509	2,090
Total depreciation	27,738	31,481
Fixed asset write-offs		
Land	0	4
Buildings	16	750
Fire appliances	380	1
Motor Vehicles	7	0
Computer equipment	1	0
Communications equipment	4	0
Operational equipment	26	112
Non-operational equipment	0	16
Total fixed asset write-offs	434	883
Decrease/(Increase) in provision for doubtful debts	(41)	(83)
Interest	31	334
Finance charge on finance lease	896	456
Rental expense on operating leases	3,697	3,480
Occupancy	7,272	6,782
Fleet	8,793	7,490
Supplies and consumables	5,771	4,967
Communications	5,899	5,899
Publicity and advertising	3,767	3,489
Other	15,120	13,650
Total other expenditure	79,643	79,121

Note 4 – Net Surplus/(Deficit)

	REVENUE	EXPENDITURE	NET SURPLUS /(DEFICIT)	NET SURPLUS /(DEFICIT)
	2004 \$000	2004 \$000	2004 \$000	2003 \$000
ACC Partnership Fluctuation Fund	0	0	0	0
Contestable Research Fund	550	(550)	0	93
Loss of Medical (Residual) Fund	3	0	3	4
Physical Competency Transition Fund	0	0	0	0
Rural Fire Fighting Fund	5,277	(2,847)	2,430	(1,656)
Volunteer Needs Fund	0	0	0	(3)
Total surplus (deficit) from funds	5,830	(3,397)	2,433	(1,562)
Total surplus/(deficit) from operations	241,219	(230,282)	10,937	11,869
Net surplus/(deficit)	247,049	(233,679)	13,370	10,307

The rural fire fighting fund revenue includes levy funding of \$2.0m (2003 \$0.5m).

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

	2004 \$000	2003 \$000
Net surplus/(deficit)	13,370	10,307
Add/(subtract) non-cash items:		
Depreciation	27,738	31,481
Decrease/(increase) provision for doubtful debts	(41)	(83)
Amortisation of gain on sale and leaseback	(1,233)	(1,958)
Fixed asset write-offs	434	883
Increase in investments	0	0
Increase provision for non-current employee and volunteer entitlements	(1,107)	125
Total non-cash items	25,791	30,448
Add/(subtract) movements in working capital:		
Increase/(decrease) in accounts payable and accruals	(1,840)	4,693
Increase/(decrease) in current employee and volunteer entitlements	1,062	434
Increase/(decrease) in levy in advance	0	(1,578)
Increase/(decrease) in other current assets	1,167	27
Net movements in working capital	389	3,576
Add items classified as investing activities:		
Loss on disposal of fixed assets	315	65
Total investing activity items	315	65
Net cash flows from operating activities	39,865	44,396

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 (2003 10%). This is a floating rate set by the bank. The Commission maintains a wholesale advance facility up to a maximum of \$10 million with the Westpac Bank.

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

Note 7 – Other Current Assets

	2004 \$000	2003 \$000
Accounts receivable	2,635	3,958
Less provision for doubtful debts	(143)	(216)
	2,492	3,742
Prepayments	355	201
Total	2,847	3,943

Note 8 – Property, Plant and Equipment

	COST 2004 \$000	REVALUATION 2004 \$000	ACCUMULATED DEPRECIATION 2004 \$000	NET BOOK VALUE 2004 \$000
Land	786	94,908	0	95,694
Buildings	7,268	146,858	1,714	152,412
Fire appliances	152,643	0	101,864	50,779
Motor vehicles	2,272	0	1,498	774
Communications equipment	6,227	0	4,166	2,061
SITE	17,904	0	11,284	6,620
Operational equipment	15,517	0	7,597	7,920
Non-operational equipment	5,711	0	3,236	2,475
Computer equipment	10,913	0	3,794	7,119
Leasehold improvements	2,041	0	557	1,484
Leased assets:				
Communications equipment	2,221	0	737	1,484
Operational equipment	14,679	0	779	13,900
Non-operational equipment	220	0	38	182
Computer equipment	4,472	0	1,486	2,986
Work in progress:				
Buildings	1,879	0	0	1,879
Fire appliances	5,786	0	0	5,786
Computer equipment	166	0	0	166
Other	411	0	0	411
Total work in progress	8,242	0	0	8,242
Total	251,116	241,766	138,750	354,132

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

	COST	REVALUATION	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	2003 \$000	2003 \$000	2003 \$000	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

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 2004.

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 shared 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 – Equity

	NOTE	2004 \$000	2003 \$000
Equity at beginning of year		112,957	99,918
Revaluation realised on disposal of land and buildings	13	607	1,170
Net surplus from operations	4	10,937	11,869
Total		124,501	112,957
Funds	12	7,261	4,828
Revaluation Reserve	13	171,136	124,086
		302,898	241,871

Note 10 – Employee and Volunteer Entitlements

	2004 \$000	2003 \$000
Current employee and volunteer entitlements		
Accrued salaries and wages	3,694	3,014
Accrued annual leave	3,987	3,547
Provision for long service leave and gratuities	1,591	1,649
Total current employee and volunteer entitlements	9,272	8,210
Non-current employee and volunteer entitlements		
Provision for long service leave and gratuities	30,222	31,329
Total non-current employee and volunteer entitlements	30,222	31,329

Note 11 – Debt

Debt balances are comprised of the following:

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

1-3 years

3-5 years

Future finance charges

Total finance lease liability

	2004 \$000	2003 \$000
	18,664	20,345
	18,664	20,345
	6,082	5,670
	0	0
	6,082	5,670
	12,582	14,675
	0	0
	12,582	14,675
	6,918	6,493
	10,545	12,985
	2,788	2,453
	20,251	21,931
	(1,587)	(1,586)
	18,664	20,345

The effective interest rate on the finance leases is 5.11% (2003 5.04%). The finance leases are secured over the assets to which they relate.

Note 12 – Funds

	BALANCE AT BEGINNING OF YEAR 2004 \$000	NET SURPLUS/ (DEFICIT) (NOTE 4) \$000	BALANCE AT END OF YEAR 2004 \$000
ACC Partnership Fluctuation Fund	2,044	0	2,044
Contestable Research Fund	674	0	674
Loss of Medical (Residual) Fund	142	3	145
Physical Competency Transition Fund	1,000	0	1,000
Rural Fire Fighting Fund	828	2,430	3,258
Volunteer Needs Fund	140	0	140
Total	4,828	2,433	7,261
	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

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

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

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

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

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

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

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

Note 13 – Revaluation Reserve – Land and Buildings

	LAND 2004 \$000	BUILDINGS 2004 \$000	TOTAL 2004 \$000
Revaluation reserve at beginning of year	55,905	68,181	124,086
Revaluations	32,249	15,408	47,657
Realisation on disposal	(88)	(519)	(607)
Revaluation reserve at end of year	88,066	83,070	171,136
	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

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

Note 14 – Financial Instruments

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

Currency risk

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

The Commission enters into foreign exchange forward contracts to manage its foreign currency exposure in relation to the purchase of fixed assets. Foreign exchange forward contracts in place at 30 June 2004, 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:

	2004 \$000	2003 \$000
Cash	22,175	9,749
Investments	3	3
Accounts receivable	2,492	3,742
Employee and volunteer entitlements	39,494	39,539
Debt	18,664	20,345
Accounts payable and accruals	17,907	17,685
Foreign exchange forward contracts	2,694	2,137

Note 15 – Related Party Disclosures

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

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

There were no other related party transactions.

Note 16 – Remuneration of Commissioners

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

	2004 \$	2003 \$
Dame Margaret Bazley, DNZM	50,000	50,000
Mr Terry Scott	15,500	15,500
Mr John Hercus (appointed 12/11/02)	15,500	9,836
Dr Piers Reid	15,500	15,500
Ms Angela Foulkes	15,500	15,500
Mr Neville Young LLB (term expired 12/11/02)	–	5,664

Note 17 – Employee Remuneration

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

BAND \$000	2004		2003	
	NON-OPERATIONAL	OPERATIONAL	NON-OPERATIONAL	OPERATIONAL
100 – 110	12	21	2	18
110 – 120	5	3	4	-
120 – 130	7	1	4	-
130 – 140	3	-	-	1
140 – 150	1	-	5	-
150 – 160	2	-	3	-
160 – 170	1	-	1	-
170 – 180	3	-	1	-
200 – 210	1	-	-	-
240 – 250 *	1	-	1	-

* Chief Executive

The following factor contributed to the level of earnings of operational staff:

- Auckland officers continue to work 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:

	2004	2003
Number of former employees	6	3
Normal remuneration	\$0.773m	\$0.418m
Severance	-	\$0.058m

Note 18 – Segmental Reporting

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

Map of Fire Regions

