

# Annual Report

For the year ended 30 June 2009





# New Zealand Fire Service Commission

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30 October 2009

Hon Nathan Guy  
Minister of Internal Affairs  
Parliament Buildings  
WELLINGTON

Dear Minister

## *New Zealand Fire Service Commission Annual Report*

**Pursuant to section 150 of the Crown Entities Act 2004 I present the report of the New Zealand Fire Service Commission (the Commission) for the year ended 30 June 2009.**

### Service performance and productivity

Set out in this report is an analysis of the range of emergencies to which the New Zealand Fire Service (the Fire Service) and rural fire authorities responded in 2008/2009. The analysis makes compelling reading for those of us charged with ensuring public sector service delivery agencies provide better value for money in the current financial climate. The numbers demonstrate that New Zealand's 'fire' services are less and less fire-only services and more and more universal emergency service providers.

The increased range of services delivered in 2008/2009 represents a huge but obscured productivity gain. The Fire Service's increased contribution to the health, road safety, civil defence and environmental protection sectors over the last decade has not been well understood. More recently main stream social development and justice agencies have begun to leverage off the positive role models fire fighters present by actively involving the Fire Service in coaching and mentoring at-risk youth. The Commission has given serious consideration as to how best to tell its extended performance story. This report includes a framework and formative measures to record and report our contribution to those sectors for which other agencies have the primary legislative mandate. We look forward to feedback on this aspect of our performance story.

### The incidence and consequences of fire

The Commission's statutory mandate is to reduce the incidence and consequences of fire. New Zealand's fire services pursue a comprehensive mix of intervention strategies across risk reduction, readiness and response to deliver on that mandate. We assess the difference those interventions make to the fire outcomes for people, property, communities and the environment by closely monitoring key indicators over a long time period.

As I have always emphasised, it is important not to attach too much significance to a single year's results. Short-run societal factors and seasonal or climatic trends have a substantial bearing on the incidence and severity of unwanted fires. The critical issue is to ensure the longer-term trend lines remain positive.

It is difficult, nevertheless, to let the encouraging outcomes achieved in 2008/2009 go unremarked. The key outcome indicator for people, avoidable residential fire fatalities, moved very favourably and is close to the world's best. The year-on-year and long-term trend indicators of the incidence and consequences of fire (fire outcomes) for people, property, communities, and the environment are shown below.

Avoidable residential fire fatalities per 100,000 population		Moderate and life threatening fire injuries to public per 100,000 population		Fires in structures per 100,000 population		Hectares lost to wildfire	
2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
0.32	0.63	3.92	4.77	130	132	2,363	9,021

Avoidable residential fire fatalities per 100,000 population		Moderate and life threatening fire injuries to public per 100,000 population		Fires in structures per 100,000 population		Hectares lost to wildfire	
2008/09	10-year average	2008/09	10-year average	2008/09	10-year average	2008/09	10-year average
0.32	0.51	3.92	4.59	130	143	2,363	6,797

As can be seen, the longer-term trend lines across all indicators are positive. New Zealanders can be confident that both their urban and rural fire services continue to make substantial progress in reducing the incidence and consequences of fire.

## The Icepak Coolstores fire and explosion

In this report last year I noted the impact on our staff and their families of the tragic fire and explosion at Icepak Coolstores, Tamahere. Our goal was to have all of the injured firefighters back at work, fit, well and serving their community to the best of their ability. I am pleased to report that five of the injured firefighters have returned to normal operational duties, one is on other suitable duties and the remaining firefighter continues to make good progress with his recovery.

On the subject of the Icepak Coolstores fire, the Commission closely monitored the implementation of the recommendations of the inquiry report and is confident the key recommendations have been fully put in place. Some limited amendments to legislation remain to be introduced and the risk registers of rural fire authorities are being progressively updated. I record the Commission's gratitude to officials from the Environmental Risk Management Agency, the State Services Commission, the Ministry for the Environment and the Department of Internal Affairs for their support and assistance in addressing the recommendations of the inquiry team.

## Acknowledgements

In December 2008 John Hercus resigned from the Commission to take up another appointment. Long-serving member and Deputy Chairperson, Terry Scott, served until September 2009 when a replacement was appointed. I thank both John and Terry for their contribution to the Commission over the years. I also record my appreciation of the support received from fellow members Angela Foulkes and Bob Francis during the year.

On behalf of the Commission I express our appreciation of the services of the Chief Executive, Mike Hall, his senior management team and all our staff and volunteers.

Yours sincerely

**Dame Margaret Bazley, DNZM, Hon DLit**  
Chairperson

# Report from the Chief Executive



The last year has been both challenging and rewarding. In September the report into the Icepack Coolstores fire in Hamilton was released with 11 major recommendations. By June 2009 all of these had been finalised or reached a point of ongoing business as usual. As is often the case in the Fire Service, improvement grows from tragedy.

Avoidable residential fire deaths over the year fell to a record-equalling all time low of 14, or 0.32 per 100,000 population per year, which is the international standard we compare ourselves against. This was a great effort by all our staff and it shows the benefits of an integrated service operating to world class standards in both the response and proactive areas of fire risk management.

Overall, the total number of calls dropped by around 3 percent, because of late summer rains and a reduction in mobile property fires. Looking at the statistics over the last few years confirms what we already know – our Fire Service is turning into much more broadly based fire, rescue and emergency service. One-third of the 75,000 calls we get each year have nothing to do with fire. This is typical of the trend worldwide and it's only a matter of time before this becomes recognised in both legislation and branding.

The 2008/2009 year saw many of our capital works programmes bearing the fruits of maturity. \$50 million was spent on new trucks and stations, with significant equipment upgrades such as new gas detection equipment, and oxygen equipment to all frontline trucks. Our fire services continue to hold a high level of trust and confidence across New Zealand, and deservedly so.

Of course, no snapshot of the last year would be complete without a comment on the economy. The worldwide recession started to bite about the middle of the year and we started to see a downturn in revenue. We lost around \$3 million in revenue for the year, but early anticipation and reprioritising allowed us to operate within budget. Hopefully the signs of recovery emerging for 2009/2010 will flow through into our own situation.

The year also saw the emergence of several new lines of thinking about our future. Clearly we now have to think about sustainability and the environment. To me 'sustainability' means recognising we live in rapidly changing times and we have to change ourselves to profit from the opportunities that arise. Environmental considerations include a fundamental look at our techniques and equipment to ensure our future operations are as environmentally friendly as possible. I believe a fire service is inherently friendly to the environment, but we need to learn what that means and how to use it to advantage.

The second main line of thinking is around 'value'. This not just the traditional view of value, but a more widely appreciated concept of how the Fire Service adds value to the New Zealand community. The value of reducing fires and fire injuries, the value of attending road accidents and cardiac arrests, the value of our work in the civil defence and hazmat arenas etc. We know it's there, but we don't know what it's worth and how to use it to more effectively market ourselves.

**Mike Hall, AFSM, M.I.Fire.E, FNZIM**

Chief Executive



# New Zealand Fire Service Commission overview



## Structure and function

The New Zealand Fire Service Commission (the Commission) is established as a Crown entity pursuant to section 4 of the Fire Service Act 1975. The Crown Entities Act 2004 establishes the accountability framework for the Commission and sets out the relationship between board members, the chairperson and the Minister. The Commission has four principal roles:

- Governance and operation of the New Zealand Fire Service (section 25 of the Crown Entities Act 2004 and 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)
- Co-ordination of fire safety throughout New Zealand (sections 20 and 21 of the Fire Service Act 1975 and section 47 of the Building Act 2004)
- Receipt and audit of the proceeds of the Fire Service Levy (sections 47B and 48 to 53A of the Fire Service Act 1975).

*This section is provided as a link between the Chairperson's transmittal letter, the Chief Executive's summary and the narrative/descriptive sections covering the activities and results of the Fire Service and the National Rural Fire Authority.*

## Board membership

Members of the board of the Commission are appointed by the Minister of Internal Affairs having regard to criteria set out in both the Crown Entities Act 2004 and the Fire Service Act 1975. In 2008/2009 the board members were:

Dame Margaret Bazley DNZM Hon DLit, Chairperson  
 Mr Terry Scott, Deputy Chairperson  
 Ms Angela Foulkes  
 Mr John Hercus (resigned with effect 31 December 2008)  
 Mr Bob Francis.

## Commission governance

Issues addressed by the board during the year included:

- Implementation of the recommendations of the inquiry into the Icepak Coolstores explosion and fire
- Briefing documents for the incoming Minister of Internal Affairs
- 2009/2010 Statement of Intent including expenditure and service delivery forecasts
- Terms for the sale of former New Zealand Fire Service fire stations to the Office of Treaty Settlements
- Terms and conditions of employer contributions to employee superannuation schemes



- Negotiating parameters for a new Collective Employment Agreement with firefighters
- Area Structure proposals and their implementation
- Policy with respect to the swearing in of members of Fire Police Units
- Improvements to the national resource allocation model
- Terms for a national electricity supply agreement
- Staff and volunteer attitude surveys
- Vehicle procurement arrangements to ensure the timely importation, assembly and delivery of the Fire Service's 'red fleet' appliances
- Implementation of a Governance and Management Agreement with the United Fire Brigades Association, the national organisation that represents the interests of volunteer fire brigades
- Contract terms for the construction and fitting out of Hazmat Command Units.

## National Rural Fire Authority

This function incorporates the administration of the Rural Fire Fighting Fund, the administration of grants to fire authorities for plant and equipment and the co-ordination of rural fire authorities. Major issues addressed by the board in terms of its National Rural Fire Authority role included:

- Implementation of the recommendations arising from the investigation into the Mansfield burn over
- Grants to the Bushfire Co-operative Research Centre and other wildfire research
- Fuel loading on conservation lands retired from grazing and or prescriptive burning
- Changes to the minimum national standards for protective clothing
- Results of audits of fire authority compliance with minimum national standards
- Evaluations of fire authority performance
- Initiatives to promote the amalgamation of smaller fire authorities into enlarged rural fire districts
- Policy on payments to families of rural firefighters killed in the course of fire fighting activities
- Initiation of court action to recover costs from parties responsible for causing fires
- Terms and conditions of collaborative agreements with fire authorities.

## Fire safety co-ordination

Section 20 of the Fire Service Act 1975 states that it shall be a matter of prime importance for the Commission to take an active and co-ordinating role in the promotion of fire safety in New Zealand. Matters addressed by the board in its governance capacity under this heading in 2008/2009 included:

- Priorities for fire safety research under the Commission's Contestable Research Fund
- Award of the Contestable Research Fund contracts
- Presentation of the results of research to fire safety stakeholders
- Liaison with the Department of Building and Housing on the Building Code
- Operation of the unit responsible for providing comment to building consent authorities on applications for certain classes of building consent
- Form and content of national electronic media campaigns
- Terms of mutual assistance agreements with Australian, US and Canadian fire agencies.



## Receipt and audit of Fire Service levy

In 2008/2009, the New Zealand Fire Service Commission received 96 percent of its income from the statutory levy on contracts of fire insurance. Protection of this income stream is therefore a critical governance issue for the Commission. Matters considered by the board under this governance function included:

- Establishment of an annual audit programme to provide assurance around the levy
- Consideration of court or other actions against non-compliant levy collectors
- Consideration of the general levels of reporting and compliance across the sector
- Advice to the minister in the course of the statutory annual review of the rate of levy
- Advice on the need to amend or clarify the levy provisions of the Act.

## Directions issued by Ministers

Pursuant to section 107 of the Crown Entities Act 2004 the Minister of State Services and Minister of Finance issued a direction to the Commission regarding all-of-government shared authentication services on 21 July 2008.

Overview



Performance and results



Service performance



Financial statements



# Operations overview

This overview covers some of our significant events and achievements in 2008/2009.



## Incident trends

The Fire Service responded to 71,516 emergency incidents during 2008/2009. The main categories were:

	2008/2009	2007/2008	2006/2007
Fires	22,490	25,008	25,181
Hazardous emergencies	3,471	3,730	3,291
Medical emergencies	4,810	4,314	4,385
Motor vehicle incidents (excluding fires)	5,429	5,662	5,821
False alarms	26,616	27,272	26,482
Other emergencies	8,700	8,071	6,530
<b>Total</b>	<b>71,516</b>	<b>74,057</b>	<b>71,690</b>

The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2008/2009, 31 percent of incidents were non-fire related emergencies compared to 24 percent in 2000/2001.

## Non-fire emergencies

The Fire Service plays a crucial role in providing responses to many types of non-fire emergencies such as hazardous substances spills, motor vehicle accidents, medical emergencies, civil defence emergencies and responses to incidents during extreme weather.

The Fire Service in partnership with St John's Ambulance is playing an increasing role in providing the initial response to medical emergencies in smaller rural communities.

The Fire Service works with communities to help provide a comprehensive emergency management capability through its participation in emergency management groups, emergency services co-ordinating committees and a range of other forums.

### Non-fire emergencies attended by the New Zealand Fire Service



## Fire appliances

The Fire Service took possession of 39 new fire appliances during 2008/2009. This meets the production numbers required to reduce the average age of the Fire Service fleet.

The newly designed 'Type 1' appliance entered production this year. This appliance has proved to be very successful and will be the most common appliance supplied to brigades in small and medium-sized communities.

The first of 17 new 'hazmat-command' vehicles was commissioned in Christchurch. This new type of appliance combines the incident command and hazardous materials functions. The vehicles will be deployed to 17 fire stations across New Zealand by early 2011.

## Fire stations

A particular focus during 2008/2009 was the fire station seismic strengthening programme. Earthquake surveys have been completed on all 448 Fire Service properties and work is underway to strengthen or replace the 31 stations identified as prone to earthquake damage and requiring significant remedial work.

Other key activities in 2008/2009 were:

- The completion of two new fire stations in Paraparaumu and Mt Roskill
- The refurbishment of the Tuakau Fire Station and the Woolston training centre in Christchurch
- Progress on building replacement fire stations in Paihia, Silverdale, St Heliers, Takapuna, Te Atatu, Ponsonby, Whitianga, Hororata and Springfield.



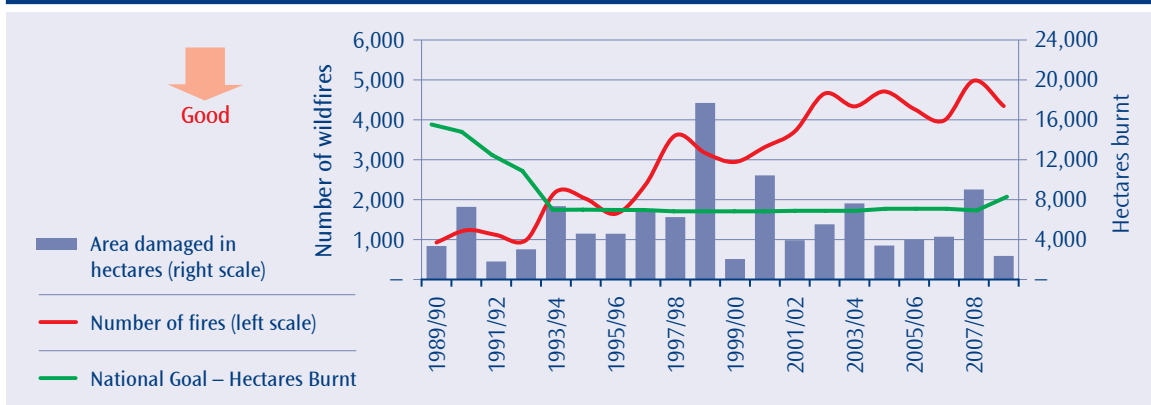
# National Rural Fire Authority overview



The 2008/2009 fire season was generally not as dry as the previous fire season. Some parts of New Zealand experienced very dry conditions, but not for extended periods of time. However, there were drought conditions extending from summer into early autumn in the eastern North Island and in the Nelson/Marlborough, Canterbury and Otago regions in the South.

Two large wildfires in February at Mahia on the East Coast and at Dodson Valley in Nelson, required extended operations over a number of days. These fires, fuelled by very dry vegetation in extreme fire danger conditions, were fast moving. At times they were difficult to control, drawing heavily on resources to fully contain them.

Number of wildfires and the hectares burnt as a result



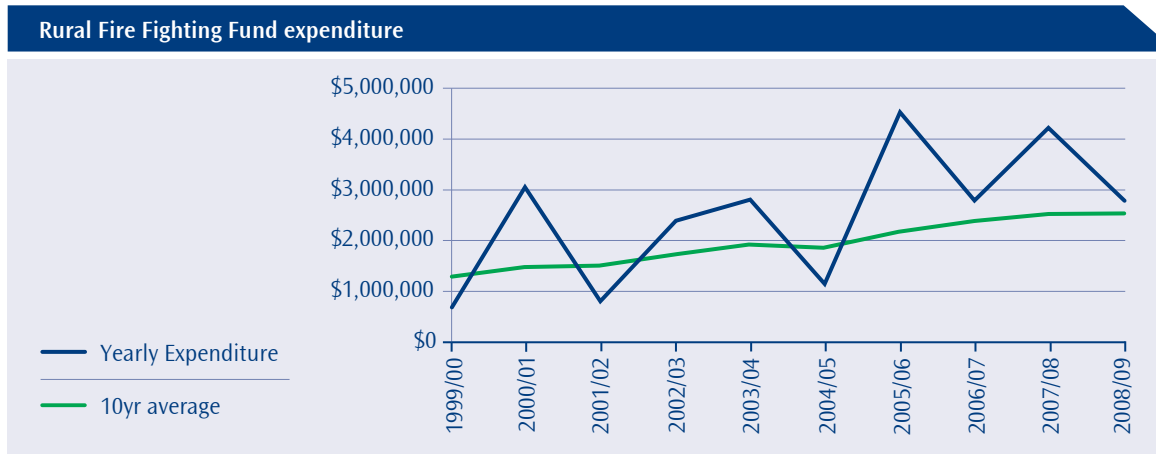
The total number of wildfires in 2008/2009 was 4,345, a decrease of 13 percent from the previous year. The total area burnt was 2,363 hectares, which was a third of the previous year's total of 9,021 hectares.

During 2008/2009 the National Rural Fire Authority (NRFA) developed draft minimum standards for fire hazard assessment and timely response to fires. These draft standards are undergoing a process of consultation with fire authorities before being finalised. It is intended to implement these standards in the 2011/2012 year. In addition, 17 fire authorities were audited against the minimum standards for portable fire equipment, personnel protective equipment and remote weather stations.

Five performance assessments of fire authorities were completed during 2008/2009. The performance assessments were undertaken using the performance assessment principles pioneered by the Baldrige National Quality Programme in the United States and modified for New Zealand use by the New Zealand Business Excellence Foundation.

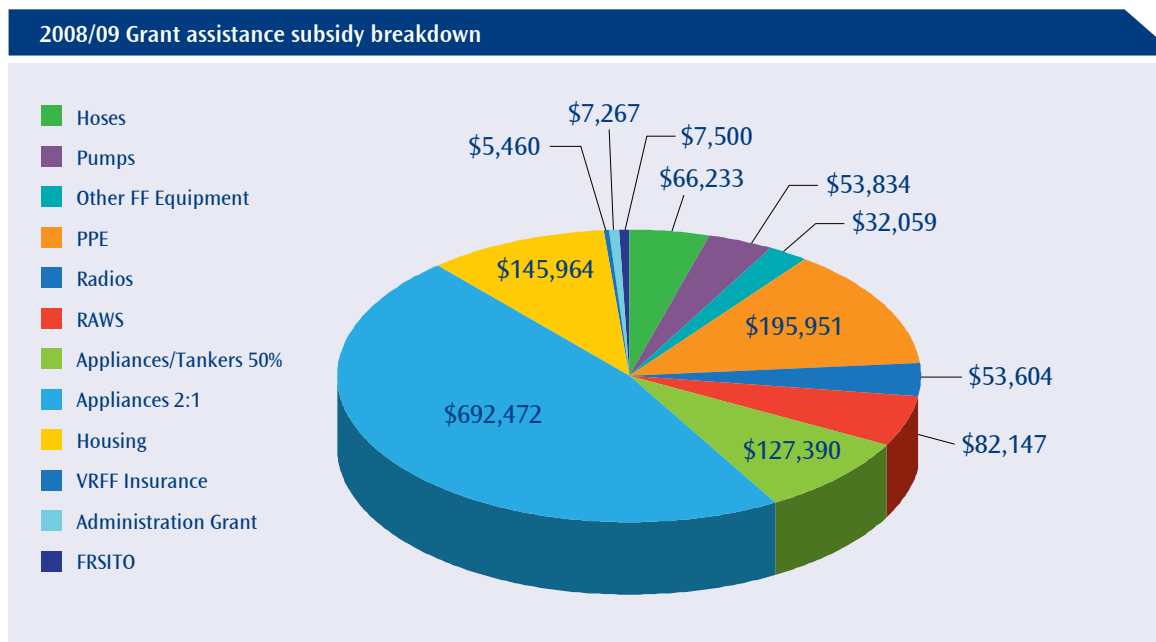
In 2008/2009, fire authorities lodged 75 claims with the Rural Fire Fighting Fund. Of these claims, 29 originated within areas of Department of Conservation responsibility and 46 originated within other fire authority districts.

The total claims lodged with the Rural Fire Fighting Fund do not provide a clear picture of the fire suppression costs involved in wildfires in New Zealand for 2008/2009. In addition to the \$2.7 million of claims on the fund, it is not clear what were the total costs directly recovered from person(s) who caused the fires by fire authorities using the provisions of section 43 of the Forest and Rural Fires Act 1977.



Applications from fire authorities for grants in 2008/2009 under the provisions of section 14A(2)(i) of the Fire Service Act 1975 totalled \$1.8 million. This exceeded the available funding of \$1.5 million.

All applications were assessed and priorities established to ensure available funding provided the best overall outcome. Grants provided to fire authorities under the Grant Assistance Scheme are only available for approved resources to ensure national consistency and standardisation across the sector. Since a change to the policy in 2002, 33 new rural fire appliances have been delivered to the fire authorities' Voluntary Rural Fire Forces, to protect small communities. Six of these appliances were delivered in 2008/2009.



## International deployments

The NRFA co-ordinated the deployment of 108 fire fighting personnel from forest and rural fire agencies throughout New Zealand to the state of Victoria, Australia in February 2009. This was in response to a formal request for assistance from the Department of Sustainability and Environment following the devastating 'black Saturday' fires in Victoria when over 200 lives were lost. This support was gratefully accepted by the Victorians with reports received back that the New Zealand firefighters' work was of a high standard.

An international fire management arrangement with Canadian forest fire agencies was signed off by the Minister in November 2008. This agreement means that formal mutual support arrangements are in place between the provinces of Canada and New Zealand should requests for assistance be required in future.

## Research outcomes

The NRFA provided support to the Scion and Bushfire CRC Forest Fire Research outcomes in 2008–2009. Research reports and other outputs from this work include:

- Analysis of seasonal drought trends
- Interim investigation into post-fire recovery in tussock grasslands
- Analysis of wildfire records
- Social science reports on community effects of the Wither Hills and West Milton wildfires.



# Fire safety co-ordination overview



## Public education

The Commission uses a social marketing approach to deliver its fire safety education to the general public and individuals identified as being most at risk from fire.

The social marketing model achieves sustained changes in social behaviour through:

- Raising awareness
- Changing people's views
- Changing people's behaviour
- Maintaining behavioural change.

The Commission uses independent research to guide and support the development of its social marketing programmes to at-risk groups. Much of this research relates to understanding human behaviour and how best to reach these at-risk groups. The Commission's fire safety education programmes are regularly evaluated to determine their effectiveness in reducing the incidence and consequences of fire.

## Television campaign

Promoting a fire safe lifestyle is a key fire safety strategy for the New Zealand Fire Service Commission. Television plays an important role in raising the public's awareness of appropriate fire safe behaviour. In 2008, the Commission launched a television campaign to address specific fire risks and the preventative behaviour required to reduce the risk. The television commercials encourage members of the public to take small but significant actions to keep themselves and their families safe from fire.

In 2008, it also introduced four television commercials targeting children using the animated Flint and Amber firefighter characters to demonstrate the correct fire safety behaviour. Checking smoke alarms, giving matches and lighters to an adult, what to do in a fire and the preparation of an escape plan were specific actions covered by these commercials.

## Print media campaign

A suite of fire safety material was developed for use on billboards, vehicles, and in other print advertising. The material highlights fire danger as well as encouraging the installation of smoke alarms and the maintenance of batteries in smoke alarms. The new material will help to ensure fire safety messages effectively target the most at-risk groups.



## Get Firewise

The Year 1 and Year 2 Firewise material has been re-developed, renamed and re-launched. The new resource, Get Firewise, was updated to meet the recommendations of the 2008 evaluation and it will be ready for schools to use from Term 1, in 2010. Get Firewise has been developed to increase the number of:

- Teachers and schools using the programme
- Children learning and retaining fire safe behaviour.

### [www.getfirewise.org.nz](http://www.getfirewise.org.nz)

Get Firewise will be supported by a new interactive website. The website has sections for teachers, parents and children where they can find out about fire safety. The teachers' section allows case studies of Get Firewise in the classroom to be uploaded as videos or images and has other tools to support professional development. The website also includes an internal section for firefighters to watch training case studies and to download marketing material to help promote the programme to schools.

## Maui Tinei Ahi

Maui Tinei Ahi, the fire safety programme for Year 1 and Year 2 tamariki in kura kaupapa, bilingual classes and immersion units in primary schools, is undergoing re-development following a national evaluation. The new resource will better meet the needs of both kura kaupapa teachers and students, and it will be available in 2010.

## Contestable Research Fund

Over the past decade, the Commission's Contestable Research Fund has generated a significant body of research advancing our knowledge of fire prevention and fire management.

The following are some of the research reports published in 2008/2009:

- A review of fire safety in existing homes
- Kitchen fires promotion campaign effectiveness
- Measurement of rural firefighter physiological workload and fire suppression productivity
- Cost of repair to fire damaged buildings, BRANZ
- Sustainability and carbon footprint reduction, PricewaterhouseCoopers.

Full copies of these reports can be found on [www.fire.org.nz/research](http://www.fire.org.nz/research)

In 2008/2009, the Contestable Research Fund sponsored research under the following topics:

- Determining the national economic value of a volunteer fire brigade
- Assessing the impact of vegetation and house fires on Green House Gas (GHG) emissions
- Assessing the impact changes in building materials and housing design have had on the cost and damage of fires
- Developing an approved training course for home sprinkler design
- Assessing the cost/benefit of single sprinkler-head installations for kitchens
- Keeping our marae safe from fire: building a fire safety culture
- Developing a framework for measuring the Fire Service's contribution to other agencies' mandates and its impact on non-fire outcomes
- Reviewing fire and emergency incident reporting
- Measuring the economic cost of wildfires.

## Evaluations

### Kitchen fires promotion campaigns

Research was conducted on people's attitudes to kitchen fire safety, what fire safety advertising or promotional material they had seen and what their views were on effective fire safety campaigns. The research found the recall of fire safety campaigns was high, people were recalling the right fire safety messages and the Fire Service's key messages 'don't drink and fry' and 'keep looking while you're cooking' were effective. The report also suggested adopting alternative advertising styles, including using realistic images to show the negative consequences of fires.

### Cost of repair to fire damaged buildings

This research was conducted to investigate the real costs of recovery following a fire (using the criteria employed by insurance assessors to write-off a partially damaged building). Our aim was to develop a more realistic measure of the Fire Service's response effectiveness.

Various adjustments to data already collected by the Fire Service were recommended so the data would more accurately quantify the cost of repair to fire damaged buildings. The Commission will implement the recommendations in 2009/2010 and update the way it measures the damage to structures from fire.

## Fire safety in the built environment

### Evacuation schemes

Fire safety law relating to evacuation schemes is designed to make sure the public knows how to evacuate safely from a building in the event of a fire. It also ensures the Fire Service can carry out fire fighting activities unobstructed. Although the building owner is responsible for developing an evacuation scheme, the Fire Service has developed a specific website (<http://evaconline.fire.org.nz>) to help building owners prepare their schemes for approval. A central processing unit has been established to process evacuation schemes within 20 working days.

### Technical advice

The Commission has delivered professional and technical advice to people involved in building standard-setting, design, development, ownership and occupation. In general the purpose of this advice is to:

- Increase the use of fire engineering and sound fire safety features in building design
- Ensure buildings are used safely and in accordance with their design
- Ensure buildings are well managed to maintain a high level of fire safety.

The delivery of technical fire safety advice is governed by the Fire Service Act 1975 for evacuating buildings and the Building Act 2004 for providing advice to building consent authorities on the fire safety provisions included in building consent applications. These two pieces of legislation also guide technical fire safety advice to a range of people and organisations.



# Receipt and audit of Fire Service levy



The Fire Service Levy is collected for the Commission by insurance brokers and companies under sections 48 and 49 of the Fire Service Act 1975. The levy is calculated on the amount for which the property is insured, at a rate set by the Minister of Internal Affairs. When reviewing the rate of levy the Minister has to take into account the total amount for which all properties in respect of which the levy is payable are insured at the latest available date, the requirements of the Rural Fire Fighting Fund, the actual net expenditure and maintaining levy rate stability. The Minister increased the rate of levy for property other than motor vehicles from 7.3 cents per \$100 of insured value to 7.6 cents effective from 1 July 2008.

The current economic climate appears to have had an impact on the amount of levy received by the Commission. Some organisations went out of business and others moved their operations offshore. It appears that levy payers tightened their belts and amended insurance arrangements, as schemes designed to minimise the payment of levy became more prevalent. The Commission received less levy than was budgeted for, which increased pressure on its net expenditure. The trend set in 2008/2009 would appear set to continue into 2009/2010 and beyond, putting more pressure on the rate of levy in outer years.

The results from the levy audits continued to be disappointing, with 38 percent (a slight increase on 2007/2008) of all contracts of fire insurance audited for compliance being technically non-compliant in one aspect or another. Key areas of non-compliance included the lack of proper support for indemnity value, the omission of levy on policy extensions, the miscalculation of levy on motor vehicles, and the miscalculation of levy amount. The levy trends and the results of the audits have reinforced the areas of interest to the Commission for 2009/2010. These areas will be:

- Arrangements that cover multiple properties and limit the indemnity cover to a sum or sums less than the indemnity value of the property insured
- Arrangements that purport to be one contract of fire insurance yet appear to be many individual contracts of fire insurance
- Arrangements by organisations that claim not to be an insurance company
- Organisations with offshore insurance arrangements
- The systems maintained by insurance companies and insurance brokers for recording and accounting for the Fire Service Levy, to ensure the Commission is paid in full and on time.

# The Commission's performance



The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2008/2009 Statement of Intent. This section covers the longer-term outcome performance against the Commission's five-year national goals.

## Incidence of fire

### National goals

Achieve and maintain the estimated total number of fires in New Zealand to less than 2,300 per 100,000 population

Achieve and maintain the number of fires in structures to less than 130 per 100,000 population

Achieve and maintain the number of vegetation fires to less than 120 per 100,000 population

Estimate of all fires in New Zealand per 100,000 population



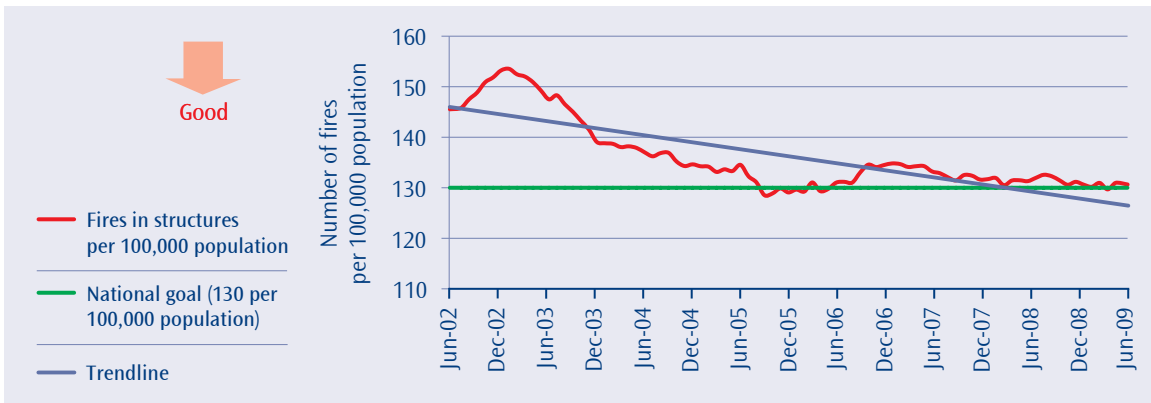
The estimated number of all fires and the number of fires in structures per 100,000 population continue to trend down and they are both below the national goal level.

Vegetation fire numbers are trending up but they are currently below the level of the national goal. Much of this trend increase is due to increasing hot and dry climatic conditions over the summer periods.

The Commission continues to monitor weather patterns and to provide daily fire weather information to fire authorities to help them manage vegetation fire risk.



Fires in structures per 100,000 population 12-month totals by month



12-month rolling total vegetation fires per 100,000 population





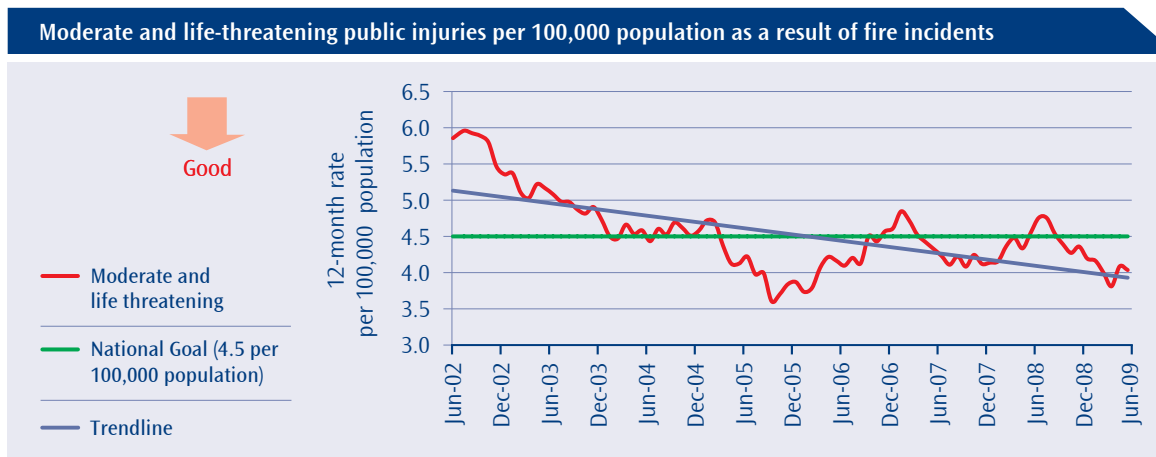
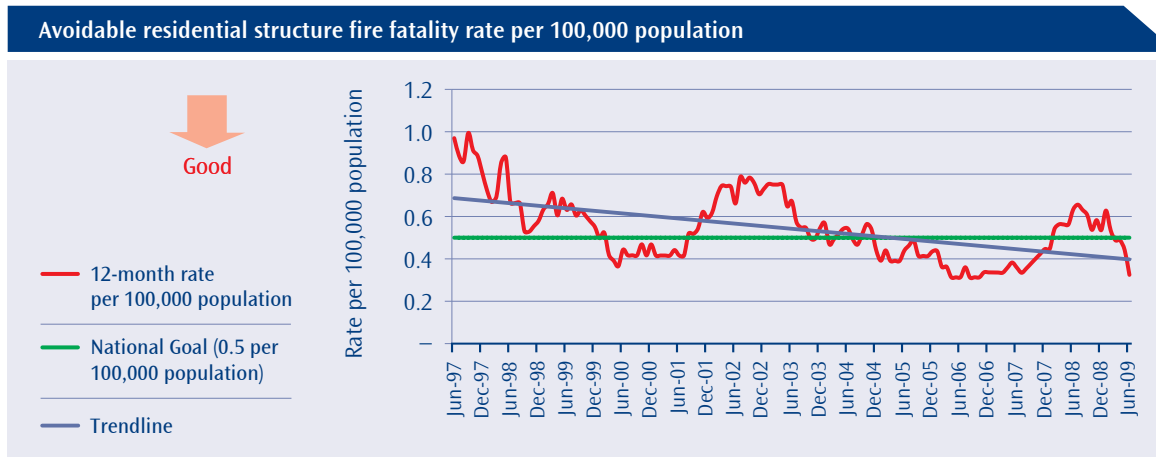
# Fire fatalities and injuries

## National goals

Achieve and maintain an avoidable residential structure fire fatality rate of less than 0.5 per 100,000 population

Achieve and maintain the number of life threatening and moderate injuries to the public from fire incidents to less than 4.5 per 100,000 population

The Commission monitors its national goals on fatalities and injuries from fire to assess progress against its statutory mandate to protect life. Both of these national goals have shown significant reductions over the last five to 10 years. Based on its research and data analysis, the Commission believes the main reason for the reduction is its delivery of fire safety education. Avoidable residential fire fatalities per 100,000 population have reduced by 67 percent since 1997 and injuries to the public per 100,000 population have reduced 34 percent since 2002. The graph (top) shows the results and long-term trends for avoidable residential structure fire fatalities and the graph (bottom) shows results for the rate of moderate and life-threatening injuries per 100,000 population.



Key fire safety messages during 2008/2009 included: keep looking while you're cooking, don't drink and fry, smoke alarms save lives, get out stay out and call the Fire Service, develop home escape plans and install home sprinklers.



## Property damage

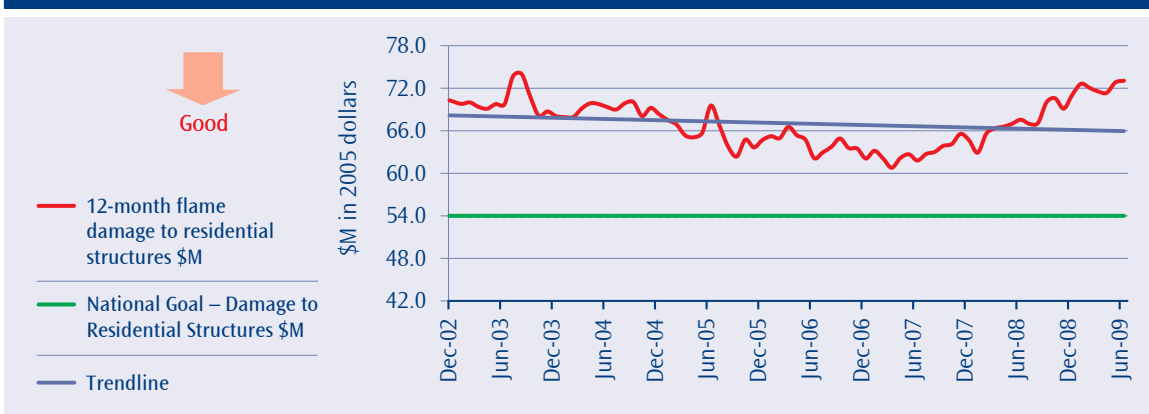
### National goals – structures

Maintain the estimated dollar value of damage from fires in residential structures below \$54 million per annum

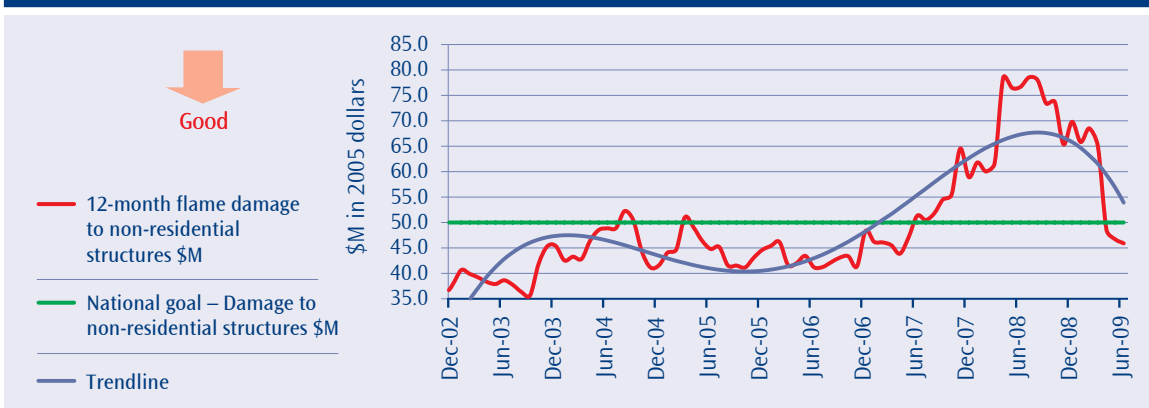
Maintain the estimated dollar value of damage from fires in non-residential structures below \$50 million per annum

The Commission uses the estimated value of property damage to monitor its progress against its statutory mandate to protect property. The measures estimate the dollar value of loss from fires in residential and non-residential structures. At present the measures reflect just the loss to the structures themselves and do not include contents or any downstream economic or social losses. Since 2002, the trend for property damage to residential structures is down. The Commission believes this is a result of its fire safety education programmes such as Home Safe Home and more recently C'Mon Guys Get Firewise which have focused largely on residential property damage. The graphs below show the estimated dollar value of flame damage to residential structures (top) and non-residential structures (bottom).

#### Estimated flame damage to residential structures from fires



#### Estimated flame damage to non-residential structures from fires

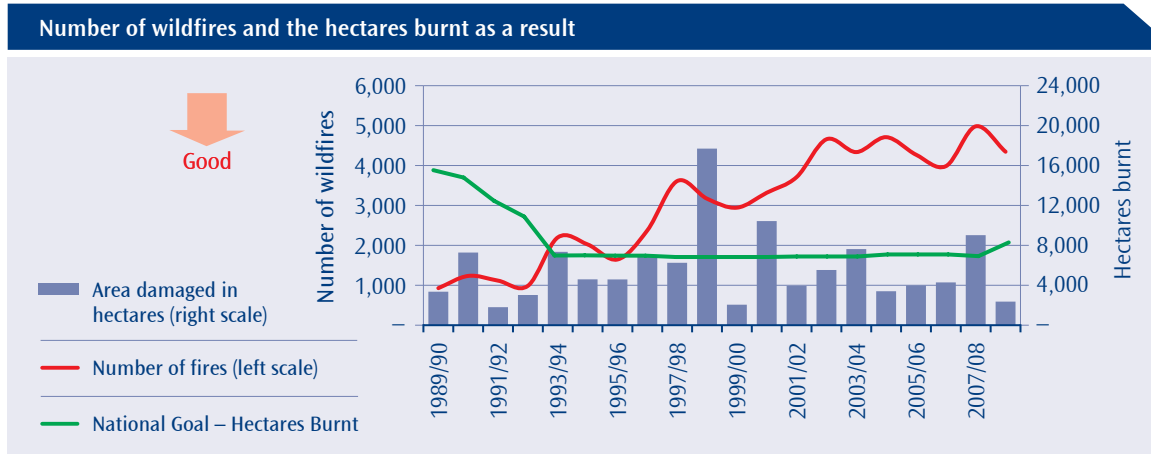


Key fire safety messages during 2008/2009 included: keep looking while you're cooking, the heater metre rule, checking electric blankets, don't overload power sockets, get out and stay out and call the Fire Service and install home sprinklers.

## National goals – vegetation

Ensure annual area burnt by wildfires is five percent less than the previous 10-year average 75th percentile

Contain 95 percent of all wildfires within two hours of being reported



The number and rate of vegetation fires per 100,000 population has been increasing over the last 15 years. Part of this increase is due to the improved reporting of fires by fire authorities. In addition, climatic conditions (trending hotter and drier) have had an impact on the number and severity of vegetation fires. The graph (above) shows results from annual fire authority returns with the steep increase in fire incidents reported. The area burnt in 2008/2009 was 2,363 hectares, significantly less than the national goal of 8,240 hectares. The table (below) shows the percentage of vegetation fires contained within two hours of notification.

Vegetation fires contained within two hours of being reported	2008/ 2009	2007/ 2008	National Goal
In urban areas (within fire districts)	96%	94%	
In rural areas (outside fire districts)	82%	78%	
Overall	90%	86%	95%

## Response times

### National goals – response to fires in fire districts

Response times for fire incidents inside fire districts will be monitored for performance against the national service delivery guidelines of:

- 7 minutes 30 seconds 90% of the time for career stations
- 10 minutes 90% of the time for volunteer stations.

Responses to fires in fire districts	2008/ 2009	2007/ 2008	National Goal
Within 7 minutes 30 seconds for stations with paid staff	82%	83%	90%
Within 10 minutes for stations with volunteer staff	87%	86%	90%



## Fire authority preparedness

### National goals

100 percent of fire authorities will meet their legal obligations for adopting and reviewing their fire plans

Reduce the number of fire authorities from 89 to 60 by 2013\*

\* This national goal will only be achieved in consultation with and with the agreement of fire authorities.

	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	2004/ 2005	2003/ 2004	Target
Number of fire authorities*	86	89	90	90	91	93	–
Number of fire authorities with an adopted fire plan and copy provided to the NRFA	86	81	89	87	89	91	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	100%	91%	99%	97%	98%	98%	100%

Fire authorities have a legal obligation for adopting and reviewing fire plans. In addition to this they must review:

- The readiness and response parts of the fire plan every two years
- The risk reduction and recovery parts of the fire plan every five years.

The Commission monitors compliance of fire authorities against these requirements with the results shown above.

In 2008/2009 the Commission extended this monitoring to include the requirement to review the content of fire plans.

The first review period is due in October 2009 and will be reported in the 2009/2010 annual report.

## The public's fire safety knowledge and behaviour

This sub-section summarises the results of the Commission's annual fire knowledge survey. The telephone survey asks people aged 13 years of age and over a series of fire safety questions and is carried out between August 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.

### National goals

Improve the fire safety knowledge and behaviour of the public: projections developed for 2011:

- 98 percent of people will believe a fire can become unsurvivable in five minutes or less
- 85 percent of people recall a fire safety message
- 96 percent of homes will have at least one smoke alarm installed.

	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	2011 National Goal
People will believe a fire can become unsurvivable in five minutes or less	89%	91%	87%	86%	98%
People recall a fire safety message	83%	86%	54%	74%	85%
Homes will have at least one smoke alarm installed	90%	88%	87%	88%	96%

## Impact on the environment

### National goal

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Establish targets for reducing carbon emissions and energy consumption

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In 2008/2009, the Commission completed a research project that established a baseline level of Green House Gas (GHG) emissions. The Commission also started working on determining what levels of GHG emissions are sustainable in the long term. The Commission expects to establish targets for GHG emissions during 2009/2010. In conjunction with this work, the Commission commenced a project to determine the level of GHG emissions as a result of vegetation fires and fires in structures. The project also aimed to determine the effect the Fire Service's activities have on these GHG emissions. The project is expected to be completed in April 2010 and will help the Commission to calculate its overall net GHG emissions from its daily operations and fire suppression activities, and any effect it has on GHG from fires.

### Impact on non-fire emergencies

#### National goals

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Meet or exceed national service delivery guidelines for non-fire emergencies:

- 30 minutes for motor vehicles accidents 90 percent of the time
- 20 minutes for incidents requiring the specialist hazmat unit 90 percent of the time within large urban areas and major transportation hubs
- 60 minutes for incidents requiring the specialist hazmat unit 90 percent of the time for the rest of New Zealand.

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National standards for all other response activities are specified and published

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All New Zealand Fire Service fire stations meet the agreed national standard for resilience

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The Fire Service responded to over 22,000 non-fire emergencies during 2008/2009. The table below shows the timeliness of responses to these emergencies compared to the national goals established last year. The Fire Service is in the process of deploying new "hazmat-command" vehicles. This new type of appliance combines the incident command and hazardous materials functions and the commission is confident that response times to hazardous emergencies following the completion of this deployment.

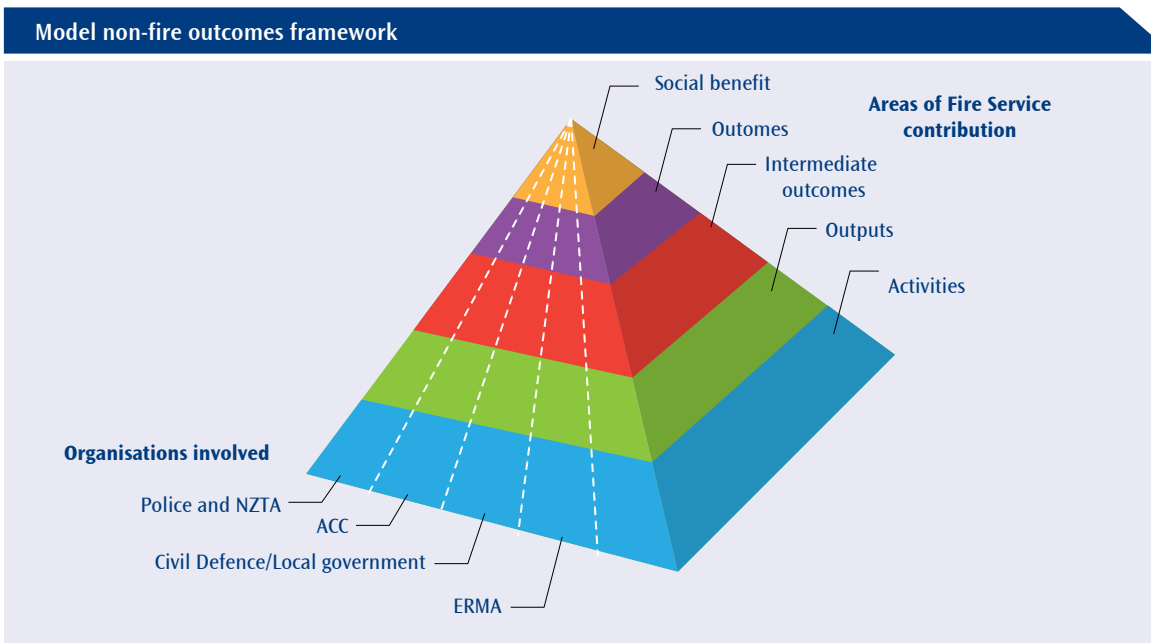
Responses to non-fire emergencies	2008/ 2009	2007/ 2008	National Goal
Motor vehicle accidents will be responded to within 30 minutes	97%	97%	90%
Incidents requiring the hazmat unit will be responded to within 20 minutes in large urban areas	86%	88%	90%
Incidents requiring the hazmat unit will be responded to within 20 minutes for the rest of New Zealand	79%	76%	90%

During 2008/2009 earthquake surveys were completed on all 448 Fire Service properties as part of the Commission's fire station resilience initiative. Capital work is underway to strengthen or replace the 31 stations identified as prone to earthquake damage and requiring significant remedial work. The fire station seismic strengthening programme is expected to be completed over the next few years.



## Non-fire outcomes framework

The Commission commenced a project under the Contestable Research Fund to report on and describe the value of the Commission’s contribution to non-fire outcomes. The initial output from this project indicates data is a key issue in identifying the contribution the Fire Service makes to other agencies’ outcomes. The project noted that data gathered by other agencies could provide an estimate or picture of the Fire Service’s contribution at the output level but that that data would not be sufficient to support a picture of the Fire Service’s contribution at the outcome level. The project recommended developing a composite reporting framework to help the Commission to monitor its performance in the non-fire area. The initial model concept is shown below. The Commission expects this project to be completed during 2009/2010 and the resulting non-fire outcomes framework included in its 2010–2013 Statement of Intent.



The framework is expected to include the following information:

Non-fire incidents and agency involvement	Fire Service activities	Immediate benefits (outputs)	Areas of Fire Service impact/contribution
<b>Motor vehicle accidents</b>			
<ul style="list-style-type: none"> <li>• Transit New Zealand</li> <li>• New Zealand Police</li> <li>• Ambulance</li> <li>• Health providers</li> <li>• ACC</li> </ul>	<ul style="list-style-type: none"> <li>• Extrications</li> <li>• Medical emergency assistance</li> <li>• Scene management</li> <li>• Traffic direction</li> <li>• Scene cleanup</li> <li>• Prevention of fire ignition at the accident site</li> </ul>	<ul style="list-style-type: none"> <li>• Safe and timely extrication of injured people</li> <li>• Reduce impact of injuries</li> <li>• Reduce risk of further injuries</li> </ul>	<ul style="list-style-type: none"> <li>• Save life and reduce the impact of injuries</li> <li>• Provide medical intervention to reduce impact of injuries in support of ambulance</li> <li>• Scene protection to prevent further accidents and injury</li> <li>• Provide physical resources to improve emergency response</li> <li>• Manage crash sites, including preserving life and safeguarding property</li> <li>• Collection, preservation and forensic examination of physical evidence</li> <li>• Prompt resumption of safe traffic flows at crash sites</li> </ul>



Non-fire incidents and agency involvement	Fire Service activities	Immediate benefits (outputs)	Areas of Fire Service impact/contribution
<b>Hazardous substance emergencies</b>			
<ul style="list-style-type: none"> <li>• Territorial authorities</li> <li>• Environmental Risk Management Agency</li> <li>• Department of Labour</li> <li>• New Zealand Police</li> </ul>	<ul style="list-style-type: none"> <li>• Incident management until the arrival of lead agency</li> <li>• Evacuation and rescue</li> <li>• Containment of the spread of hazardous substances</li> <li>• Cleanup</li> <li>• Decontamination</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce actual and potential harm</li> <li>• Reduce actual and potential environmental damage</li> <li>• Reduce actual and potential damage to property</li> </ul>	<ul style="list-style-type: none"> <li>• Minimise environmental damage</li> <li>• Protect people from harm</li> <li>• Protect property</li> </ul>
<b>Medical emergencies</b>			
<ul style="list-style-type: none"> <li>• Ambulance providers</li> <li>• Health providers</li> <li>• ACC</li> </ul>	<ul style="list-style-type: none"> <li>• Basic medical services at emergencies</li> <li>• First response in some areas that have distant ambulance cover</li> </ul>	<ul style="list-style-type: none"> <li>• Save life</li> <li>• Reduce impact of injuries</li> <li>• Reduce risk of further injuries</li> </ul>	<ul style="list-style-type: none"> <li>• Assist the ambulance service to provide medical care</li> <li>• Early medical intervention to reduce impact of medical emergency</li> </ul>
<b>Civil defence emergencies</b>			
<ul style="list-style-type: none"> <li>• Territorial authorities</li> <li>• Emergency management groups (EMGs)</li> <li>• Ministry of Civil Defence and Emergency Management (MCDEM)</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-planning within EMGs and GIS information to MCDEM</li> <li>• Urban search and rescue planning and response</li> <li>• Responses to a range of civil emergencies (most commonly local)</li> </ul>	<ul style="list-style-type: none"> <li>• Provide accurate information about local emergency events, facilitate timely response</li> <li>• Limit damage</li> <li>• Provide physical resources to help recovery from emergencies</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the impact of large emergencies</li> <li>• Maintain readiness to respond to civil defence emergencies at local, regional and national levels</li> </ul>
<b>Community education and home safety</b>			
<ul style="list-style-type: none"> <li>• Health providers</li> <li>• ACC</li> </ul>	<ul style="list-style-type: none"> <li>• Checking safety of home environment</li> </ul>	<ul style="list-style-type: none"> <li>• Raise community awareness of home safety</li> <li>• Increase reach of home safety messages</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent and reduce injury at home</li> <li>• Reduce home injury-related claims</li> </ul>



# Organisational health and capability



## Training and development

The Fire Service has continued to place a strong focus on the ongoing development of training materials and programmes for both career staff and volunteers. These include:

- **Training and Progression System and learner support**

The comprehensive Training and Progression System (TAPS) introduced in 2007 for all career firefighters is now well imbedded in the organisation. A similar system was also implemented for volunteer firefighters in 2008. Training begins with recruit courses and moves through a structured learning progression system with the highest level of achievement being a diploma in Frontline Management. Learning is delivered through a range of approaches, from face to face to distant learning and practical sessions. A learner support role works with individual staff members to make sure they have the appropriate support to complete their learning.

- **Operational Skills Maintenance**

The Fire Service introduced the first stage of a new system, called Operational Skills Maintenance (OSM), to manage firefighters' operational maintenance training. A computer programme manages the system and ensures the minimum standards of training content and frequency are monitored and maintained. Further enhancements to the OSM system will be introduced in 2009/2010.

- **Training Management System**

This year we launched the Training Management System (TMS), which is an electronic tool allowing the management, recording and reporting of all progression training within the Fire Service.

- **Management Conference**

In April 2009, a development programme was held to support the implementation of a new operational management structure. An Area-based management structure was implemented with effect from 1 February 2009. The new structure aims at better integrating the activities and services of the fire services across both paid and volunteer brigades, and at creating clear and distinct levels of management, appropriate for our core roles and responsibilities. This development programme brought together all of the newly appointed Area Managers for two days. It focused on developing a clear and consistent approach to the implementation of the new structure, and on providing managers with support in their new roles.

- **Leadership Development for Volunteer Officers**

In 2008, the Volunteer Officer Executive Development Programme was reviewed and enhanced to better meet the needs of this group and to better reflect the range of development needed at this level. This has been well received by participants and their feedback has been positive.

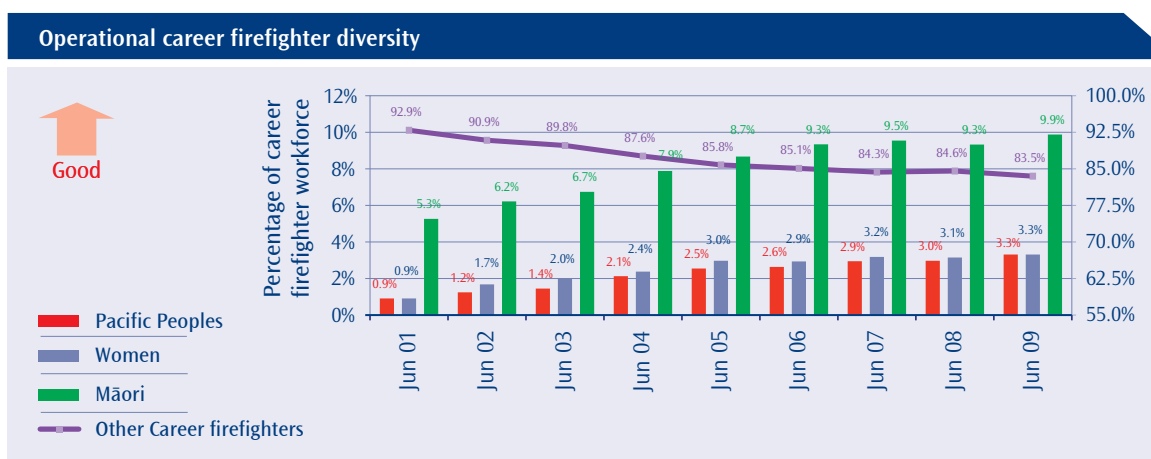


## Diversity and fairness

The Fire Service continues to raise the awareness of diversity and fairness within the organisation. In 2008, the Women Firefighters' Network Group was particularly active. It implemented development opportunities and developed a new website to maintain contacts and to create support networks for female firefighters, both career and volunteer.

Our recruitment strategy uses selective advertising mediums such as the Pacifica Career Expo, the internal Iwi Liaison Group and radio advertising to ensure the cultural and gender diversity within the fire services reflects the communities we represent. The following graph shows the diversity profile of our career firefighters from June 2001 to June 2009.

### Diversity – career firefighters



### Changing behaviour to support diversity

The Fire Service recognises it not only has to raise the awareness of diversity and fairness within the organisation, it has to develop and implement ways to make this happen. We are piloting two programmes aimed at changing behaviours. These programmes are:

- **Flexibility and work design**

The Fire Service implemented a pilot Job Share Scheme in 2008, designed to provide more flexibility for staff wanting to work part time, typically for family or transition to retirement reasons. This pilot will be evaluated when it has been in place for 12 months, and if it is successful, we will give consideration to implementing the scheme more widely.

- **Asian Communities Strategy Pilot**

An increase in fire-related incidents within the Asian student population in Auckland identified the need for the Fire Service to look at how to overcome the barriers in both language and culture to educate these students in fire safety. A new role has been piloted within this region to bring together and work with the appropriate stakeholders in the community, such as the Police, the Asian Liaison Officer and the Office of Ethnic Affairs, to increase our ability to educate this group to reduce the incidence of fire.



## Safety and wellbeing

The Fire Service recognises that a safe and well workforce is fundamental to achieving our vision and mission. In 2008/2009 the Fire Service continued to develop and implement interventions across all of our business units in a concerted effort to reduce the incidence and severity of workplace injuries and illnesses. The interventions were also designed to improve the health and recovery of all our personnel. The maintenance of our tertiary status was achieved under the ACC Partnership Programme. Significant achievements include:

- **Review of the Welfare Response to the Icepak Coolstores Fire**

A review was undertaken of the welfare response to the Icepak Coolstores fire in Tamahere, where one firefighter lost his life and several others were injured. This review identified that while the New Zealand Fire Service's welfare response had been significant, comprehensive and effective, there were opportunities to make improvements to some of our practices. These improvements have been made.

- **Review of our Safety and Wellbeing Systems**

To ensure we continue to provide best practice safety and wellbeing systems, an independent external review of our overall safety and wellbeing systems was undertaken. This review identified a number of very positive aspects of our safety and wellbeing system, and identified opportunities to make further enhancements to better support effective safety and wellbeing practices and outcomes across the organisation. A number of these recommendations have been implemented or are currently being worked on.

## Organisational risks

This sub-section provides commentary on the actual organisational risks that occurred during 2008/2009 compared to the key organisational risks identified when developing the 2008–2011 Statement of Intent.

### Volunteer recruitment

<b>Risk</b>	Urban or rural brigades are unable to recruit enough volunteers with the required competencies.
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Operational capability is compromised.</li> <li>• Organisational performance is adversely affected.</li> <li>• Loss of confidence in the Fire Service to deliver service.</li> </ul>
<b>Controls</b>	<ul style="list-style-type: none"> <li>• Targeted recruitment of volunteers.</li> <li>• Supplementing volunteers with career firefighters where appropriate.</li> <li>• Employer and employee recognition programmes.</li> </ul>
<b>Current Situation</b>	Volunteer brigades recruited and retained sufficient numbers during 2008/2009.

### Government expectations

<b>Risk</b>	The Commission doesn't respond to a change in political direction, public expectation or community standards and therefore it fails to faithfully implement the policies of the Government of the day.
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Adverse impact on the reputation of the organisation and subsequent loss trust.</li> <li>• Organisational performance is adversely affected.</li> </ul>

<b>Controls</b>	<ul style="list-style-type: none"> <li>• Ongoing dialogue and briefings with the government officials with a 'no surprises' approach.</li> <li>• Programmed meetings with the Minister every four to six months.</li> <li>• The Commission's ongoing consultation with regions and local authorities.</li> <li>• Open advice to all parties and the Government.</li> </ul>
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<b>Current Situation</b>	The Commission delivered the agreed services set out in its Statement of Intent. Consultation, briefings and meetings are continuing as planned.
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## Levy income

<b>Risk</b>	Levy income is not adequate to cover the planned expenditure programme.
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<b>Impact</b>	<ul style="list-style-type: none"> <li>• The Commission is forced to raise debt to cover expenditure or to reduce service capability.</li> </ul>
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<b>Controls</b>	<ul style="list-style-type: none"> <li>• Close monitoring and analysis of monthly levy receipts.</li> <li>• Intensive investigation of year-on-year differences in receipts.</li> <li>• Expansive education initiatives to improve compliance.</li> <li>• Instigation of legal action where appropriate.</li> </ul>
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<b>Current Situation</b>	Levy income fell short against budget by \$3m for the year. This is a strong result given the current economic conditions.
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## Volunteer representation

<b>Risk</b>	The volunteer arm of the New Zealand Fire Service will not have an independent, articulate and sustainable organisation to represent and advocate their needs to the Commission.
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<b>Impact</b>	<ul style="list-style-type: none"> <li>• Operational capability is compromised.</li> <li>• Financial impact on the Commission.</li> <li>• Organisational performance is adversely affected.</li> </ul>
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<b>Controls</b>	<ul style="list-style-type: none"> <li>• Provide assistance to the volunteer sector so it can form and maintain an effective advocacy body.</li> </ul>
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<b>Current Situation</b>	The Commission worked with the United Fire Brigades Association to ensure the long-term sustainability of the organisation to provide its advocacy role.
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## Major loss event

<b>Risk</b>	The outcomes of a major loss-event will have an impact on the reputation, human resources and financial health of the organisation.
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<b>Impact</b>	<ul style="list-style-type: none"> <li>• Operational capability could be adversely affected at the local level.</li> <li>• Direct financial cost of the incident and the ongoing cost of providing service capability.</li> <li>• Organisational performance could be adversely affected.</li> </ul>
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<b>Controls</b>	<ul style="list-style-type: none"> <li>• Realistic scenario planning for this type of event.</li> </ul>
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<b>Current Situation</b>	No adverse events occurred during 2008/2009.
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# Statement of responsibility

for the year ended 30 June 2009



Pursuant to the Crown Entities Act 2004, 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 statement of service performance judgements used therein
- The establishment and maintenance of a system of internal controls 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 and the statement of service performance for the year ended 30 June 2009 set out on pages 33 to 100 fairly reflect the financial position and operations of the Commission.

**Dame Margaret Bazley DNZM, Hon DLit**  
Chairperson  
30 October 2009

**Angela Foulkes**  
Member of Commission  
30 October 2009



# Audit report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Overview



To the readers of New Zealand Fire Service Commission's financial statements and statement of service performance for the year ended 30 June 2009.

The Auditor-General is the auditor of New Zealand Fire Service Commission (the Commission). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2009.

## *Unqualified Opinion*

In our opinion:

- The financial statements of the Commission on pages 48 to 100:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - » the Commission's financial position as at 30 June 2009; and
    - » the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 33 to 47:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - » its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - » its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 October 2009, and is the date at which our opinion is expressed.

The basis of our 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 the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance 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 and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Performance and results



Service performance



Financial statements



The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. 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 and statement of service performance disclosures are adequate.

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

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

### *Responsibilities of the Commission and the Auditor*

The Commission is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Commission's responsibilities arise from the Crown Entities Act 2004 and the Fire Service Act 1975.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

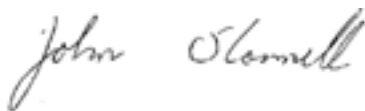
### *Independence*

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 a probity assurance review over the professional service engagement for Te Atatu fire station and a tender for electricity services. These assignments are compatible with those independence requirements.

Also in addition to the audit, a staff member from Audit New Zealand was appointed to the position of Financial Accounting Manager in April 2008. As required by the above independence requirements, appropriate safeguards have been taken to address any threats to independence from this appointment.

Other than the audit and these assignments, we have no relationship with or interests in the Commission.



**John O'Connell**  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

**Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance**  
This audit report relates to the financial statements and statement of service performance of New Zealand Fire Service Commission for the year ended 30 June 2009 included on the New Zealand Fire Service Commission's website. The Commission is responsible for the maintenance and integrity of the New Zealand Fire Service Commission's website. We have not been engaged to report on the integrity of the New Zealand Fire Service Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website. The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. 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 statement of service performance and related audit report dated 30 October 2009 to confirm the information included in the audited financial statements and statement of service performance presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Statement of service performance

## for the year ended 30 June 2009

Overview



This section sets out the measures of financial performance and the output performance for 2008/2009.

### 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.

### Completeness of incident statistics

The Station Management System (SMS), which contains incident information, was 98.84 percent complete in 2008/2009. The remaining 1.16 percent was proportionally spread across all incident types. This treatment is consistent with previous years. Completeness for each of the last five years was 98.4 percent, 98.1 percent, 98.5 percent, 99.3 percent and 98.6 percent.

### Main financial measures

	2008/2009 Actual \$000	2008/2009 SOI Target \$000
Levy receipts (including Rural Fire Fighting Fund)	299,447	303,361
Total revenue and income (excluding Rural Fire Fighting Fund)	311,690	314,623
Total expenditure (excluding Rural Fire Fighting Fund)	298,943	304,589
Net surplus attributable to the owners of the Commission	14,612	10,034
Debt and investment levels-minimum liquidity buffer	10,000	10,000
Capital expenditure cash flows		
Intangibles	702	441
Property, plant and equipment	50,108	68,468

Performance and results



Service performance



Financial statements



## Output classes – levy receipts

	2008/2009 Actual levy receipts \$000 GST excl.	2008/2009 Budget levy receipts \$000 GST excl.	2007/2008 Actual levy receipts \$000 GST excl.
<b>Output Class 1: Fire safety education, prevention and advice.</b>	<b>47,878</b>	<b>48,598</b>	<b>41,092</b>
Output 1.1: Fire prevention and advice to the general public.	35,106	35,693	30,819
Output 1.2: Professional and technical advice to the built environment public.	4,184	4,210	2,647
Output 1.3: Fire safety legislation.	8,588	8,695	7,626
<b>Output Class 2: Firefighting and other Fire Service operations.</b>	<b>245,299</b>	<b>247,538</b>	<b>235,252</b>
Output 2.1: Operational readiness.	203,131	204,923	196,422
Output 2.2: Operational responses to fire and other emergencies.	41,863	42,314	38,575
Output 2.3: Wider emergency management capability.	305	301	255
<b>Output Class 3: Rural fire leadership and coordination.</b>	<b>6,270</b>	<b>7,225</b>	<b>2,955</b>
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes.	5,997	6,058	2,409
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	273	1,167	546
<b>Total levy receipts assigned to outputs</b>	<b>299,447</b>	<b>303,361</b>	<b>279,299</b>

**Note:** In 2007/2008 there were two additional outputs – Output 3.2: Administration of the Rural Fire Fighting Fund and grant assistance schemes and Output 3.4: Advice to the public and to key groups in rural lands. These outputs have been combined into Output 3.1. Total income of \$1,113,000 allocated to these outputs in 2007/2008 has been reallocated to provide information to compare to the 2008/2009 output costing.

## Output classes – other revenue and income

	2008/2009 Actual other revenue and income \$000 GST excl.	2008/2009 Budget other revenue and income \$000 GST excl.	2007/2008 Actual other revenue and income \$000 GST excl.
<b>Output Class 1: Fire safety education, prevention and advice.</b>	<b>2,231</b>	<b>6,019</b>	<b>655</b>
Output 1.1: Fire prevention and advice to the general public.	1,425	1,005	312
Output 1.2: Professional and technical advice to the built environment public.	134	4,419	343
Output 1.3: Fire safety legislation.	672	595	–
<b>Output Class 2: Firefighting and other Fire Service operations.</b>	<b>11,111</b>	<b>7,139</b>	<b>17,970</b>
Output 2.1: Operational readiness.	6,509	5,770	15,327
Output 2.2: Operational responses to fire and other emergencies.	4,592	1,361	2,643
Output 2.3: Wider emergency management capability.	10	8	–
<b>Output Class 3: Rural fire leadership and coordination.</b>	<b>3,606</b>	<b>1,954</b>	<b>–</b>
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes.	3,597	1,921	–
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	9	33	–
<b>Total other revenue and income assigned to outputs</b>	<b>16,948</b>	<b>15,112</b>	<b>18,625</b>

**Note:** In 2007/2008 there were two additional outputs – Output 3.2: Administration of the Rural Fire Fighting Fund and grant assistance schemes and Output 3.4: Advice to the public and to key groups in rural lands. These outputs have been combined into Output 3.1. Total income of \$nil allocated to these outputs in 2007/2008 has been reallocated to provide information to compare to the 2008/2009 output costing.

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## Output classes – total expenditure

	2008/2009 Actual total expenditure \$000 GST excl.	2008/2009 Budget total expenditure \$000 GST excl.	2007/2008 Actual total expenditure \$000 GST excl.
<b>Output Class 1: Fire safety education, prevention and advice.</b>	<b>48,252</b>	<b>49,401</b>	<b>43,259</b>
Output 1.1: Fire prevention and advice to the general public.	35,380	36,282	32,445
Output 1.2: Professional and technical advice to the built environment public.	4,217	4,280	2,786
Output 1.3: Fire safety legislation.	8,655	8,839	8,028
<b>Output Class 2: Firefighting and other Fire Service operations.</b>	<b>247,212</b>	<b>251,624</b>	<b>247,670</b>
Output 2.1: Operational readiness.	204,715	208,305	206,790
Output 2.2: Operational responses to fire and other emergencies.	42,190	43,013	40,611
Output 2.3: Wider emergency management capability.	307	306	269
<b>Output Class 3: Rural fire leadership and coordination.</b>	<b>6,319</b>	<b>7,344</b>	<b>3,109</b>
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes.	6,044	6,158	2,534
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	275	1,186	575
<b>Total expenditure assigned to outputs</b>	<b>301,783</b>	<b>308,369</b>	<b>294,038</b>

**Note:** In 2007/2008 there were two additional outputs – Output 3.2: Administration of the Rural Fire Fighting Fund and grant assistance schemes and Output 3.4: Advice to the public and to key groups in rural lands. These outputs have been combined into Output 3.1. Total expenditure of \$1,170,000 allocated to these outputs in 2007/2008 has been reallocated to provide information to compare to the 2008/2009 output costing.

## Output performance

### Output Class 1: Fire safety education, prevention and advice

(Sections 20, 21, 21A and 29 of the Fire Service Act 1975 and sections 46, 47, 121, 131 and 132 of the Building Act 2004)

This output class includes the services the Commission provides to educate the public, to provide technical advice on building fire safety, to administer fire safety legislation and to undertake research to improve the knowledge about fire. The objectives of this output class are to reduce the incidence and consequences of fires by educating the public on fire safe behaviour and by improving the fire safety characteristics of buildings.

#### Output 1.1: Fire prevention and advice to the general public

This output includes the delivery of fire prevention information and advice to the public. Fire prevention education aims to change behaviour by improving knowledge about fire risks and by improving knowledge of 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 who are at risk in terms of fire risk
- Identifies the partnership groups who can work with the Fire Service to help deliver fire prevention and fire safety advice targeted at those who need it most
- Helps to ensure fire prevention information and advice is delivered appropriately to each of the target groups.

The delivery of fire safety education to at-risk groups uses standard national material complemented by locally-developed initiatives. National material is developed by using a standard approach. The approach involves five steps: research, consult, develop, test and promote. Examples of the programmes developed include the Get Firewise schools programme, the elderly kit, the fire safety tip sheet, the Marae Fire Safety programme and Te Kotahitanga programme.

The National Rural Fire Authority (NRFA) co-ordinates a national campaign to promote fire safe behaviour in rural areas. The campaign focuses on fire prevention and making landowners and the general public aware of their legal obligations with respect to wildfires. The campaign is run in conjunction with the New Zealand Forest Owners Association and the Department of Conservation. Fire authorities also carry out local campaigns within their jurisdictions during the year.

This output includes fire safety research carried out, primarily, under the Contestable Research Fund. The purpose of the fund is to advance knowledge of fire prevention and fire management.

#### *How this output contributes to our national goals*

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 of smoke alarms
- Ensure smoke alarms are maintained adequately
- Increase the installation of 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
- Change the behaviour of people using rural lands.

Changing the public's attitudes and behaviours will reduce the number of fires and the consequences of fires. Measuring change in behaviour is monitored through the annual fire knowledge survey and is reported under the non-financial measures section.



### Performance measures

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
1.1.1			
Number of fire safety education delivered targeting at-risk groups under the national promotion plan:			
• programmes for children using the Firewise programme	1,418	906	900–1,200
• programmes for young people using the Fire Awareness Intervention Programme (FAIP)	1,032	1,081	700–1,000
• home visits delivering fire safety messages	17,979	13,164	10,000–13,000
1.1.2			
Percentage of programmes delivered to at-risk groups using the standard national promotion material.	100% of Firewise and FAIP programmes	100% of Firewise and FAIP programmes	100%
1.1.3			
Number of smoke alarms installed by 30 June 2009.	27,546	21,586	18,000–23,000
1.1.4			
The NRFA will 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.	Campaign conducted between Dec 2008 and Feb 2009	–	Campaign conducted between Dec 2008 and Feb 2009
1.1.5			
Percentage of the public satisfied with the overall service quality of the fire safety education provided by the Fire Service.*	93%	95%	At least 80%
1.1.6			
Percentage of the public's expectations met for the delivery of fire safety education by the Fire Service.*	95%	95%	At least 80%

\* The Commission monitors customer satisfaction and expectations through an annual independent customer survey in August/September each year.

### Output 1.2: Professional and technical advice to the built environment public

This output includes 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 fire engineering and 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.

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 Society of Fire Protection Engineers, the Building Officials Institute of New Zealand, the Department of Building and Housing and building owners.

#### How this output contributes to our national goals

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

- The risk of a fire starting is reduced
- Fires are detected earlier allowing for the early containment of a fire and for the safer evacuation of people in the building.



- The spread of a fire is limited by better building design
- People are able to safely evacuate from buildings in the event of a fire
- Fire damage is limited by 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.

### Performance measures

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
1.2.1 Number of times technical fire safety advice is delivered: <ul style="list-style-type: none"> <li>• on sound fire safety features in building design</li> <li>• on making sure buildings are used safely and according to their design</li> <li>• on making sure buildings are well managed in terms of maintaining a high level of fire safety</li> <li>• to organisations or individuals</li> </ul>	10,837	9,760	8,000–12,000
1.2.2 Percentage of building owners satisfied with the overall level of technical fire safety services provided by the Fire Service.*	Not measured*	Not measured*	At least 90%
1.2.3 Percentage of building owners' overall expectations met for technical fire safety advice delivered by the Fire Service.*	Not measured*	Not measured*	At least 90%

\* Due to difficulties carrying out this survey the Commission has discontinued the survey of building owners and has replaced this measure in 2009/2010 with a quality measure covering the delivery of technical fire safety advice.

### Output 1.3: Fire safety legislation

This output covers the following three areas of fire safety law:

- Building consent applications covering the fire engineering design in buildings
- Evacuation scheme approvals and monitoring
- Buildings considered dangerous because they are a fire hazard.

**Building consents.** Section 46 of the Building Act 2004 requires building consent authorities to send to the Fire Service copies of consent applications for certain classes of buildings. Under section 47 of the Act, the Commission may provide the building consent authority with a memorandum setting out advice on the building consent application relating to:

- Provisions for means of escape from fire
- The needs of persons authorised by law to enter the building to undertake fire fighting.

**Evacuation schemes.** Fire safety law relating to evacuation schemes is designed to make sure the public knows how to and 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. The Fire Service is required to process evacuation schemes within 20 working days of them being submitted.

**Dangerous buildings.** This output also includes applying the fire safety law to buildings considered dangerous under the Building Act 2004. The law is designed to ensure the public is not exposed to unacceptable fire risk in buildings.



The Fire Service and territorial authorities administer fire safety law. The Fire Service gives advice to territorial authorities to help them determine whether a building is dangerous. Territorial authorities have the jurisdiction to enforce the legislation.

**Non-compliance.** Any non-compliance with the Building Act 2004 identified during building inspections will be notified to the relevant territorial authority in accordance with section 29(5) of the Fire Service Act 1975.

### *How this output contributes to our national goals*

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

This output also aims 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 by making sure any buildings considered dangerous are either closed or made safe. The Fire Service also uses the information collected about buildings to update and improve fire fighting tactics.

### *Performance measures*

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
1.3.1 Number and percentage of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of being received.	490 provided 93.3% within 10 days	620 provided 94.2% within 10 days	500–1500 provided 100% within 10 days
1.3.2 Undertake a review of quality of Fire Service memoranda.	Review completed	Review completed	Review completed
1.3.3 Percentage of evacuation schemes submitted to the Fire Service processed within 20 working days of being received.	89%	90%	At least 90%
1.3.4 Percentage of identified dangerous buildings notified to the relevant territorial authority.	100%	100%	100%
1.3.5 Percentage of dangerous buildings either closed, made safe or have legal action being taken.	100%	100%	100%

#### **Comment (measure 1.3.1)**

During the last quarter of 2008/2009 a shortage of qualified staff resulted in some of the advice on building consent applications exceeding the 10 working days. Almost all of the late advice was 1 or 2 days overdue with the worst case being 6 days overdue. Staff vacancies have since been filled and the Commission anticipates timeframes to improve in 2009/2010.

## Output Class 2 – Fire fighting and other Fire Service operations

(Sections 17N, 17O, 23 to 26, 27, 27A, 28, 28A, 29, 30, 32, 34, 35, 36, 36A, 40, and 41 of the Fire Service Act 1975) and the provisions of the Civil Defence Emergency Management Act 2002.

This output class includes the services the Commission provides to prepare for and suppress fires and to provide a response to other emergencies. Responses to other emergencies include those to motor vehicle accidents, hazardous substance emergencies, natural disasters and medical emergencies. The Fire Service's role in helping communities to be prepared for emergencies is also included in this output class. Examples of these types of services are maintaining the urban search and rescue capability, working with territorial authorities to be prepared for civil defence emergencies and membership on a range of local committees and groups tasked with preparing for and responding to non-fire emergency incidents.

The objectives of this output class are to ensure the consequences of fires for people, property, communities and the environment are minimised. The Fire Service will also contribute to other agencies' outcome results by providing a professional response to other emergencies.

### 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 every day. Critical to this is staff training, equipment maintenance and operational pre-planning activities.

**Readiness.** The Fire Service verifies its own state of readiness by conducting operational readiness audits. The Fire Service's operational readiness is continually being improved by research into better fire responses and by putting in place improvements identified in post-incident operations investigations.

**Pre-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 about 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 contributes to our national goals*

This output makes sure the Fire Service is well trained and prepared to respond effectively to a wide range of emergency incidents. This means the Fire Service is able to respond to an emergency incident in a way that reduces the consequences of the incident.

This output also makes sure that when fires occur decisions can be made about appropriate fire fighting tactics based on current information. 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, property damage and the risk of the fire spreading beyond the building it started in will be reduced.



### Performance measures

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
2.1.1 Percentage of stations audited meeting the minimum standard for operational readiness, as judged by operational readiness audits, either at the time of or within three months of the audit taking place.	99%	na	100%
2.1.2 Percentage of stations audited on a three-year rolling basis.	90%	na	100%
2.1.3 Number of operational plans developed or reviewed in accordance with the national commander's operational instructions.	872 developed and 1,716 reviewed	509 developed and 1,065 reviewed	500–700 developed 700–1,000 reviewed
2.1.4 Review of national operational training effectiveness completed.	Reviews of training courses completed	Review underway	By 30 June 2009

#### Comment (measure 2.1.2)

During the 2008/2009 a revised operational readiness audit process was developed with implementation planned for 2009/2010. The revised process will improve the operational readiness audits and the Commission is confident that all stations will be audited on a three-year rolling basis.

#### Comment (measure 2.1.3)

Following the report into the Icepack fire, increased effort has been put into operational planning. This has resulted in an increase in the number of plans developed and reviewed compared to last year.

## Output 2.2: Operational responses to fire and other emergencies

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

This includes:

- Suppressing fires to ensure the safety of people and property endangered by fire
- Stabilising, containing and minimising the impact of emergencies involving hazardous substances
- Attending incidents involving motor vehicles, for suppressing fire, for extricating people from motor vehicles, for reducing the impact of injuries or otherwise assisting them, and for helping to stabilise and make safe the accident location
- Working to protect life and property through extrications, rescues and other special services at a range of other emergency incidents.

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 contributes to our national goals

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

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

The output involves a post-incident investigation and follow-up to determine the cause of a fire and the factors that 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.

### Performance measures

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
2.2.1 Percentage of fires, in fire districts, responded to by the Fire Service and appropriate action taken.	100% (17,510)	100% (18,986)	100%
2.2.2 Percentage of non-fire emergencies in fire districts, responded to by the Fire Service and assistance provided.	100% (40,040)	100% (39,879)	100%
2.2.3 Percentage of fires, outside fire districts, responded to by the Fire Service and protection of life and property given.	100% (4,980)	100% (6,023)	100%
2.2.4 Percentage of non-fire emergencies, outside fire districts, responded to by the Fire Service and protection of life and property given.	100% (8,986)	100% (9,170)	100%
2.2.5 Number of post-incident operational reviews carried out, according to the national commander's operational instructions, for all incidents meeting the national commander's criteria.	16	11	Estimated at between 20–40
2.2.6 Number of specialist fire investigations, according to the national commander's operational instructions, completed for all incidents meeting the national commander's criteria.	275	222	Estimated at between 220–300
2.2.7 Percentage of the public satisfied with the overall response services provided by the Fire Service.*	88%	88%	At least 90%
2.2.8 Percentage of the public's overall expectations met for response services provided by the Fire Service*	93%	89%	At least 90%

\* The Commission monitors customer satisfaction and expectations through an annual independent customer survey in August/September each year.

### Output 2.3: Wider emergency management capability

This output covers the work the Fire Service does in the wider emergency management field. It includes planning and research work relating to 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 and understanding the level of self-sufficiency of individual communities.

The Commission has made a large investment in urban search and rescue capability over the last three years.



It has established three teams, one each in Auckland, Palmerston North and Christchurch. Each team was upgraded to International Search and Rescue Advisory Group (INSARAG) medium level during 2006/2007. This initiative in partnership with a range of other government agencies represents a significant investment in capability.

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

### *How this output contributes to our national goals*

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.

### *Performance measures*

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
2.3.1 Number of times the Fire Service participated in emergency management group meetings.	40	38	Between 30–50
2.3.2 Number of urban search and rescue teams maintaining the International Search and Rescue Advisory Group (INSARAG) medium level.	3	3	3 by 30 June 2009
2.3.3 Number of local and regional committees the Fire Service participated in that contribute to the management of other emergencies.	341	185	Between 200–250
2.3.4 Number of exercises carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents.	253	294	Between 200–250

## Output Class 3: Rural fire leadership and co-ordination

(Sections 14A, 17X and 46A to 46L of the Fire Service Act 1975 and section 18 of the Forest and Rural Fires Act 1977)

This output class includes the services to lead and co-ordinate rural fire management including establishing rural fire standards, auditing fire authorities compliance against those standards, evaluating fire authority performance under the Forest and Rural Fires Act 1977 and providing a co-ordinated national view on rural fire issues. The objective of this output class is to reduce the number and consequence of wildfires by providing leadership and co-ordination of the rural fire industry.

### Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the rural fire fighting fund and grant assistance schemes

This output covers the National Rural Fire Authority's (NRFA's) activities to maintain an administrative infrastructure to support fire fighting services in rural areas.

The NRFA provides advice, including interpretations of the legal requirements of fire authorities, and assistance to fire authorities and regional rural fire committees so they can carry out their roles.

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

This output also covers the administration of the Grant Assistance Scheme and the Rural Fire Fighting Fund. The Grant Assistance Scheme helps fire authorities achieve the required level of operational readiness. The Rural Fire Fighting Fund reimburses fire authorities for the majority of their expenses relating to putting out wildfires.

Included in this output is the requirement for the Commission to carry out its activities in a transparent way. It also provides for a mediation process if fire authorities have any issues with the decision processes.

#### *How this output contributes to our national goals*

The aim of this output is to provide sound advice and assistance to 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. The approach will depend on the circumstances involved.

This output is also concerned with administering funding mechanisms to fire authorities in the two areas outlined above. Administering these funding mechanisms enables fire authorities 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.



### Performance measures

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
3.1.1 Percentage of fire authorities advised of the results of their grant applications (estimated at between 40 and 80) within two months of the application cut-off date.	100% (67)	0% (59)	100%
3.1.2 Percentage of approvals for grant assistance applications in accordance with the Commission's policy as verified by internal audit.	100%	100%	100%
3.1.3 Percentage of fire authorities advised of the results of their claim within two months of it being lodged with the NRFA under the Rural Fire Fighting Fund.	95%	95%	90%
3.1.4 Percentage Rural Fire Fighting Fund claim decisions accepted without recourse to mediation	100%	100%	95%
3.1.5 Percentage of members of regional rural fire committees indicating satisfaction with administrative support and meeting facilitation, as determined by an independent survey.	81% (admin) 77% (meeting)	84% (admin) 87% (meeting)	95%
3.1.6 Guidelines reviewed and published to assist fire authorities to review their fire plans in accordance with the legislation.	Achieved	na	By 31 March 2009

### Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.

This output includes maintaining a schedule of rural fire standards and the audit of fire authorities' compliance against those standards and the evaluation of fire authorities' performance under the Forest and Rural Fires Act 1977.

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

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

The NRFA provides fire weather information to all 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.

The output also includes the training and education of people involved in preventing and suppressing rural fires. The NRFA establishes the unit standard under the New Zealand Qualifications Authority (NZQA) framework and provides the training material for the standard.



### How this output contributes to our national goals

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

- Making sure a schedule of rural fire standards is in place for fire authorities for rural fire management
- Providing information for fire authorities to assess the level of fire risk throughout the year.

This will achieve a better level of operational readiness, resulting in improved responses to rural fire incidents.

### Performance measures

Measure	2008/2009 Actual	2007/2008 Actual	2008/2009 SOI target
3.2.1 Percentage of fire authorities provided with written reports, on the estimated 25 fire and equipment and weather station standards audit and five training standards audits, within two months of the audit.	88%	80%	100%
3.2.2 Percentage of fire authorities provided with a written draft performance report, on the estimated five assessments of fire authorities performance under the Forest and Rural Fires Act 1977, within two months of the assessment.	100%	50%	100%
3.2.3 Percentage of performance reports accepted by fire authorities without recourse to mediation.	100%	100%	95%
3.2.4 Percentage of daily availability of fire weather information to fire authorities during the fire season.	99%	85%	100%
3.2.5 Percentage of fire weather information updated by 3pm on days during the fire season.	98%	91%	95%
3.2.6 Review and update rural fire course content so it provides the knowledge requirements of the relevant NZQA unit standard.	Achieved	Achieved	By 31 March 2009
3.2.7 Establish a draft standard on assessing fire threats for consultation with fire authorities.	Achieved	na	By 31 March 2009

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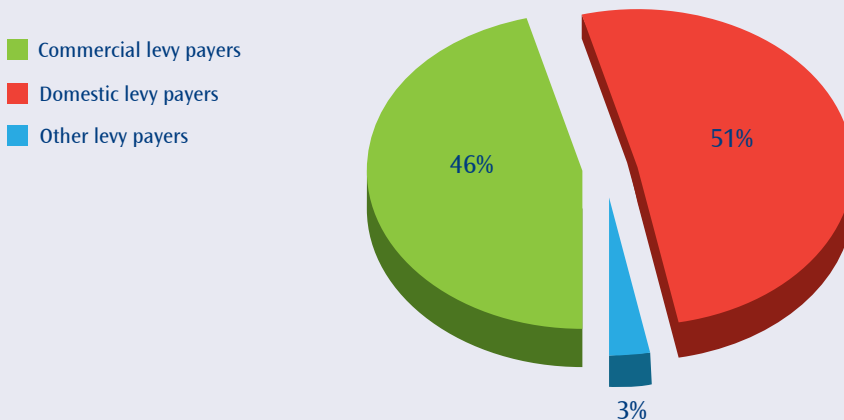
for the year ended 30 June 2009



## Levy receipts

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Levy	298,147	301,261	278,249
Levy attributable to the Rural Fire Fighting Fund	1,300	2,100	1,050
<b>Total receipts from levy</b>	<b>299,447</b>	<b>303,361</b>	<b>279,299</b>

Levy income by source 2008/09



The levy rate increased from 7.3 to 7.6 cents per \$100 insured value effective 1 July 2008 with the first levy receipts at the new rate received from September 2008 onwards.

In addition, the New Zealand Fire Service identified and negotiated settlements of levy arrears, penalty interest and penalty surcharges in excess of budget.

Total levy receipts for 2008/2009 were under budget by approximately 1% but exceeded prior year receipts by 3.85% after taking into account additional revenue from the increased levy rate, principally because of the growth in the levy base of fire insurance contracts.

## Total expenditure (excluding Rural Fire Fighting Fund)

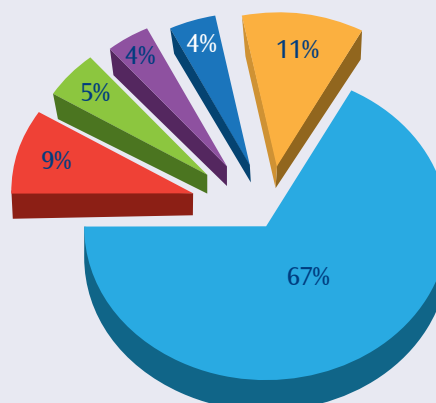
	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Total expenditure (excluding Rural Fire Fighting Fund)	<b>298,943</b>	<b>304,589</b>	<b>289,703</b>

Total expenditure was lower than budget by \$5,646,000. A significant portion of this underspend is the result of the following:

- Employee and volunteer benefits expenditure was \$5,279,000 under budget:
  - National and regional training expenditure was \$2,280,000 lower than budget due to changes in scheduled training courses
  - Wage and associated on-cost assumptions of \$2,010,000 were not realised
  - Gratuities and long service leave was under budget by \$1,496,000 due to the higher discount rate reducing the present value of the leave entitlement liabilities.
- Other expenditure was \$1,127,000 over budget:
  - Impairment of property, plant and equipment was \$614,000 higher than budget due to assets that do not meet the new standards required by the Commission being written off.
- Depreciation was under budget by \$1,934,000 due to three factors:
  - Capital expenditure projects were completed later than planned during the year, reducing depreciation as this commenced later than budgeted
  - The impact of the 2007/2008 building revaluations were lower than expected and the remaining useful life of assets was increased
  - Some finance leases expired during the year which were budgeted to be continued, but these were bought out with the low value items being expensed resulting in lower depreciation.

### 2008/09 Gross expenditure

- Personnel
- Depreciation
- Administrative
- Fleet
- Occupancy
- Other Costs



## Purchases of property, plant and equipment

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Fleet	28,784	27,054	23,700
Property	10,581	26,463	14,026
Other	10,743	14,951	9,483
<b>Total purchases of property, plant and equipment</b>	<b>50,108</b>	<b>68,468</b>	<b>47,209</b>

The fleet capital expenditure programme is on schedule with 39 fire appliances completed during the year, with another 97 appliances either in production and/or with cab/chassis having been purchased.

Property capital expenditure is under budget due to delays in the seismic strengthening programme. Building consent and resource consent issues have delayed other fire station building programmes, including St Heliers, thereby contributing to the underspend this year.

New fire stations were completed at Mount Roskill and Paraparaumu, major refurbishments were completed at Ratana, Tuakau and Woolston and land was purchased at East Coast Bays and Whitianga.

## Rural Fire Fighting Fund expenditure

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Rural Fire Fighting Fund</b>	<b>2,840</b>	<b>3,780</b>	<b>4,335</b>

The Rural Fire Fighting Fund was established under section 46 of the Fire Service Act 1975. It is funded by a contribution from the Fire Service levy and a grant provided from the Minister of Conservation.

The expenditure from the fund is dependent upon the claims made on the fund in any one year. In 2008/2009 there were 75 eligible claims against the fund (2007/2008 134 claims). The most significant fires in terms of claims (greater than \$200,000) on the fund were: Mahia, Dodson Valley, Ngawha Springs and Torehape Reserve.

# Statement of comprehensive income

for the year ended 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Revenue</b>				
Levy		298,147	301,261	278,249
Other revenue	1	8,470	7,212	7,681
<b>Total revenue</b>		<b>306,617</b>	<b>308,473</b>	<b>285,930</b>
<b>Income</b>				
	2	<b>5,073</b>	<b>6,150</b>	<b>8,527</b>
<b>Total revenue and income</b>		<b>311,690</b>	<b>314,623</b>	<b>294,457</b>
<b>Expenditure</b>				
Employee and volunteer benefits expenditure	3	199,535	204,814	191,985
Depreciation	12	26,824	28,758	29,469
Amortisation	13	2,090	1,629	3,666
Finance costs	4	437	529	675
Other expenditure	5	70,057	68,859	63,908
<b>Total expenditure</b>		<b>298,943</b>	<b>304,589</b>	<b>289,703</b>
<b>Net surplus attributable to the Commission</b>		<b>12,747</b>	<b>10,034</b>	<b>4,754</b>
<b>Net surplus/(deficit) attributable to the Rural Fire Fighting Fund</b>	6	<b>1,865</b>	<b>70</b>	<b>(868)</b>
<b>Net surplus attributable to the owners of the Commission</b>		<b>14,612</b>	<b>10,104</b>	<b>3,886</b>
<b>Other comprehensive income</b>				
(Losses)/gains on revaluation of land and buildings net of impairment losses	18	(5,705)	10,827	20,943
Actuarial loss on defined benefit superannuation scheme		–	(71)	–
<b>Total other comprehensive income</b>		<b>(5,705)</b>	<b>10,756</b>	<b>20,943</b>
<b>Total comprehensive income attributable to the owners of the Commission</b>		<b>8,907</b>	<b>20,860</b>	<b>24,829</b>

## Explanation of total comprehensive income

The Commission concluded the financial year ended 30 June 2009 with total comprehensive income of \$8,907,000 against a budgeted total comprehensive income of \$20,860,000. There was a loss on the revaluation of land and buildings net of impairment losses of \$5,705,000 compared with a budgeted gain on the revaluation of land and buildings net of impairment losses of \$10,827,000.

The prior year comparatives have been restated to reflect the current year classifications.

The accompanying notes on pages 55 to 100 form part of these financial statements.



# Statement of changes in equity

for the year ended 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Equity at beginning of year</b>				
Accumulated funds		421,340	421,865	416,757
Revaluation reserves	18	50,422	21,308	29,308
Rural Fire Fighting Fund		914	1,079	1,782
<b>Total equity at beginning of year</b>		<b>472,676</b>	<b>444,252</b>	<b>447,847</b>
<b>Changes in equity during year</b>				
<i>Transfers from statement of comprehensive income</i>				
Accumulated funds		12,747	9,963	4,754
Revaluation reserves	18	(5,705)	10,827	20,943
Rural Fire Fighting Fund	6	1,865	70	(868)
<b>Total comprehensive income</b>		<b>8,907</b>	<b>20,860</b>	<b>24,829</b>
<i>Transfers from disposal of land and buildings</i>				
Accumulated funds		(498)	(2,560)	(171)
Revaluation reserves		498	2,560	171
<b>Total transfers from disposal of land and buildings</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Total changes in equity during year</b>		<b>8,907</b>	<b>20,860</b>	<b>24,829</b>
<b>Equity at end of year</b>				
Accumulated funds		433,589	429,268	421,340
Revaluation reserves	18	45,215	34,695	50,422
Rural Fire Fighting Fund	6	2,779	1,149	914
<b>Total equity at end of year</b>		<b>481,583</b>	<b>465,112</b>	<b>472,676</b>

The accompanying notes on pages 55 to 100 form part of these financial statements.

# Statement of financial position

as at 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	40,063	36,367	52,369
Trade and other receivables	8	4,444	2,554	6,354
Prepayments		433	599	534
Inventories	9	101	89	212
Derivative financial instruments	10	5	–	16
Non-current assets held for sale	11	5,664	–	–
<b>Total current assets</b>		<b>50,710</b>	<b>39,609</b>	<b>59,485</b>
<b>Non-current assets</b>				
Property, plant and equipment	12	501,285	498,697	490,750
Intangible assets	13	7,225	10,708	8,281
<b>Total non-current assets</b>		<b>508,510</b>	<b>509,405</b>	<b>499,031</b>
<b>Total assets</b>		<b>559,220</b>	<b>549,014</b>	<b>558,516</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	14	25,617	24,024	26,481
Employee and volunteer benefits	15	20,572	20,249	23,946
Borrowings	16	2,793	1,293	2,581
Provisions	17	1,695	1,605	2,661
Unamortised gain on sale and leaseback		355	533	355
Derivative financial instruments	10	26	–	15
<b>Total current liabilities</b>		<b>51,058</b>	<b>47,704</b>	<b>56,039</b>
<b>Non-current liabilities</b>				
Employee and volunteer benefits	15	23,792	31,598	24,142
Borrowings	16	1,481	2,980	4,274
Provisions	17	1,128	1,620	852
Unamortised gain on sale and leaseback		178	–	533
<b>Total non-current liabilities</b>		<b>26,579</b>	<b>36,198</b>	<b>29,801</b>
<b>Total liabilities</b>		<b>77,637</b>	<b>83,902</b>	<b>85,840</b>
<b>Net assets</b>		<b>481,583</b>	<b>465,112</b>	<b>472,676</b>
<b>Equity</b>				
Accumulated funds		433,589	429,268	421,340
Revaluation reserves	18	45,215	34,695	50,422
Rural Fire Fighting Fund		2,779	1,149	914
<b>Total equity</b>		<b>481,583</b>	<b>465,112</b>	<b>472,676</b>

The accompanying notes on pages 55 to 100 form part of these financial statements.

Overview



Performance and results



Service performance



Financial statements



# Statement of cash flows

for the year ended 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Cash flows from operating activities</b>				
Receipts from levy		299,447	303,361	279,299
Receipts from other revenue		14,748	9,481	9,957
Net GST received/(paid) <sup>1</sup>		(10)	(86)	1,224
Payments to employees and volunteers <sup>2</sup>		(204,002)	(204,691)	(199,273)
Payments to suppliers for goods and services <sup>3</sup>		(72,211)	(72,438)	(55,551)
<b>Net cash flows from operating activities</b>	19	<b>37,972</b>	<b>35,627</b>	<b>35,656</b>
<b>Cash flows from investing activities</b>				
Interest received		3,419	5,276	5,753
Proceeds from sale of investments		–	–	825
Proceeds from sale of property, plant and equipment		211	8,174	3,631
Purchase of intangible assets		(702)	(441)	(1,308)
Purchase of property, plant and equipment		(50,108)	(68,468)	(47,209)
<b>Net cash flows from investing activities</b>		<b>(47,180)</b>	<b>(55,459)</b>	<b>(38,308)</b>
<b>Cash flows from financing activities</b>				
Payment of finance leases		(2,581)	(2,581)	(2,584)
Interest paid		(517)	(529)	(616)
<b>Net cash flows from financing activities</b>		<b>(3,098)</b>	<b>(3,110)</b>	<b>(3,200)</b>
Net increase/(decrease) in cash and cash equivalents		(12,306)	(22,942)	(5,852)
Cash and cash equivalents at beginning of year		52,369	59,309	58,221
<b>Cash and cash equivalents at end of year</b>	7	<b>40,063</b>	<b>36,367</b>	<b>52,369</b>

The prior year comparatives have been restated to reflect the current year classifications.

The accompanying notes on pages 55 to 100 form part of these financial statements.

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

2 Payments to employees and volunteers have increased by \$4,729,000, principally due to the movement in employee and volunteer benefits as shown in Note 15.

3 Payments to suppliers for goods and services have increased by \$16,660,000, principally due to the movement in trade and other payables as shown in Note 19.



# Notes to the financial statements

## Statement of accounting policies for the year ended 30 June 2009



### Reporting entity

The New Zealand Fire Service Commission (the Commission) is a body constituted under section 4(1) of the Fire Service Act 1975. The Commission is a Crown entity as defined by the Crown Entities Act 2004. The Commission's ultimate parent is the New Zealand Crown.

The Commission's primary objective is to provide services in New Zealand for community benefit rather than to make a financial return. The Commission is a public benefit entity for the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

These financial statements for the Commission are for the year ended 30 June 2009, and were authorised for issue by the Commission on 21 October 2009.

### Basis of preparation

#### Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements comply with NZ IFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

### Budget figures

The budget figures were approved by the Commission on 30 June 2008 as part of the Statement of Intent 2008/2011. The budget figures were prepared in accordance with NZ IFRS and are consistent with the accounting policies adopted by the Commission for the preparation of these financial statements.

### Measurement base

These financial statements have been prepared on a historical cost basis modified by the revaluation of the following:

- Financial assets and liabilities at fair value
- Derivative financial instruments at fair value
- Certain classes of property, plant and equipment at methods appropriate to the class of asset.

The methods used to measure fair value are discussed in the specific accounting policies.

### Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Commission's functional currency.



## Statement of accounting policies for the year ended 30 June 2009 (continued)

### Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

There are no standards, amendments and interpretations issued that are not yet effective and have not been early adopted that have a significant impact on these financial statements if adopted.

NZ IAS 1 *Presentation of Financial Statements (revised)* and NZ IAS 23 *Borrowing Costs (revised)* effective for reporting periods beginning on or after 1 January 2009 have been early adopted and applied in these financial statements.

### Significant accounting policies

#### Revenue

The Commission measures revenue at the fair value of consideration received or receivable.

Specific accounting policies for major categories of revenue are outlined as follows:

##### *Levy*

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.

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

##### *Provision of services*

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

##### *Volunteer services*

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

#### Income

##### *Interest income*

The Commission recognises interest income using the effective interest method.

##### *Rental income*

Lease rental received under operating leases are recognised as income on a straight-line basis over the lease term.

##### *Donated assets*

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

## Statement of accounting policies for the year ended 30 June 2009 (continued)

### Depreciation

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

The estimated useful lives and associated depreciation rates of the asset classes are as follows:

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

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful life of the improvements.

Assets recognised under a finance lease are depreciated over the shorter of the lease term or the estimated useful life of the asset.

### Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis at rates estimated to write off the cost of an asset, less any residual value, over its useful life.

The estimated useful lives and associated amortisation rates of the asset classes are as follows:

Computer software – internally generated	4–10 years	10–25%
Computer software – purchased	4 years	25%
SITE	10 years	10%

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

### Interest expense

Interest expense is recognised using the effective interest rate method.

### Goods and services tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables which are presented with GST included. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.



## Statement of accounting policies for the year ended 30 June 2009 (continued)

The statement of cash flows has been prepared on a net GST basis, with cash receipts and payments presented exclusive of GST. A net GST presentation has been chosen to be consistent with the presentation of the statement of comprehensive income and statement of financial position. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

### Income tax

The Commission is exempt from income tax in accordance with both the Income Tax Act 2004 and the Fire Service Act 1975. Therefore, no charge for income tax has been provided for.

### Foreign currency transactions

Transactions in foreign currency are converted at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### Financial instruments

The Commission is party to financial instruments as part of its normal operations. Financial instruments include financial assets and financial liabilities. Financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the Commission at initial recognition.

Financial instruments are classified into the following categories based upon the purpose for which they were acquired.

#### *Financial assets*

The Commission classifies its financial assets in the following categories:

- a. Financial assets at fair value through the statement of comprehensive income are comprised of derivative financial instruments.

The Commission uses derivative financial instruments (forward foreign exchange contracts) to manage its exposure to foreign exchange risk in relation to the purchases of significant items of property, plant and equipment. The Commission does not hold or issue these financial instruments for trading purposes, and has not adopted hedge accounting.

Forward foreign exchange contracts are initially recognised at fair value on the date the Commission entered into the contract and are subsequently remeasured to their fair value at each balance date. Fair value is determined as the value of entering into a forward foreign exchange contract, for the same quantity of foreign currency with the same settlement date as the original contract, on the date for which the fair value is determined. Movements in the fair value of the forward foreign exchange contracts are recognised in the statement of comprehensive income.

Derivative financial instruments can also be classified as financial liabilities depending upon the fair value at balance date.

- b. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

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

## Statement of accounting policies for the year ended 30 June 2009 (continued)

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Commission provides goods or services directly to a debtor with no intention of selling the receivable asset.

Trade and other receivables are recognised initially at fair value plus transaction costs. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance date for assets of a similar maturity and credit risk. Trade and other receivables issued with a duration less than twelve months are recognised at their nominal value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due in accordance with the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amounts and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income.

When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment of receivables in the statement of comprehensive income.

### *Financial liabilities*

Financial liabilities comprise trade and other payables and bank overdrafts. These items represent unpaid liabilities for goods and services provided to the Commission before the end of the financial year. The amounts are unsecured and usually paid within thirty days of recognition. Financial liabilities entered into with a duration of less than twelve months are recognised at their nominal value.

Financial liabilities with a duration of more than twelve months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. The amortisation and any realised gain or loss on disposal of financial liabilities are recognised in the statement of comprehensive income.

### Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis by the Commission are measured at cost. Where inventories are acquired at no cost or for nominal cost, the cost is deemed to be the current replacement cost at the date of acquisition.

Inventories include replacement gear boxes for fire appliances.

### Non-current assets held for sale

Non-current assets held for sale are assets where their carrying amount will be recovered through a sale transaction rather than through continuing use. Non-current assets held for sale are assets available for immediate sale and where the sale is highly probable.

Non-current assets held for sale are recognised at the lower of their carrying amount and fair value (market value) less costs to sell, and are not depreciated or amortised while classified as held for sale.

### Leases

#### *Finance leases*

Leases that transfer to the Commission, substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases.



## Statement of accounting policies for the year ended 30 June 2009 (continued)

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is recognised in the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty that the Commission will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Where a sale and leaseback transaction results in a finance lease, the gain on sale is amortised over the lease term. The gain on sale is calculated as the excess of sale proceeds over the carrying amount of the asset.

### *Operating leases*

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Leasehold improvements are capitalised as property, plant and equipment.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

### Property, plant and equipment

Property, plant and equipment assets are classed as land, buildings, leasehold improvements, fire appliances, motor vehicles, communications, computer, operational and non-operational equipment.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

### *Additions*

Costs are capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset. This includes all costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. For existing assets, subsequent expenditure that extends or expands the asset's service potential is capitalised.

Costs that do not meet the criteria for capitalisation, including costs of day-to-day servicing of property, plant and equipment, are recognised in the statement of comprehensive income.

Where an asset is acquired at no cost or nominal cost (for example, donated assets) and the asset is controlled by the Commission, the asset is recognised at fair value at the date when control of the asset is obtained.

An asset is complete when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended. Costs associated with incomplete assets are recognised in work in progress. When the asset is complete the costs are transferred to the relevant asset class and depreciated in accordance with that class.

### *Revaluations*

After initial recognition land and buildings are valued annually to fair value by an independent registered valuer. Fair value is determined using market-based evidence and is determined by reference to the highest and best use of those assets. Where there is no market related evidence, fair value is determined by optimised depreciated replacement cost.

## Statement of accounting policies for the year ended 30 June 2009 (continued)

The Commission accounts for revaluations on a class basis. On revaluation any accumulated depreciation is eliminated against the gross carrying amount and then the gross carrying amount is adjusted to equal the revalued amount.

The result of the revaluation of land and buildings is recognised in the asset revaluation reserve for that class of asset. Where this results in the carrying value of the revaluation reserve having a loss this is expensed in the statement of comprehensive income. Any subsequent revaluation increase is recognised in the statement of comprehensive income to the extent that it offsets previous revaluation decreases already recognised in the statement of comprehensive income. Otherwise the gain is credited to the asset revaluation reserve for that class of asset.

### *Disposals*

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset less any disposal costs. Gains and losses on disposal are recognised in the statement of comprehensive income when they occur.

When assets are disposed of, any related amount in the asset revaluation reserve is transferred to accumulated funds.

### Intangible assets

Intangible assets comprise computer software and the Shared Information Technology Environment (SITE). Intangible assets are shown at cost, less accumulated amortisation and impairment losses.

#### *Computer software*

Costs are capitalised as computer software when it creates a new asset or increases the future economic benefits of an existing asset.

Costs capitalised for acquired computer software licences include the costs incurred to acquire and bring the software into use.

Costs capitalised for internally developed computer software include the costs incurred in the development phase only.

Expenditure incurred on research is recognised in the statement of comprehensive income.

Costs that do not meet the criteria for capitalisation, including staff training and software maintenance, are recognised in the statement of comprehensive income.

#### *Shared Information Technology Environment (SITE)*

SITE is a systems and technology platform that supports receiving calls and dispatching resources to emergency incidents. These SITE assets include computer aided dispatch software, land mobile radio network and associated telecommunications structures.

SITE is primarily housed in the communication centres shared with the New Zealand Police. The value capitalised reflects the Commission's proportional ownership. New Zealand Police maintain SITE and proportionally charge the Commission; this charge is recognised in the statement of comprehensive income.

### *Disposals*

Gains and losses on disposals of intangible assets are determined by comparing the proceeds with the carrying amount of the asset, less any disposal costs. Gains and losses on disposal are recognised in the statement of comprehensive income when they occur.



## Statement of accounting policies for the year ended 30 June 2009 (continued)

### Impairment of non-financial assets

The carrying amounts for property, plant and equipment and intangible assets are reviewed annually to determine if there is any impairment. Impairment is where events or changes in circumstances occur that result in the carrying amount of an asset not being recoverable.

An impairment loss is the amount by which the asset's net carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses on revalued land and buildings are treated as a revaluation decrease. Impairment losses on other property, plant and equipment and intangible assets are recognised in the statement of comprehensive income.

### Employee and volunteer benefits

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

#### *Current employee and volunteer benefits*

Benefits to be settled within twelve months of balance date are calculated at undiscounted current rates of pay according to the amount of the accrued entitlements. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and retiring and long service leave entitlements expected to be settled within twelve months.

Non-accumulating absences such as maternity leave are compensated when the absences occur and therefore no accrual is necessary. Sick leave is paid when taken under the Commission's wellness policy and therefore no accrual is necessary.

#### *Non-current employee and volunteer benefits*

Benefits that are payable beyond twelve months, such as long service leave, retirement leave and gratuities, are calculated on an actuarial basis.

The actuarial calculation takes into account the future entitlements accruing to staff, based on years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, contractual entitlements information and the present value of the estimated future cash flows.

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

Movements in the actuarial valuations are recognised in the statement of comprehensive income.

### Superannuation schemes

#### *Defined contribution schemes*

Contributions to Kiwi Saver, State Sector Retirement Savings Scheme and National Provident Fund are accounted for as defined contribution superannuation schemes and are expensed in the statement of comprehensive income as they fall due.



## Statement of accounting policies for the year ended 30 June 2009 (continued)

### *Defined benefit schemes*

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

### Provisions

The Commission recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are distinct from other liabilities, such as trade payables, because there is uncertainty about the timing or the amount of the future expenditure required in settlement.

The Commission provides for the amount it estimates is needed to settle the obligation at its present value. It uses a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Any increase in the provision due to the passage of time is recognised as a finance cost.

Specific accounting policies for major provisions are outlined:

#### *Lease make-good*

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

#### *Loss of medical scheme*

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

#### *ACC Partnership Programme*

The Commission belongs to the Accident Compensation Corporation (ACC) Partnership Programme, a full self cover plan with the ACC.

Under this plan the Commission accepts the management and financial responsibility for employee work related illnesses and accidents, manages all claims and meets all claim's costs for a period of four years. At the end of four years, the liability for ongoing claims passes to ACC, with the Commission paying a premium for the value of residual claims.

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



## Statement of accounting policies for the year ended 30 June 2009 (continued)

### Equity

Equity is the public's interest in the Commission and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the Commission. The components of equity are accumulated funds, revaluation reserves and the Rural Fire Fighting Fund.

The Rural Fire Fighting Fund was established under section 46A of the Fire Service Act 1975. The fund is financed by a first right to the proceeds of the levy and an annual Crown grant paid on behalf of the Minister of Conservation. Money from the fund is applied towards meeting costs of Fire Authorities in the control, restriction, suppression or extinction of fires.

### Statement of cash flows

The makeup of cash and cash equivalents for the purposes of the statement of cash flows is the same as cash and cash equivalents in the statement of financial position. The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows.

### Contingent assets and contingent liabilities

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

### Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date.

Cancellable commitments that have penalty or exit costs explicit in the agreement are reported at the minimum future payments including the value of the penalty or exit cost.

Commitments are classified as:

- a. Capital commitments – the aggregate amount of capital expenditure contracted for, but not recognised as paid or provided for, at balance date.
- b. Non-cancellable operating leases – the future payments due under the lease contract. Operating leases are principally for property and motor vehicles.
- c. Other non-cancellable commitments – the future payments due under the contract. Other commitments include consulting contracts and cleaning contracts.

Interest commitments on borrowings and commitments relating to employment contracts are not included in the commitments note.

### Cost allocation

The Commission allocates the cost of outputs as follows:

- a. Direct costs are costs, including the Rural Fire Fighting Fund, directly attributable to an output, and are charged directly to outputs.
- b. Indirect costs are all costs other than direct costs. All indirect costs are allocated to operational readiness.

## Statement of accounting policies for the year ended 30 June 2009 (continued)

- c. 85% of the total indirect costs in operational readiness costs are allocated to operational response with the remaining costs allocated equally amongst outputs:
- 1.2 Professional and technical advice to the Built Environment public
  - 1.3 Fire safety legislation
  - 2.1 Operational readiness

### Revenue allocation

The Commission allocates levy revenue to each output based on the proportions of gross expenditure allocated to the outputs.

Other revenue that is directly related to outputs is credited to those outputs. Other revenue that cannot be directly related to outputs is allocated to outputs based on the gross expenditure allocated to the outputs.

### Critical accounting estimates and assumptions

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they were revised. Any revision affecting future periods is recognised in the periods affected.

Judgements that have a significant affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements when they occur.

#### *Property, plant and equipment and intangible assets' useful lives and residual value*

The residual value and useful life of property, plant and equipment and intangible assets are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires the Commission to consider a number of factors such as the physical condition, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation or amortisation expense recognised in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position. The Commission minimises the risk of this estimation by:

- Performing asset verifications
- Revaluing land and buildings
- Impairment testing
- Asset replacement programs.

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

#### *Long service leave and gratuities*

Entitlements that are payable beyond twelve months, such as long service leave and gratuities have been calculated on an actuarial basis.



## Statement of accounting policies for the year ended 30 June 2009 (continued)

The calculations are based on:

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

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

### Critical judgements in applying the Commission's accounting policies

Management has exercised the following critical judgments in applying the Commission's accounting policies for the period ended 30 June 2009:

#### *Lease classification*

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission.

The Commission classifies leases as finance leases under the following situations:

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

Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no asset is recognised.

The Commission has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease agreements are finance leases.

#### *Investment properties*

Investment properties are property held primarily to earn rental income or for capital appreciation or both.

Investment properties exclude owner-occupied properties (including those occupied by employees and volunteers) and properties held for strategic purposes or to provide a social service. Buildings rented or shared with other emergency service providers and residential properties on fire station sites rented to employees and volunteers are accounted for as property, plant and equipment and not investment properties.

### Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with other years.

### Comparative information

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

## 1 Other revenue

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
False alarms	3,053	2,400	2,464
Good corporate citizen contributions <sup>4</sup>	2,225	2,050	2,103
Monitoring private fire alarms	1,938	1,900	1,835
Sponsorship	300	287	312
Commercial services	442	395	389
Other revenue <sup>5</sup>	512	180	578
<b>Total other revenue</b>	<b>8,470</b>	<b>7,212</b>	<b>7,681</b>

## 2 Income

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Interest income <sup>6</sup>	3,194	5,276	5,753
Gain on disposal of property, plant and equipment <sup>7</sup>	68	–	1,423
Rental income	467	423	463
Amortisation of gain on sale and leaseback	355	355	355
Net gain on derivative financial instruments	–	–	1
Net foreign exchange gain	399	–	–
Other income <sup>8</sup>	590	96	532
<b>Total income</b>	<b>5,073</b>	<b>6,150</b>	<b>8,527</b>

- 4 Good corporate citizen contributions are received from some entities who do not have an obligation to pay the Fire Service levy but choose to make a contribution to the Commission to assist with the provision of essential services.
- 5 Other revenue includes recoveries from attendances at rural fires, hazardous substances and for special services, capital expenditure contributions from volunteer brigades, donations made to the Commission and insurance proceeds.
- 6 Interest income was lower than budget as a result of lower than expected interest rates.
- 7 The gain on the disposal of property, plant and equipment in 2008 included a gain of \$1,383,000 from the sale of assets classified as non-current assets held for sale as at 30 June 2007.
- 8 Other income includes reparations received.



### 3 Employee and volunteer benefits expenditure

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Salaries and wages <sup>9</sup>		168,252	169,365	158,822
Employer contributions to defined contribution plans <sup>10</sup>		14,070	15,015	13,439
ACC levies		3,395	2,791	2,437
ACC Partnership Programme	17	(744)	–	1,122
Other employee and volunteer benefits expenditure <sup>11</sup>		14,562	17,643	16,165
<b>Total employee and volunteer benefits expenditure</b>		<b>199,535</b>	<b>204,814</b>	<b>191,985</b>

The prior year comparatives have been restated to reflect the current year classifications.

### 4 Finance costs

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Finance charge on finance lease		381	381	581
Discount unwinding on provision of ACC Partnership Programme	17	52	–	58
Interest expense		4	148	36
<b>Total finance costs<sup>12</sup></b>		<b>437</b>	<b>529</b>	<b>675</b>

9 Salaries and wages increased from 2007/2008 due to the collective contract providing for a 4% salary and wage increase effective 1 January 2008. This contributed \$3,000,000 to the increase in expenditure. Additional annual service and pro rata leave expenditure of \$1,475,000 has been recognised. Increases were also awarded to non-operational employees, which increased the expenditure by \$900,000. There has been an increased focus on national and regional training resulting in a \$1,494,000 increase in expenditure. Greerton was converted to a career fire station from 1 January 2008, which contributed \$518,000 of additional expenditure.

10 Employer contributions to defined contribution plans includes contributions to KiwiSaver, the State Sector Retirement Savings Scheme, the New Zealand Fire Service Superannuation Scheme, and the National Provident Fund Defined Benefit Plan Scheme.

11 Other employee and volunteer benefits expenditure includes gratuities and long service leave which were under budget by \$1,496,000 due to a higher discount rate reducing the present value of the leave entitlement liabilities. Training costs were also \$1,592,000 lower than budget due to changes in scheduled training courses.

12 Finance costs for 2008/2009 are less than budgeted and less than the prior year. The budget did not include a figure for the discount unwinding on the ACC Partnership Programme provision. The interest expense was also lower than budget due to a decrease in the interest rates.

## 5 Other expenditure

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Auditors – audit fees for statutory audit		172	172	178
Auditors – audit fees for NZ IFRS audit		–	43	20
Auditors – fees for other services <sup>13</sup>		11	31	16
Remuneration of Commission and committee members	25	148	140	149
Fleet		13,410	13,009	13,310
Occupancy		11,196	10,880	10,374
Clothing and other consumables		7,605	7,204	6,488
Communications		5,827	6,066	6,134
Publicity and advertising <sup>14</sup>		5,543	6,454	3,724
Grants <sup>15</sup>		595	595	1,044
Impairment of receivables	8	256	–	208
Loss on disposal of property, plant and equipment		472	–	399
Net loss on derivative financial instruments		21	–	–
Net foreign exchange loss		–	20	40
Impairment of property, plant and equipment	12	814	200	–
Impairment of intangible assets	13	43	–	–
Other expenditure <sup>16</sup>		23,944	24,045	21,824
<b>Total other expenditure</b>		<b>70,057</b>	<b>68,859</b>	<b>63,908</b>

The prior year comparatives have been restated to reflect the current year classifications.

13 Auditor's fees for other services relates to a probity assurance review over the professional service engagement for Te Atatu fire station and a tender for electricity services.

14 Publicity and advertising expenditure was less than budget in 2008/2009 by \$911,000. The majority of this relates to the timing and scheduling of national promotions.

15 These are grants made to the United Fire Brigades Association of New Zealand.

16 Other expenditure includes operational and office equipment, computer costs, travel, professional fees, research and development, insurance and rural fire assistance.



## 6 Net surplus/(deficit) attributable to the Rural Fire Fighting Fund

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Revenue</b>			
Levy	1,300	2,100	1,050
Department of Conservation <sup>17</sup>	2,350	1,550	1,100
Other revenue	1,055	200	1,317
<b>Total revenue</b>	<b>4,705</b>	<b>3,850</b>	<b>3,467</b>
<b>Claims expenditure</b>	<b>(2,840)</b>	<b>(3,780)</b>	<b>(4,335)</b>
<b>Net surplus/(deficit) attributable to the Rural Fire Fighting Fund</b>	<b>1,865</b>	<b>70</b>	<b>(868)</b>

The closing balance of the Rural Fire Fighting Fund as at 30 June 2009 was \$2,779,000 (2008 \$914,000).

<sup>17</sup> An annual grant paid on behalf of the Minister of Conservation in accordance with section 46H of the Fire Service Act 1975.



## 7 Cash and cash equivalents

	Actual 2009 \$000	Actual 2008 \$000
Cash on hand and at bank	5,838	9,274
Short term deposits	34,225	43,095
<b>Total cash and cash equivalents</b>	<b>40,063</b>	<b>52,369</b>

The carrying value of cash on hand and at bank and short term deposits approximates their fair value. The maximum exposure to credit risk is limited to the amount invested at the respective banks. The risk has been reduced by diversifying the investment of cash in any given bank in line with the Commission's direction. Investments are held in financial institutions with AA- and AAA Standard and Poors credit ratings. No collateral or other securities are held by the Commission in respect to cash and deposits at the financial institutions.

The Commission maintains an unsecured bank overdraft facility of \$250,000 (2008 \$250,000). In addition, the Commission has uncommitted borrowing facilities available to it from financial institutions. These facilities have been approved in accordance with the Crown Entities Act 2004.

### Sensitivity analysis

The weighted average effective interest rate for term deposits at 30 June 2009 is 3.64% (2008 8.74%). As at 30 June 2009 if the interest rates increased/decreased by 1% the interest income for the year and accumulated funds would increase/decrease by \$25,184 (2008 \$93,000).

### Restricted assets

Cash and cash equivalents include the following restricted amounts held on behalf of the Rural Fire Fighting Fund:

	Actual 2009 \$000	Actual 2008 \$000
Cash on hand and at bank	–	2
Short term deposits	4,225	3,095
<b>Total restricted cash and cash equivalents</b>	<b>4,225</b>	<b>3,097</b>



## 8 Trade and other receivables

	Actual 2009 \$000	Actual 2008 \$000
Trade and other receivables	5,156	6,952
Less provision for impairment	(712)	(598)
<b>Total trade and other receivables</b>	<b>4,444</b>	<b>6,354</b>

The carrying value of trade and other receivables approximates their fair value. Trade and other receivables mainly arise from the Commission's statutory functions. Therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The Commission does not have any significant concentration of credit risk in relation to trade and other receivables. No collateral is held as security for any trade and other receivables. The Commission's credit exposures are limited to the individual trade and other receivable balances.

The Commission does not have any receivables as at 30 June 2009 (2008 \$nil) that would otherwise be past due, but not impaired, whose terms have been renegotiated.

At year end, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Actual 2009			Actual 2008		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	2,047	(101)	1,946	3,776	(1)	3,775
Past due 1–30 days	611	–	611	1,586	–	1,586
Past due 31–60 days	958	(27)	931	453	(6)	447
Past due 61–90 days	320	(24)	296	144	(78)	66
Past due > 91 days	1,220	(560)	660	993	(513)	480
<b>Total trade and other receivables</b>	<b>5,156</b>	<b>(712)</b>	<b>4,444</b>	<b>6,952</b>	<b>(598)</b>	<b>6,354</b>

The provision for impairment has been calculated on an individual assessment of the likelihood of recovery based on historical payments, losses in previous periods and a review of specific trade and other receivables.

	Note	Actual 2009 \$000	Actual 2008 \$000
Provision for impairment of trade and other receivables at beginning of year		598	495
Additional provision made during the year	5	256	208
Receivables written-off during the period		(142)	(105)
<b>Provision for impairment of trade and other receivables at end of year</b>		<b>712</b>	<b>598</b>

## 9 Inventories

	Actual 2009 \$000	Actual 2008 \$000
Inventories held for use in the provision of services	101	212
<b>Total inventories</b>	<b>101</b>	<b>212</b>

All of the Commission's inventories are held for distribution and are items to be consumed in the rendering of services at no consideration.

The carrying amount of inventories held for distribution at 30 June 2009 amounted to \$101,000 (2008 \$212,000).

There have been no write-downs of inventories held for distribution or reversals of previous write-downs in either 2009 or 2008.

No inventories are pledged as security for liabilities.

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## 10 Derivative financial instruments

	Actual 2009				
	Carrying value gain in NZ \$000	Notional value gain in NZ \$000	Carrying value loss in NZ \$000	Notional value loss in NZ \$000	Net carrying value NZ \$000
British Pounds	4	–	(10)	220	(6)
Euro	1	52	(16)	848	(15)
<b>Total derivative financial instruments</b>	<b>5</b>	<b>52</b>	<b>(26)</b>	<b>1,068</b>	<b>(21)</b>

The notional principal amounts of outstanding forward foreign exchange contracts at 30 June 2009 were £87,000 and €415,000.

The Commission's derivative financial instruments at 30 June 2009 are all outflows and will be settled on the contract maturity dates, which are all within six months of the balance sheet date.

	Actual 2008				
	Carrying value gain in NZ \$000	Notional value gain in NZ \$000	Carrying value loss in NZ \$000	Notional value loss in NZ \$000	Net carrying value NZ \$000
Australian Dollars	7	290	–	–	7
US Dollars	–	–	(15)	1,106	(15)
British Pounds	4	231	–	–	4
Euro	5	905	–	–	5
<b>Total derivative financial instruments</b>	<b>16</b>	<b>1,426</b>	<b>(15)</b>	<b>1,106</b>	<b>1</b>

The notional principal amounts of outstanding forward foreign exchange contracts at 30 June 2008 were \$AUS 228,000, \$US 815,000, £87,000 and €426,000.

The Commission's derivative financial instruments at 30 June 2008 are all outflows and will be settled on the contract maturity dates, which are between six months and one year of the balance sheet date.

The Commission has entered into forward foreign exchange contracts to limit its exposure to foreign exchange risks in relation to significant expenditure such as fire appliances and operational equipment.

The fair value of forward contracts has been determined using a discounted cash flow valuation technique based on quoted market rates at 30 June 2009.

A change in the exchange rates of the respective currencies will have a minimal impact on the financial statements as these forward contracts were entered into in May and August 2008. Therefore the change in rate from the date they were entered into and the balance date is minimal.

## 11 Non-current assets held for sale

	Actual 2009 \$000	Actual 2008 \$000
Non-current assets held for sale at beginning of year	–	1,560
Disposals during the year	–	(1,560)
Transfers from property, plant and equipment	5,664	–
<b>Non-current assets held for sale at end of year</b>	<b>5,664</b>	<b>–</b>

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at the time of reclassification.

Transfers from property, plant and equipment in 2009 relate to surplus land and buildings as a result of relocating fire stations in Lower Hutt, Petone, Mount Maunganui and Paihia. These sales are expected to be completed before December 2009.

The disposals in 2008 relate to surplus land and buildings as a result of relocating fire stations at Manukau and Woodend. These sales were completed in September 2007 and December 2007 and made a gain of \$1,383,000, which was included in income in the statement of comprehensive income.

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## 12 Property, plant and equipment

	Note	Actual 2009 \$000	Actual 2008 \$000
<b>Property, plant and equipment</b>			
Property, plant and equipment at cost at beginning of year		288,697	271,998
Property, plant and equipment at valuation at beginning of year		379,055	349,166
<b>Total cost/valuation at beginning of year</b>		<b>667,752</b>	<b>621,164</b>
Accumulated depreciation and impairment losses		(177,002)	(165,964)
<b>Total property, plant and equipment at beginning of year</b>		<b>490,750</b>	<b>455,200</b>
Additions		38,734	36,964
Net transfer to/(from) work in progress		11,093	7,962
Disposals		(285)	(850)
Impairment losses to statement of comprehensive income	5	(814)	–
Impairment losses to revaluation reserve	18	(206)	(10,852)
Reversal of impairment losses to revaluation reserve	18	1,435	–
Transfer to non-current assets held for sale	11	(5,664)	–
Depreciation		(26,824)	(29,469)
Revaluation movement	18	(6,934)	31,795
<b>Total property, plant and equipment at end of year</b>		<b>501,285</b>	<b>490,750</b>
Property, plant and equipment at cost at end of year		316,335	288,697
Property, plant and equipment at valuation at end of year		366,177	379,055
<b>Total cost/valuation at end of year</b>		<b>682,512</b>	<b>667,752</b>
Accumulated depreciation and impairment losses		(181,227)	(177,002)
<b>Total property, plant and equipment at end of year</b>		<b>501,285</b>	<b>490,750</b>
<b>Net carrying value by class of asset</b>			
Land at valuation		160,343	174,463
Buildings at valuation		196,244	193,740
Fire appliances at cost		83,545	72,408
Motor vehicles at cost		1,270	1,163
Communications equipment at cost		4,752	4,596
Operational equipment at cost		18,076	17,955
Non-operational equipment at cost		4,286	4,176
Computer equipment at cost		2,760	3,029
Leasehold improvements at cost		1,752	2,056
Work in progress at cost		28,257	17,164
<b>Total property, plant and equipment at end of year</b>		<b>501,285</b>	<b>490,750</b>

The prior year comparatives have been restated to reflect the current year classifications.

## 12 Property, plant and equipment (continued)

By class of asset	Note	Actual 2009 \$'000	Actual 2008 \$'000
<b>Land</b>			
Land at valuation at beginning of year		175,695	157,365
Accumulated impairment losses		(1,232)	(272)
<b>Total land at beginning of year</b>		<b>174,463</b>	<b>157,093</b>
Additions		1,522	6,742
Disposals		(123)	–
Impairment losses to revaluation reserve	18	–	(1,232)
Reversal of impairment losses to revaluation reserve	18	1,200	–
Transfer to non-current assets held for sale	11	(5,363)	–
Revaluations	18	(11,356)	11,860
<b>Total land at end of year</b>		<b>160,343</b>	<b>174,463</b>
Land at valuation at end of year		160,343	175,695
Accumulated impairment losses		–	(1,232)
<b>Total land at end of year</b>		<b>160,343</b>	<b>174,463</b>
<b>Buildings</b>			
Buildings at cost at beginning of year		–	7,271
Buildings at valuation at beginning of year		203,360	191,801
<b>Total cost/valuation at beginning of year</b>		<b>203,360</b>	<b>199,072</b>
Accumulated depreciation and impairment losses		(9,620)	(4,967)
<b>Total buildings at beginning of year</b>		<b>193,740</b>	<b>194,105</b>
Additions		9,583	4,311
Disposals		(1)	(193)
Impairment losses to revaluation reserve	18	(206)	(9,620)
Reversal of impairment losses to revaluation reserve	18	235	–
Transfer between asset classes		21	(2,082)
Transfer to non-current assets held for sale	11	(301)	–
Depreciation		(11,249)	(12,716)
Revaluations	18	4,422	19,935
<b>Total buildings at end of year</b>		<b>196,244</b>	<b>193,740</b>
Buildings at valuation at end of year		205,834	203,360
Accumulated depreciation and impairment losses		(9,590)	(9,620)
<b>Total buildings at end of year</b>		<b>196,244</b>	<b>193,740</b>



## 12 Property, plant and equipment (continued)

By class of asset	Actual 2009 \$000	Actual 2008 \$000
<b>Fire appliances</b>		
Fire appliances at cost at beginning of year	187,137	176,870
Accumulated depreciation	(114,729)	(110,979)
<b>Total fire appliances at beginning of year</b>	<b>72,408</b>	<b>65,891</b>
Additions	17,145	12,577
Disposals	(16)	(554)
Transfer between asset classes	1	65
Depreciation	(5,993)	(5,571)
<b>Total fire appliances at end of year</b>	<b>83,545</b>	<b>72,408</b>
Fire appliances at cost at end of year	201,805	187,137
Accumulated depreciation	(118,260)	(114,729)
<b>Total fire appliances at end of year</b>	<b>83,545</b>	<b>72,408</b>
<b>Motor vehicles</b>		
Motor vehicles at cost at beginning of year	2,485	2,406
Accumulated depreciation	(1,322)	(1,437)
<b>Total motor vehicles at beginning of year</b>	<b>1,163</b>	<b>969</b>
Additions	413	513
Disposals	(83)	(11)
Impairment losses to statement of comprehensive income	(2)	–
Transfer between asset classes	–	(118)
Depreciation	(221)	(190)
<b>Total motor vehicles at end of year</b>	<b>1,270</b>	<b>1,163</b>
Motor vehicles at cost at end of year	2,659	2,485
Accumulated depreciation	(1,389)	(1,322)
<b>Total motor vehicles at end of year</b>	<b>1,270</b>	<b>1,163</b>
<b>Communications equipment</b>		
Communications equipment at cost at beginning of year	14,437	11,390
Accumulated depreciation	(9,841)	(8,330)
<b>Total communications equipment at beginning of year</b>	<b>4,596</b>	<b>3,060</b>
Additions	1,915	3,353
Disposals	(3)	(3)
Impairment losses to statement of comprehensive income	(218)	–
Transfer between asset classes	196	–
Depreciation	(1,734)	(1,814)
<b>Total communications equipment at end of year</b>	<b>4,752</b>	<b>4,596</b>
Communications equipment at cost at end of year	12,495	14,437
Accumulated depreciation	(7,743)	(9,841)
<b>Total communications equipment at end of year</b>	<b>4,752</b>	<b>4,596</b>



## 12 Property, plant and equipment (continued)

By class of asset	Actual 2009 \$000	Actual 2008 \$000
<b>Operational equipment</b>		
Operational equipment at cost at beginning of year	46,744	45,202
Accumulated depreciation	(28,789)	(26,757)
<b>Total operational equipment at beginning of year</b>	<b>17,955</b>	<b>18,445</b>
Additions	5,528	6,168
Disposals	(28)	(76)
Impairment losses to statement of comprehensive income	(524)	–
Transfer between asset classes	1	30
Depreciation	(4,856)	(6,612)
<b>Total operational equipment at end of year</b>	<b>18,076</b>	<b>17,955</b>
Operational equipment at cost at end of year	50,562	46,744
Accumulated depreciation	(32,486)	(28,789)
<b>Total operational equipment at end of year</b>	<b>18,076</b>	<b>17,955</b>
<b>Non-operational equipment</b>		
Non-operational equipment at cost at beginning of year	9,907	7,612
Accumulated depreciation	(5,731)	(5,361)
<b>Total non-operational equipment at beginning of year</b>	<b>4,176</b>	<b>2,251</b>
Additions	927	708
Disposals	(2)	(3)
Impairment losses to statement of comprehensive income	(68)	–
Transfer between asset classes	52	2,076
Depreciation	(799)	(856)
<b>Total non-operational equipment at end of year</b>	<b>4,286</b>	<b>4,176</b>
Non-operational equipment at cost at end of year	9,902	9,907
Accumulated depreciation	(5,616)	(5,731)
<b>Total non-operational equipment at end of year</b>	<b>4,286</b>	<b>4,176</b>
<b>Computer equipment</b>		
Computer equipment at cost at beginning of year	6,625	8,648
Accumulated depreciation	(3,596)	(6,157)
<b>Total computer equipment at beginning of year</b>	<b>3,029</b>	<b>2,491</b>
Additions	1,528	1,848
Disposals	(29)	(10)
Impairment losses to statement of comprehensive income	(2)	–
Transfer between asset classes	(271)	–
Depreciation	(1,495)	(1,300)
<b>Total computer equipment at end of year</b>	<b>2,760</b>	<b>3,029</b>
Computer equipment at cost at end of year	6,289	6,625
Accumulated depreciation	(3,529)	(3,596)
<b>Total computer equipment at end of year</b>	<b>2,760</b>	<b>3,029</b>



## 12 Property, plant and equipment (continued)

By class of asset	Actual 2009 \$000	Actual 2008 \$000
<b>Leasehold improvements</b>		
Leasehold improvements at cost at beginning of year	4,198	3,397
Accumulated depreciation	(2,142)	(1,704)
<b>Total leasehold improvements at beginning of year</b>	<b>2,056</b>	<b>1,693</b>
Additions	173	744
Transfer between asset classes	–	29
Depreciation	(477)	(410)
<b>Total leasehold improvements at end of year</b>	<b>1,752</b>	<b>2,056</b>
Leasehold improvements at cost at end of year	4,366	4,198
Accumulated depreciation	(2,614)	(2,142)
<b>Total leasehold improvements at end of year</b>	<b>1,752</b>	<b>2,056</b>
<b>Work in progress</b>		
Buildings	2,855	2,795
Fire appliances	24,939	13,399
Computer equipment	161	70
Other	302	900
<b>Total work in progress</b>	<b>28,257</b>	<b>17,164</b>
<b>Total property, plant and equipment</b>	<b>501,285</b>	<b>490,750</b>

Land and buildings, excluding work in progress, have been valued to fair value as at 30 June 2009 by independent registered valuers Darroch Valuations. The total fair value of property valued was \$363,169,000 (2008 \$370,588,000).

An impairment loss of \$206,000 was recognised for buildings requiring seismic strengthening. This increase is due to delays in the replacement programme and brings the total impairment loss for seismic strengthening to \$8,673,000 (2008 \$8,467,000). Buildings requiring seismic strengthening are defined in the Building Act 2004 as a building whose strength is 33% or less of the current seismic loading standard. The recoverable amounts for these buildings were fair value, which was determined by reference to an active market that took into account the costs to complete the seismic strengthening works. This impairment is included in the valuation done by Darroch Valuations.

An impairment reversal of (\$61,000) was recognised as a building due to be demolished that was impaired in 2008 is no longer being demolished. This reduces the total impairment loss for buildings due to be demolished for new fire stations to \$918,000 (2008 \$979,000). The recoverable amounts for these buildings were value in use, which was determined by the amount similar buildings would cost to rent for the time until demolition.

Land and buildings include \$1,518,000 (2008 \$6,944,000) of properties retired from active use that are not classified as non-current assets held for sale, as they currently do not meet the definitions required. The non-active assets included in land and buildings has reduced in 2009 as one property was sold during the year and other properties have been reclassified to non-current assets held for sale.

An impairment reversal of (\$1,374,000) was recognised for these due to changes in market valuations and another property being sold, bringing the total impairment loss for properties to be sold to \$nil (2008 \$1,405,000).

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

## 12 Property, plant and equipment (continued)

Impairment losses were recognised for motor vehicles \$2,000 (2008 \$nil), communications equipment \$218,000 (2008 \$nil), operational equipment \$524,000 (2008 \$nil), non-operational equipment \$68,000 (2008 \$nil) and computer equipment \$2,000 (2008 \$nil). This makes the total impairment losses recognised in the other expenditure line of the statement of comprehensive income \$814,000 (2008 \$nil). These impairments relate to assets that do not meet the new standards now required by the Commission and therefore have been written off.

The net carrying amount of property, plant and equipment held under finance leases is \$1,106,000 (2008 \$3,048,000) for operational equipment.

Transfers and revaluation movements are shown net of accumulated depreciation. Disposals are shown net of accumulated depreciation and impairment losses.

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## 13 Intangible assets

	Note	Actual 2009 \$000	Actual 2008 \$000
<b>Intangible assets</b>			
Intangible assets at cost at beginning of year		33,091	34,248
Accumulated amortisation		(24,810)	(23,558)
<b>Total intangible assets at beginning of year</b>		<b>8,281</b>	<b>10,690</b>
Additions		1,001	1,570
Net transfer to/(from) work in progress		76	(261)
Disposals		–	(52)
Impairment losses to statement of comprehensive income	5	(43)	–
Amortisation		(2,090)	(3,666)
<b>Total intangible assets at end of year</b>		<b>7,225</b>	<b>8,281</b>
Intangible assets at cost at end of year		33,840	33,091
Accumulated amortisation		(26,615)	(24,810)
<b>Total intangible assets at end of year</b>		<b>7,225</b>	<b>8,281</b>
<b>Net carrying value by class of asset</b>			
Computer software (internally generated) at cost		4,221	4,773
Computer software (purchased) at cost		2,687	3,267
Shared Information Technology Environment (SITE)		–	–
Work in progress at cost		317	241
<b>Total intangible assets at end of year</b>		<b>7,225</b>	<b>8,281</b>
<b>By class of asset</b>			
<b>Computer software (internally generated)</b>			
Computer software (internally generated) at cost at beginning of year		7,566	6,715
Accumulated amortisation		(2,793)	(1,989)
<b>Total computer software (internally generated) at beginning of year</b>		<b>4,773</b>	<b>4,726</b>
Additions		70	851
Amortisation		(622)	(804)
<b>Total computer software (internally generated) at end of year</b>		<b>4,221</b>	<b>4,773</b>
Computer software (internally generated) at cost at end of year		7,636	7,566
Accumulated amortisation		(3,415)	(2,793)
<b>Total computer software (internally generated) at end of year</b>		<b>4,221</b>	<b>4,773</b>

The prior year comparatives have been restated to reflect the current year classifications.

## 13 Intangible assets (continued)

	Actual 2009 \$000	Actual 2008 \$000
<b>Computer software (purchased)</b>		
Computer software (purchased) at cost at beginning of year	7,380	9,127
Accumulated amortisation	(4,113)	(5,420)
<b>Total computer software (purchased) at beginning of year</b>	<b>3,267</b>	<b>3,707</b>
Additions	931	719
Disposals	–	(52)
Impairment losses to statement of comprehensive income	(43)	–
Amortisation	(1,468)	(1,107)
<b>Total computer software (purchased) at end of year</b>	<b>2,687</b>	<b>3,267</b>
Computer software (purchased) at cost at end of year	7,983	7,380
Accumulated amortisation	(5,296)	(4,113)
<b>Total computer software (purchased) at end of year</b>	<b>2,687</b>	<b>3,267</b>
<b>Shared Information Technology Environment (SITE)</b>		
SITE at cost at beginning of year	17,904	17,904
Accumulated amortisation	(17,904)	(16,149)
<b>Total SITE at beginning of year</b>	<b>–</b>	<b>1,755</b>
Amortisation	–	(1,755)
<b>Total SITE at end of year</b>	<b>–</b>	<b>–</b>
SITE at cost at end of year	17,904	17,904
Accumulated amortisation	(17,904)	(17,904)
<b>Total SITE at end of year</b>	<b>–</b>	<b>–</b>
<b>Work in progress</b>		
Computer software (purchased)	317	241
<b>Total work in progress</b>	<b>317</b>	<b>241</b>
<b>Total intangible assets</b>	<b>7,225</b>	<b>8,281</b>

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, the 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 Commission's proportional ownership of the SITE asset.

The original cost for the SITE asset is fully amortised but it is still in use. It is maintained by the New Zealand Police who proportionally charge the Commission. This charge is included in the statement of comprehensive income. There are currently no plans to replace the whole SITE asset; the New Zealand Police will upgrade and replace components of the SITE asset when required.

Disposals are shown net of accumulated amortisation.



## 14 Trade and other payables

	Actual 2009 \$000	Actual 2008 \$000
Trade payables <sup>18</sup>	8,783	14,217
Income in advance	2,705	3,093
Accrued expenses	8,068	5,466
GST, PAYE and FBT payable	6,061	3,705
<b>Total trade and other payables</b>	<b>25,617</b>	<b>26,481</b>

Trade and other payables are non-interest bearing and are settled on 30-day terms. Therefore the carrying value of trade and other payables approximates their fair value.

## 15 Employee and volunteer benefits

	Actual 2009 \$000	Actual 2008 \$000
<b>Current employee and volunteer benefits</b>		
Accrued salaries and wages <sup>19</sup>	890	7,147
Annual leave	13,454	11,536
Long service leave and gratuities	6,228	5,263
<b>Total current employee and volunteer benefits</b>	<b>20,572</b>	<b>23,946</b>
<b>Non-current employee and volunteer benefits</b>		
Long service leave and gratuities	23,792	24,142
<b>Total non-current employee and volunteer benefits</b>	<b>23,792</b>	<b>24,142</b>
<b>Total employee and volunteer benefits</b>	<b>44,364</b>	<b>48,088</b>

The present value of the long service leave and gratuity liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key economic assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will have an impact on the carrying amount of the liability.

In determining the appropriate discount rate, the actuary considered the interest rates on New Zealand government bonds which have terms to maturity that match, as closely to possible, the estimated timing of future cash outflows. The implied risk-free rates derived from the New Zealand government bonds over the period of cash outflows ranged from 3.79% to 8.64%. The salary inflation factor has been determined as 2.75% after considering historical salary inflation patterns.

### Sensitivity analysis

If the discount rate were to increase/decrease by 1% each year from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would decrease/increase by \$1,752,000/\$2,027,000, thereby decreasing/increasing personnel costs and increasing/decreasing accumulated funds by the same amount.

If the assumed salary inflation factor increased/decreased by 1% each year from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would increase/decrease by \$2,027,000/\$1,752,000, thereby increasing/decreasing personnel costs and decreasing/increasing accumulated funds by the same amount.

18 Trade payables have decreased by \$5,434,000. The majority of this decrease is due to the timing of the receipts of cab chassis and payments for protective clothing over the year end period.

19 Accrued salaries and wages have decreased by \$6,257,000 due to the timing of pays over the year end period.

## 16 Borrowings

	Actual 2009 \$000	Actual 2008 \$000
<b>Current borrowings</b>		
Finance leases	2,793	2,581
<b>Non-current borrowings</b>		
Finance leases	1,481	4,274
<b>Total borrowings</b>	<b>4,274</b>	<b>6,855</b>
<b>Analysis of finance leases</b>		
<b>Minimum lease payments payable</b>		
Not later than one year	2,962	2,962
Later than one year and not later than five years	1,481	4,443
<b>Total minimum lease payments</b>	<b>4,443</b>	<b>7,405</b>
Future finance charges	(169)	(550)
<b>Present value of minimum lease payments</b>	<b>4,274</b>	<b>6,855</b>
<b>Present value of minimum lease payments payable</b>		
Not later than one year	2,793	2,581
Later than one year and not later than five years	1,481	4,274
<b>Present value of minimum lease payments</b>	<b>4,274</b>	<b>6,855</b>

The Commission has entered into finance leases for various items of plant and equipment. The net carrying amount of the leased items within each class of property, plant and equipment is shown in Note 12.

The finance leases can be renewed at the Commission's option, with rents set by reference to the current market rates for items of equivalent age and condition.

There are no restrictions placed on the Commission by any of the finance lease arrangements.

The finance lease liabilities are secured over the leased assets.



## 17 Provisions

	Actual 2009 \$000	Actual 2008 \$000
<b>Current provisions</b>		
Loss of medical scheme	152	150
ACC Partnership Programme	1,543	2,511
<b>Total current provisions</b>	<b>1,695</b>	<b>2,661</b>
<b>Non-current provisions</b>		
Lease make-good	471	471
ACC Partnership Programme	657	381
<b>Total non-current provisions</b>	<b>1,128</b>	<b>852</b>
<b>Total provisions</b>	<b>2,823</b>	<b>3,513</b>

Movements for each class of provision are as follows:

### Lease make-good

	Actual 2009 \$000	Actual 2008 \$000
Lease make-good at beginning of year	471	423
Additional provisions made	–	48
<b>Lease make-good at end of year</b>	<b>471</b>	<b>471</b>

In respect of a number of its leased premises, at the expiry of the lease term, the Commission is required to remove and make good any damage caused to the premises by installed fixtures and fittings.

### Loss of medical scheme

	Actual 2009 \$000	Actual 2008 \$000
Loss of medical scheme at beginning of year	150	147
Contributions made to the scheme	2	3
<b>Loss of medical scheme at end of year</b>	<b>152</b>	<b>150</b>

The loss of medical scheme provision provides insurance cover for personnel who contributed to a former medical compensation scheme and elected not to join the Commission's superannuation scheme. Due to the nature of the scheme, it is not possible to determine the timing of the expected cash flow.

### ACC Partnership Programme

	Actual 2009 \$000	Actual 2008 \$000
Central estimates of the present value of future payments	1,991	2,631
Risk margin	209	261
<b>Total ACC Partnership Programme provision</b>	<b>2,200</b>	<b>2,892</b>



## 17 Provisions (continued)

Movements in the claims liability are as follows:

	Actual 2009 \$000	Actual 2008 \$000
ACC Partnership Programme provision at beginning of year	2,892	1,712
Additional provisions during the year for risks borne in current period	1,421	2,384
Additional provisions relating to a reassessment of risks in previous periods	(538)	508
Amounts used during the year	(2,362)	(1,630)
Unused amounts reversed	735	(140)
<b>ACC Partnership Programme expenditure</b>	<b>(744)</b>	<b>1,122</b>
Discount unwinding on provision of ACC Partnership Programme	52	58
<b>ACC Partnership Programme provision at end of year</b>	<b>2,200</b>	<b>2,892</b>

### Liability valuation

The Commission is not exposed to any significant concentrations of insurance risk as work related injuries are generally the result of an isolated event to an individual employee. The cash-flow associated with the ACC Partnership Programme is expected to occur over the coming years up to 2013.

An external independent actuarial valuer, G R Lee BSC FIA from Aon New Zealand, has calculated the Commission's liability, and the valuation is effective as at balance date. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

### Risk margin

The actuary has assessed a risk margin of 11% (2008 11%) to allow for the inherent uncertainties in the central estimate of the claims liability.

The risk margin of the Commission has been determined taking into consideration:

- Adjustments for the claim period to match the level of known case estimates
- The amount of stop loss and high cost claims cover insurance.

The risk margin is intended to achieve a 75% probability of the liability being adequate to cover the cost of injuries and illnesses that have occurred up to balance date.

### Assumptions

The key assumptions used to determine the outstanding claims liability are:

- Average inflation at 4% for both years
- A weighted average discount factor of 4% (2008 6.5%) per annum for first and all succeeding years.

### Objectives for managing risks

The liability for the ACC Partnership Programme is measured at the present value of anticipated future payments to be made in respect of employee injuries and claims up to the balance date using actuarial techniques. Consideration is given to expected future wage and salary levels, and the experience of employee claims and injuries.

Expected future payments are discounted using year end market yields on government bonds with terms to maturity that match, as closely as possible, to the estimated future cash outflows.



## 17 Provisions (continued)

The Commission manages its exposure arising from the programme by promoting a safe and healthy working environment as follows:

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

The Commission is responsible for managing claims for a period of 48 months from the claim lodgement date. At the end of the 48 months, if an injured employee is still receiving entitlements, the financial management responsibility of the claim will be transferred to ACC for a price calculated on an actuarial valuation basis. The weighted average term of claims included in the outstanding claims liability is calculated as 199 days (2008 178 days).

The Commission has chosen a stop loss limit of 250% of the industry premium. The stop loss limit means the Commission will only carry the total cost of claims up to \$3,967,600.

The Commission does not have a credit rating as it is not in the business of insurance.

### Sensitivity analysis

If the discount rate used increased/decreased by 1% from the Commission's estimates, with all other factors held constant, it would result in a decrease/increase in the liability to \$2,178,600/\$2,221,500. A decrease in the liability to \$2,178,600 would decrease personnel expenses and increase accumulated funds by \$21,000. An increase in the liability to \$2,221,500 would increase personnel expenses and decrease accumulated funds by \$21,900.

If the inflation rate used increased/decreased by 1% from the Commission's estimates, with all other factors held constant, it would result in an increase/decrease in the liability of \$2,215,800/\$2,183,700. An increase in the liability to \$2,215,800 would increase personnel expenses and decrease accumulated funds by \$16,200. A decrease in the liability to \$2,183,700 would decrease personnel expenses and increase accumulated funds by \$15,900.

The average claim is \$4,210. If this increased/decreased by 25%, with all other factors held constant, it would result in an increase/decrease in the liability of \$2,628,100/\$1,771,200 and an increase/decrease in the personnel expenses and decrease/increase in accumulated funds by the same amount.

If the claims rate used increased from 3.4 claims per \$1,000,000 of liable earnings to 5.1 claims per \$1,000,000 of liable earnings, with all other factors held constant, it would result in an increase in the liability to \$3,022,400. Personnel expenses would increase and accumulated funds would decrease by \$822,800 as a result of this increase in the utilised claims rate.

If the claims rate used decreased from 3.4 claims per \$1,000,000 of liable earnings to 1.7 claims per \$1,000,000 of liable earnings, with all other factors held constant, it would result in a decrease in the liability to \$1,493,500. Personnel expenses would decrease and accumulated funds would increase by \$706,100 as a result of the decrease in the claims rate.

## 18 Revaluation reserves

	Note	Actual 2009 \$000	Actual 2008 \$000
<b>Property, plant and equipment revaluation reserves</b>			
Total revaluation reserves at beginning of year		50,422	29,308
Revaluation movement	12	(6,934)	31,795
Impairment losses	12	(206)	(10,852)
Reversal of impairment losses	12	1,435	–
<b>Total revaluation (losses)/gains recognised in other comprehensive income</b>		<b>(5,705)</b>	<b>20,943</b>
Transfer to accumulated funds on disposal		498	171
<b>Total revaluation reserves at end of year</b>		<b>45,215</b>	<b>50,422</b>
<b>By class of asset</b>			
<b>Land</b>			
Land revaluation reserve at beginning of year		27,464	16,833
Revaluation movement		(11,356)	11,860
Impairment losses		–	(1,232)
Reversal of impairment losses		1,200	–
<b>Land revaluation (losses)/gains recognised in other comprehensive income</b>		<b>(10,156)</b>	<b>10,628</b>
Transfer to accumulated funds on disposal		288	3
<b>Land revaluation reserve at end of year</b>		<b>17,596</b>	<b>27,464</b>
<b>Buildings</b>			
Building revaluation reserve at beginning of year		22,958	12,475
Revaluation movement		4,422	19,935
Impairment losses		(206)	(9,620)
Reversal of impairment losses		235	–
<b>Building revaluation gains recognised in other comprehensive income</b>		<b>4,451</b>	<b>10,315</b>
Transfer to accumulated funds on disposal		210	168
<b>Buildings revaluation reserve at end of year</b>		<b>27,619</b>	<b>22,958</b>
<b>Total revaluation reserves at end of year</b>		<b>45,215</b>	<b>50,422</b>

The revaluation reserve is used to record accumulated increases and decreases in the fair value of land and buildings. When a property is disposed of, either through sale or demolition, any balance in the revaluation reserve relating to that property is transferred to accumulated funds. The balance transferred to accumulated funds is the positive or negative revaluation reserve for the individual asset.



## 19 Reconciliation of net surplus attributable to the owners of the Commission with the net cash flows from operating activities

	Note	Actual 2009 \$000	Actual 2008 \$000
<b>Net surplus attributable to the owners of the Commission</b>		<b>14,612</b>	<b>3,886</b>
<b>Add/(subtract) non-cash items</b>			
Depreciation	12	26,824	29,469
Amortisation	13	2,090	3,666
Amortisation of gain on sale and leaseback	2	(355)	(355)
Property, plant and equipment write-offs	5	472	399
Impairment of property, plant and equipment	5	814	–
Impairment of intangible assets	5	43	–
Net loss/(gain) on derivative financial instruments	2/5	21	(1)
<b>Total non-cash items</b>		<b>29,909</b>	<b>33,178</b>
<b>Add/(subtract) movements in working capital</b>			
Increase/(decrease) in trade and other payables		(1,287)	10,611
Increase/(decrease) in employee and volunteer benefits	15	(3,724)	(2,834)
Increase/(decrease) in provisions	17	(690)	1,231
(Increase)/decrease in other current assets		2,122	(3,857)
<b>Net movements in working capital</b>		<b>(3,579)</b>	<b>5,151</b>
<b>Add/(subtract) investing activities</b>			
(Gains)/losses on disposal of fixed assets	2	(68)	(1,423)
Interest paid		517	617
Interest received		(3,419)	(5,753)
<b>Total investing activity items</b>		<b>(2,970)</b>	<b>(6,559)</b>
<b>Net cash flows from operating activities</b>		<b>37,972</b>	<b>35,656</b>

The prior year comparatives have been restated to reflect the current year classifications.

## 20 Capital commitments and operating leases

	Actual 2009 \$000	Actual 2008 \$000
<b>Capital commitments</b>		
Property, plant and equipment	41,662	40,643
Intangibles	41	63
<b>Total capital commitments</b>	<b>41,703</b>	<b>40,706</b>
Not later than one year	20,296	28,697
Later than one year and not later than five years	21,407	12,009
<b>Total capital commitments</b>	<b>41,703</b>	<b>40,706</b>

Capital commitments arise when orders are placed before balance date but the goods and services are received after balance date. Commercial penalties exist for the cancellation of these contracts. The majority of the capital commitments are for fire appliances.

### Operating lease commitments as lessee

	Actual 2009 \$000	Actual 2008 \$000
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	2,701	5,049
Later than one year and not later than five years	4,514	4,298
Later than five years	643	805
<b>Total non-cancellable operating lease commitments as lessee</b>	<b>7,858</b>	<b>10,152</b>

The Commission has operating lease commitments for office premises, motor vehicles and office equipment. The most significant lease held is the lease of three floors and car parks in the AXA Building, Wellington. The lease expires in November 2009, with a right of renewal.

There are no restrictions placed on the Commission by any of its leasing arrangements, other than the premises must be used as commercial premises.

### Operating lease commitments as lessor

	Actual 2009 \$000	Actual 2008 \$000
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than one year	213	245
Later than one year and not later than five years	196	309
Later than five years	273	368
<b>Total non-cancellable operating lease commitments as lessor</b>	<b>682</b>	<b>922</b>

The Commission leases some property under operating leases. The majority of these leases have a non-cancellable term of one month.

No contingent rents have been recognised in the statement of comprehensive income during the period.



## 21 Contingencies

### Contingent liabilities

#### Claims

The Commission is currently contesting a number of claims from current and former employees. The estimated financial settlement of the aggregate of these claims as at 30 June 2009 is \$230,000 (2008 \$97,000).

#### Superannuation schemes

The Commission is a participating employer in the National Provident Fund Defined Benefit Plan Contributors Scheme, which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the Commission could be responsible for the entire deficit of the scheme of \$3,097,000 as at 31 March 2009. This deficit was calculated using a discount rate equal to the expected return on net assets of \$286,133,000.

### Contingent assets

The Commission does not have any contingent assets (2008 \$nil).

## 22 Financial instruments

The Commission is party to financial instruments as part of its everyday operations. These financial instruments include cash at bank, investments, trade and other receivables, trade and other payables, borrowings and forward foreign exchange contracts.

Categories of financial assets and liabilities	Actual 2009 \$000	Actual 2008 \$000
<b>Loans and receivables</b>		
Cash and cash equivalents	40,063	52,369
Trade and other receivables	4,444	6,354
<b>Total loans and receivables</b>	<b>44,507</b>	<b>58,723</b>
<b>Fair value through statement of comprehensive income</b>		
Derivative financial instruments assets	5	16
Derivative financial instruments liabilities	(26)	(15)
<b>Total fair value through statement of comprehensive income</b>	<b>(21)</b>	<b>1</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	25,617	26,481
<b>Total financial liabilities measured at amortised cost</b>	<b>25,617</b>	<b>26,481</b>

### Financial instrument risks

The Commission's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Commission has a series of policies to manage the risk associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow the Commission to enter into any transactions that are speculative in nature.

#### Market risk

##### Interest rate risk

The Commission is exposed to interest rate risk, which is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Commission's exposure to the interest rate risk is limited to call deposits included in the cash and cash equivalents balance. The Commission aims to reduce the risk by investing at fixed interest rates with maturities in line with the cash requirements of the Commission. The Fire Service Act 1975 does not provide for the Commission to enter into hedging transactions, and therefore interest rate investments are not hedged.

##### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The Commission's currency risk arises when sourcing property, plant and equipment denominated in foreign currency. The Commission enters into foreign exchange forward contracts to manage its foreign currency exposure in relation to supply contracts entered into for the purchase of property, plant and equipment. There were 4 forward foreign exchange contracts in place as at 30 June 2009 (2008 4).



## 22 Financial instruments (continued)

### 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 and other receivables and transactions with financial institutions. The Commission places its funds with financial institutions that have a high credit rating as required by section 161 of the Crown Entities Act 2004. There is no significant concentration of credit risk arising from trade and other receivables.

### Liquidity risk

The liquidity risk is the risk that the Commission will not have sufficient funds to meet its commitments as they fall due. For liquidity cash management purposes, the Commission forecasts expected cash flow over the year for both known and perceived requirements. A minimum buffer is maintained which provides access to funds in excess of the highest forecast needs for funds. The Commission also invests in financial instruments ensuring there is an orderly market for their trading so they can be readily sold at any time. The forecast cash flows are updated on a daily basis.

The table below analyses the Commissions financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Actual 2009			Actual 2008		
	Less than 6 months \$000	Between 6 months and 1 year \$000	Between 1 and 5 years \$000	Less than 6 months \$000	Between 6 months and 1 year \$000	Between 1 and 5 years \$000
Creditors and other payables (Note 14)	25,617	–	–	26,481	–	–

### Crown Retail Deposit Guarantee Scheme

The Commission is covered by the Crown Retail Deposit Guarantee. The size of the deposit covered by the guarantee is \$1,000,000 per depositor per covered institution.



## 23 Capital management

The Commission's capital is equity, which comprises accumulated funds and other reserves. Equity is represented by net assets. The Commission is subject to the financial management and accountability provisions in the Crown Entities Act 2004. These provisions impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. The Commission has obtained approval from the Minister of Finance in accordance with the Crown Entities Act 2004 to enter into derivatives and to maintain committed and uncommitted borrowing facilities at financial institutions.

The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets and liabilities, and its general financial dealings. This ensures the Commission effectively achieves its objectives and purpose, while remaining a going concern.

## 24 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 arm's length on normal business terms.

The office of the Commission maintains an interest register for members of the Commission. During the year no transactions were entered into with members of the Commission, other than for the payment of their fees and the reimbursement of their expenses.

No provision has been required, nor any expenses recognised, for the impairment of receivables from related parties (2008 \$nil).

The aggregate value of payments received and outstanding balances relating to entities that key management personnel have control or significant influence over were as follows:

Person	Counterparty	Ref	Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
			2009 \$	2008 \$	2009 \$	2008 \$
John Hercus, board member, NZ Fire Service Commission (until 31 December 2008)	National Institute of Water and Atmospheric Research and GNS Science	(i)	2,000	11,000	–	2,250
Dame Margaret Bazley DNZM Hon DLit board chairperson, NZ Fire Service Commission	Foundation for Research, Science and Technology	(ii)	–	8,000	–	–
Terry Scott, deputy chairperson, NZ Fire Service Commission	West Coast Tai Poutini Conservation Board	(iii)	–	184	–	–
Robert Francis, NZ Fire Service Commission	Wairarapa District Health Board	(iv)	16,000	16,000	–	–
<b>Total</b>			<b>18,000</b>	<b>35,184</b>	<b>–</b>	<b>2,250</b>



## 24 Related party disclosures (continued)

- i. John Hercus is a board member of the National Institute of Water and Atmospheric Research (NIWA) and GNS Science. GNS Science was charged by the Commission for false alarm calls to their premises. The charges were in accordance with the Commission's False Alarm Policy.
- ii. Dame Margaret Bazley DNZM Hon DLit was the chairperson of the Foundation for Research, Science and Technology until 30 April 2008. The Foundation reimbursed the Commission for executive support services provided by the Commission to Dame Margaret Bazley in her capacity as the chairperson of the Foundation for Research, Science and Technology.
- iii. Terry Scott is a member of the West Coast Tai Poutini Conservation Board. Services were provided to the board on normal commercial terms during 2008.
- iv. Robert Francis is the chairperson of the Wairarapa District Health Board. The Wairarapa District Health Board was charged rental for a building at the Masterton Fire Station. Rental was charged on normal commercial terms.

The aggregate value of payments made and outstanding balances relating to entities that key management personnel have control or significant influence over were as follows:

Person	Counterparty	Ref	Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
			2009 \$	2008 \$	2009 \$	2008 \$
John Hercus, board member, NZ Fire Service Commission (until 31 December 2008)	National Institute of Water and Atmospheric Research and the NZ Meteorological Service	(v)	–	78,592	–	6,384
Angela Foulkes, board member, NZ Fire Service Commission	NZ Qualifications Authority	(vi)	46,340	35,221	3,451	5,444
Robert Francis, NZ Fire Service Commission	Wairarapa District Health Board	(vii)	258	45	–	–
Commission through their appointed trustees, two of which are key management personnel of the NZ Fire Service – Janine Hearn and Russell Wood.	NZ Fire Service Superannuation Scheme	(viii)	13,039,973	12,851,811	5,355	454,534
<b>Total</b>			<b>13,086,571</b>	<b>12,965,669</b>	<b>8,806</b>	<b>466,362</b>

- v. Purchases of weather information from both the National Institute of Water and Atmospheric Research (NIWA), where John Hercus is a board member, and the Met Service, where John Hercus was a board member until part way through the 2007/2008 financial year. The provision of these services was on normal commercial terms.
- vi. Purchases of goods and services from the New Zealand Qualifications Authority, of which Angela Foulkes is a board member, were made on normal commercial terms in both 2008 and 2009.
- vii. Purchases of goods and services from the Wairarapa District Health Board, of which Robert Francis is a board member, were made on normal commercial terms in both 2008 and 2009.
- viii. The Commission pays employer superannuation contributions to the New Zealand Fire Service superannuation scheme. The scheme is operated by seven trustees three of whom are appointed by the Commission. Two of the Commission appointed trustees are key management personnel of the Commission and one is an operational employee.

## 24 Related party disclosures (continued)

### Other related party disclosures

There are close family members of key management personnel employed by the New Zealand Fire Service. The terms and conditions of those arrangements are no more favourable than the New Zealand Fire Service would have adopted if there were no relationship to key management personnel.

During the course of the Minister's annual review of the rate of Fire Service levy he consults the Commission. Board members, staff and volunteers of the New Zealand Fire Service Commission insure their properties against the risk of fire and thereby incur a liability to pay the Fire Service levy at the same rate as every other insured person.

Key management personnel benefits	Actual 2009 \$000	Actual 2008 \$000
Salaries and other current employee benefits	3,002	2,788
Post-employment benefits	169	132
Termination benefits (gratuities)	–	32
<b>Total key management personnel benefits</b>	<b>3,171</b>	<b>2,952</b>

Key management personnel includes all the Commission's members, the Chief Executive/National Commander, and the fifteen members of the senior management team.

## 25 Remuneration of Commission and committee members

	Actual 2009 \$	Actual 2008 \$
Dame Margaret Bazley DNZM Hon DLit	60,000	60,000
Mr Terry Scott	23,375	23,375
Ms Angela Foulkes	18,700	18,700
Mr Robert Francis	18,700	18,700
Mr John Hercus (until 31 December 2008)	9,350	18,700
<b>Fees paid to Commissioners</b>	<b>130,125</b>	<b>139,475</b>
Mr Alan Isaac (chairperson of the Audit and Risk Committee) <sup>20</sup>	18,300	9,838
<b>Total remuneration of Commission and committee members</b>	<b>148,425</b>	<b>149,313</b>

No Commission members received compensation or other benefits in relation to cessation (2008 \$nil).

The Commission has in place a range of insurance covers in respect of the liability of board members.

<sup>20</sup> The chairperson of the Audit and Risk Committee was engaged by the Commission to provide additional services in relation to the United Fire Brigades Association for the years ended 30 June 2009 and 2008. The remuneration for these additional services is included in this note and totalled \$12,700 (2008 \$6,125). The remaining \$5,600 (2008 \$3,713) related to chairing the Audit and Risk Committee.



## 26 Remuneration of employees

Total remuneration paid or payable	Actual 2009	Actual 2008
\$100,000 – \$109,999	152	160
\$110,000 – \$119,999	61	47
\$120,000 – \$129,999	10	12
\$130,000 – \$139,999	5	5
\$140,000 – \$149,999	4	4
\$150,000 – \$159,999	3	2
\$160,000 – \$169,999	2	6
\$170,000 – \$179,999	3	–
\$180,000 – \$189,999	3	–
\$190,000 – \$199,999	–	–
\$200,000 – \$209,999	1	–
\$210,000 – \$219,999	–	2
\$220,000 – \$229,999	2	1
\$230,000 – \$239,999	–	–
\$240,000 – \$249,999	1	–
\$360,000 – \$369,999	–	*1
\$370,000 – \$379,999	*1	–
<b>Total employees</b>	<b>248</b>	<b>240</b>

\* Chief Executive/National Commander

During the year ended 30 June 2009, 40 (2008 60) employees received compensation and other benefits in relation to cessation totalling \$842,000 (2008 \$1,529,000). The majority of these cessation payments related to gratuities paid out in accordance with the Fire Service Act 1975 to employees who cease employment with the New Zealand Fire Service following a minimum of 10 years service.

## 27 Post balance date events

There were no significant events after balance date.

## 28 Explanation of significant variances against budget

Explanations for significant variations from the Commission's budgeted figures in the Statement of Intent are as follows:

### Statement of comprehensive income

These are explained throughout Notes 1 to 5 to the financial statements.

### Statement of changes in equity

#### Equity at beginning of year – Revaluation reserves

The opening balance of the revaluation reserves was greater than budgeted by \$29,114,000. When the 2008/2009 budgets were prepared it was forecast there would be a \$8,000,000 decrease in valuation of land and buildings because of the seismic strengthening work required to be completed. The actual revaluation surplus recognised in the other comprehensive income for the year ended 30 June 2008 was \$20,943,000.

#### Net surplus/(deficit) attributable to the owners of the Commission for the year

The surplus for the year ended 30 June 2009 was higher than budgeted by \$4,579,000 due to the budget variances explained in the statement of comprehensive income.

#### Land and buildings revaluations

The land and buildings revaluation gains were lower than budgeted by \$16,532,000 due to valuations being lower than anticipated.

### Statement of financial position

#### Cash and cash equivalents

The cash and cash equivalents balance at 30 June 2009 was greater than budget by \$3,696,000 because the actual closing balance at 30 June 2008 was greater than the budget opening balance at 1 July 2009 by \$20,420,000.

#### Property, plant and equipment

Property, plant and equipment at 30 June 2009 was greater than budget by \$2,588,000. This was primarily because of additions during the year of \$49,827,000 being offset by the depreciation expense for the year of \$26,824,000. Land and buildings revaluation gains net of impairment losses were lower than budget by \$16,532,000 due to valuations being lower than anticipated.

#### Intangible assets

Intangible assets at 30 June 2009 were less than budget by \$3,483,000 due to planned expenditure not occurring.

#### Employee and volunteer benefits

Total employee and volunteer benefits at 30 June 2009 were less than budget by \$7,483,000 due to the actual risk free rate used in the actuarial valuation of long service leave and gratuities being lower than anticipated.

#### Borrowings

Borrowings at 30 June 2009 were higher than budget because the budgets were based on the assumption that the finance leases expiring on 1 July 2007 would be continued. However, the assets under these leases were bought back by the Commission.



## 28 Explanation of significant variances against budget (continued)

### Provisions

Provisions at 30 June 2009 totalled \$2,823,000 for lease make-good, loss of medical scheme and the ACC Partnership Programme. This was less than budget by \$402,000.

### Accumulated funds

Accumulated funds at 30 June 2009 were greater than budget by \$4,321,000. The main reason for this was a budgeted net surplus attributable to the owners of the Commission of \$9,963,000, whereas the Commission achieved an actual net surplus of \$12,747,000.

### Revaluation reserves

Revaluation reserves at 30 June 2009 were greater than budget by \$10,520,000. The actual gain on revaluation was greater than budget by \$16,532,000.

## Statement of changes in cash flows

### Receipts from levy

Receipts from levy were lower than budget by \$3,914,000. The most significant driver affecting levy receipts during the financial year was the deterioration of global economic conditions impacting the levy base and levy payable through lower economic growth and property values.

The global economic conditions ensured most businesses were more risk adverse during the financial year and it was observed that there was a notable increase in insurance arrangements designed to minimise the amount of Fire Service levy due to the Commission. The Commission is actively monitoring these types of insurance arrangements to ensure the full amount of levy due to the Commission is received.

### Receipts from other revenue

Receipts from other revenue were \$5,267,000 higher than budget. The Statement of Intent did not include the Rural Fire Fighting Fund income, which is classified as other revenue.

### Interest received

Interest received was lower than budget by \$1,857,000 because the cash and cash equivalents balance was lower than budget throughout the year and the interest rates were lower than the interest rate assumptions in the budget.

### Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment were \$7,963,000 less than budget. The Commission had planned to sell the properties surplus to requirements at Mt Maunganui, Lower Hutt and Petone. However, in late 2007/2008, the sale of the land was delayed because it was captured by the sale of sensitive land requirements, and is now dependent on the Office of Treaty Settlements' requirements.

### Purchase of property, plant and equipment

The purchase of property, plant and equipment was lower than budget by \$18,360,000. Property, plant and equipment cash flows were lower than budget mainly due to a delay in the seismic strengthening programme. Building consent and resource consent issues have delayed other fire station building programmes, including St Heliers, thereby contributing to the underspend this year.



