Annual Report

For the year ended 30 June 2010

NEW ZEALAND FIRE SERVICE COMMISSION
Whakaratonga Iwi

New Zealand Government

New Zealand Fire Service Commission
Annual Report
For the Year Ended 30 June 2010

29 October 2010

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 2010.

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. 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 trendlines remain positive.

The Commission is pleased to report, again, that the trend lines across all indicators are favourable. New Zealanders can be confident both their urban and rural fire services are making substantial progress in reducing the incidence and consequences of fire. The year-on-year and long-term 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	
2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
0.46	0.32	4.1	3.9	117	130	5,240	2,363

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	
2009/10	10-year average	2009/10	10-year average	2009/10	10-year average	2009/10	10-year average
0.46	0.49	4.1	4.5	117	138	5,240	7,072

Financial outcome

The Commission budgeted to receive $307 million income from the Fire Service levy in 2009/2010. Close monitoring of levy flows early in the financial year identified that levy income of $300 million to $303 million was a more likely outcome. In order to retain some financial flexibility for future years the Commission directed the Chief Executive to constrain operating expenditure in lower priority areas and to defer some capital expenditure. We are pleased to report the $5.2 million surplus forecast in the Statement of Intent was achieved and we consider this a very satisfactory outcome in the circumstances.

Service performance

During the course of the year career firefighters took extended industrial action against the Commission in support of their union's claim for improved pay and conditions. The action included bans on the provision of fire safety public education and on the completion of electronic records relating to emergency incidents attended. The Commission expresses its deep disappointment that career firefighters felt compelled to take action that compromised the ability of the Fire Service to perform its functions in a fully effective way. The effect of the ban on electronic reporting was to compromise four month's incident response data. As a result the Commission is unable to report accurately against many of the measures in the 2009/2010 Statement of Service Performance. The Commission's full disclosure on this matter is set out on page 34 of this report. The Audit opinion on the Statement of Service Performance is also qualified.

Fire, rescue and emergency service

The number of emergencies to which New Zealand's fire services were called has declined over the last two years – down from 74,057 incidents in 2007/2008 to just 67,651 incidents in 2009/2010. For the 20 years prior to 2007/2008, the number of incidents increased every year. The 9 percent reduction in overall incident numbers over the last two years masks a significant shift in the mix of New Zealand Fire Service's (Fire Service's) business. While it is difficult to be precise, given the data difficulties referred to above, it appears all classes of fire incident fell approximately 12 percent over the two years and rescue, emergency and medical calls rose approximately 9.5 percent.

False alarms aside, the Fire Service's response business is now finely balanced between fire and non-fire incidents. Twenty years ago, by contrast, two-thirds of all incidents were fire related. The Commission remains of the view that fire services legislation should be reformed to reflect the reality of its current business mix.

Value for money

Like almost all emergency service providers the Commission incurs the majority of its expenditure establishing and maintaining the baseline capability to respond to the first incident. Having incurred that expense the cost of responding to every additional incident is relatively modest. Therein lies the clue to improving the value the Commission delivers for the money it spends. While the baseline cost structure offers some efficiency opportunities, baseline capability presents many more opportunities for delivering additional services that communities value. Elsewhere we report on formative initiatives to value the Commission's wider contribution to health, road safety, civil defence, social development and environmental outcomes.

Enlarged rural fire districts

Last year the Commission signalled its intention to support an initiative to promote the voluntary amalgamation of smaller fire authorities into enlarged rural fire districts. The Commission has put in place significant financial incentives to encourage fire authorities to consider amalgamation seriously, the Department of Internal Affairs has developed and published guidance documents on forming and governing enlarged rural fire districts and the National Rural Fire Officer has convened numerous stakeholder forums to promote the enlargement programme to territorial authorities, the Department of Conservation, plantation forest companies and rural land owners. The Commission appreciates the personal support you have provided at these forums and it is confident this initiative will come to fruition in 2011/2012.

Acknowledgements

Two new members, the Rt Hon Wyatt Creech and David McFarlane, were appointed to the Commission in 2009/2010. I record my appreciation of the support received from them and from members Angela Foulkes and Bob Francis who continued in office 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

Earlier in the year it became apparent budgeted levy income would not be achieved and the forecast surplus was at risk. Expenditure plans were reviewed and low priority expenditure was cut or deferred accordingly. As a result the financial outcome was as originally budgeted and my management team and I take considerable satisfaction from that.

The Fire Service uses the Business Excellence framework to benchmark its performance internationally and to identify improvement opportunities. The progress the Fire Service has made in this regard was recognised in 2009 when we were independently evaluated and presented with the New Zealand Business Excellence Silver Award.

In 2009/2010, three significant initiatives were implemented to improve the level of assurance available to the National Commander of the Fire Service's operational readiness and performance.

- A comprehensive Operational Readiness Standards manual was introduced. The manual sets out the standards for all elements of operational readiness across all levels of the Fire Service and provides the base against which brigades will be audited for operational readiness in the future.
- An independent Directorate of Operational Efficiency was established to monitor, audit and report on operational readiness and performance.
- The new Operational Skills Maintenance (OSM) system was introduced. This national computer based system provides the framework for all firefighter refresher training.

The Fire Service relies heavily on volunteer firefighters to provide emergency response services across New Zealand. The Fire Service is well aware of the threats to volunteerism in these changing social times and is striving to understand and address these challenges. A volunteer sustainability project was initiated in early 2010 to look at issues relating to the attraction, retention and engagement of the Fire Service volunteers. The project will produce recommendations in October 2010 that will form a programme of work to be delivered over the following 18 to 24 months.

The Fire Service introduced new hazmat-command vehicles during 2009/2010. These high-tech vehicles are fitted with comprehensive incident management facilities and equipment to manage hazardous material emergencies. They provide a network of mobile resources across New Zealand and are a focal point for all our partner agencies in emergency management. Nine of 17 new hazmat-command vehicles were commissioned during the year, with the remaining eight due by March 2011. Two of these vehicles were put to early use in the aftermath of the Christchurch earthquake in September. Lessons learned from their deployment in Christchurch will be valuable for Rugby World Cup duty where the vehicles will significantly improve the Fire Service's operational capability and support for World Cup planning and security.

The Fire Service understands it needs to be closely aligned to the communities it serves. As part of this approach the Fire Service introduced a home fire safety check initiative in the later part of 2009/2010. The initiative provides an 0800 number for householders to call and arrange a fire safety check of their home and the installation of a free photoelectric smoke alarm for qualifying households.

The Fire Service places high importance on programmes that target children, as part of its long term vision of creating a fire-safe society. Launched in 2010, the redesigned Get Firewise education programme for Year 1 and Year 2 students incorporated the Ministry of Education's new numeracy and literacy curriculum and proved an overwhelming success. Maui Tinei Ahi, the redesigned programme for Mäori children in kura kaupapa, bilingual classes and immersion units in primary schools, will be introduced in late 2010. The Fire Awareness and Intervention Programme (FAIP) for helping children who deliberately light fires has been formally evaluated this year. The result was an overwhelming validation of FAIP as representing international best practice: its benefit showed as a 98 percent reduction in recidivist fire lighting for children who participated in the FAIP programme.

Over the last year fire related callouts reduced by approximately 9 percent, while medical calls rose approximately 25 percent. The Fire Service is now truly a broad based fire, rescue and emergency service and I place a strong focus on preparing the service for its evolving role. A risk based national resource allocation model was established during 2009/2010 and will be used to help us make decisions on operational resource planning. The first use of this risk based approach was to standardise responses to automatic fire alarm activations from low-risk buildings which had sprinkler systems installed. In the majority of cases (over 97 percent) these events turn out to be false alarms and the standardised response provides a more efficient use of Fire Service resources.

Mike Hall, AFSM, F.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 under section 4 of the Fire Service Act 1975. The Crown Entities Act 2004 prescribes 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 provides a link between the comments of the Chairperson and the Chief Executive's comments and the following narrative/descriptive sections covering the impacts and outcomes of the Fire Service's and the National Rural Fire Authority's activities during 2009/2010.

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 2009/2010 the board members were:

Dame Margaret Bazley DNZM Hon DLit, Chairperson
Mr Terry Scott, Deputy Chairperson (until 30 September 2009)
Mr Wyatt Creech (from 1 October 2009)
Ms Angela Foulkes ONZM
Mr Bob Francis
Mr David McFarlane (from 1 October 2009).

Commission governance

Issues considered and addressed by the board during the year included:

- The formal recognition of representatives of the Tamahere community who rescued injured firefighters from imminent danger and cared for them on 5 April 2008
- The provision of accounting and other 'back office' services to the United Fire Brigades Association, the national body representing volunteer fire brigades

- The Statement of Intent for 2010/2011 including expenditure and service delivery forecasts
- The constitution of a new urban fire district at Sheffield
- Terms for the sale of surplus former fire stations to the Office of Treaty Settlements
- A submission to the Law Commission on the licensing provisions of the Sale of Liquor Act 1989
- Objectives, design and implementation of employee superannuation schemes
- Negotiating parameters for a new employment agreement with firefighters
- Changes to the rules of association of volunteer fire brigades
- The registration of new industrial fire brigades
- Agreements with territorial authorities under section 38 of the Fire Service Act 1975
- Terms for a national cellular services supply contract
- Terms for a national vehicle leasing contract (white fleet)
- Design of stage 2 of the National Training Centre in Rotorua
- The extension of urban search and rescue capability to respond offshore
- Changes to the charging for services policy
- ACC accreditation.

National Rural Fire Authority

This function incorporates the administration of the Rural Fire Fighting Fund, the allocation 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:

- The economic cost of wildfires in New Zealand
- The Rural Fire Fighting Fund report for 2008/2009
- Mutual assistance agreements with Australian, US and Canadian fire agencies
- The amount of Fire Service levy expended in rural areas relative to the amount raised
- Grants to the Bushfire Co-operative Research Centre and other wildfire research organisations
- Fuel loading on conservation lands retired from grazing and/or prescriptive burning
- Results of audits of fire authority compliance with minimum national standards
- Changes to the procedures for evaluating the performance of fire authorities
- Strategy to amalgamate smaller fire authorities into enlarged rural fire districts
- The 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 2009/2010 included:

- Submissions on proposed amendments to the Building Act 2004
- Setting priorities for fire safety research under the Commission's Contestable Research Fund
- The award of the Contestable Research Fund contracts
- The presentation of the results of research to fire safety stakeholders
- Liaison with the Department of Building and Housing on the Building Code
- The operation of the unit responsible for providing comment to building consent authorities on applications for certain classes of building consent
- The form and content of national electronic media campaigns.

Receipt and audit of Fire Service levy

In 2009/2010, the New Zealand Fire Service Commission received 96 percent of its income from the statutory levy on contracts of fire insurance. The protection of this income stream is, therefore, a critical governance issue for the Commission. Matters considered by the board under this governance function included:

- The establishment of an annual audit programme to provide assurance around the levy
- The consideration of court or other actions against non-compliant levy collectors
- The 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

The Commission has not received any directions from Ministers during 2009/2010.

Operations Overview

This section provides an overview of emergency response activities during 2009/2010 and a summary of the fire station and fire appliance capital investment programmes.

Incident trends

The Fire Service responded to 67,651 emergency incidents during 2009/2010. The total numbers of incidents over the last 10 years are shown in the table below.

	Total Incidents attended
2009/2010	67,651
2008/2009	71,516
2007/2008	74,057
2006/2007	71,690
2005/2006	66,951
2004/2005	65,461
2003/2004	64,504
2002/2003	64,166
2001/2002	62,437
2000/2001	64,478

The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2009/2010, an estimated 31 percent of incidents were non-fire related emergencies compared to 24 percent in 2000/2001.

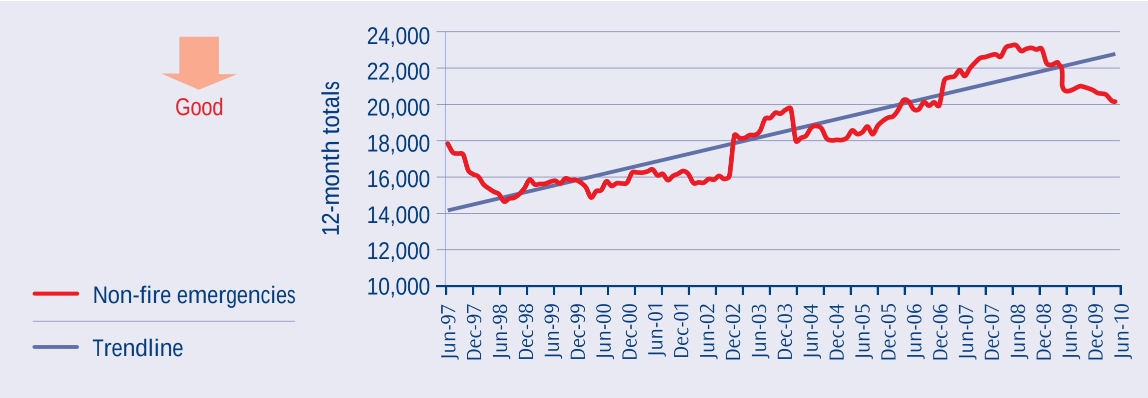
Non-fire emergencies

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 emergencies and responses to incidents during extreme weather.

The Fire Service in partnership with St John is playing an increasing role in providing the initial response to medical emergencies in small 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 69 new fire appliances in 2009/2010. This represents a significant capital investment in updating the appliance fleet.

Two pump aerial appliances were received into the fleet and the two existing appliances were released to become relief appliances. An aerial appliance was acquired during the year to replace the aging aerial appliance at Wellington Central fire station.

In another significant development, nine new hazmat-command vehicles were completed in 2009/2010. These vehicles provide a state of the art incident command capability for use by multiple response agencies combined with a hazardous substance emergency response capability. In addition four light response vehicles were completed which better meets the requirements of the smaller brigades.

Fire stations

A new station at Whitianga was completed and opened during the year. Construction contracts were let for the building of new fire stations at Te Atatu and St Heliers in Auckland. In addition, land was acquired for future new fire stations at Southbridge and Culverden.

The replacement of the existing fire stations at Paihia, Oxford, Culverden, Waiau, Hororata, Springfield, Runanga, Ponsonby Takapuna and Port Waikato commenced during 2009/2010.

As part of the Fire Service's seismic strengthening programme, work was completed on fire stations at Putaruru, Martinborough, Taupo, Haumoana, Winton, Pahiatua, Te Puke, Ashurst, and Tangimoana. Seismic strengthening work also started on fire stations at Eastbourne, Kawerau and Stoke, and was included as part of the replacement work for fire stations at Wakefield and Carterton.

National training centre

The Commission is also further developing its National Training Centre in Rotorua to enhance the realistic training for a range of fire and non-fire emergencies. During the year planning was completed, the architectural and engineering design work for the development was successfully tendered and work started on the design phase.

National Rural Fire Authority

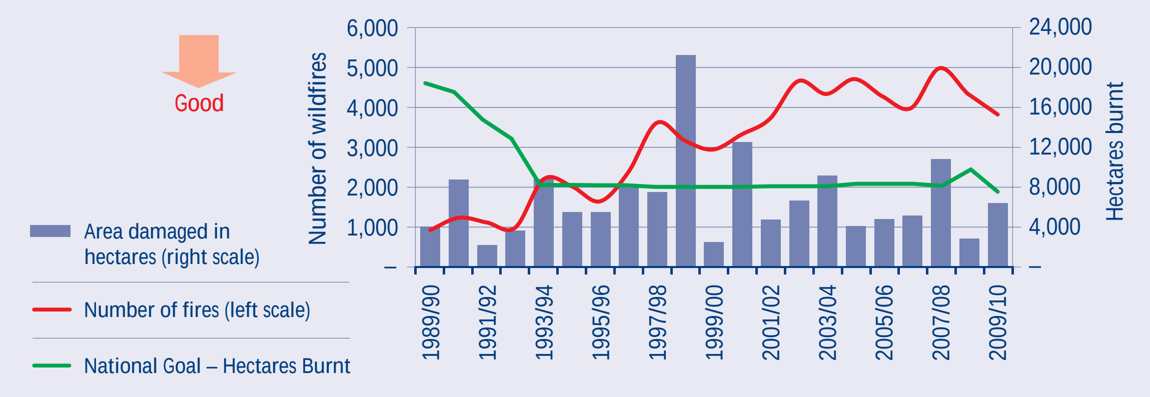
Overview

The 2009/2010 fire season saw extended dry periods in a number of regions. Northland had the driest summer in living memory. Otago, in March/April, and Nelson in December experienced drier than normal conditions.

Three large wildfires required extended operations; at Glenhope, Nelson, in November; at Mount Allen, Otago in February; and Kaimaumau in Northland,. These fires, fuelled by very dry vegetation were fast moving and difficult to control. The fires required large resource deployments to fully contain them.

Overall, there were 3,858 wildfires in 2009/2010, a decrease of 6.6 percent on the previous year. The total area burnt in 2009/2010 was 5,253 hectares, an increase of 230 percent from the previous year (2,280 hectares burnt).

Number of wildfires and the hectares burnt as a result



Five fire authority performance assessments were conducted and 52 rural fire standards audits were completed during 2009/2010.

For the 2009/2010 Rural Fire Fighting Fund (RFFF) year, a total of 93 claims totalling $3,927,456 were lodged by fire authorities. Of the 93 claims, 22 of them ($346,726) originated within areas of Department of Conservation responsibility and 71 ($3,580,730) originated within areas of other fire authorities responsibility.

Grants from the RFFF over the past 10 years are trending upwards. This trend can attributed to a number of factors, for example increased cost of resources, less volunteering, fire season dryness and more fires. The National Rural Fire Authority (NRFA), did, however, successfully recovered $429,789 from people who caused wildfire(s) using the cost recovery provisions of section 43 of the Forest and Rural Fires Act 1977.

The total number of claims lodged on the RFFF does not provide a full picture of the costs involved in the suppression of wildfires. As well as the nearly $4 million of claims lodged on the Fund, it is estimated a further $0.9 million was directly recovered by fire authorities from people who caused the fires. Forest owners carried a further estimated $2.5m for fire suppression costs associated with wildfires originating inside commercial plantation forests.

Applications from fire authorities for grants in 2009/2010 under section 14A(2)(i) of the Fire Service Act 1975 totalled $1.65 million from an available funding of $1.7 million.

All applications were assessed and priorities established to ensure the 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, 47 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 2009/2010.

Enlarged rural fire districts' strategy

In 2009/2010, the Commission in its capacity as the National Rural Fire Authority increased its efforts to promote the voluntary amalgamation of smaller fire authorities into larger fire authorities. This initiative involved promoting the establishment of enlarged rural fire districts (ERFDs). In support of this initiative the Commission developed an Enlarged Rural Fire Districts framework and a new Administration Grant for ERFD's that meet certain criteria.

This important programme of work has involved engaging with key land management groups, the Department of Conservation and local governments. These groups often have different general land management policies. Having a common purpose for fire management enables them to work together to enhance regional/local forest and rural fire management.

A successful outcome is likely for 15 of the proposed 17 ERFDs within the next one to two years. The remainder of the proposed ERFDs are experiencing various issues that may delay progress, with a successful outcome possible within three to four years.

International deployments

The Canadian Inter-agency Forest Fire Centre formally asked the NRFA for support from New Zealand to help manage a number of large uncontained wildfires in provincial British Columbia in August 2009. The NRFA co-ordinated the deployment of seven fire fighting personnel from forest and rural fire agencies throughout New Zealand. The New Zealanders were part of a 30-strong contingent of New Zealand and Australian forest and rural fire management agencies.

The deployment to Canada was organised through the Forest Fire Management Group which is a sub-committee of the Australian/New Zealand parliamentary Ministerial Council. This deployment was undertaken under the international fire management arrangement with Canadian forest fire agencies signed by the Minister of Internal Affairs in November 2008.

Research outcomes

The NRFA provided support to the Scion and Bushfire CRC Forest Fire Research outcomes in 2009/2010. Research reports and other outputs from this work included:

- The analysis of seasonal drought trends
- An interim investigation into post-fire recovery in tussock grasslands
- The analysis of wildfire records
- Social science reports on the effects on the community of the Wither Hills and West Melton 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 to 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.

To guide and support the development of its social marketing programmes to at-risk groups, the Commission relies heavily on independent research. This research seeks to understand specific aspects of human behaviour and offers strategies on how best to reach these at-risk audiences with fire safety solutions.

It should be noted that the Fire Service's Station Management System (SMS) which is used by operational firefighters to record the cause and origin of fire, and evidence of basic fire detection devices, is increasingly being used to highlight areas of concern which should be addressed with fire safety campaigns.

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 strategy for the Commission and our research shows television continues to be the preferred method of communication. In the latest survey of our communications effectiveness, 93 percent of the New Zealanders said they preferred to receive fire safety messages via television.

In 2009, we decided to take a 'consequence-based' approach to fire safety advertising. Two hard-hitting television commercials were produced to address the high rates of fires caused by unattended cooking and of fatalities in house fires where smoke alarms are either not installed or not working. These commercials have generated significant awareness and, very pleasingly, a reduction in the numbers of cooking fires and an increase in the numbers of working smoke alarms identified at house fires.

These advertisements are supported by the Commission's long-running Speed of Fire commercial, which rounds out the three key messages to be conveyed to the public about keeping themselves and their families safe from fire.

Print media campaign

A suite of fire safety material designed to support the three main fire safety themes, has been developed for use on billboards, vehicles, and in other print advertising. This new material helps to ensure fire safety messages effectively target the most at-risk groups while sending a clear signal to all New Zealanders.

Home fire safety checks

Home fire safety checks, a standard offering in many jurisdictions around the world, have been introduced in New Zealand in 2010. Operational firefighters identify at-risk households in their areas and invite the households to have a free fire safety visit. The household calls an 0800 number to make a time for local firefighters to visit, to install a long-life photoelectric smoke alarm, to provide important fire safety advice and to design an escape plan.

Get Firewise

Launched in Term 1, in 2010, the redesigned Get Firewise education programme for Year 1 and Year 2 students has been an overwhelming success and praised by principals, school teachers, firefighters, parents and children alike. Aside from the fresh new content and branding, the streamlined delivery and the new interactive resources, Get Firewise also incorporates the Ministry of Education's new numeracy and literacy curriculum.

Maui tinei ahi

Following the launching of the redesigned Get Firewise programme, the redesigned programme for Mäori children in kura kaupapa, bilingual classes and immersion units in primary schools will be introduced in late 2010. Maui tinei ahi covers all the key fire safety messages but incorporates Mäori mythology and legend making it a very compelling story for both teachers and children. Parents will enjoy the take home resources in Te Reo Mäori to extend their learning as well.

Facebook

"If Facebook was a country, it would be the third biggest one in the world in terms of people." Social media provides an easily accessible, highly useable, far reaching and immediate way for people to interact with each other and with organisations. The Fire Service has set up a Facebook page as a logical extension of its television and web-site presence but with the added benefit of immediate customer engagement.

Partnerships

The Fire Service engages in partnerships with public/private organisations where value is added by the use of that organisation's media, customer base, premises and/or financial contribution. Examples of this in the 2009/2010 year include:

- The Warehouse agreeing to be the strategic smoke alarm partner of the Fire Service and promoting alarms instore as well as providing smoke alarm discount vouchers to be supplied to at-risk New Zealanders
- Instore daylight savings promotions in every Woolworths, Countdown and Foodtown supermarket where the Fire Service receives a percentage of every battery sold to put towards smoke alarms
- Meatpack stickers at Mad Butcher stores
- ACC funding of the South Auckland Smoke Alarm campaign.

Children who light fires

The Fire Awareness and Intervention Programme (FAIP) had another successful year with the highest number of interventions per month for many years (excluding the period of industrial action). An extensive Contestable Research Fund study to evaluate the effectiveness of FAIP was also completed with our own data being compared against Police data over a 10-year period. The result was an overwhelming validation of FAIP and its cost benefit, showing a 98 percent reduction in recidivist fire lighting for children who completed FAIP.

Fire Investigation television campaign

In 2010, a television documentary series about Fire Service, Police and private industry investigators provided a glimpse into fire investigation in New Zealand and powerfully conveyed the human impact of fire. The series was screened at 7.30pm on TV ONE, ensuring a broad viewing audience. The 10 half-hour episodes covered a variety of fires including residential, commercial and large rural wildfires and a broad range of causes. Each episode carried clear messages about how to reduce the likelihood of fire and the value of preventative measures, including early detection and suppression systems.

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 research reports were published in 2009/2010:

- 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 a framework for measuring the Fire Service's contribution to other agencies' mandates and its impact on non-fire outcomes
- Measuring the economic cost of wildfires.

Full copies of these and other research reports can be found on www.fire.org.nz/research

In 2009/2010, the Commission sponsored research under the following topics:

- Impact of changes in demographic profile on fire outcomes in New Zealand
- Low cost sprinkler system extended application: Development of a low cost sprinkler system suitable for Marae, community halls, churches and other places of cultural or historical interest
- Fire design for our aging population
- Encouraging fire safety ownership: effective methods for working with at-risk rural communities
- Can vegetation flammability and wildfire hazard indices predict fire extent? A statistical modeling approach.

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 has maintained the rate of levy at 7.6 cents per $100 insured since July 2008.

The weak economic climate prevailing in 2008/2009 continued on into 2009/2010, with trends difficult to pick. Key indicators such as building permits issued, consumer and business confidence, and service and manufacturing indices were all volatile. The projected growth in levy from 2008/2009 of 2.5 percent or $7.5 million did not eventuate. For three-quarters of the 2009/2010 financial year, actual levy receipts were below budgeted levels. The Commission, therefore, had to manage its operations in the face of uncertain income levels. By the end of the financial year, $301 million had been received compared to $299.4 million in 2008/2009, a growth of $1.6 million or 0.5 percent.

The time available to do levy audits in 2009/2010 was less than in previous years as the levy audit team took time out to review its resourcing, to reassess levy payers using a risk based methodology and to redesign its audit work programmes and approaches that form the basis for the 2010/2011 audit programme.

Key trends of non-compliance were largely similar to those of previous years and included:

- Arrangements that purported to be one contract of fire insurance yet appeared to be many individual contracts of fire insurance
- The lack of proper support for indemnity value
- The omission of levy on policy extensions
- The miscalculation of levy on motor vehicles
- The miscalculation of levy amounts
- The late remittance of levy payments.

The Commission's Performance

The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2009/2010 Statement of Intent. This section covers the longer-term outcome performance against the Commission's five-year national goals.

Fire fatalities and injuries

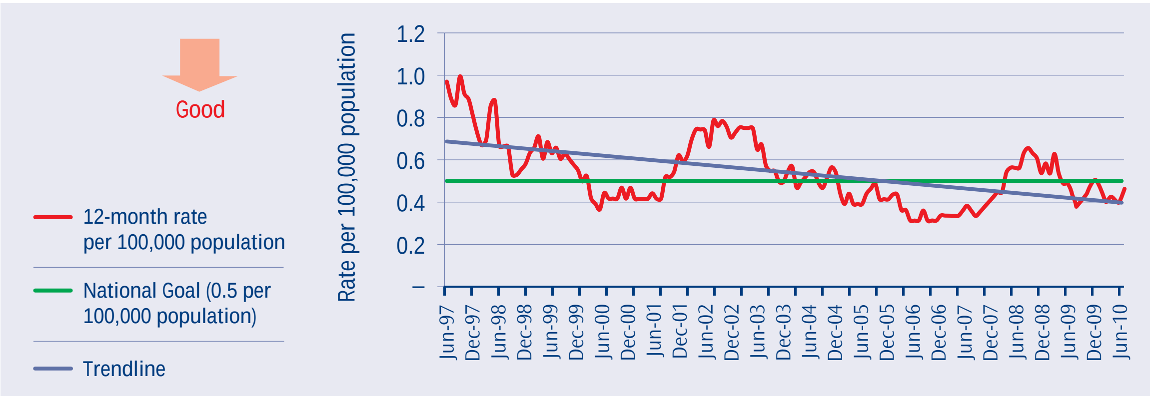
National goals

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

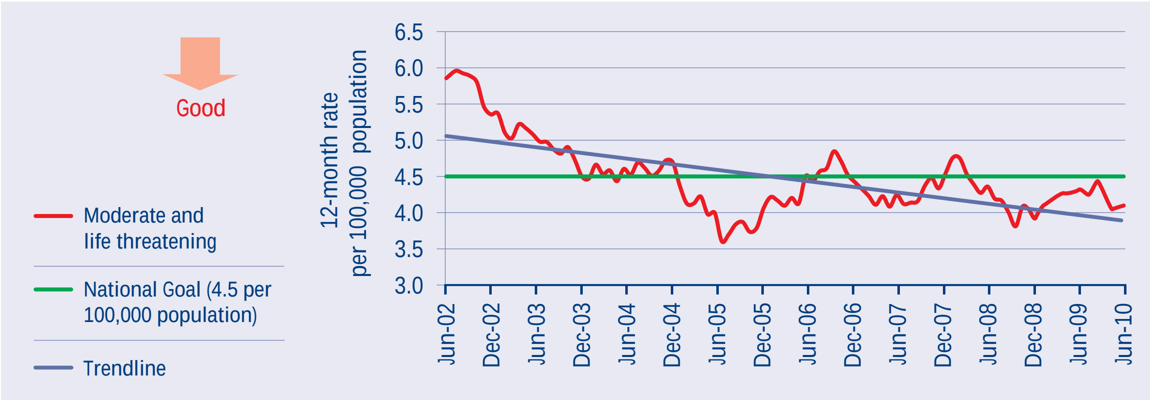
The Commission monitors its national goals for fatalities and injuries from fire to assess its progress against its statutory mandate to protect life. Both of these national goals have shown significant reductions over the last five to 10 years. Based on its research and data analysis, the Commission 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 44 percent since 1997 and injuries to the public per 100,000 population have reduced by 31 percent since 2002. The graph (below) shows the results and long-term trends for avoidable residential structure fire fatalities and the graph (next page) shows results for the rate of moderate and life-threatening injuries per 100,000 population.

Key fire safety messages delivered during 2009/2010 included: unattended cooking kills, smoke alarms save lives and never underestimate the speed of fire.

Avoidable residential structure fire fatality rate per 100,000 population



Moderate and life-threatening public injuries per 100,000 population as a result of fire incidents



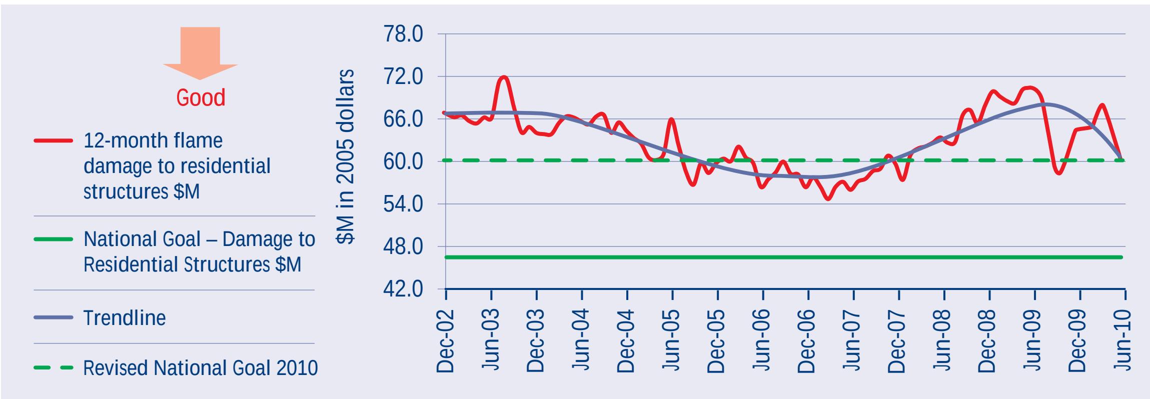
Property damage

National goals – structures

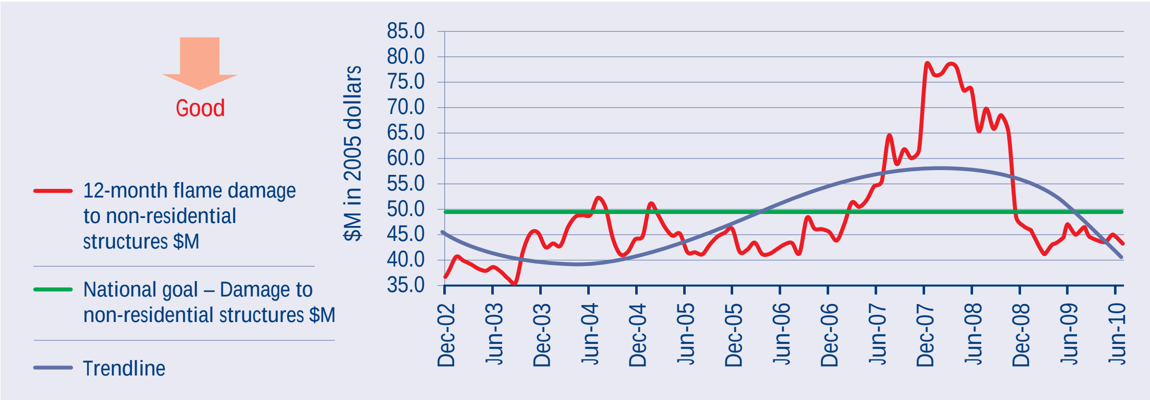
Maintain the estimated dollar value of damage from fires in residential structures below $54 million per annum
Maintain the estimated dollar value of damage from fires in non-residential structures below $50 million per annum
Achieve and maintain the number of fires in structures to less than 130 per 100,000 population

The Commission uses the estimated value of property damage to monitor its progress against its statutory mandate to protect property. Two measures are used to estimate the dollar value of losses from fires in residential and non-residential structures. At present the measures reflect just the losses to the structures themselves and do not include contents or any downstream economic or social losses. Since 2002, the trend for property damage to both residential and non-residential structures has been volatile.

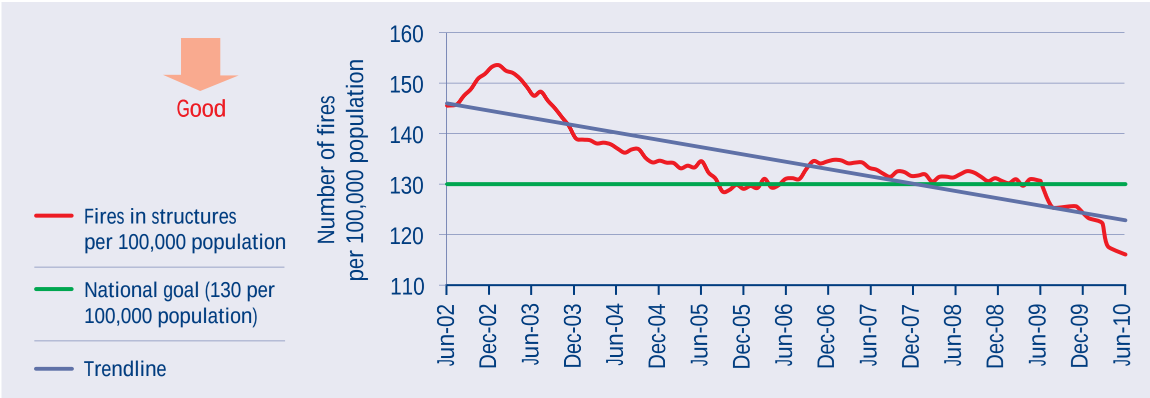
Estimated flame damage to residential structures from fires



Estimated flame damage to non-residential structures from fires



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

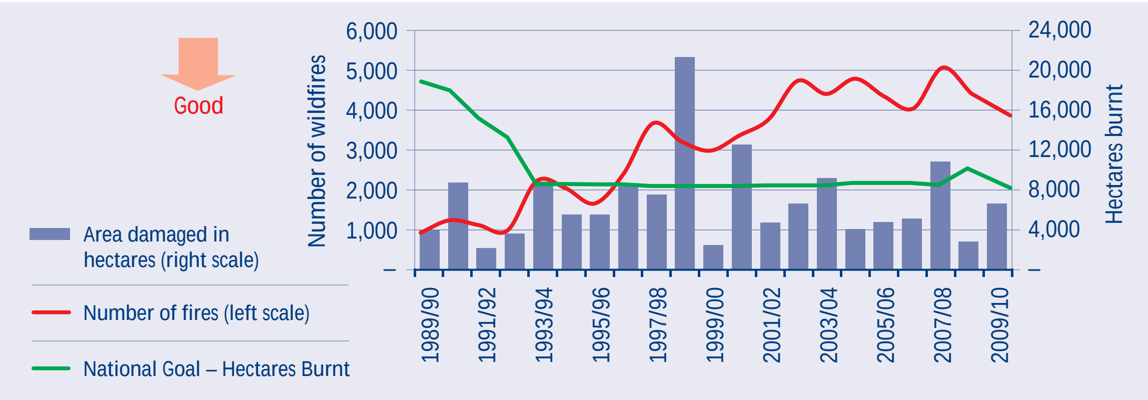


During 2010, the Commission revised the national goal for the estimated dollar value of damage from fires in residential structures from $54 million to $65 million. The revision was a result of having a longer time series of results from which to establish a more realistic level for the national goal. Damage to non-residential structures has tracked below the national goal level but can still be adversely influenced by large loss fires, as was the case in 2008/2009. The graphs above show the estimated dollar value of flame damage to residential structures (previous page) and non-residential structures (above). Overall the number of fires in all structures has declined significantly since 2002 and is now well below the national goal level (graph above).

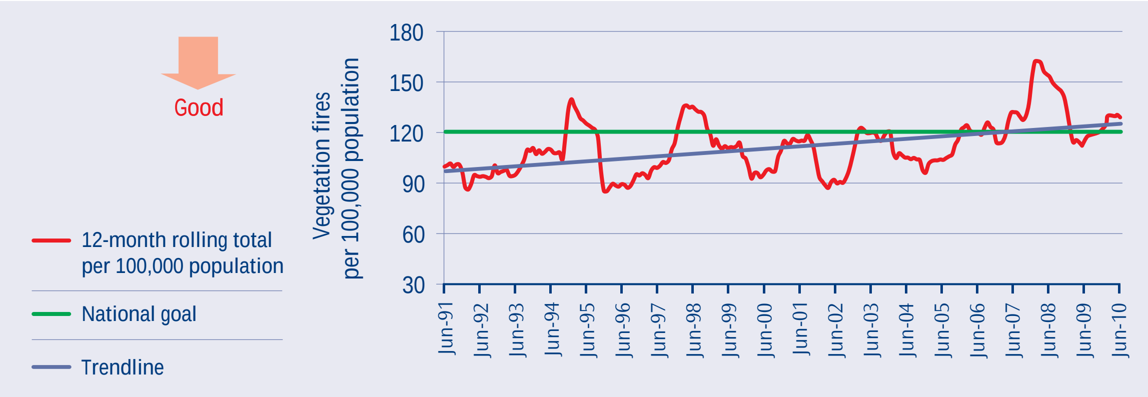
National goals – vegetation

Ensure annual area burnt by wildfires is five percent less than the previous 10-year average 75th percentile
Achieve and maintain the number of vegetation fires to less than 120 per 100,000 population
Contain 95 percent of all wildfires within two hours of being reported.

Number of wildfires and the hectares burnt as a result



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



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 a steep increase in fire incidents reported. The area burnt in 2008/2009 was 2,363 hectares burnt, significantly less than the national goal of 8,240 hectares. The graph (above) shows the steady increase in the number of vegetation fires per 100,000 population. The table (below) shows the percentage of vegetation fires contained within two hours of notification.

Vegetation fires contained within two hours of being reported	2009/ 2010	2008/ 2009	National Goal
In urban areas (within fire districts)	94%	96%	
In rural areas (outside fire districts)	77%	82%	
Overall	86%	90%	95%

Trust and confidence

National goals

95 percent of New Zealanders have full trust and confidence in New Zealand's fire services

The Commission's key fire safety prevention, risk reduction and response strategies rely on the public acting on the advice of the Commission. It is critical therefore that New Zealanders perceive their fire services as being a source of authoritative and well researched advice that can be trusted. The Commission measures the level of trust and confidence in New Zealand's fire services through an independent third party survey.

	2009/ 2010	2008/ 2009	National Goal
Percentage of New Zealanders having full trust and confidence in New Zealand's fire services	97%	97%	95%

The Commission also monitors the public's perception of how well the Fire Service is performing. It does this through the annual UMR mood of the nation survey. In 2009, 93 percent of people thought the Fire Service was doing an excellent or good job. The Commission is pleased with both these survey results.

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 carried out between August and September of each year asks people aged 13 years and over a series of fire safety questions. It monitors the effectiveness of fire safety promotions by measuring the direct impact services (outputs) have on maintaining and improving the public level of 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

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

	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	2011 National Goal
People will believe a fire can become unsurvivable in five minutes or less	91%	89%	91%	87%	98%
People recall a fire safety message	79%	83%	86%	54%	85%
Homes will have at least one smoke alarm installed	89%	90%	88%	87%	96%

Response times

National goals – response to fires in fire districts

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

- 8 minutes 90 percent of the time for career stations
- 11 minutes 90 percent of the time for volunteer stations

Responses to fires in fire districts	2009/ 2010	2008/ 2009	National Goal
Within 8 minutes for stations with paid staff	89%	87%	90%
Within 11 minutes for stations with volunteer staff	92%	92%	90%

Impact on non-fire emergencies

National goals

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

- 30 minutes for motor vehicle 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

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

The table below shows the timeliness of responses to a range of non-fire emergencies compared to the national goal levels were established in 2008. The Fire Service is in the process of deploying new hazmat-command vehicles, which combine the incident command and the specialist hazardous material response functions. At 30 June 2010, seven of the planned 17 units had been deployed. The Commission is confident response times to hazardous emergencies will meet the national goal level following the completion of this deployment. Already, response times have improved from last year.

Responses to non-fire emergencies	2009/ 2010	2008/ 2009	National Goal
Motor vehicle accidents will be responded to within 30 minutes	96%	97%	90%
Incidents requiring the hazmat unit will be responded to within 20 minutes in large urban areas	88%	86%	90%
Incidents requiring the hazmat unit will be responded to within 60 minutes for the rest of New Zealand	83%	79%	90%

Earthquake strength surveys were completed on all 436 fire stations and on 12 other properties during 2008/2009. Remedial work has been completed on many of the stations and the current status of fire stations is shown in the table below.

Fire station resilience	Number	Percent
Minimum standard meet	415	95%
Stations where work has commenced to bring the level up to the minimum standard	3	1%
Stations with design and consent work underway	14	3%
Further options being considered to bring stations up to standard	4	1%
Total	436	100%

Fire authority preparedness

National goals

Reduce the number of fire authorities from 86 to 60 by 2013*
100 percent of fire authorities will meet their legal obligations for adopting and reviewing their fire plans. The readiness and response parts of the fire plan will be reviewed every two years and the risk reduction and recovery parts of the fire plan every five years.

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

	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	2004/ 2005	Target
Number of fire authorities	86	86	89	90	90	91	–
Fire authorities with an adopted fire plan and copy provided to the NRFA	86	86	81	89	87	89	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	97%	100%	91%	99%	97%	98%	100%

Fire authorities have a legal obligation to adopt and review fire plans. In additional 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.

Organisational Health and Capability

The Fire Service has developed a five-year strategic plan for its people management. The plan is designed to ensure the Fire Service has the required workforce capability and capacity to meet its current and future needs, and to create a management environment that actively supports and contributes to the achievement of its strategic objectives. The implementation of this five-year plan is overseen by a group of second-tier and third-tier managers responsible for ensuring the initiatives developed to support the plan are fit for purpose, and meet organisational needs (our People Strategy Governance Group).

Key initiatives in Year One of this five-year strategic plan are focused on developing more effective and efficient resourcing models, re-writing our safety and wellbeing manual and policies, integrating our illness and injury management programmes to achieve enhanced outcomes, and enhancing our internal communications to increase the levels of employee engagement.

Our people

The Fire Service is committed to developing the capability and capacity of its people and to planning for the future challenges the organisation will face. These challenges include, an aging workforce, a potential decline in volunteerism and a changing demographic environment. The Fire Service has the additional challenge of 'growing our own', as typically our senior and middle management appointments come from within, in both the paid and volunteer groups.

Leadership model

The leadership model will provide a resource for all personnel and managers to use for leadership development and career planning. Key components of the model will be the Training and Progression System (TAPS) and the Australasian Fire Authorities Council Capability Framework

Progress in 2010

A stock-take and analysis of our current leadership initiatives was undertaken and a gap analysis performed to determine priority areas for leadership development. A review of the leadership component and structure of TAPS is underway.

Further development of the AFAC Capability framework is also underway so it can be fully rolled out and integrated into other organisational processes such as recruitment and selection and performance management.

A completed working leadership model and associated supporting processes are planned for completion in 2011.

Volunteer sustainability

This project was established in 2009/2010 to enhance our ability to attract and retain a quality volunteer workforce who are representative of our community.

The first stage of this project involved a literature review of both national and international research. An online and paper based survey was developed to help us better understand the motivations for becoming a volunteer, volunteers long-term intentions and any barriers that exist to attracting new volunteers or retaining existing volunteer groups. Analysis of the survey data, qualitative data from face to face workshops and quantitative data from Fire Service systems (such as demographic information, performance data and GIS data) will be carried out in 2010/2011.

A report on outcomes and common themes as well as on proposed initiatives and recommendations will be made, with the implementation of agreed recommendations forming phase two of the project in 2011.

Training and development

The Fire Service continued to focus on the development of training materials and programmes for both career staff and volunteers. These included:

- Training and Progression System and learner support – The comprehensive Training and Progression System (TAPS) introduced in 2007 for all career and volunteer firefighters is now well embedded in the organisation. Training begins with recruit courses and moves through a structured learning 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.
- Operational Skills Maintenance – We completed and rolled out the Operational Skills Maintenance (OSM), which is a computer based system that manages firefighters' operational refresher training. The system also ensures the minimum standards of training content and frequency are monitored and maintained.
- Training Management System – We continued to use the Training Management System, which is an electronic tool for the management, recording and reporting of all progression training within the Fire Service.
- Leadership Development for Volunteer Officers – The Volunteer Officer Executive Development Programme was continued throughout 2009/2010. This course 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. The internal Diversity and Fairness Group continues to discuss issues and develop solutions to help with this.

One recent initiative encouraged contact and collaboration between employees and volunteers who identify themselves as Pacific peoples. The Fire Service has invited those who have identified themselves as being of Pacific Island ethnicity to join an email contact group to facilitate information flow and consultation with this group. The catalyst behind this initiative was to extend communications beyond the already well established Auckland Pasifika group to encourage networking with other Pacific people within the organisation.

Other key outcomes of this group will be:

- Relaying information to each other on upcoming Pasifika events around the country
- Seeking advice and assistance from their peers on various Pacific customs, language interpretation etc
- Helping to generate interest in the Pacific language grant process and a support network for those wanting to participate in either a nominee or mentor capacity.

In 2010, as well as raising awareness of diversity within the organisation, we made a concerted effort to attract more recruits who identify with our target groups. The Recruitment Strategy has supported this focus through a number of initiatives.

All advertising spending was focussed on attracting target groups, Mäori, Pacific peoples and women. For example, we have only attended career expos or career events that help to recruit people from these groups. All our radio and newspaper advertising was specifically designed to reach these groups and get them interested in a career with the Fire Service. The Commission will analyse how effective this strategy is over the next year.

Over 45 percent of applicants come from referrals from existing staff members. A further initiative is planned to contact those employees within the organisation who represent minority groups and get them to encourage someone they know in one of our target groups to apply in the next recruitment round. The use of the existing women's network and the newly developed Pasifika network will facilitate this process.

Diversity – career fire-fighters

The graph on page 28 shows the diversity profile of our career fire-fighters from June 2001 to June 2010. Although trending upwards the profile has remained fairly static over the last couple of years.

Safety and wellbeing

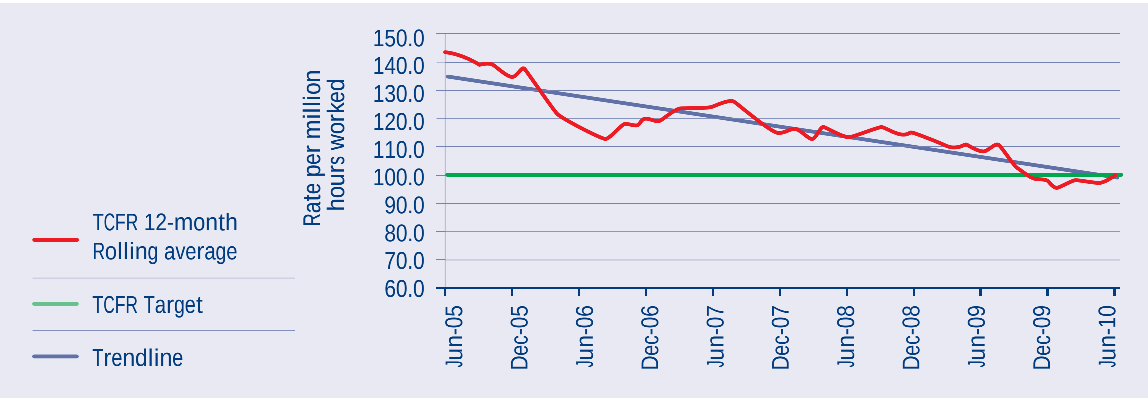
The Fire Service recognises that a safe and healthy workforce is fundamental to achieving our goals and to providing an effective fire and rescue service. We have set challenging goals in this area. These goals include a commitment to a workplace free from harm and a desire to work towards a zero occupational injury and illness rate.

Key results

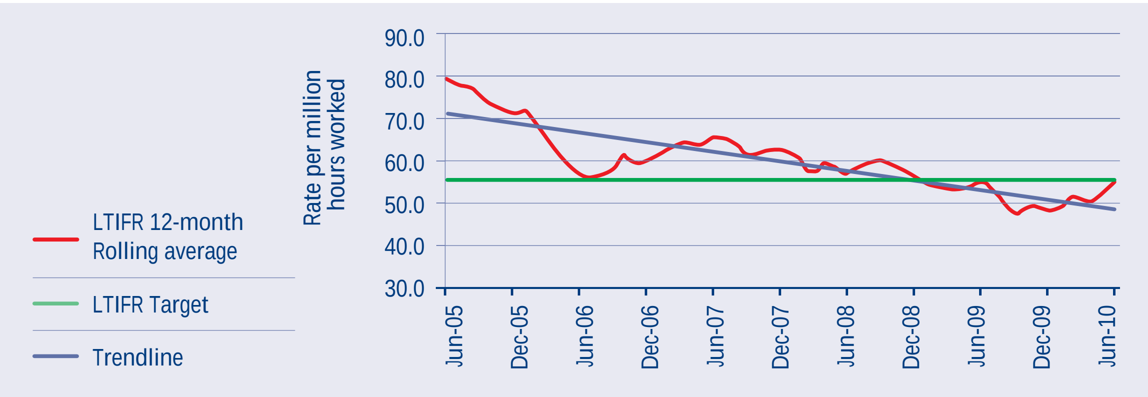
- We undertook a review of the Fire Service's performance in the ACC Partnership Programme. Results of this review were mixed, with some key organisational benefits balanced by the challenge to ensure the programme remains financial sustainable.
- We continued to implement changes to address the recommendations of the Safety and Wellbeing Review completed in 2009.
- We achieved a 75 percent participation rate for our health monitoring programme.
- We continued to reduce injury rates, including medical treatment injuries and short-term and long-term lost time injuries.
- We reduced the level of absence related to work injury.

The graphs below show the improving trends in the rates per million hours worked for total claims and lost time injuries. Both of these measures are now below the national targets.

Total claims frequency rate



Lost time injury frequency rate



Good employer

The initiatives outlined in this section reflect the seven elements of 'the good employer' set out in section 118 of the Crown Entities Act 2004.

1. Leadership, accountability and culture
2. Recruitment/selection and induction
3. Employee development, promotion and exit
4. Flexibility and work design
5. Remuneration, recognition and conditions
6. Harassment and bullying prevention
7. A safe and healthy workforce.

Through these initiatives the Commission has attracted and retained volunteers and career staff and helped to build a motivated, competent and skilled workforce reflective of and responsive to the community.

National goals

Achieve improved diversity of the Fire Service's workforce so that it better reflects the communities we serve.
Targets for June 2012:

- 11 percent of operational firefighters will be of Mäori origin
- 4.25 percent of operational firefighters will be of Pacific peoples origin
- 5.5 percent of operational firefighters will be female

Sufficient volunteers are available to volunteer brigades so they can meet their community obligations

Improve the employee engagement index to 75 percent by 2011

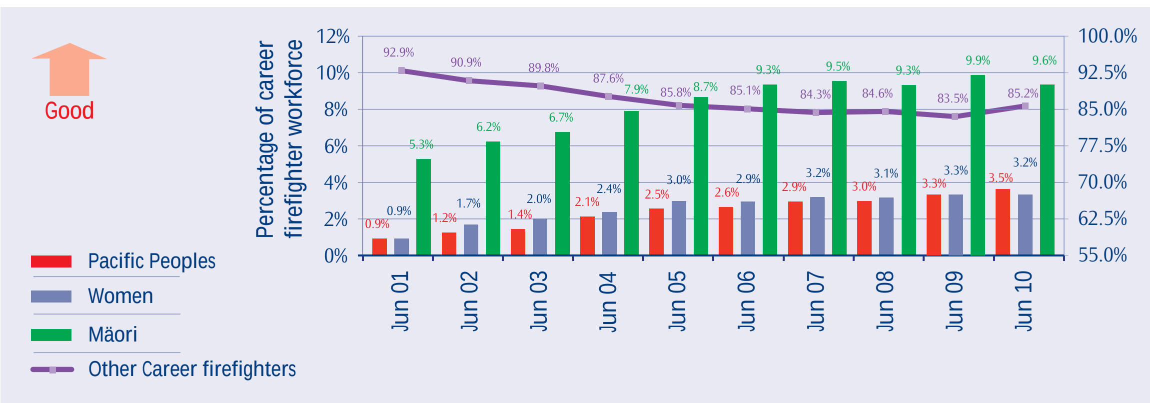
Maintain annual employee turnover rates below:

- 15 percent for management and support and communication centre staff
- 6 percent for firefighters

Achieve the business excellence score in the 500 point range in 2009/2010

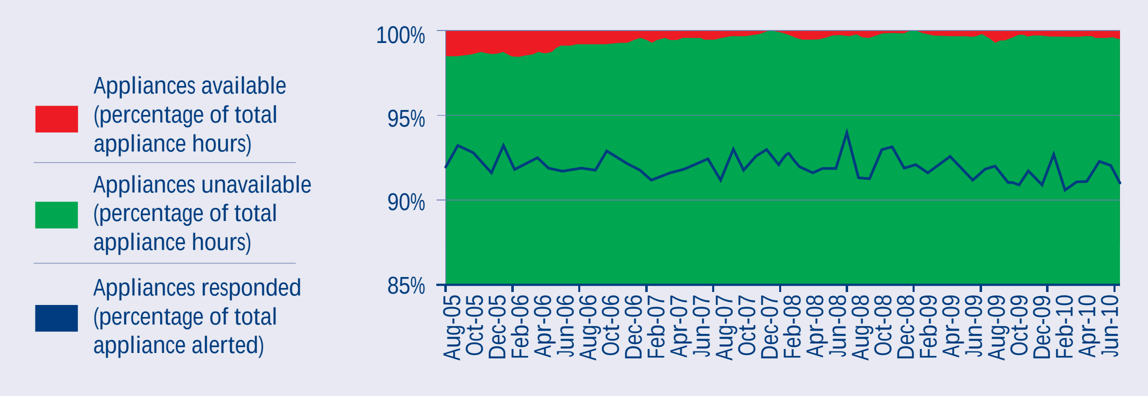
The Commission will develop, in consultation with other agencies, a framework for non-fire emergencies that shows the value the Fire Service provides to shared outcomes with other agencies, by 30 April 2010

Operational career firefighter diversity



The Commission's 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 Service reflects the communities we represent. The graph (previous page) shows the diversity profile of our career firefighters from June 2001 to June 2010. Although trending upwards the profile has remained fairly static over the last couple of years. It has not moved much beyond 14 percent in total and any movement has been between the target groups and not increases overall.

Volunteer Availability Indicatore – for the first five years to July 2010



The graph above shows volunteer availability and hence sufficient numbers of volunteers. The large (green) shaded area of the graph shows the percentage of time volunteer appliances are available to respond to incidents, currently about 99 percent of the time. Unavailability is due to a number of reasons including training, training exercises and duplicate calls. The Commission, however, understands there are areas in New Zealand where retaining volunteers is becoming increasingly difficult. As a result a volunteer sustainability project was initiated in early 2010 to look at issues relating to the attraction, retention and engagement of the Fire Service's volunteers.

The employee engagement index was calculated following the staff survey carried out in September and October 2008. The 2008 survey resulted in an engagement index score of 71. The index uses responses to a range of questions and indicates how well satisfied and engaged people are in their work. This is a very pleasing result and reflects how well staff view the organisation. The next survey is planned for 2011.

The following table shows the turnover rates, compared to the national goal and the previous two years, split into three broad staff groups.

Employee turnover rates	National Goal	June 2010	2008/ 2009	2007/ 2008
Management and support	<15%	6%	9.3%	13.5%
Communication centre staff	<15%	9%	1.2%	7.8%
Career firefighters	<6%	2%	1.7%	2.3%

The Commission submitted an award application to the Business Excellence Foundation (BEF) in 2009. The BEF assessed the application, including a site visit in September 2009. The Commission is delighted to report it won a silver award at the Business Excellence Foundation awards ceremony in December 2009. A silver award equates to the Commission's national goal of achieving a business excellence score in the 500 point range. The Commission has received a feedback report including potential opportunities to further improve its business.

The Commission contributes to improved outcomes across a wide range of non-fire emergencies. About one-third of the Fire Service's emergency responses involve non-fire emergencies covering such things as motor vehicle accidents, hazardous substance spills, rescues, civil defence emergencies and medical emergencies. Other agencies have the statutory mandate to address many of these non-fire emergencies. During 2009/2010 a non-fire outcomes framework was developed. Over the next 18 months the Commission hopes to develop a suite of measures that reflects the value of its contribution to the outcomes of non-fire emergencies. The non-fire emergency framework was included in the Commission's 2010/2013 Statement of Intent.

Statement of Responsibility

for the year ended 30 June 2010

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 2010 set out on pages 34 to 97 fairly reflect the financial position and operations of the Commission.

Dame Margaret Bazley DNZM, Hon DLit
Chairperson
29 October 2010

Angela Foulkes ONZM
Member of Commission
29 October 2010

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of The New Zealand Fire Service Commission's financial statements and statement of service performance for the year ended 30 June 2010.

The Auditor General is the auditor of the 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 on her behalf. 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 2010.

Qualified opinion – our work was limited because performance data was not collected for some performance measures during September to December 2009

As outlined on page 34, performance data was not collected for some performance measures during September to December 2009, due to industrial action by firefighters. The effect of not collecting some data on particular performance measures is explained by the Commission in the output class statements on pages 34 to 45:

The performance data for the affected performance measures fairly reflects the performance for July to August 2009 and January to June 2010. However, because the performance data was not collected for those measures during September to December 2009, the performance data for the full year is incomplete and does not fairly reflect the actual performance for those measures for the year ended 30 June 2010. Accordingly, our work was limited and there were no audit procedures we could apply to the performance data for the affected performance measures for the period September to December 2009, given the data was not collected.

In our opinion:

- The financial statements of the Commission on pages 46 to 97:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
- the Commission's financial position as at 30 June 2010; and
- the results of its operations and cash flows for the year ended on that date.
- Except for the Commission not reporting performance for some performance measures during September to December 2009, the statement of service performance of the Commission on pages 34 to 45:
  - 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 28 October 2010, 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. However, the scope of our work was limited because there was insufficient evidence to support the Commission's reported performance in respect of those performance measures for which incomplete data was collected.

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. We were unable to determine whether there are material misstatements relating to the Commission's reported performance for those performance measures where data was not collected during September to December 2009, because the scope of our work was limited, as we referred to in our opinion.

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 did not obtain all the information and explanations we required due to the Commission not collecting performance data for some performance measures during September to December 2009, as explained 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 2010 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 New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out probity assurance reviews over selection of the main construction contractor for a new fire station and the tender processes of four specified fleet maintenance tenders. We also reviewed the tender process for supply of type 2 medium pump appliances and the white fleet leasing supplier. We also conducted a review of the National Rural Fire Authority approach to Performance Assessment. These assignments are compatible with those independence requirements.

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

Statement of Service Performance

for the year ended 30 June 2010

This section sets out the measures of financial performance and the output performance for 2009/2010.

Incomplete data

Members of the New Zealand Professional Firefighters Union (NZPFU) undertook a number of industrial actions in the first and second quarters of 2009/2010. The firefighter industrial action initially involved banning the use of computers but escalated to only providing activities related to emergency response and ensuring operational readiness to respond. This action resulted in fewer outputs delivered than forecast for many outputs. Industrial action by communication centre operators resulted in a large number of incidents not being closed off in the emergency dispatch system. This action resulted in no new incident data being transferred into the incident reporting system and therefore unavailable to be used to report on progress against national goals covering fire and non-fire outcomes. It also impacted on some of the output measures relating to incident responses. The industrial action affected data from September through to December 2009.

A new collective employment agreement was agreed in late December 2009 and industrial action ceased at that same time. Reporting of time-series data for national goals covering fire and non-fire emergencies was affected for 2009/2010. Output data was affected by reduced volumes delivered and delays to the delivery of some outputs.

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

Incident statistics are only available for July and August 2009 and from January to June 2010. Due to industrial action by members of the NZPFU no incident data has been included in this report for September to December 2009. The Station Management System (SMS), which contains incident information, was 98.5 percent complete in 2009/2010 for the months where incident data was available (July-August 2009 and January-June 2010). The remaining 1.5 percent was proportionally spread across all incident types. This treatment is consistent with previous years. Completeness for each of the last five years was 99.0 percent, 98.4 percent, 98.1 percent, 98.5 percent and 99.3 percent.

Main financial measures

	2009/2010 Actual $000	2009/2010 SOI Target $000
Levy receipts (including Rural Fire Fighting Fund)	301,024	306,966
Total revenue and income (excluding Rural Fire Fighting Fund)	311,208	314,007
Total expenditure (excluding Rural Fire Fighting Fund)	304,633	309,309
Net surplus attributable to the owners of the Commission	6,019	5,179
Debt and investment levels-minimum liquidity buffer	10,000	10,000
Capital expenditure cash flows		
Intangibles	1,448	4,977
Property, plant and equipment	46,565	51,053

Output classes – levy receipts

	2009/2010 Actual levy receipts $000 GST excl.	2009/2010 Budget levy receipts $000 GST excl.	2008/2009 Actual levy receipts $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**46,960**	**46,352**	**47,878**
Output 1.1: Fire prevention and advice to the general public.	31,307	26,469	35,106
Output 1.2: Professional and technical advice to the built environment public.	14,449	15,041	4,184
Output 1.3: Fire safety legislation.	1,204	1,842	8,588
Output Class 2: Firefighting and other Fire Service operations.	**247,442**	**253,861**	**245,299**
Output 2.1: Operational readiness.	202,589	207,509	203,131
Output 2.2: Operational responses to fire and other emergencies.	37,929	38,678	41,863
Output 2.3: Wider emergency management capability.	6,924	7,674	305
Output Class 3: Rural fire leadership and coordination.	**6,622**	**6,753**	**6,270**
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.	6,020	6,139	5,997
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	602	614	273
Total levy receipts assigned to outputs	**301,024**	**306,966**	**299,447**

Output classes – other revenue and income

	2009/2010 Actual other revenue and income $000 GST excl.	2009/2010 Budget other revenue and income $000 GST excl.	2008/2009 Actual other revenue and income $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**1,479**	**965**	**2,231**
Output 1.1: Fire prevention and advice to the general public.	776	472	1,425
Output 1.2: Professional and technical advice to the built environment public.	200	94	134
Output 1.3: Fire safety legislation.	503	399	672
Output Class 2: Firefighting and other Fire Service operations.	**10,443**	**8,292**	**11,111**
Output 2.1: Operational readiness.	7,167	5,409	6,509
Output 2.2: Operational responses to fire and other emergencies.	2,901	2,835	4,592
Output 2.3: Wider emergency management capability.	375	48	10
Output Class 3: Rural fire leadership and coordination.	**1,928**	**2,419**	**3,606**
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.	1,920	2,415	3,597
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	8	4	9
Total other revenue and income assigned to outputs	**13,850**	**11,676**	**16,948**

Output classes – total expenditure

	2009/2010 Actual total expenditure $000 GST excl.	2009/2010 Budget total expenditure $000 GST excl.	2008/2009 Actual total expenditure $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**47,652**	**46,330**	**48,252**
Output 1.1: Fire prevention and advice to the general public.	31,332	29,309	35,380
Output 1.2: Professional and technical advice to the built environment public.	14,486	14,866	4,217
Output 1.3: Fire safety legislation.	1,834	2,155	8,655
Output Class 2: Firefighting and other Fire Service operations.	**252,864**	**258,070**	**247,212**
Output 2.1: Operational readiness.	205,631	209,692	204,715
Output 2.2: Operational responses to fire and other emergencies.	40,059	40,855	42,190
Output 2.3: Wider emergency management capability.	7,174	7,253	307
Output Class 3: Rural fire leadership and coordination.	**8,339**	**9,063**	**6,319**
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.	7,811	8,544	6,044
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	528	519	275
Total expenditure assigned to outputs	**308,855**	**313,463**	**301,783**

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 services to the public covering fire safety education, technical advice on building fire safety, administration of fire safety legislation and fire related research.

Output 1.1: Fire prevention and advice to the general public

This output includes the delivery of fire safety education and advice to the public. These services aim to change peoples' behaviour by improving their knowledge about fire risks and what actions to undertake to reduce those risks. It is delivered under the direction of the five-year national promotion plan. This plan identifies key groups who are at-risk in terms of fire and the organisations the Fire Service can form partnerships with to help deliver fire prevention and fire safety advice.

For rural landowners, 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 vegetation fires. The campaign is run in conjunction with the New Zealand Forest Owners Association and the Department of Conservation and includes television and print media advertising. Fire authorities also carry out local campaigns within their jurisdictions during the year.

Performance measures

	Measure	2009/2010 Actual	2008/2009 Actual	2009/2010 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	824	1,418	1,200-1,500
	• programmes for young people using the Fire Awareness Intervention Programme (FAIP)	527	1,032	700-1,000
	• home visits delivering fire safety messages	12,803	17,979	13,000-16,000
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.	20,691	27,546	20,000-25,000
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 2009 and Feb 2010	Campaign conducted between Dec 2008 and Feb 2009	Campaign conducted between Dec 2009 and Feb 2010
1.1.5	Percentage of the public satisfied with the overall service quality of the fire safety education provided by the Fire Service.*	97% and 97%	93% and 95%	At least 80%

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

Comment on measures 1.1.1 and 1.1.3:

Industrial action by members of the New Zealand Professional Firefighters Union (covering approximately 1,700 career firefighters) resulted in fewer services than planned being provided for performance measures 1.1.1 and 1.1.3 during 2009/2010. The industrial action covered September through to December 2009 and initially involved a ban on computers meaning services were delivered but not recorded, but later escalated to not providing any of the services covered by measures 1.1.1 and 1.1.3. Volunteer firefighters continued to provide these services for the communities they serve therefore services were unaffected in these areas.

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

This output includes the delivery of fire engineering, professional and technical fire safety advice to people involved in building: standard-setting, design, development, ownership and occupation. The advice covers fire safety features in building design, making sure buildings are used safely.

The Fire Service works in partnership with key industry representatives to make sure consistent national fire safety standards are developed and deployed. The primary focus is on standards for building design, 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.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 SOI target
1.2.1	Number of times technical fire safety advice is delivered to each of the following: • on sound fire safety features in building design • on making sure buildings are used safely and according to their design • on making sure buildings are well managed in terms of maintaining a high level of fire safety • to organisations or individuals	9,572	10,837	7,000-10,000
1.2.2	Percentage of technical advice delivered that meets the national technical fire safety standards	Not measured	Not measured	100%

Comment on measures 1.2.1 and 1.2.2:

Industrial action by members of the New Zealand Professional Firefighters Union (covering a proportion of fire safety officers) resulted in fewer services than planned being provided for performance measures 1.2.1. The industrial action covered September through to December 2009 and initially involved a ban on computers, resulting in services being delivered but not recorded, consequently there was incomplete data for this measure. The industrial action later escalated to not providing any of the services covered by measure 1.2.1. Measure 1.2.2 was not able to be calculated in 2009/2010 due to this incomplete data.

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.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 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.	429 provided 95% within 10 days	490 provided 93.3% within 10 days	500-1500 provided 100% within 10 days
1.3.2	Percentage of Fire Service memoranda meeting the internal quality standards.	100%	na	100%
1.3.3	Percentage of evacuation schemes submitted to the Fire Service processed within 20 working days of being received.	56%	89%	At least 90%
1.3.4	Percentage of identified dangerous buildings notified to the relevant territorial authority.	100%	100%	100%

Comment (measure 1.3.3)

Industrial action by members of the New Zealand Professional Firefighters Union (covering a proportion of fire safety officers) resulted in a delay in processing of evacuation schemes. The industrial action covered September through to December 2009.

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 Act.

This output class includes the services the Commission provides to prepare for and suppress fires and provide a response to other emergencies. Responses to other emergencies includes such things as 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 or groups tasked with preparation and response to non-fire emergency incidents.

Output 2.1: Operational readiness

This output covers activities to make sure the Fire Service maintains a state of operational readiness 24 hours of every day. The Fire Service achieves this through comprehensive staff training, regular equipment maintenance and accurate operational incident pre-planning.

The Fire Service verifies its state of readiness by conducting internal operational readiness audits. The Fire Service's operational readiness is continually being improved implementing improvements identified as a result of post-incident operations investigations.

The pre incident planning ensures information is available for buildings so the Fire Service is able to take the most appropriate actions in the event of an emergency incident. The Fire Service reviews and updates risk plans on a regular basis to ensure information remains current.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 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.	100%	99%	100%
2.1.2	Percentage of stations audited on a three-year rolling basis.	11% (46 of 436)	90%	100%
2.1.3	Number of operational plans developed or reviewed in accordance with the national commander's operational instructions.	849 developed and 988 reviewed	872 developed and 1,716 reviewed	700-1,000 developed 1,000-1,500 reviewed

Comment (measure 2.1.2)

A new operational readiness standards manual and audit process was developed, trialled and implemented in 2009/2010. The result for measure 2.1.2 shows the percent of fire stations (11%) that have been audited using this new audit process. Over the coming three-years the Fire Service will progressively complete audits of fire stations using this new audit process and report the percent of fire stations audited against this new standard. Once all fire stations have been audited reporting will cover the percent of stations audited over the three-year time period.

Comment (measure 2.1.3)

Industrial action by members of the New Zealand Professional Firefighters Union (covering approximately 1,700 career firefighters) resulted in fewer services than planned being provided for performance measures 2.1.3. The industrial action covered September through to December 2009 and initially involved a ban on computers, resulting in services being delivered but not recorded, consequently there was incomplete data for this measure. The industrial action later escalated to not providing any of the services covered by measure 2.1.3.

Output 2.2: Operational responses to fire and other emergencies

This output includes the operational responses to fire and other emergencies. National service delivery guidelines are in place for responses to a range of emergency incident types. The national guidelines are intended to provide stretch targets to ensure that stations are located optimally, resources are deployed in an efficient way and that processes are improved to minimise the overall response times to emergency incidents. Improvements in response times will be made over the long-term as moving fire stations and changing equipment is costly and time consuming.

Also included in this output are post-incident operational reviews that are carried out following major incidents the Fire Service has attended. The reviews highlight examples of good operational practice that can be shared throughout the organisation and to identify opportunities for improvement.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 SOI target
2.2.1	Percentage of alarms to fires, in fire districts, responded to by the Fire Service and appropriate action taken.	100% (12,358)	100% (17,510)	100%
2.2.2	Percentage of alarms to fires, outside fire districts, responded to by the Fire Service and protection of life and property given.	100% (4,943)	100% (4,980)	100%
2.2.3	Percentage of alarms to non-fire emergencies in fire districts, responded to by the Fire Service and assistance provided.	100% (29,884)	100% (40,040)	100%
2.2.4	Percentage of alarms to non-fire emergencies, outside fire districts, responded to by the Fire Service and protection of life and property given.	100% (7,726)	100% (8,986)	100%
2.2.5	Percentage of alarms to incidents that turn out to be false responded to by the Fire Service.	100% (21,129)	n/a	100%
2.2.6	Percentage of and 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.	Not measured (8)	n/a (16)	100% Estimated at between 20-40
2.2.7	Percentage and number of specialist fire investigations, according to the national commander's operational instructions, completed for all incidents meeting the national commander's criteria.	Not measured (88)	n/a (275)	100% Estimated at between 220-300
2.2.8	Percentage of the public's satisfaction and level of expectations met with the overall response services provided by the Fire Service.*	93% and 97%	88% and 93%	At least 90%

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

Comment on measure 2.2.1 to 2.2.5:

Industrial action by members of the New Zealand Professional Firefighters Union (covering approximately 1,700 career firefighters and 111 communication centre operators) resulted in incomplete incident data being collected for September through to December 2009. The actual number of incidents shown in these measures is below the actual number responded to. The calculation of the percentage of alarms to incidents responded to, however, covers all alarms to incidents not just to numbers shown in these measures. See page 34 for a more complete explanation.

Comment on Measure 2.2.6 and 2.2.7:

Industrial action by members of the New Zealand Professional Firefighters Union (covering approximately 1,700 career firefighters and 111 communication centre operators) resulted in incomplete incident data being collected for September through to December 2009. The incomplete data meant that percentages were unable to be calculated for these measures.

Output 2.3: Wider emergency management capability

This output covers the Fire Service's wider emergency management activities at the national, regional and local level. It includes planning and research relating to low frequency / high impact events such as earthquakes. This 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.

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 2006/07. The Fire Service will continue to maintain this capability.

This output also covers the Fire Service's participation in multi-agency training exercises to help prepare for responses to community-scale incidents.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 SOI target
2.3.1	Number of times the Fire Service participated in Emergency Management Group Meetings.	20	40	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 2010
2.3.3	Number of local and regional committees the Fire Service participated in that contribute to the management of non-fire emergencies.	315	341	Between 250-350
2.3.4	Number of exercises carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents.	143	253	Between 250-350
2.3.5	The Fire Service will meet its national civil defence obligations when participating in national level civil defence and emergency management exercises as determined by post exercise review.	No exercises completed	n/a	100%
2.3.6	Establish an framework for non-fire emergencies that shows the value the Fire Service provides to shared outcomes with other agencies.	Achieved & included in 2010 SOI	n/a	April 2010

Comment on measure 2.3.1 to 2.3.4:

Industrial action by members of the New Zealand Professional Firefighters Union (covering approximately 1,700 career firefighters and a proportion of fire safety officers) resulted in resulted in fewer services than planned being provided for performance measures 2.3.1 and 2.3.4. The industrial action covered September through to December 2009 and initially involved a ban on computers, resulting in services being delivered but not recorded, consequently there was incomplete data for these measures. The industrial action later escalated to not providing any of the services covered by measures 2.3.1, 2.3.3 and 2.3.4.

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 covers services to provide leadership and co-ordination on 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 and providing a coordinated national view on rural fire issues.

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 National Rural Fire Authority (NRFA) activities to maintain an administrative infrastructure to support fire fighting services in rural areas. The NRFA provides advice including interpretation on legal matters, advice and support to fire authorities and regional rural fire committees. The NRFA 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 (RFFF). The grant assistance scheme provides funding support to fire authorities to help them invest in appropriate plant and equipment to help ensure they maintain an appropriate operational readiness capability. The RFFF reimburses fire authorities for the majority of their expenses relating to putting out wildfires.

The Commission is required to carry out its activities in a transparent way. A mediation process is therefore available if fire authorities have any issues with the decision process for either the grant assistance scheme or the RFFF.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 SOI target
3.1.1	Percentage of fire authorities advised of the results of their grant applications (estimated at between 40 and 80 and $1.7m in value) within two months of the application cut-off date.	100% (66)	100% (67)	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.	99%	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.	69% (admin) 85% (meeting)	81% (admin) 77% (meeting)	95%

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

This output covers the maintenance of the rural fire standards and auditing fire authority compliance against those standards. It also includes the evaluation of fire authorities performance under the Forest and Rural Fires Act 1977 and provision of fire weather data and information to fire authorities.

Fire weather monitoring and the fire danger rating system are important tools for assessing fire risk in rural areas. The information helps fire managers assess the levels of preparedness and resources needed to extinguish fires and minimise fire losses. The information is used to:

- define the fire season, which currently runs from 1 October through to 31 March
- 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
- plan and conduct controlled burns.

The output also includes the maintenance of a rural fire training unit standard under the NZQA framework. The NRFA also provides the training material for this unit standard.

Performance measures

Measure		2009/2010 Actual	2008/2009 Actual	2009/2010 SOI target
3.2.1	Percentage of fire authorities provided with written reports, on the estimated 60 fire and equipment and weather station and standards audits, within two months of the audit.	94% (52 audits)	88% (17 audits)	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.	80% (five completed)	100% (five completed)	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.	100%	99%	100%
3.2.5	Percentage of fire weather information updated by 3pm on days during the fire season.	99%	98%	95%
3.2.6	Review and update rural fire course content so that it provides the knowledge requirements of the relevant NZQA unit standard.	Achieved	Achieved	By 31 March 2010

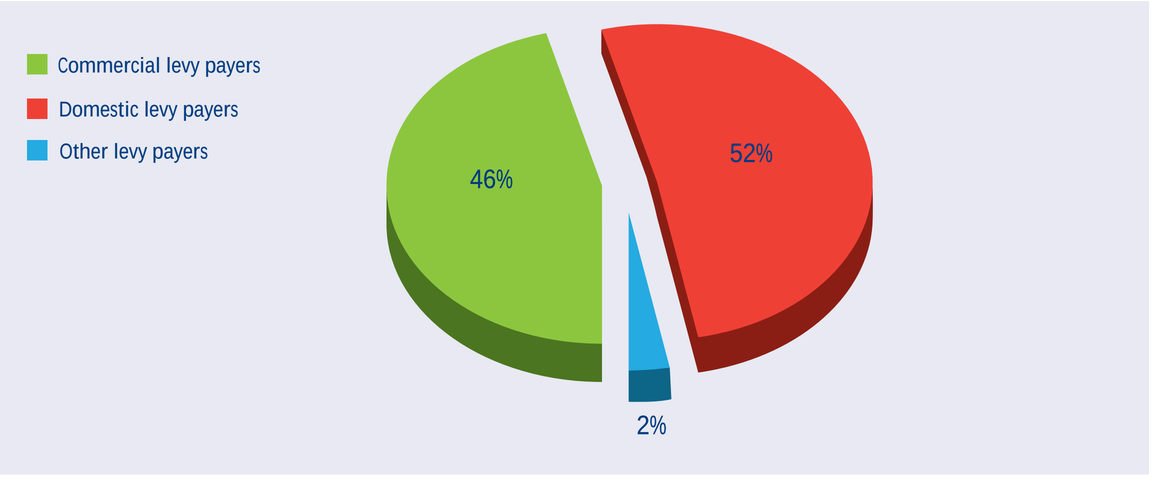
Financial Commentary

for the year ended 30 June 2010

Levy receipts

	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Levy	299,224	304,666	298,147
Levy attributable to the Rural Fire Fighting Fund	1,800	2,300	1,300
Total levy receipts	**301,024**	**306,966**	**299,447**

Levy income by source 2009/10



Total levy receipts for 2009/2010 were under budget by approximately 2% but exceeded prior year receipts by $1,577,000.

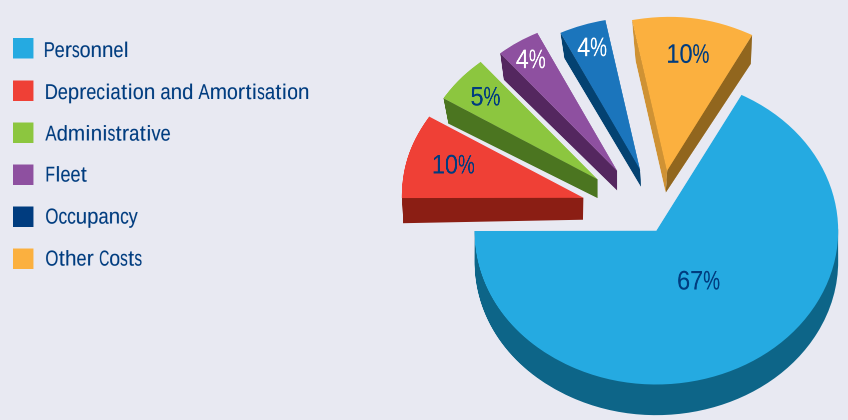
Total expenditure (excluding Rural Fire Fighting Fund)

	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Total expenditure (excluding Rural Fire Fighting Fund)	**304,633**	**309,309**	**298,943**

Total expenditure was lower than budget by $4,676,000. A significant portion of this underspend is the result of the following:

- Employee and volunteer benefits expenditure was $2,412,000 over budget:
  - Training costs were $2,066,000 under budget due to changes in scheduled training courses
  - Gratuities and long service leave was over budget by $3,058,000 due to the lower discount rate increasing the present value of the leave entitlement liabilities
- Other expenditure was $5,238,000 under budget:
  - This is predominantly due to domestic airfares and accommodation and meals being under budget by $972,000 and $959,000 respectively
- Depreciation was under budget by $1,120,000 due to:
  - Capital expenditure projects were completed later than planned during the year, reducing depreciation as this commenced later than budgeted

2009/10 Gross expenditure



Purchases of property, plant and equipment

	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Fleet	26,356	18,543	28,784
Property	9,928	18,613	10,581
Other	10,281	13,897	10,743
Total purchases of property, plant and equipment	**46,565**	**51,053**	**50,108**

The fleet capital expenditure programme is over budget due to the production schedule being brought forward. Sixty eight fire appliances were completed during the year and another fifty nine appliances are 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, Silverdale and Te Atatu thereby contributing to the underspend this year.

A new fire station was completed at Whitianga and nine out of the thirty one stations requiring seismic strengthening were completed.

Rural Fire Fighting Fund expenditure

	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Total Rural Fire Fighting Fund expenditure	**4,222**	**4,154**	**2,840**

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 2009/2010 there were 93 eligible claims against the fund (2008/2009 75 claims). The most significant fires in 2009/2010 in terms of value of claims (greater than $200,000) on the fund were: Glenhope, Rarakau, Kaimaumau and Kerikeri Airport.

Statement of comprehensive income

for the year ended 30 June 2010

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Revenue				
Levy		299,224	304,666	298,147
Other revenue	1	8,843	7,826	9,060
Total revenue		**308,067**	**312,492**	**307,207**
Income	2	**3,141**	**1,515**	**4,483**
Total revenue and income		**311,208**	**314,007**	**311,690**
Expenditure				
Employee and volunteer benefits expenditure	3	204,395	201,983	199,535
Depreciation	12	27,108	28,228	26,824
Amortisation	13	1,795	2,092	2,090
Finance costs	4	263	696	437
Other expenditure	5	71,072	76,310	70,057
Total expenditure		**304,633**	**309,309**	**298,943**
Net surplus attributable to the Commission		**6,575**	**4,698**	**12,747**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	6	**(556)**	**481**	**1,865**
Net surplus attributable to the owners of the Commission		**6,019**	**5,179**	**14,612**
Other comprehensive income				
Gains/(losses) on revaluation of land and buildings net of impairment losses	18	2,656	10,639	(5,705)
Total other comprehensive income		**2,656**	**10,639**	**(5,705)**
Total comprehensive income attributable to the owners of the Commission		**8,675**	**15,818**	**8,907**

Explanation of total comprehensive income

The Commission concluded the financial year ended 30 June 2010 with total comprehensive income of $8,675,000 against a budgeted total comprehensive income of $15,818,000. There was a gain on the revaluation of land and buildings net of impairment losses of $2,656,000 compared with a budgeted gain of $10,639,000.

The accompanying notes on pages 53 to 97 form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2010

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Equity at beginning of year				
Accumulated funds		433,589	423,474	421,340
Revaluation reserves	18	45,215	39,410	50,422
Rural Fire Fighting Fund		2,779	1,384	914
Total equity at beginning of year		**481,583**	**464,268**	**472,676**
Changes in equity during year				
Transfers from statement of comprehensive income				
Accumulated funds		6,575	4,698	12,747
Revaluation reserves	18	2,656	10,639	(5,705)
Rural Fire Fighting Fund	6	(556)	481	1,865
Total comprehensive income		**8,675**	**15,818**	**8,907**
Transfers from disposal of land and buildings				
Accumulated funds		(2,997)	(989)	(498)
Revaluation reserves		2,997	989	498
Total transfers from disposal of land and buildings		–	–	–
Total changes in equity during year		**8,675**	**15,818**	**8,907**
Equity at end of year				
Accumulated funds		437,167	427,183	433,589
Revaluation reserves	18	50,868	51,038	45,215
Rural Fire Fighting Fund	6	2,223	1,865	2,779
Total equity at end of year		**490,258**	**480,086**	**481,583**

The accompanying notes on pages 53 to 97 form part of these financial statements.

Statement of financial position

as at 30 June 2010

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Assets				
Current assets				
Cash and cash equivalents	7	39,548	17,353	40,063
Trade and other receivables	8	2,485	6,352	4,444
Prepayments		690	536	433
Inventories	9	27	212	101
Derivative financial instruments	10	–	–	5
Non-current assets held for sale	11	581	–	5,664
Total current assets		**43,331**	**24,453**	**50,710**
Non-current assets				
Property, plant and equipment	12	523,104	528,106	501,285
Intangible assets	13	6,706	14,675	7,225
Total non-current assets		**529,810**	**542,781**	**508,510**
Total assets		**573,141**	**567,234**	**559,220**
Liabilities				
Current liabilities				
Trade and other payables	14	26,702	29,974	25,617
Employee and volunteer benefits	15	22,589	25,814	20,572
Borrowings	16	1,539	1,260	2,793
Provisions	17	1,681	2,809	1,695
Unamortised gain on sale and leaseback		190	178	355
Derivative financial instruments	10	–	–	26
Total current liabilities		**52,701**	**60,035**	**51,058**
Non-current liabilities				
Employee and volunteer benefits	15	28,445	26,101	23,792
Borrowings	16	238	310	1,481
Provisions	17	1,458	702	1,128
Unamortised gain on sale and leaseback		41	–	178
Total non-current liabilities		**30,182**	**27,113**	**26,579**
Total liabilities		**82,883**	**87,148**	**77,637**
Net assets		**490,258**	**480,086**	**481,583**
Equity				
Accumulated funds		437,167	427,183	433,589
Revaluation reserves	18	50,868	51,038	45,215
Rural Fire Fighting Fund		2,223	1,865	2,779
Total equity		**490,258**	**480,086**	**481,583**

The accompanying notes on pages 53 to 97 form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2010

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Cash flows from operating activities				
Receipts from levy		301,024	306,966	299,447
Receipts from other revenue		10,719	10,414	14,748
Net GST received/(paid)[1]		(189)	1,839	(10)
Payments to employees and volunteers[2]		(197,792)	(201,856)	(204,002)
Payments to suppliers for goods and services		(71,289)	(80,304)	(72,211)
Net cash flows from operating activities	19	**42,473**	**37,059**	**37,972**
Cash flows from investing activities				
Interest received		1,703	907	3,419
Proceeds from sale of property, plant and equipment		6,268	8,954	211
Purchase of intangible assets		(1,448)	(4,977)	(702)
Purchase of property, plant and equipment		(46,565)	(51,053)	(50,108)
Net cash flows from investing activities		**(40,042)**	**(46,169)**	**(47,180)**
Cash flows from financing activities				
Payment of finance leases		(2,497)	(2,873)	(2,581)
Interest paid		(503)	(696)	(517)
Proceeds from sale of finance lease assets		54	–	–
Net cash flows from financing activities		**(2,946)**	**(3,569)**	**(3,098)**
Net decrease in cash and cash equivalents		(515)	(12,679)	(12,306)
Cash and cash equivalents at beginning of year		40,063	30,032	52,369
Cash and cash equivalents at end of year	7	**39,548**	**17,353**	**40,063**

The accompanying notes on pages 53 to 97 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 decreased by $6,210,000 from the previous year, principally due to the movement in employee and volunteer benefits as shown in Note 15.

Notes to the Financial Statements

Statement of accounting policies for the year ended 30 June 2010

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 2010, and were authorised for issue by the Commission on 20 October 2010.

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 2009 as part of the Statement of Intent 2009/2012. 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 2010 (continued)

Changes in accounting polices

There have been no changes in accounting policies.

The Commission has adopted the following revision to accounting standards during the financial year, which has only a presentational or disclosure effect:

- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendments to the standard require additional disclosures relating to the fair value of financial instruments and liquidity risk of financial liabilities. The transition provisions of the amendments do not require disclosure of comparative information in the first year of application.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Commission are:

- NZ IAS 24 *Related Party Disclosures (revised 2009)* is effective for reporting periods commencing on or after 1 January 2011. The revised standard provides greater clarity in the definition of related parties and related party transactions and also amends the disclosure concessions extended to government-related entities. The Commission is currently assessing the effect of the new standard and expects it will be adopted for the year ended 30 June 2011.
- NZ IFRS 9 *Financial Instruments* will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for reporting periods commencing on or after 1 January 2014. NZ IAS 39 is being replaced in three main phases, and the publication of NZ IFRS 9 addresses classification and measurement of financial assets as the first phase. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value based on how an entity manages its financial instruments, and the contractual cash flow characteristics of the financial asset. A single impairment method is also used in the new standard. The Commission is yet to assess the effect of the new standard but does not expect it will be early adopted.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

Income

Interest income

The Commission recognises interest income using the effective interest rate 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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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 and 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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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

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

Superannuation schemes

Defined contribution schemes

Contributions to KiwiSaver, 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.

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 as follows:

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 as possible, the estimated future payments.

Loss of medical scheme

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

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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 2010:

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.

Statement of accounting policies for the year ended 30 June 2010 (continued)

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.

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 2010 $000	Budget 2010 $000	Actual 2009 $000
False alarms	2,216	2,400	3,053
Good corporate citizen contributions	2,323	2,050	2,225
Monitoring private fire alarms	1,994	1,976	1,938
Sponsorship	343	220	300
Commercial services	530	430	442
Other revenue[3]	1,437	750	1,102
Total other revenue	**8,843**	**7,826**	**9,060**

The Commission received good citizen contributions from Housing New Zealand, New Zealand Police and BP Limited. These organisations 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.

2 Income

	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Interest income[4]	1,539	798	3,194
Gain on disposal of property, plant and equipment[5]	815	–	68
Rental income	432	362	467
Amortisation of gain on sale and leaseback	355	355	355
Net foreign exchange gain	–	–	399
Total income	**3,141**	**1,515**	**4,483**

3 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, insurance proceeds, reparations received and other sundry income. Other revenue is above budget principally due to capital expenditure contributions from brigades of $165,000 and donations of $347,000 being received during the year. This revenue was not budgeted for.

4 Interest income exceeded budget by $741,000 as a result of higher than expected cash and cash equivalent balances throughout the year.

5 The gain on the disposal of property, plant and equipment in 2010 included a gain of $723,000 from the sale of assets classified as non-current assets held for sale as at 30 June 2009.

3 Employee and volunteer benefits expenditure

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Salaries and wages[6]		170,868	169,854	168,252
Employer contributions to defined contribution plans[7]		14,698	14,989	14,070
ACC levies		3,125	3,087	3,395
ACC Partnership Programme	17	181	–	(744)
Other employee and volunteer benefits expenditure[8]		15,523	14,053	14,562
Total employee and volunteer benefits expenditure		**204,395**	**201,983**	**199,535**

4 Finance costs

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Finance charge on finance lease		170	179	381
Discount unwinding on provision of ACC Partnership Programme	17	93	–	52
Interest expense		–	517	4
Total finance costs[9]		**263**	**696**	**437**

6 Salaries and wages increased $2,616,000 from 2008/2009 due to the collective contract providing for a 4% salary and wage increase effective 1 January 2009. This contributed $6,097,000 to the increase in expenditure. Paid call backs and allowances have decreased by $2,710,000 and $536,000 respectively.

7 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.

8 Other employee and volunteer benefits expenditure are over budget by $1,470,000. Training costs were $2,066,000 under budget due to changes in scheduled training courses. Gratuities and long service leave was over budget by $3,058,000 due to the lower discount rate increasing the present value of the leave entitlements.

9 Finance costs for 2009/2010 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.

5 Other expenditure

	Note	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Auditors – audit fees for statutory audit		168	173	167
Auditors – fees for other services[10]		69	81	11
Remuneration of Commission and committee members	25	143	140	148
Fleet		13,526	13,945	13,410
Occupancy		11,961	11,531	11,196
Clothing and other consumables		7,053	7,605	7,605
Communications		5,859	6,369	5,827
Publicity and advertising		5,054	5,285	5,543
Grants[11]		4,415	4,396	4,085
Impairment of receivables	8	27	–	256
Loss on disposal of property, plant and equipment		302	–	472
Net loss on derivative financial instruments		–	–	21
Net foreign exchange loss		173	400	–
Impairment of property, plant and equipment	12	–	200	814
Impairment of intangible assets	13	–	–	43
Other expenditure[12]		22,322	26,185	20,459
Total other expenditure		**71,072**	**76,310**	**70,057**

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

10 Auditor's fees for other services relates to probity assurance reviews over a fleet maintenance tender in the Bay Waikato region, Type 2 medium pump appliance tender, white fleet vehicle leasing tender and professional service engagement for the Te Atatu fire station. A review of the National Rural Fire Authority's approach to performance assessment was also performed.

11 These are brigade and social grants and grants made to the United Fire Brigades' Association of New Zealand.

12 Other expenditure includes operational and office equipment, computer costs, travel, professional fees, research and development, insurance and rural fire assistance. Other expenditure is $3,943,000 under budget. This is predominantly due to domestic airfares and accommodation and meals being under budget by $972,000 and $959,000 respectively.

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

	Actual 2010 $000	Budget 2010 $000	Actual 2009 $000
Revenue			
Levy	1,800	2,300	1,300
Department of Conservation[13]	1,300	1,700	2,350
Other revenue	566	635	1,055
Total revenue	**3,666**	**4,635**	**4,705**
Claims expenditure	**(4,222)**	**(4,154)**	**(2,840)**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	**(556)**	**481**	**1,865**

The closing balance of the Rural Fire Fighting Fund as at 30 June 2010 was $2,223,000 (2008 $2,779,000).

7 Cash and cash equivalents

	Actual 2010 $000	Actual 2009 $000
Cash on hand and at bank	25,228	5,838
Short term deposits	14,320	34,225
Total cash and cash equivalents	**39,548**	**40,063**

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 (2009 $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 2010 is 2.83% (2009 3.64%). As at 30 June 2010 if the interest rates increased/decreased by 1 percent the interest income for the year and accumulated funds would increase/decrease by $12,600 (2009 $25,184).

13 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 (continued)

Restricted assets

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

	Actual 2010 $000	Actual 2009 $000
Short term deposits	4,320	4,225
Total restricted cash and cash equivalents	**4,320**	**4,225**

8 Trade and other receivables

	Actual 2010 $000	Actual 2009 $000
Trade and other receivables	3,223	5,156
Less provision for impairment	(738)	(712)
Total trade and other receivables	**2,485**	**4,444**

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 2010 (2009 $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 2010			Actual 2009		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	887	(38)	849	2,047	(101)	1,946
Past due 1-30 days	292	(23)	269	611	–	611
Past due 31-60 days	187	(87)	100	958	(27)	931
Past due 61-90 days	203	(38)	165	320	(24)	296
Past due > 91 days	1,654	(552)	1,102	1,220	(560)	660
Total trade and other receivables	**3,223**	**(738)**	**2,485**	**5,156**	**(712)**	**4,444**

8 Trade and other receivables (continued)

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 2010 $000	Actual 2009 $000
Provision for impairment of trade and other receivables at beginning of year		712	598
Additional provision made during the year	5	27	256
Receivables written-off during the period		(1)	(142)
Provision for impairment of trade and other receivables at end of year		**738**	**712**

9 Inventories

	Actual 2010 $000	Actual 2009 $000
Inventories held for use in the provision of services	27	101
Total inventories	**27**	**101**

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 2010 amounted to $27,000 (2009 $101,000).

There have been no write-downs of inventories held for distribution or reversals of previous write-downs in either 2010 or 2009.

No inventories are pledged as security for liabilities.

10 Derivative financial instruments

	Actual 2010				
	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	–	–	–	–	–
Euro	–	–	–	–	–
Total derivative financial instruments	**–**	**–**	**–**	**–**	**–**

The notional principal amounts of outstanding forward foreign exchange contracts at 30 June 2010 were £nil and €nil.

10 Derivative financial instruments (continued)

	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)
Total derivative financial instruments	**5**	**52**	**(26)**	**1,068**	**(21)**

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.

The Commission enters 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.

11 Non-current assets held for sale

	Actual 2010 $000	Actual 2009 $000
Non-current assets held for sale at beginning of year	5,664	–
Disposals during the year	(5,083)	–
Transfers from property, plant and equipment	–	5,664
Non-current assets held for sale at end of year	**581**	**5,664**

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.

The disposals in 2010 relate to three of these stations, Lower Hutt, Petone and Mount Maunganui. These sales were completed in September 2009 and November 2009. These resulted in a gain of $723,000 which is included in income in the statement of comprehensive income and a loss of $8,000 which is included in other expenditure in the statement of comprehensive income.

The Paihia disposal is dependent on gaining resource consent for the site of the new Fire Station. This is still in progress.

12 Property, plant and equipment

	Note	Actual 2010 $000	Actual 2009 $000
Property, plant and equipment			
Property, plant and equipment at cost at beginning of year		316,335	288,697
Property, plant and equipment at valuation at beginning of year		366,177	379,055
Total cost/valuation at beginning of year		**682,512**	**667,752**
Accumulated depreciation and impairment losses		(181,227)	(177,002)
Total property, plant and equipment at beginning of year		**501,285**	**490,750**
Additions		44,571	38,734
Net transfer to work in progress		2,330	11,093
Disposals		(630)	(285)
Impairment losses to statement of comprehensive income	5	–	(814)
Impairment losses to revaluation reserve	18	(445)	(206)
Reversal of impairment losses to revaluation reserve	18	2,362	1,435
Transfer to non-current assets held for sale	11	–	(5,664)
Depreciation		(27,108)	(26,824)
Revaluation movement	18	739	(6,934)
Total property, plant and equipment at end of year		**523,104**	**501,285**
Property, plant and equipment at cost at end of year		350,054	316,335
Property, plant and equipment at valuation at end of year		360,102	366,177
Total cost/valuation at end of year		**710,156**	**682,512**
Accumulated depreciation and impairment losses		(187,052)	(181,227)
Total property, plant and equipment at end of year		**523,104**	**501,285**
Net carrying value by class of asset			
Land at valuation		154,019	160,343
Buildings at valuation		199,137	196,244
Fire appliances at cost		107,511	83,545
Motor vehicles at cost		1,218	1,270
Communications equipment at cost		4,721	4,752
Operational equipment at cost		17,719	18,076
Non-operational equipment at cost		4,166	4,286
Computer equipment at cost		2,734	2,760
Leasehold improvements at cost		1,292	1,752
Work in progress at cost		30,587	28,257
Total property, plant and equipment at end of year		**523,104**	**501,285**

12 Property, plant and equipment (continued)

By class of asset	Note	Actual 2010 $000	Actual 2009 $000
Land			
Land at valuation at beginning of year		160,343	175,695
Accumulated impairment losses		–	(1,232)
Total land at beginning of year		**160,343**	**174,463**
Additions		196	1,522
Disposals		–	(123)
Reversal of impairment losses to revaluation reserve	18	–	1,200
Transfer to non-current assets held for sale	11	–	(5,363)
Revaluations	18	(6,520)	(11,356)
Total land at valuation at end of year		**154,019**	**160,343**
Buildings			
Buildings at valuation at beginning of year		205,834	203,360
Accumulated depreciation and impairment losses		(9,590)	(9,620)
Total buildings at beginning of year		**196,244**	**193,740**
Additions		5,415	9,583
Disposals		(229)	(1)
Impairment losses to revaluation reserve	18	(445)	(206)
Reversal of impairment losses to revaluation reserve	18	2,362	235
Transfer between asset classes		–	21
Transfer to non-current assets held for sale	11	–	(301)
Depreciation		(11,469)	(11,249)
Revaluations	18	7,259	4,422
Total buildings at end of year		**199,137**	**196,244**
Buildings at valuation at end of year		206,083	205,834
Accumulated depreciation and impairment losses		(6,946)	(9,590)
Total buildings at end of year		**199,137**	**196,244**

12 Property, plant and equipment (continued)

Fire appliances	Actual 2010 $000	Actual 2009 $000
Fire appliances at cost at beginning of year	201,805	187,137
Accumulated depreciation	(118,260)	(114,729)
Total fire appliances at beginning of year	**83,545**	**72,408**
Additions	31,023	17,145
Disposals	(80)	(16)
Transfer between asset classes	(12)	1
Depreciation	(6,965)	(5,993)
Total fire appliances at end of year	**107,511**	**83,545**
Fire appliances at cost at end of year	226,648	201,805
Accumulated depreciation	(119,137)	(118,260)
Total fire appliances at end of year	**107,511**	**83,545**
Motor vehicles		
Motor vehicles at cost at beginning of year	2,659	2,485
Accumulated depreciation	(1,389)	(1,322)
Total motor vehicles at beginning of year	**1,270**	**1,163**
Additions	154	413
Disposals	(5)	(83)
Impairment losses to statement of comprehensive income	–	(2)
Transfer between asset classes	6	–
Depreciation	(207)	(221)
Total motor vehicles at end of year	**1,218**	**1,270**
Motor vehicles at cost at end of year	2,761	2,659
Accumulated depreciation	(1,543)	(1,389)
Total motor vehicles at end of year	**1,218**	**1,270**
Communications equipment		
Communications equipment at cost at beginning of year	12,495	14,437
Accumulated depreciation	(7,743)	(9,841)
Total communications equipment at beginning of year	**4,752**	**4,596**
Additions	1,749	1,915
Disposals	(70)	(3)
Impairment losses to statement of comprehensive income	–	(218)
Transfer between asset classes	–	196
Depreciation	(1,710)	(1,734)
Total communications equipment at end of year	**4,721**	**4,752**
Communications equipment at cost at end of year	13,937	12,495
Accumulated depreciation	(9,216)	(7,743)
Total communications equipment at end of year	**4,721**	**4,752**

12 Property, plant and equipment (continued)

	Actual 2010 $000	Actual 2009 $000
Operational equipment		
Operational equipment at cost at beginning of year	50,562	46,744
Accumulated depreciation	(32,486)	(28,789)
Total operational equipment at beginning of year	**18,076**	**17,955**
Additions	3,891	5,528
Disposals	–	(28)
Impairment losses to statement of comprehensive income	–	(524)
Transfer between asset classes	(16)	1
Depreciation	(4,232)	(4,856)
Total operational equipment at end of year	**17,719**	**18,076**
Operational equipment at cost at end of year	54,037	50,562
Accumulated depreciation	(36,318)	(32,486)
Total operational equipment at end of year	**17,719**	**18,076**
Non-operational equipment		
Non-operational equipment at cost at beginning of year	9,902	9,907
Accumulated depreciation	(5,616)	(5,731)
Total non-operational equipment at beginning of year	**4,286**	**4,176**
Additions	667	927
Disposals	(1)	(2)
Impairment losses to statement of comprehensive income	–	(68)
Transfer between asset classes	22	52
Depreciation	(808)	(799)
Total non-operational equipment at end of year	**4,166**	**4,286**
Non-operational equipment at cost at end of year	10,541	9,902
Accumulated depreciation	(6,375)	(5,616)
Total non-operational equipment at end of year	**4,166**	**4,286**
Computer equipment		
Computer equipment at cost at beginning of year	6,289	6,625
Accumulated depreciation	(3,529)	(3,596)
Total computer equipment at beginning of year	**2,760**	**3,029**
Additions	1,433	1,528
Disposals	(245)	(29)
Impairment losses to statement of comprehensive income	–	(2)
Transfer between asset classes	–	(271)
Depreciation	(1,214)	(1,495)
Total computer equipment at end of year	**2,734**	**2,760**
Computer equipment at cost at end of year	7,133	6,289
Accumulated depreciation	(4,399)	(3,529)
Total computer equipment at end of year	**2,734**	**2,760**

12 Property, plant and equipment (continued)

	Actual 2010 $000	Actual 2009 $000
Leasehold improvements		
Leasehold improvements at cost at beginning of year	4,366	4,198
Accumulated depreciation	(2,614)	(2,142)
Total leasehold improvements at beginning of year	**1,752**	**2,056**
Additions	43	173
Depreciation	(503)	(477)
Leasehold improvements at cost at end of year	**1,292**	**1,752**
Leasehold improvements at cost at end of year	4,410	4,366
Accumulated depreciation	(3,118)	(2,614)
Total leasehold improvements at end of year	**1,292**	**1,752**
Work in progress		
Buildings	7,694	2,855
Fire appliances	20,518	24,939
Computer equipment	51	161
Other	2,324	302
Total work in progress	**30,587**	**28,257**
Total property, plant and equipment	**523,104**	**501,285**

The total carrying amount of all property is $353,737,000 (2009 $362,251,000), this includes land $154,019,000 (2009 $160,343,000), buildings $199,137,000 (2009 $196,244,000) and non-current assets held for sale $581,000 (2009 $5,664,000). The total carrying amount includes the fair value as determined by the 30 June 2010 valuation performed by independent registered valuers Darroch Valuations of $354,182,000 (2009 $363,169,000). This is net of impairments for buildings requiring seismic strengthening of $6,501,000 (2009 $8,673,000). The valuation for buildings was reduced for impairments to buildings which are to be demolished of $445,000 (2009 $918,000).

The total impairment loss for buildings requiring seismic strengthening is $6,501,000 (2009 $8,673,000). During 2010 seismic strengthening work was completed and changes in the strengthening programme during the year resulted in a reversal of an impairment loss of $2,172,000. Changes in the strengthening programme in 2009 resulted in an impairment loss of $206,000. 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.

12 Property, plant and equipment (continued)

The total impairment loss for buildings due to be demolished for new fire stations is $445,000 (2009 $918,000). During 2010 changes in the building programme resulted in some buildings not being demolished, resulting in a reversal of an impairment loss of $190,000. All other buildings included in the 2009 impairment were demolished during the year with the impairment loss being included in the disposal. An impairment loss of $445,000 was recognised for a building due to be demolished in 2011. During 2009 changes in the building programme meant a building was not demolished resulting in a reversal of an impairment loss of $61,000. 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 $1,341,000 (2009 $1,518,000) 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 2010 due to revaluations. During 2009 changes in the market valuations resulted in a reversal of an impairment loss of $1,200,000 in land and $235,000 in buildings.

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

No impairment losses were recognised in 2010. During 2009 new standards were required by the Commission for certain assets which resulted in a number being written off. This resulted in impairment losses of $2,000 in motor vehicles, $218,000 in communications equipment, $524,000 in operational equipment, $68,000 in non-operational equipment and $2,000 in computer equipment being recognised. Total impairment losses recognised in the other expenditure line of the statement of comprehensive income in 2009 was $814,000.

The net carrying amount of property, plant and equipment held under finance leases is $326,000 (2009 $1,106,000) for operational equipment and $296,000 (2009 $nil) for computer equipment.

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

13 Intangible assets

	Note	Actual 2010 $000	Actual 2009 $000
Intangible assets			
Intangible assets at cost at beginning of year		33,840	33,091
Accumulated amortisation		(26,615)	(24,810)
Total intangible assets at beginning of year		**7,225**	**8,281**
Additions		1,449	1,001
Net transfer to/(from) work in progress		(173)	76
Impairment losses to statement of comprehensive income	5	–	(43)
Amortisation		(1,795)	(2,090)
Total intangible assets at end of year		**6,706**	**7,225**
Intangible assets at cost at end of year		35,131	33,840
Accumulated amortisation		(28,425)	(26,615)
Total intangible assets at end of year		**6,706**	**7,225**
Net carrying value by class of asset			
Computer software (internally generated) at cost		3,941	4,221
Computer software (purchased) at cost		2,400	2,687
Shared Information Technology Environment (SITE)		221	–
Work in progress at cost		144	317
Total intangible assets at end of year		**6,706**	**7,225**
By class of asset			
Computer software (internally generated)			
Computer software (internally generated) at cost at beginning of year		7,636	7,566
Accumulated amortisation		(3,415)	(2,793)
Total computer software (internally generated) at beginning of year		**4,221**	**4,773**
Additions		384	70
Amortisation		(664)	(622)
Total computer software (internally generated) at end of year		**3,941**	**4,221**
Computer software (internally generated) at cost at end of year		8,019	7,636
Accumulated amortisation		(4,078)	(3,415)
Total computer software (internally generated) at end of year		**3,941**	**4,221**

13 Intangible assets (continued)

	Actual 2010 $000	Actual 2009 $000
Computer software (purchased)		
Computer software (purchased) at cost at beginning of year	7,983	7,380
Accumulated amortisation	(5,296)	(4,113)
Total computer software (purchased) at beginning of year	**2,687**	**3,267**
Additions	1,021	931
Impairment losses to statement of comprehensive income	–	(43)
Transfer between asset classes	(227)	–
Amortisation	(1,081)	(1,468)
Total computer software (purchased) at end of year	**2,400**	**2,687**
Computer software (purchased) at cost at end of year	8,676	7,983
Accumulated amortisation	(6,276)	(5,296)
Total computer software (purchased) at end of year	**2,400**	**2,687**
Shared Information Technology Environment (SITE)		
SITE at cost at beginning of year	17,904	17,904
Accumulated amortisation	(17,904)	(17,904)
Total SITE at beginning of year	–	–
Additions	44	–
Transfer between asset classes	227	–
Amortisation	(50)	–
Total SITE at end of year	**221**	–
SITE at cost at end of year	18,292	17,904
Accumulated amortisation	(18,071)	(17,904)
Total SITE at end of year	**221**	–
Work in progress		
Computer software (purchased)	144	317
Total work in progress	**144**	**317**
Total intangible assets	**6,706**	**7,225**

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 2010 $000	Actual 2009 $000
Trade payables[14]	12,350	8,783
Income in advance[15]	487	2,705
Accrued expenses	7,629	8,068
GST, PAYE and FBT payable	6,236	6,061
Total trade and other payables	**26,702**	**25,617**

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 2010 $000	Actual 2009 $000
Current employee and volunteer benefits		
Accrued salaries and wages	1,442	890
Annual leave	14,821	13,454
Long service leave and gratuities	6,326	6,228
Total current employee and volunteer benefits	**22,589**	**20,572**
Non-current employee and volunteer benefits		
Long service leave and gratuities	28,445	23,792
Total non-current employee and volunteer benefits	**28,445**	**23,792**
Total employee and volunteer benefits	**51,034**	**44,364**

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.

The key economic assumptions were taken from the prescribed Treasury rates calculated as at 30 June 2010. The implied risk-free rates over the period of cash outflows ranged from 3.48% to 6.21%. The salary inflation factor has been determined as 2.75%.

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 $2,020,000/$1,757,000, 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 $1,757,000/$2,020,000, thereby increasing/decreasing personnel costs and decreasing/increasing accumulated funds by the same amount.

14 Trade payables have increased by $3,567,000. The majority of this increase is due to the timing of the receipts of cab chassis over the year end period.

15 Income in advance has decreased by $2,218,000. The majority of this decrease is due to levy received in advance decreasing by $913,000 and Department of Conservation income received in advance decreasing by $1,271,000.

16 Borrowings

	Actual 2010 $000	Actual 2009 $000
Current borrowings		
Finance leases	1,539	2,793
Non-current borrowings		
Finance leases	238	1,481
Total borrowings	**1,777**	**4,274**
Analysis of finance leases		
Minimum lease payments payable		
Not later than one year	1,559	2,962
Later than one year and not later than five years	269	1,481
Total minimum lease payments	**1,828**	**4,443**
Future finance charges	(51)	(169)
Present value of minimum lease payments	**1,777**	**4,274**
Present value of minimum lease payments payable		
Not later than one year	1,539	2,793
Later than one year and not later than five years	238	1,481
Present value of minimum lease payments	**1,777**	**4,274**

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 2010 $000	Actual 2009 $000
Current provisions		
Loss of medical scheme	154	152
ACC Partnership Programme	1,527	1,543
Total current provisions	**1,681**	**1,695**
Non-current provisions		
Lease make-good	510	471
ACC Partnership Programme	948	657
Total non-current provisions	**1,458**	**1,128**
Total provisions	**3,139**	**2,823**

Movements for each class of provision are as follows:

Loss of medical scheme

	Actual 2010 $000	Actual 2009 $000
Loss of medical scheme at beginning of year	152	150
Contributions made to the scheme	2	2
Loss of medical scheme at end of year	**154**	**152**

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.

Lease make-good

	Actual 2010 $000	Actual 2009 $000
Lease make-good at beginning of year	471	471
Additional provisions made	39	–
Lease make-good at end of year	**510**	**471**

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.

17 Provisions (continued)

ACC Partnership Programme

	Actual 2010 $000	Actual 2009 $000
Central estimates of the present value of future payments	2,230	1,991
Risk margin	245	209
Total ACC Partnership Programme provision	**2,475**	**2,200**

Movements in the claims liability are as follows:

	Actual 2010 $000	Actual 2009 $000
ACC Partnership Programme provision at beginning of year	2,200	2,892
Additional provisions during the year for risks borne in current period	1,289	1,421
Additional provisions relating to a reassessment of risks in previous periods	(643)	(538)
Amounts used during the year	(1,693)	(2,362)
Unused amounts reversed	1,229	735
ACC Partnership Programme expenditure	**182**	**(744)**
Discount unwinding on provision of ACC Partnership Programme	93	52
ACC Partnership Programme provision at end of year	**2,475**	**2,200**

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% (2009 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 4.5% (2009 4%) per annum for first and all succeeding years.

17 Provisions (continued)

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.

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 336 days (2009 199 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 were to increase/decrease by 1% from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would decrease/increase by $26,000, thereby decreasing/increasing personnel costs and increasing/decreasing accumulated funds by the same amount.

If the inflation rate were to increase/decrease by 1% from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would increase/decrease by $21,000, thereby increasing/decreasing personnel costs and decreasing/increasing accumulated funds by the same amount.

The average claim is $4,010. If this increased/decreased by 25%, with all other factors held constant, it would result in an increase/decrease in the liability of $2,983,300/$1,965,000 and an increase/decrease in the personnel costs and decrease/increase in accumulated funds by the same amount.

The assumed claims rate is 3 claims per $1,000,000 of liable earnings. If the claims rate used increased/decreased by 50%, with all other factors held constant, it would result in an increase/decrease in the liability of $1,018,200 and an increase/decrease in personnel costs and a decrease/increase in accumulated funds by the same amount.

18 Revaluation reserves

	Note	Actual 2010 $000	Actual 2009 $000
Property, plant and equipment revaluation reserves			
Total revaluation reserves at beginning of year		45,215	50,422
Revaluation movement	12	739	(6,934)
Impairment losses	12	(445)	(206)
Reversal of impairment losses	12	2,362	1,435
Total revaluation gains/(losses) recognised in other comprehensive income		**2,656**	**(5,705)**
Transfer to accumulated funds on disposal		2,997	498
Total revaluation reserves at end of year		**50,868**	**45,215**
By class of asset			
Land			
Land revaluation reserve at beginning of year		17,596	27,464
Revaluation movement		(6,520)	(11,356)
Reversal of impairment losses		–	1,200
Land revaluation losses recognised in other comprehensive income		**(6,520)**	**(10,156)**
Transfer to accumulated funds on disposal		2,164	288
Land revaluation reserve at end of year		**13,240**	**17,596**
Buildings			
Buildings revaluation reserve at beginning of year		27,619	22,958
Revaluation movement		7,259	4,422
Impairment losses		(445)	(206)
Reversal of impairment losses		2,362	235
Buildings revaluation gains recognised in other comprehensive income		**9,176**	**4,451**
Transfer to accumulated funds on disposal		833	210
Buildings revaluation reserve at end of year		**37,628**	**27,619**
Total revaluation reserves at end of year		**50,868**	**45,215**

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 2010 $000	Actual 2009 $000
Net surplus attributable to the owners of the Commission		**6,019**	**14,612**
Add/(subtract) non-cash items			
Depreciation	12	27,108	26,824
Amortisation	13	1,795	2,090
Amortisation of gain on sale and leaseback	2	(355)	(355)
Property, plant and equipment write-offs	5	302	472
Impairment of property, plant and equipment	5	–	814
Impairment of intangible assets	5	–	43
Net loss on derivative financial instruments	5	–	21
Total non-cash items		**28,850**	**29,909**
Add/(subtract) movements in working capital			
Increase/(decrease) in trade and other payables		857	(1,287)
Increase/(decrease) in employee and volunteer benefits	15	6,670	(3,724)
Increase/(decrease) in provisions	17	316	(690)
Decrease in other current assets		1,776	2,122
Net movements in working capital		**9,619**	**(3,579)**
Add/(subtract) investing activities			
(Gains)/losses on disposal of fixed assets	2	(815)	(68)
Interest paid		503	517
Interest received		(1,703)	(3,419)
Total investing activity items		**(2,015)**	**(2,970)**
Net cash flows from operating activities		**42,473**	**37,972**

20 Capital commitments and operating leases

Capital commitments

	Actual 2010 $000	Actual 2009 $000
Property, plant and equipment	15,273	41,662
Intangibles	–	41
Total capital commitments	**15,273**	**41,703**
Not later than one year	14,523	20,296
Later than one year and not later than five years	750	21,407
Total capital commitments	**15,273**	**41,703**

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 2010 $000	Actual 2009 $000
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	3,737	2,701
Later than one year and not later than five years	3,292	4,514
Later than five years	500	643
Total non-cancellable operating lease commitments as lessee	**7,529**	**7,858**

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 2012, 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 2010 $000	Actual 2009 $000
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than one year	191	213
Later than one year and not later than five years	286	196
Later than five years	240	273
Total non-cancellable operating lease commitments as lessor	**717**	**682**

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 engaged in a number of claims with current and former employees. The estimated aggregate financial settlement of these claims as at 30 June 2010 is $185,000 (2009 $230,000).

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 $4,250,000 as at 31 March 2010. This deficit was calculated using a discount rate equal to the expected return on net assets of $283,725,000.

Contingent assets

The Commission does not have any contingent assets (2009 $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 2010 $000	Actual 2009 $000
Loans and receivables		
Cash and cash equivalents	39,548	40,063
Trade and other receivables	2,485	4,444
Total loans and receivables	**42,033**	**44,507**
Fair value through statement of comprehensive income		
Derivative financial instruments assets	–	5
Derivative financial instruments liabilities	–	(26)
Total fair value through statement of comprehensive income	**–**	**(21)**
Financial liabilities measured at amortised cost		
Trade and other payables	26,702	25,617
Total financial liabilities measured at amortised cost	**26,702**	**25,617**

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.

22 Financial instruments (continued)

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 no forward foreign exchange contracts in place as at 30 June 2010 (2009 4 contracts).

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 Commission's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Actual 2010			Actual 2009		
	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)	26,702	–	–	25,617	–	–

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 (2009 $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:

			Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
Person	**Counterparty**	**Ref**	**2010 $**	**2009 $**	**2010 $**	**2009 $**
John Hercus, NZ Fire Service Commission (until 31 December 2008)	GNS Science	(i)	–	2,000	–	–
Robert Francis, NZ Fire Service Commission	Wairarapa District Health Board	(ii)	16,706	16,000	–	–
Total			**16,706**	**18,000**	**–**	**–**

(i) The Commission charged GNS Science, of which John Hercus is a board member, for false alarm calls to their premises. The charges were in accordance with the Commission's False Alarm Policy.

(ii) The Commission charged the Wairarapa District Health Board, of which Robert Francis is the chairperson, rental for a building at the Masterton Fire Station. Rental was charged on normal commercial terms

24 Related party disclosures (continued)

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 2010 $	Transaction value for the year ended 30 June 2009 $	Balance outstanding for the year ended 30 June 2010 $	Balance outstanding for the year ended 30 June 2009 $
Angela Foulkes ONZM, NZ Fire Service Commission	NZ Qualifications Authority	(iii)	34,329	46,340	–	3,451
Robert Francis, NZ Fire Service Commission	Wairarapa District Health Board	(iv)	–	258	–	–
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	(v)	13,401,301	13,039,973	–	5,355
Total			**13,435,630**	**13,086,571**	**–**	**8,806**

(iii) 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 2009 and 2010.

(iv) 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 2009 and 2010.

(v) 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.

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 2010 $000	Actual 2009 $000
Salaries and other current employee benefits	3,122	3,002
Post-employment benefits	142	169
Total key management personnel benefits	**3,264**	**3,171**

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 2010 $	Actual 2009 $
Dame Margaret Bazley DNZM Hon DLit	60,000	60,000
Mr Terry Scott (until 30 September 2009)	5,773	23,375
Rt Hon Wyatt Creech, deputy chairperson (from 1 October 2009)	17,531	–
Ms Angela Foulkes ONZM	18,700	18,700
Mr Robert Francis	18,700	18,700
Mr John Hercus (until 31 December 2008)	–	9,350
Mr David McFarlane (from 1 October 2009)	14,025	–
Fees paid to Commissioners	**134,729**	**130,125**
Mr Alan Isaac (chairperson of the Audit and Risk Committee)[16]	8,439	18,300
Total remuneration of Commission and committee members	**143,168**	**148,425**

No Commission members received compensation or other benefits relating to cessation (2009 $nil).

The Commission has a range of insurance cover in place in respect Board members' liabilities.

16 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 2010 and 2009. The remuneration for these additional services is included in this note and totalled $3,639 (2009 $12,700). The remaining $4,800 (2009 $5,600) related to chairing the Audit and Risk Committee.

26 Remuneration of employees

	Actual 2010	Actual 2009
Total remuneration paid or payable		
$100,000 – $109,999	111	152
$110,000 – $119,999	45	61
$120,000 – $129,999	24	10
$130,000 – $139,999	4	5
$140,000 – $149,999	2	4
$150,000 – $159,999	4	3
$160,000 – $169,999	1	2
$170,000 – $179,999	4	3
$180,000 – $189,999	2	3
$190,000 – $199,999	2	–
$200,000 – $209,999	2	1
$210,000 – $219,999	2	–
$220,000 – $229,999	–	2
$230,000 – $239,999	1	–
$240,000 – $249,999	–	1
$320,000 – $329,999	*1	–
$370,000 – $379,999	–	*1
Total employees	**205**	**248**

* Chief Executive/National Commander

During the year ended 30 June 2010, forty employees (2009 forty employees) received compensation and other benefits in relation to cessation totalling $981,000 (2009 $842,000). 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

On 4 September 2010 the Canterbury area suffered a major earthquake which affected a number of the Commission's assets including the Kaiapoi and Brooklands fire stations. Both fire stations remain operational however the Kaiapoi station dwelling cannot be occupied. The continued use of these facilities is contingent upon assessments of the stability of ground conditions which will be made in the months to come. The majority of the costs associated with repairing or replacing all damaged assets are expected to be covered by insurance.

Commission staff were heavily involved in providing assistance to the community following the earthquake. Significant costs for paid and volunteer personnel, operational equipment, travel and engineering services have been incurred in providing this assistance and as at 30 September 2010, exceeded $2,000,000. Funding for these costs is expected to be borne by the NZ Fire Service within its 2010/2011 operating budget.

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 6 to the financial statements.

Statement of changes in equity

Equity at beginning of year – Accumulated funds

The opening balance of accumulated funds is greater than budgeted by $10,115,000 due to the actual net surplus attributable to the owners of the Commission for the year ended 30 June 2009 exceeding the expectations in the 2009/2010 budget.

Equity at beginning of year – Revaluation reserves

The opening balance of the revaluation reserves was greater than budgeted by $5,805,000. When the 2009/2010 budgets were prepared it was forecast there would be a 10% decrease in the value of land for the year ended 30 June 2009, however the actual outcome was only a decrease of 6% resulting in the opening balance variance from budget.

Net surplus attributable to the owners of the Commission for the year

The surplus for the year ended 30 June 2010 was higher than budgeted by $840,000 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 $7,983,000 due to valuations being lower than anticipated.

Statement of financial position

Cash and cash equivalents

The cash and cash equivalents balance at 30 June 2010 was greater than budget by $22,195,000 due to budgeted capital expenditure not occurring during the year and the opening cash and cash equivalents balance exceeding budget expectations by $3,696,000.

Trade and other receivables

The trade and other receivables balance at 30 June 2010 was less than budget by $3,867,000 due to an increased focus being placed on the recovery of outstanding receivable balances.

Property, plant and equipment

Property, plant and equipment at 30 June 2010 was less than budget by $5,002,000. This was primarily because land and buildings revaluation gains, net of impairment losses, were lower than budget by $7,983,000.

28 Explanation of significant variances against budget (continued)

Intangible assets

Intangible assets at 30 June 2010 were less than budget by $7,969,000 due to planned capital expenditure not occurring.

Trade and Other Payables

Trade and other payables at 30 June 2010 were less than budget by $3,272,000 due to the timing of the receipts of cab chassis over the year end period.

Provisions

Total provisions, current and non-current, at 30 June 2010 totalled $3,139,000 for lease make-good, loss of medical scheme and the ACC Partnership Programme, which was only slightly under the total budget of $3,511,000.

Accumulated funds

Accumulated funds at 30 June 2010 were greater than budget by $9,984,000 due largely to the variance from budget in the opening balance.

Statement of cash flows

Receipts from levy

Receipts from levy were lower than budget by $5,942,000. There were three main factors affecting levy receipts during the financial year. Stock, capital investment and major projects were all down during the year from initial expectations which has impacted on levy receipts. The 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. Changes to policy structures offered by insurers has also impacted on the amount and timing of levy received.

Payments to employees and volunteers

Payments to employees and volunteers were $4,064,000 lower than budget. The reduction in levy receipts has directly impacted expenditure.

Payments to suppliers for goods and services

Payments to suppliers for goods and services were $9,015,000 lower than budget. The reduction in levy receipts has directly impacted expenditure.

Interest received

Interest received was higher than budget by $796,000 because the cash and cash equivalents balance was higher than budget throughout the year.

28 Explanation of significant variances against budget (continued)

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment were $2,686,000 less than budget. The Commission had planned to sell the properties surplus to requirements at Paraparaumu, Mount Roskill and Point Howard, however these sales did not occur.

Purchase of intangible assets

The purchase of intangible assets was lower than budget by $3,529,000 due to scheduled projects not commencing.

Purchase of property, plant and equipment

The purchase of property, plant and equipment was lower than budget by $4,488,000. 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 which has contributed to the underspend this year.

Notes

Notes

NEW ZEALAND FIRE SERVICE COMMISSION
Whakaratonga Iwi

New Zealand Government