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Annual Report

For the year ended 30 June 2012

OUR VISION

Working with communities to protect what they value

OUR MISSION

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

OUR VALUES

Service, Integrity, Adaptability, Skill, Comradeship

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31 October 2012

Hon Chris Tremain
Minister of Internal Affairs
Parliament Buildings
WELLINGTON

Dear Minister

New Zealand Fire Service Commission Annual Report

I present the report of the New Zealand Fire Service Commission (the Commission) for the year ended 30 June 2012.

Introduction

In my letter transmitting the Commission's 2010/2011 Annual Report to your predecessor I noted that the year had been dominated by a near continuous sequence of responses to major emergencies –the Pike River Mine explosion, the two major and many lesser Canterbury/Christchurch earthquakes, the Fox Glacier aircraft crash and the Japanese tsunami. In 2011/2012 the work of the Commission focussed on matters arising from those responses:

- ensuring that Fire Service career and volunteer staff who continue to be adversely affected by the Canterbury/Christchurch earthquakes receive appropriate welfare support and other assistance
- assisting the various internal and external enquiries and investigations into the emergency response operations
- giving effect to the key lessons and recommendations emerging from those enquiries
- developing strategic plans that address the broader implications of that extraordinary sequence of national scale emergencies.

The Commission wishes to record its appreciation of the work of the advisory group in Christchurch that developed a comprehensive policy to recognise and honour all those fire services' personnel who played a part in the emergency response to the earthquakes. Given the fresh memories and raw emotions still attached to the traumatic events of 22 February 2011 the recommendations from the advisory group regarding a special service medal, watch-level meetings with senior staff and members of the board and an initiative to encourage fire service people to tell their stories through an oral history recording project were well received.

Fire Service staff made important contributions to the Pike River Royal Commission and the Ministry of Civil Defence enquiry into the response to the February earthquake. A significant amount of Fire Service information has been brought together for the forthcoming Coronial enquiry into the tragic loss of life at the collapsed CTV building. While mindful that these inquiries consume substantial time and resources the Commission welcomes the open and transparent external investigations as a principal means of learning for the future.

The Commission acknowledges that there is much to commend in the Fire Service's response to those emergencies but as the Fire Service's own internal investigations found there is also much to learn. Many of the opportunities for improvement identified in the internal enquiries are already under action and the Commission is closely monitoring their implementation. The Commission is committed to the principle that New Zealand's fire services should be learning organisations that derive as much benefit as possible from the inquiries. The Commission will put in place programmes to ensure that the recommendations from the inquiries are applied appropriately.

On the broader strategic front the Commission has established a separate reserve fund on the balance sheet to ensure responses to national scale emergencies can always be mounted without having to apply to Government for supplementary funding. As the configuration of post-earthquake Christchurch begins to take shape the Commission has committed to partnering with other emergency service providers in a public safety hub in the central business district. The Commission has also taken additional advice on the seismic rating of its existing stock of fire stations nationwide and has made further provision in the capital expenditure programme over the next five years for an accelerated seismic strengthening/station replacement programme.

The incidence and consequences of fire

The Commission's statutory mandate is to reduce the incidence and consequences of fire. To give effect to this mandate, the New Zealand Fire Service (the Fire Service) and the National Rural Fire Authority pursue a comprehensive mix of intervention strategies across fire safety public education and fire risk reduction, readiness and response. The difference those interventions make to fire outcomes for people, property, communities and the environment are closely monitored using consistent indicators of performance over long time periods. Short-run societal factors and seasonal or climatic trends have a substantial bearing on the incidence and severity of unwanted fires. The critical issue is to ensure the longer-term trend lines remain positive.

The Commission takes considerable pride in reporting that the trend lines across all fire outcome indicators are favourable. The year-on-year and longer-term outcome indicators for people, property, communities, and the environment are shown below. I draw your attention in particular to the outstanding results achieved in 2011/2012 for avoidable residential fire fatalities and hectares lost to wildfire.

Table 1 Year-on-year fire outcomes

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	
2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
0.27	0.43	3.9	4.0	121	121	1,467	1,650

Table 2 Long-term fire outcomes

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	
2011/12	10-year average	2011/12	10-year average	2011/12	10-year average	2011/12	10-year average
0.27	0.45	3.9	4.3	121	131	1,467	4,704

Financial outcome

The Commission is pleased to report a surplus of $20.6m for the year ended 30 June 2012, a very positive outcome when considered against the $2.8m deficit forecast in the Statement of Intent. The contributors to the $23.3m positive variance include:

- Income up by $16.6m due to:
  - insurers remitting levy proceeds earlier for reasons of competitive advantage
  - increased uptake of insurance resulting from heightened awareness of risk
  - higher values being insured resulting again from heightened awareness
  - lower than budgeted calls on the levy account from the rural firefighting fund
  - insurance settlements for Commission property destroyed or damaged in the earthquakes.
- Expenditure reduced by $6.7m due to:
  - deferral of some training courses as a result of industrial action
  - timing differences on payroll assumptions
  - delays in implementation of strategic initiatives
  - savings across fleet, fuel, protective clothing, communications and promotions partly offset by unavoidable increases in insurance premiums and actuarial valuations of liabilities for long service leave and gratuities.

A more detailed analysis of the variances is presented in the financial section. The Commission is satisfied that its cash and near cash balance at the end of the year ($53.2m) is prudent having regard to the reserves for general liquidity and disaster response, the rebuild of the Christchurch stations and regional training and management facilities, seismic strengthening of the stock of fire stations across the country and the Fire Service contribution to the whole of government digital radio network.

Enlarged rural fire districts

Last year I reported the concern that a key strategy of the Commission, the voluntary amalgamation of rural fire districts into larger, more efficient, more effective and better resourced enlarged rural fire districts, was taking significantly longer than anticipated. It was my view at the time that unless some relevant action was taken to advance the process towards a conclusion there was a real risk that the country would wind up with an unacceptable hybrid model of some enlarged and many of the older small rural fire districts. That concern remains.

The target now is for just over half the country to be operating as enlarged rural fire districts' (ERFD) by the end of the 2012/2013. To build momentum into the ERFD strategy the National Rural Fire Officer, Murray Dudfield, and the Commission member with rural responsibilities, Bob Francis, have worked assiduously to bring together the diverse parties involved in forming ERFD to develop solutions (plantation forest owners, pastoral farmers, rural landowners, the Department of Conservation and local government). I thank them for their dedication to the task. Some encouraging progress has been forthcoming. During 2011/2012, engagement on enlarged rural fire districts resulted in nine separate groups establishing steering committees. These groups incorporated 54 existing fire authorities with a view to developing firm amalgamation proposals for stakeholders to consider. The Commission is hopeful that up to six of these groups will deliver a positive outcome by July 2013.

The slow progress overall (and in some cases the outright resistance to progress) is not easy to fathom. Certainly the experience from the areas that have completed their amalgamation process reinforces the positive benefits of ERFD. There has been an unquestioned reduction in administration costs, more efficient use of expensive capital equipment and more effective management of the rural fire risk. These are benefits that would be a positive throughout the whole country.

The Commission remains committed to completing this strategy and achieving its revised national goal of fewer than 20 fire authorities by December 2014. This is also a matter being considered by the Fire Service Review Panel.

Review of Fire Service functions and funding

The Commission welcomed your announcement that Government had decided to review the functions and funding of the Fire Service. The principal statutes under which we operate date from the mid 1970's and do not reflect what government and communities expect of the contemporary Fire Service. False alarms aside, the Fire Service responds to more non-fire emergencies than fire emergencies. Almost in spite of the legislation the Fire Service has become New Zealand's multi-hazard emergency response service. At the same time the Fire Service delivers a very successful suite of fire safety public education and risk reduction programmes. The Commission will support the work of the review and looks forward to a constructive engagement on the functions and funding of the Fire Serviceof tomorrow.

Changing nature of emergency work

The total number of incidents attended by the Fire Service in 2011/2012 was over 10 thousand fewer than in 2010/2011 when the major Christchurch earthquakes occurred. The overall number of incidents attended in 2011/2012 is similar to the average over the past 10 years. The number of fires, however, are down on the previous year by almost 10%. Most of this decline is in vegetation and miscellaneous fire types. The dominant trend over the last 10 years is the increasing proportion of non-fire related incidents the Fire Service attends. In 2010/2011, 37 percent of fire service responses were to non-fire related emergencies compared to 24 percent in 2000/2001. Within the non-fire incident trend there is strong on-going increase in calls to pure medical emergencies and a large number of incidents resulting from weather related events and natural disasters.

Acknowledgements

Commission members David McFarlane, Robert Francis and Vicki Caisley continued in office throughout the year under review. Angela Hauk-Willis was appointed to the board in August 2011. I thank them for their support during the year. Long serving Chief Executive and National Commander Mike Hall retired on 31 December 2011 and his replacement, Paul Baxter commenced in office on 1 January 2012. I express our appreciation of the services of both Mike and Paul, their respective senior management teams and all their staff and volunteers

Yours sincerely

Rt Hon Wyatt Creech
Chairperson

Report from the Chief Executive

This report marks my first six months as Chief Executive & National Commander of the Fire Service. We are an unusual organisation in that the men and women who join the Fire Service, whether career or volunteer, operational, non operational, urban or rural, often commit to a lifetime of service – protecting the lives and property of their fellow New Zealanders.

The wealth of operational experience contained in this organisation never fails to impress me. I am also impressed by the strength of the support that is offered by colleagues and the organisation in the aftermath of the traumatic incidents we respond to. For many of our people, their experience of an emergency response does not stop once the appliance returns to the station.

I know that many Christchurch and Canterbury staff and their families (career and volunteer) are still feeling the impact of the devastating 2010 and 2011 earthquakes. They work out of temporary buildings, ride out the aftershocks and experience the uncertainty over their homes and welfare of their family and friends. We are committed to providing ongoing support to personnel in the region, others who were deployed to assist, and to rebuilding our services.

We are working closely with the Canterbury Earthquake Recovery Authority and other agencies as we decide how to build and provide services that will address the fire risk posed by the changing population and re-build of Christchurch. In the meantime, our Southern Communication Centre is moving to the new temporary Central Police Station at the end of the year and we make do with portable buildings, shipping containers and repaired buildings at several stations.

New Zealand government and community agencies, the insurance industry and the business sector, will make many changes as a result of the lessons learned from Christchurch earthquakes. The Fire Service is contributing to two major inquiries that have been initiated that review aspects of the February earthquake: the Civil Defence and Emergency Management Review and the Coroner's Inquest into the 181 deaths. We are also conducting a second review of our own response. I am hopeful that the findings and recommendations from these reviews will help us fine tune our emergency response and that we become better and stronger Fire Service. Already we have committed to improving and extending our incident management training for officers. This will include introducing the United States Blue Card incident management training system and providing senior staff with opportunities to learn from overseas events as well as participate in formal development of strategic level incident management. We will also be implementing many changes to our large scale incident management procedures.

The Government recently announced the Review of Fire Service Functions and Funding. This is something we have been looking forward to as we expect the results to iron out some of the anomalies with our funding and the Acts that provide our mandate.

I am hopeful this review will give clearer authority and legal standing to do what we do best– provide an excellent, professional emergency response to the public of New Zealand.

Paul Baxter
Chief Executive and National Commander
New Zealand Fire Service

New Zealand Fire Service Commission Overview

This section of the report links the comments of the Chairperson and the Chief Executive with the narrative sections covering the:

- operations of the urban and rural fire services in 2011/2012
- findings and lessons of the inquiries into the responses to the major emergencies in 2010 and 2011
- impacts and outcomes of the Fire Service's and the National Rural Fire Authority's "business-as-usual" activities in 2011/2012.

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 relationships between the Minister, the Chairperson, the Board and the Chief Executive and between the Minister and Parliament. 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).

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 2011/12 the board members were:

- Dame Margaret Bazley, Chairperson (until 31 July 2011)
- Rt Hon Wyatt Creech, Deputy Chair (until 31 July 2011), Chair (from 1 August 2011) David McFarlane, member (until 31 July 2011), Deputy Chair (from 1 August 2011)
- Bob Francis, member
- Vicki Caisley, member
- Angela Hauk-Willis, member (from 1 August 2011)

Commission governance

In addition to the performance of its annual statutory planning, monitoring and reporting functions, the board considered and addressed a wide range of other matters during the year including:

- performance of Fire Service administration and support functions relative to other public sector agencies as disclosed in the central agencies' BASS reports
- implementation of the programme to reduce the number of fire regions from eight to five, to align support services and relocate support closer to fire districts
- authorisation of parameters for the Fire Service team negotiating the terms and conditions of the firefighters' collective employment agreement
- restructuring the governance and oversight arrangements of the Fire Service's superannuation fund
- future arrangements for the award and administration of Fire Service scholarships and fellowships
- future arrangements for the award and administration of research contracts let under the Commission's Contestable Research Fund.

- strengthening or replacing central fire stations in Wellington, Dunedin and Christchurch having regard to reports on their seismic rating
- partnering with other emergency service agencies in a proposed Public Safety Hub to be built in the Christchurch CBD
- the terms and conditions of an enduring Governance and Management Agreement with the United Fire Brigades Association
- the annual operating grant to the United Fire Brigades Association to advocate the interests of volunteer brigades and promote firefighting and allied skills
- the National Commander's Review of the Fire Service Response to the February 2011 Christchurch earthquake
- arrangements for the Commission to monitor implementation of the 42 Opportunities for Improvement arising from the National Commander's review above
- the new National Response plan for declared national civil defence emergencies and other events requiring a national level response
- formal recognition of the firefighters and other staff members who responded to the Canterbury and Christchurch earthquakes
- formal recognition of the firefighters who responded to a fatal water main explosion in Onehunga, Auckland
- contributions to the UFBA Benevolent Fund to ensure ongoing welfare support for Christchurch/Canterbury volunteers employees displaced from their homes or otherwise experiencing hardship and stress
- representation at the Coroner's inquiry into the CTV and PGG building collapses
- opportunities to improve the utilisation and commercialisation of the National Training Centre, Rotorua
- developing a sound working the relationship between the Fire Service and the New Zealand Professional Firefighters Union
- terms and Conditions of a new agreement with New Zealand Police governing the funding and operation of the three shared communication centres
- terms on which the Fire Service will contribute to the new whole of government digital radio network
- the impact on Fire Service levy proceeds of financial stress in the local insurance sector following the Canterbury/Christchurch earthquakes
- the basis on which "good corporate citizens" determine their voluntary contributions in lieu of Fire Service levy
- the breadth of information to be provided by insurers and brokers on monthly Fire Service levy returns
- progress in implementing the Volunteer Sustainability programme and the Commission's contribution to the International Year of the Volunteer plus 10
- policy on reserves set aside for responses to major emergencies and variability in the proceeds of the Fire Service levy
- award of a new multi-year contract for the provision of Type Three heavy pumping appliances.

National Rural Fire Authority

This function incorporates administration of the Rural Fire Fighting Fund, allocation of grants to rural fire authorities for administration, plant and equipment, establishment of minimum national standards and assessment of the performance of rural fire authorities. Major issues addressed by the board in its capacity as the National Rural Fire Authority included:

- progress on the Enlarged Rural Fire Districts Strategy
- the report on the operation of the Rural Fire Fighting Fund for 2010/2011
- the policy for charging fire authorities for Fire Service attendance at vegetation wildfires and the formula for deriving the charge out rate
- section 15 Agreements with fire authorities in the Waikato, Bay of Plenty, Wairoa, Central Hawkes Bay, Tararua, and South Canterbury districts
- the basis on which voluntary rural fire forces constituted under the Forest and Rural Fires Act may be reconstituted as volunteer fire brigades under the Fire Service Act
- funding for new rural fire prevention initiatives in selected enlarged rural fire districts
- the initiation of court action to recover costs from parties responsible for causing fires
- the monitoring and evaluation of fire authority performance
- assessment of the annual cost of forest and rural fire management in New Zealand
- the report of the Coronial enquiry into the Icepak Coolstores fire at Tamahere
- provision of indemnities for US, Canadian and Australian rural fire personnel responding to New Zealand requests for assistance under the mutual support agreement
- code of Practice for aviation fire fighting.

Fire safety co-ordination

Section 20 of the Fire Service Act 1975 states 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 2011/2012 included:

- setting priorities for fire safety research under the Contestable Research Fund
- award of the Contestable Research Fund contracts
- presentation of the results of research to fire safety stakeholders
- liaison with the Department of Building and Housing on proposals to amend the fire safety provisions of the Building Act 2004 and the Building Code
- 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 and press campaigns
- the future of the Te Kotahitanga fire safety programme
- introduction of on-line evacuation scheme approval capability.

Receipt and audit of Fire Service levy

In 2011/2012, the 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. During the course of the year the Commission received notice from the Insurance Brokers Association of New Zealand of its intention to seek a declaratory judgment in the High Court concerning the Commission's interpretation of particular provisions of section 48 of the Fire Service Act. Considerable resources have been applied to preparing for the hearing in the High Court. Other matters considered by the board under this governance function included:

- the establishment of the annual audit programme to provide assurance that parties liable to pay levy have properly calculated levy and remitted it on a timely basis
- the general protection of the Commission's income base by means of:
  - declaratory judgments on disputed interpretations of the levy provisions
  - improved compliance through the better education of major levy payers
  - the imposition of penalties for non-compliance
- the levels of levy reporting and compliance across the broker, insurance company and direct payer sectors
- advice to the Minister on the:
  - rate of levy for the purpose of the annual levy review
  - need to amend or clarify the levy provisions of the Fire Service Act 1975.

Directions issued by Ministers

The Commission has not received any directions from Ministers during 2011/2012.

Operations Overview

This section provides an overview of emergency response activities during 2011/2012 and a summary of the fire station, fire appliance and equipment capital investment programmes.

Incident trends

The Fire Service responded to 66,284 a total numbers of incidents over the last 10 years are shown in the table below.

Table 3 Incident trends

	Total Incidents attended
2011/2012	66,284
2010/2011	76,334
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

The total number of incidents attended in 2011/2012 was over 10 thousand fewer than in 2010/2011 when the major Christchurch earthquakes occurred. The overall number of incidents attended in 2011/2012 is similar to the average over the past 10 years.

However, based on completed incident records[1], the number of fires appear to be down on the previous year by almost 10%. Most of this decline is in vegetation and miscellaneous fire types and may be attributable to climatic conditions during summer. Therefore, there was an increase in non-fire incidents.

1 Note: industrial action means that no detailed information is available for 20,294 of the incidents in 2011/12.

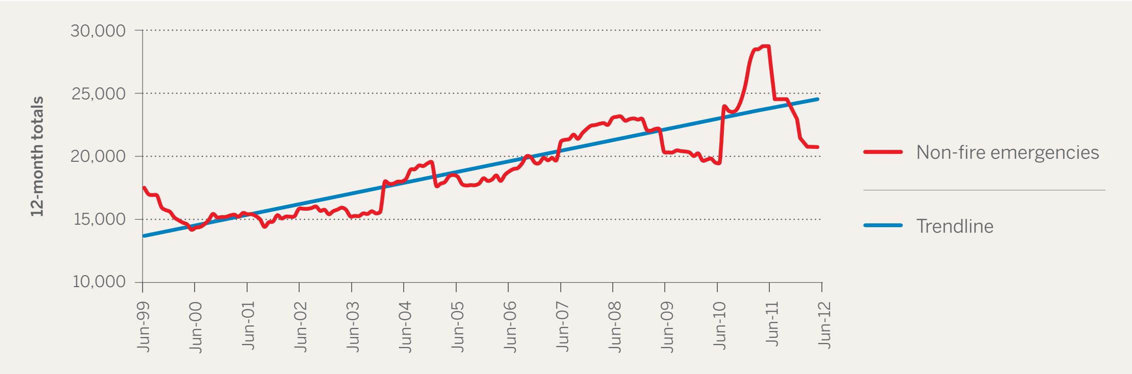
Non-fire emergencies

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 number of first response medical calls continues to rise (up 12%).

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

Figure 1 Non-fire emergencies attended by the New Zealand Fire Service



Christchurch earthquake lessons learned

The Fire Service learnt a great deal from its largest ever mobilisation to support the Christchurch earthquakes. The Service reviewed its performance and has implemented several corrective actions and improvements. This includes the introduction of a comprehensive new National Response Plan.

Fire appliances

The Fire Service took possession of 33 new fire appliances in 2011/2012. This ongoing replacement programme ensures the appliances are fit for purpose and the average age of the fleet remains stable.

Equipment

During the year the Fire Service started replacing all its 3,500 breathing apparatus sets, with new sets incorporating enhanced technology. The new features will improve communication with wearers, thereby enhancing safety and operational effectiveness. The replacement project is due for completion in early 2013.

Fire stations

New stations were completed in Culverden, Oxford, Rununga, Hororata and Springfield. A major redevelopment of the Masterton fire station was completed and a major redevelopment of the fire station at Palmerston North was commenced.

Significant work has been undertaken to provide safe alternative accommodation at Christchurch City, Woolston and Lyttelton stations, which were badly damaged in the Christchurch earthquakes. Joint planning has been initiated with Police and St Johns on providing collocation at the replacement Lyttelton station.

Independent maintenance condition surveys have been completed on all fire stations in Regions two and three and commenced in Region one. Regions four and five will be surveyed over the coming year. These surveys with provide a comprehensive national assessment of the maintenance requirements of the Service portfolio and inform maintenance programmes.

National Training Centre

The Minister of Internal Affairs officially opened Stage Two of the Fire Service National Training Centre in Rotorua on 29 March 2012. Construction was completed on time and on budget. This major extension to the existing facility provides realistic training for a range of fire and non-fire emergencies. Due to the extent and quality of the facilities Officer courses that were previously held in Australia are now held. The Centre is also used extensively by other emergency services.

National Rural Fire Authority Overview

Guided by the National Rural Fire Authority (NRFA) Strategic Plan 2009/2010, the NRFA continued to implement initiatives to enhance the protection of forest and rural communities and to provide better leadership to fire authorities. In 2011/2012, the key areas of focus were:

- the continued promotion of the Enlarged Rural Fire Districts Strategy
- the redevelopment of the NRFA's monitoring and evaluation of fire authority performance framework
- initiating the replacement of the national fire weather system
- the continued development of rural fire research outcomes.

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 enlarged rural fire districts (ERFD). The key goals of the strategy are to:

- have a regional forest and rural fire management structure based on forest and rural fire hazardscape principles
- ensure the equity and fairness of stakeholder responsibilities
- improve the governance and management practices of the sector
- improve the operational effectiveness of the sector.

Over the last three years, the national rural fire officer and rural fire staff have undertaken an extensive programme of ongoing engagement with forest and rural fire stakeholders around the country, including fire authorities, local government organisations, managers of state-owned and Ministry of Defence land, forest owners and rural organisations.

The table below shows the progress of the ERFD strategy against key performance indicators. The target is to have fewer than 20 ERFD.

Table 4 ERFD strategy

	2009/2010	2010/2011	2012/2013 forecast
Number of ERFDs	6[2]	7[3]	15[4]
Number of rural fire authorities	78	76	37
Ha under administration of ERFDs	9,303,886	10,548,087	18,615,000
% area of New Zealand under administration of ERFDs	34.6%	39.2%	64.6%

[2] Northern, Wairarapa, Waimea (Nelson/Tasman), South Canterbury, West Coast, and Southern.
[3] New ERFD Marlborough-Kaikoura.
[4] New ERFDs Auckland, Thames Valley, Waikato, Central North Island, East Coast, Taranaki, Manawatu, and Wellington.

Fire authority performance monitoring and evaluation

A key function of the Commission is to monitor and evaluate the performance of fire authorities. An initial review of the NRFA's systems to carry out this function was completed in 2009/2010 and opportunities were identified to improve the efficiency and effectiveness of these systems.

During 2011/2012, a new performance monitoring and evaluation framework was developed and trialled. The new framework will be implemented in 2012/2013. It is estimated that it will take two years to complete the initial baseline performance evaluation of all rural fire authorities.

Fire weather system replacement

The NRFA is required to co-ordinate the operation of a national rural fire weather index, and to co-ordinate a national and regional system of rural fire hazard prediction and warnings.

Fire weather information is used to help manage the risk posed by fire to our forest and rural environment. It is a primary input into decision making relating to rural regional fire management, supporting fire planning and prevention, fire season status management, response co-ordination and communication with land managers and the public.

The procurement process for the outsourced delivery and support of a replacement system was completed during 2011/2012. The current fire weather system, acquired from the Canadian Forest Service in 2002, will be replaced by a new service, to be developed by NIWA during 2012/2013. The new system will provide additional features and address underlying technical deficiencies.

The new system will be parallel run for testing during the 2012/2013 fire season, and fully implemented in time for the 2013/2014 fire season.

Research outcomes

The NRFA continued to provide support to Scion and Bushfire Cooperative Research Centre forest fire research outcomes in 2011/2012.

Scion's current fire research programme is specifically designed to support the 4R's of forest and rural fire management:

- Reduction – fire mitigation and prevention, wildfire threat analysis, risk assessment and planning, and fuels management
- Readiness – setting fire suppression preparedness levels, adequate resourcing of rural fire authorities, and managing fire season status and activities
- Response – responding to fires with adequate resources, safe and effective fire suppression, accurate predictions of fire behaviour, and decisions around evacuation or asset protection
- Recovery – understanding and learning from fire events to reduce the impacts, prevent reoccurrence and increase community resilience.

Other research areas include improving fire fighter productivity and the social aspects of fire management, such as community recovery, and communication and education mechanisms.

Key outputs and achievements from the Scion research programme for 2011/2012 included:

- hosting of a 4th Rural Fire Research Workshop in Rotorua (June 2012) with a reflection and celebration of 20 years of rural fire research in New Zealand
- improved fire behaviour models for fuel loads and fire spread rates in scrub and grasslands, and updates to existing fire prediction tools including new versions of the fire behaviour field manual and toolkit calculator software
- new tools and technology including a fire spread calculator application for smart phones
- development of a user guide to the New Zealand Fire Danger Rating System (NZFDRS), containing step-by-step procedures and worked examples for applying NZFDRS outputs to fire management; for example, 4WD vehicle access restrictions, permit conditions for gorse scrub and crop stubble burning, stand-by requirements and readiness levels
- provision of advice to national project teams, such as the Wildfire Threat Analysis and Fire Weather working groups; in particular, the latter included input into the 2011/2012 seasonal fire weather assessment, advising on MetConnect discontinuation, the Fire Weather Monitoring System (FWSYS) upgrade and remote automatic weather station (RAWS) standards
- initiation of research on new and emerging fire risks (e.g. wildings), use of fire as a land management tool, enhanced community resilience, and improving safety and productivity
- submission of a successful proposal to the Ministry for Science & Innovation for a further four years of government research funding.

The National Rural Fire Officer continues to chair the Rural Fire Research Advisory Committee, which provides governance and strategic direction to the Scion research programme. This committee includes representatives from Fire Service, Department of Conservation, New Zealand Forest Owners Association, Local Government, New Zealand Defence Force and Federated Farmers of New Zealand and Scion.

The NRFA also continued to support the Australasian Bushfire CRC, thereby providing New Zealand fire agencies with access to research results across the CRC's three key research areas:

- Understanding bushfire risk – understanding the underlying risk exposure of the community and the things it values, and providing an improved framework to understand how the risk is manifested and how communities respond, prepare and mitigate the risk in the context of their broader societal frameworks
- Communicating bushfire risk – communication of risk and threat: how warnings and information are best communicated, which communications media should be used, and how community education fits into this picture
- Managing bushfire threat – this program addresses the scenario where the risk has translated into a direct threat. This particularly considers extreme events such as the 2009 Black Saturday bushfires in Victoria; these events are irregular and are not as well understood as more routine occurrences.

Key highlights from the Bushfire CRC for 2011/2012 include:

- a Bushfire CRC Science Day, with presentations on key projects from across the CRC, to open the joint AFAC/CRC annual conference in Sydney (Aug. 2011)
- 'fire in the landscape' field excursion (March 2012), where fire managers and scientists viewed research sites in north east Victoria investigating fire impacts on forest hydrology and erosion
- research advisory forum, Hobart (May 2012), which included presentations from CRC researchers, students and end-users on many of the projects across the CRC program
- seminar on the science and art behind fire danger ratings, presented by Canadian fire scientist Dr Marty Alexander (June 2012)
- numerous Fire Notes and Research Updates summarising results and key findings from CRC projects, together with examples of end-user uptake and adoption.

The Bushfire CRC, which is now in its 9th out of 10 year life of federal research funding, is also looking at its longer term future. Planning of a range of possible options is currently underway for transitioning the CRC into a new Research Institute supported by combined federal and end-user agency funding.

Fire season 2011/2012

The 2011/2012 fire season was wetter than normal in most areas (except for short dry periods in Northland and Southland) with a La Nina weather pattern dominating. Overall, there were 3,060 wildfires in 2011/2012, a decrease of six percent on the previous year (3,264). The total area burnt in 2011/2012 was 1,467 hectares, a decrease of 11 percent on the previous year (1,650 hectares burnt).

Ten fire authority performance assessments were conducted (these were trials under the new performance monitoring and evaluation framework) and 53 rural fire standards audits were completed in 2011/2012.

For the 2011/2012 Rural Fire Fighting Fund (RFFF) year, a total of 47 claims were lodged by fire authorities; 13 claims originated within areas of Department of Conservation responsibility and 34 claims originated within areas of other fire authorities responsibility. Of the 47 claims received, 13 were withdrawn.

The total cost of claims on the Rural Fire Fighting Fund for 2011/2012 amounted to $2,393,739. This amount comprised:

a $147,957 for 8 claims originating within areas of Department of Conservation responsibility.

b $2,245,782 for 26 claims originating within the areas of all other fire authorities.

Payments from the RFFF for the five years prior to 2006 showed an upward trend; however, over the last six years, this trend has flattened.

The NRFA successfully recovered $341,540 from parties responsible for causing wildfire(s) using the cost recovery provisions of section 43 of the Forest and Rural Fires Act 1977, but this does not represent the total overall costs of fire suppression. In addition to the claims on the fund, it is estimated that a further $585,000 was directly recovered by fire authorities.

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 at-risk audiences with fire safety solutions.

The Fire Service's Station Management System (SMS), which is used by operational firefighters to record the cause and origin of fire and the evidence of basic fire detection devices, is increasingly being used to highlight areas of fire risk that need to 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 surveyed said they preferred to receive fire safety messages via television.

In 2011/2012, the Commission continued the consequence-based approach to fire safety advertising. In the early part of the year the promotions campaigns were focused on specific risks around people celebrating during the Rugby World Cup tournament. As alcohol is involved in 50% of fire fatalities, we ran a radio campaign targeting inbound tourists who had hired campervans that warned of their unique fire safety dangers and a significant TV campaign that showcased people who had had too much to drink being responsible and eating something before they headed home. The adverts were well recalled and both campaigns were finalists in advertising awards.

The consequence-based series of advertising was best illustrated by the 'Precious' campaign featuring the father of a young girl who had apparently been badly burnt in a fire. The message portrayed the guilt that might be felt at failing to install smoke alarms until it was too late. Recall of these adverts was extremely high.

Print media campaign

A suite of fire safety material designed to support the three main fire safety themes was 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 and to ensure we don't rely solely on television to market these messages.

Day light savings campaign

In 2011/2012, television advertising was used to promote reduced-price smoke alarms in conjunction with 'The warehouse' as a partner. Over two two-week periods that the campaign ran there was a huge increase in smoke alarm purchases. The Warehouse have subsequently agreed to run four 2-week promotional periods per year offering 35% off all smoke alarms.

Education programmes: Get Firewise/Maui-Tinei-Ahi

The redesigned Get Firewise education programme for Year 1 and Year 2 students and the Maui Tinei Ahi programme for Māori children in kura kaupapa, bilingual classes and immersion units in primary schools are successfully in place. The feedback from teachers (as the primary deliverers of the programmes) was very positive. Our redevelopment focus will now shift to our other core schools-based education programmes (for kohanga reo (pre-school), year 7 and year 8, and senior secondary).

Social media

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's Facebook page currently has 25,850 followers, doubling in the last 12 months. Of fire and rescue agencies worldwide who have a Facebook presence, the Fire Service page is ranked fourth.

A unique Fire Service You-Tube page has our entire collection of television advertisements on it for viewing, as well as appropriate K-99 segments (K-99 is the Fire Service's internal multi-media communications tool).

Partnerships

The Fire Service used partnerships with other organisations to help support its fire safety education initiatives. Examples of partnerships in 2010/2011 year were:

- The Warehouse promoting alarms in-store as well as providing smoke alarm discount vouchers to be supplied to at-risk New Zealanders
- in-store 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
- an approach had also been made to the Energy Efficiency and Conservation Authority (EECA) about co-ordinating a home fire safety check when contractors were installing new insulation into at-risk houses. This was well received by EECA but put on hold during the industrial action by members of the New Zealand Professional Firefighters Union. Discussions are being held to launch the opportunity.

Children who light fires

In 2011/2012 we officially completed 400 Fire Awareness and Intervention Programme (FAIP) interventions for last year for children who light fires, compared to 528 for the previous financial year: due to industrial action only with only 11% of our FAIP practitioners were working for 9 months of the year. The contestable research report that evaluated the FAIP showed that 98 percent of children and young people who complete the programme do not light further fires. The FAIP continues to be a key fire mitigation programme providing outstanding value to both the Fire Service and the community.

Fire Investigation television campaign

A specialist Fire Research and Investigation Unit has now been in operation for almost two years. Over this time the unit has successfully identified a range of products, building practices and behaviours that have been causing fires across the country including exploding gas cookers which were causing horrific injuries to users, new drug manufacturing techniques and faulty products. In addressing these fire risks the unit has been able to work with importers, retailers, several government regulators (prompting recalls of products), issuing of public warnings and a number of major media stories focused on fire safety. This and many other fire reduction successes have demonstrated the outstanding benefit of investing in a nationally focused unit.

Learning from fires is captured by the unit and published on the fire service web site. The Research and Investigation Unit pages have become one of the most visited areas of our public web site.

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 2011/2012:

- Changes in community self-reliance and implications for fire safety messages and emergency response
- Project Re-kindled: Changing fire safe knowledge into fire safe actions
- Alcohol and fire: A strategic review
- Social media and fire safety communication: Towards a Strategy for Reaching Young Adult New Zealanders
- Public perceptions of the New Zealand Fire Rescue Services carried out during the Christchurch Earthquakes
- Effectiveness of digital media and social networking for reaching at-risk groups
- Impact of emerging social change and technological developments on Fire Service operations
- Te Ahi Kaa – Keeping our Marae Safe from Fire: Building a Fire Safety Culture.

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

In 2011/2012, the Commission sponsored research under the following topics:

- Development of a Micro-Simulation Statistical Model for Household Fire Risk Identification
- Delivery Mechanisms for 'Hard to Reach' Groups
- An assessment of the economic cost of fire in residential and commercial structures.
- Quantifying the change in high country fire hazard from wilding trees
- Identifying a methodology to develop a stronger 'line of sight' between expenditure and outcomes
- Evaluation of Fire Service programmes targeted at Year 7 and 8 and senior secondary students
- Fire safety features in housing.

Receipt and Audit of Fire Service Levy

Total Fire Service levy receipts for 2011/2012 were over $18 million ahead of budget. At least $11 million of these receipts related to non-recurring transactions. In addition to levy received from organisations legitimately changing their business models and organisations undertaking significant new developments, the Commission continued to uncover organisations who failed to pay levy either through oversight, ignorance or avoidance.

During the year, settlement was reached with a party who had been offering what in the Commission's view was an arrangement analogous to a contract of fire insurance. Settlement resulted in almost $0.5 million of additional levy being received for this year, and a similar amount should be paid in future years.

Audit of insurance arrangements

The revenue and assurance team establishes the annual Fire Service levy audit programme, which is reviewed by the Audit and Risk Committee. This programme, in conjunction with education, analysis and investigation work, provides the Commission with assurance the levy has been correctly calculated and paid on a timely basis.

The 2011/2012 Fire Service levy audit programme saw the completion of over 50 audits. The levy audits resulted in collections of over $200,000 of unpaid levy, interest and surcharge. The Commission continued its strategy of improving levy assurance processes and systems during the year and will continue with this approach next year to ensure it has confidence that all amounts due in respect of levy are collected.

The Audit function has been supported this year with the increase in analytical resources for the team. This has delivered greater coverage of industry generally and a more targeted audit function. In addition, all insurers in New Zealand voluntarily agreed to provide the Commission with details of policies where levy in excess of $1,000 was paid. This, along with the statutory declaration campaign that the Commission are currently undertaking will:

- give a better understanding of insurance movements
- enable the Commission to deliver greater value to the insurance industry
- align levy receipts with supporting data
- show trends in levy payments so levy payers who change payment arrangements will continue to meet their obligations
- better identify organisations which may be liable for, but are not currently paying levy.

Key non-compliance trends, identified through the levy audits, were largely similar to those of previous years and included:

- a lack of proper support for indemnity value on which levy was paid
- the omission of levy on policy extensions
- the miscalculation of levy on motor vehicles
- the miscalculation of levy amounts
- a lack of understanding of legislative requirements for levy.

Litigation

During 2011/2012, Insurance Brokers Association of New Zealand commenced proceedings against the Commission in the High Court for a declaratory judgment regarding the correct calculation of levy on specific insurance policy structures. The Commission welcomes any clarification of legislation the Courts are able to provide.

The rate of levy remained unchanged at 7.6c per $100 insured during the year. Since 2001 there has only been one increase in the rate of levy – from 7.3c to 7.6c in 2008.

Finally, it was pleasing to note some organisations that had no legal obligation to pay levy continued to make good citizen contributions in 2011/2012. These organisations included BP, Housing New Zealand and the Reserve Bank of New Zealand.

The Commission's Performance

Through fire safety public education programmes, emergency response and rural fire co-ordination the Commission seeks to achieve the following outcomes:

1. Reduced consequences of unwanted fires for people, property, communities and the environment.
2. Reduced adverse consequences of non-fire emergencies for people, property, communities and the environment.
3. New Zealanders have access to fire services in which they have a high level of trust and confidence.

The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2011/2012 Statement of Intent. This section covers the longer-term outcome performances against the Commission's five-year national goals.

Estimating missing data

The results in this section show performance against the Commission's national goals. For the purposes of showing graphical trend information the Commission has replaced missing data, September 2009 to December 2009 and August 2011 to March 2012, with the average values from the corresponding previous three years data. For more information on the missing data see explanation on page 39.

Outcome 1: Reduced consequences of unwanted fires for people, property, communities and the environment

People: Avoidable residential fire fatalities and injuries from fire

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 reductions is its delivery of fire safety education. Avoidable residential fire fatalities per 100,000 population have reduced by 59 percent and injuries to the public per 100,000 population have reduced by 32 percent since June 1998. The graph (Figure 2) shows the results and long-term trends for avoidable residential structure fire fatalities and the graph (Figure 3) shows the results for the rate of moderate and life-threatening injuries per 100,000 population.

Key fire safety messages delivered during 2011/2012 included: "could you live with yourself" install smoke alarms campaign, keep looking while you're cooking, never underestimate the speed of fire and camper van safety associated with the rugby world cup.

Figure 2 Avoidable residential structure fire fatalities

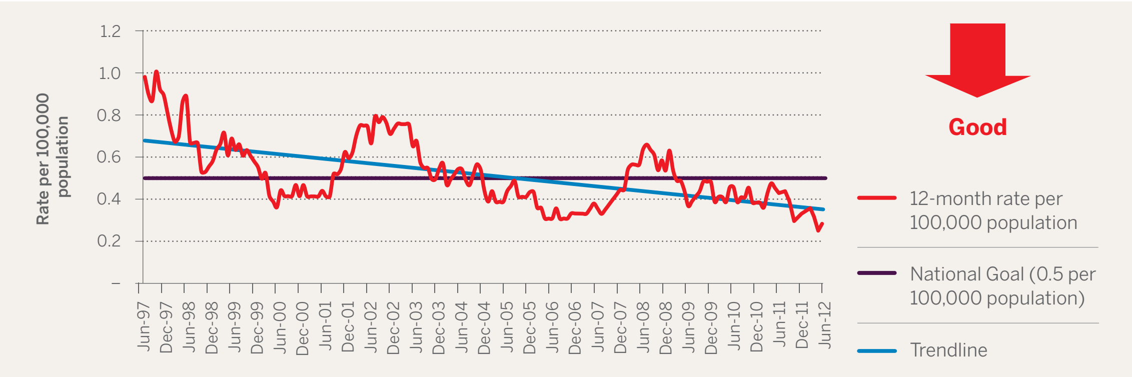
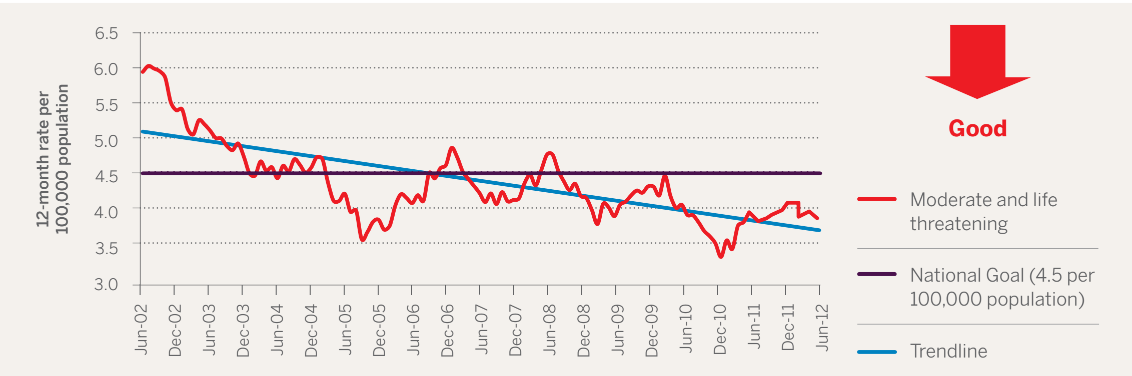


Figure 3 Moderate and life threatening public injuries



Property: Estimated value of fire loss

National goals – structures

Maintain the estimated dollar value of damage from fires in residential structures below $73 million per annum
Maintain the estimated dollar value of damage from fires in non-residential structures below $54 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 dollar 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 losses or any downstream economic or social losses. Since 2002, the trend for property damage to both residential and non-residential structures has been volatile.

Figure 4 Estimated flame damage to residential structures

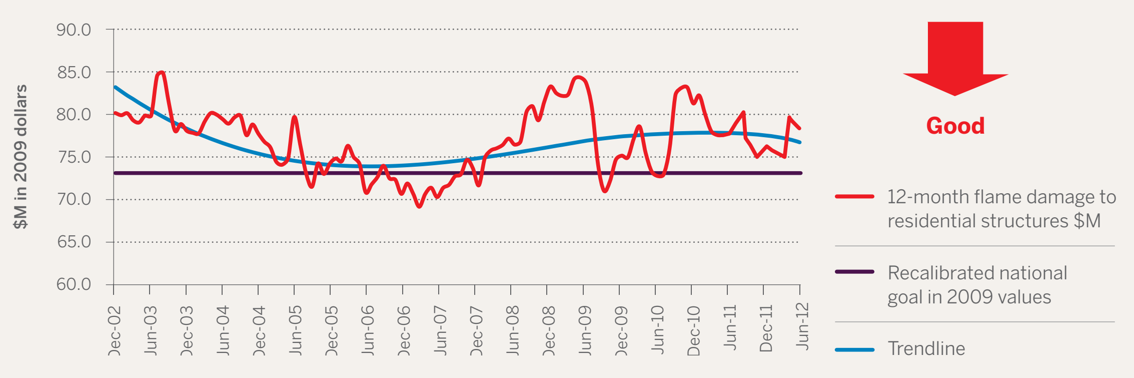
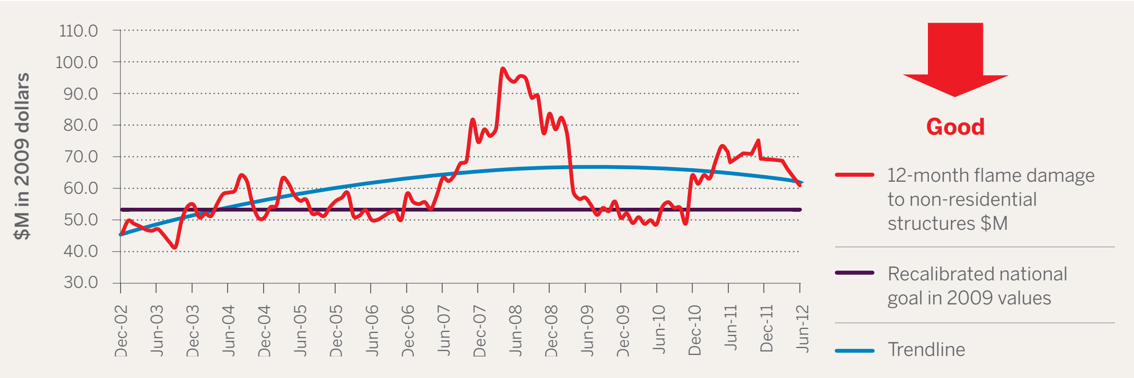
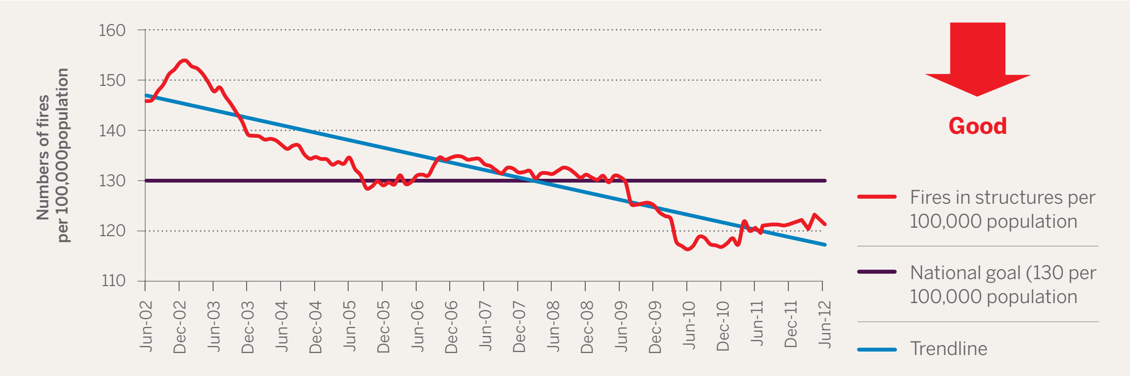


Figure 5 Estimated flame damage to non-residential structures



The graphs above show the estimated dollar value of flame damage to residential structures (Figure 4) and non-residential structures (Figure 5).

Figure 6 Fires in structures



Overall, the number of fires in all structures has declined significantly since 2002 and is now well below the national goal level (Figure 6).

National goals – vegetation

Ensure annual area burnt by wildfires is 5 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

Figure 7 Number of wildfires and hectares burnt as a result

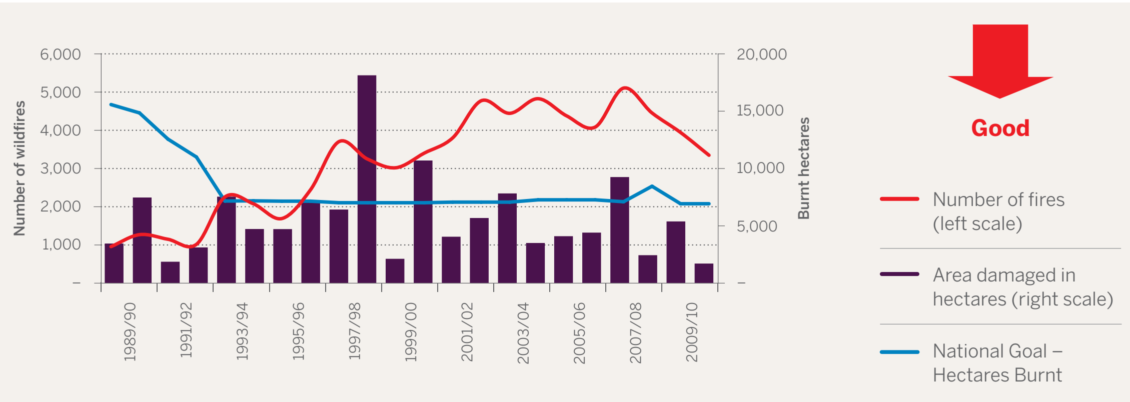
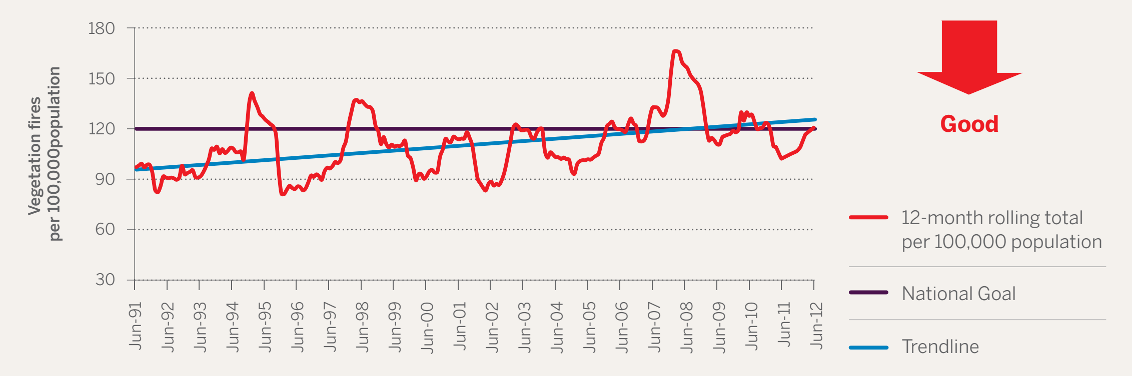


Figure 8 Vegetation fires



The number and rate of vegetation fires per 100,000 population has been increasing over the last 15 years and in 2011/2012 were slightly above the national goal level at 122 per 100,000 population. Part of this increasing trend 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 (Figure 7) shows results from annual fire authority returns, with a steep increase in fire incidents reported. The area burnt in 2011/2012 was 1,467 hectares, significantly less than the national goal of 6,750 hectares burnt. The graph (Figure 8) shows the number of vegetation fires per 100,000 population. The table (table 5) shows the percentage of vegetation fires contained within two hours of notification.

Table 5 Containment of vegetation fires

Wildfires fires contained within two hours of being reported	2011/ 2012	2010/ 2011	National Goal
In urban areas (within fire districts)	96%	95%	
In rural areas (outside fire districts)	90%	79%	
Overall	**92%**	**88%**	**95%**

Outcome 2: Reduced adverse consequences of non-fire emergencies for people, property, communities and the environment

Interim national goal

Establish a set of non-fire outcome measures by 30 December 2011

The Commission contributes to improved outcomes across a wide range of non-fire emergencies. About one third of the Fire Service's responses involve non-fire emergencies and rescues including 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 and the Commission has developed an initial suite of measures that reflects its contribution to the outcomes of non-fire emergencies. These measures are included in the Commission's 2012/2015 Statement of Intent and reporting will begin against these national goals from July 2012:

2.1 The Fire Service will meet its obligations for regional and national level Civil Defence exercises and emergencies as verified by independent reviews.

2.2 The Fire Service will maintain its level of operational readiness for non-fire emergencies as judged by operational readiness audits.

Non-fire emergencies

2.3 The Fire Service will respond to a range of non-emergencies within the service delivery guidelines for non-fire emergencies.

The Commission actual responses to non-fire emergencies are shown in the two graphs below (Figures 9 and 10). The impact of the Christchurch earthquakes is shown by the sharp spike in the number of non-fire incidents attended by the Fire Service in 2010/2011.

Figure 9 Non-fire emergencies attended by the New Zealand Fire Service

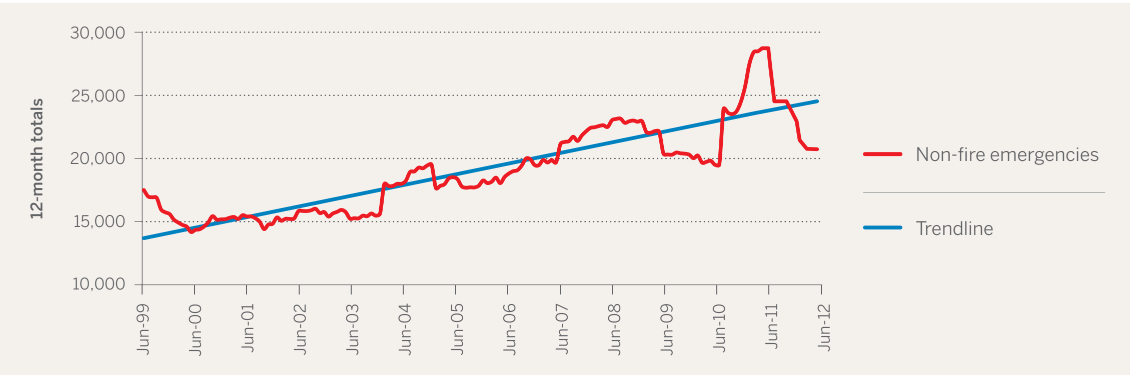
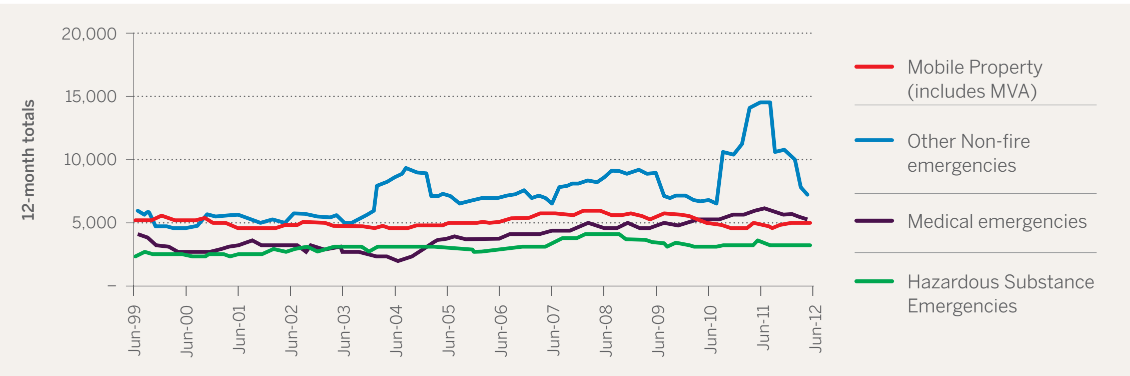


Figure 10 Non-fire emergencies attended by the New Zealand Fire Service



Outcome 3: New Zealanders have access to fire services in which they have a high level of 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 education, 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.

Table 6 Trust and confidence

	2011/2012	2010/2011	National Goal
Percentage of New Zealanders having full trust and confidence in New Zealand's fire services	98%	98%	95%

Figure 11 Public trust and confidence in the New Zealand Fire Service

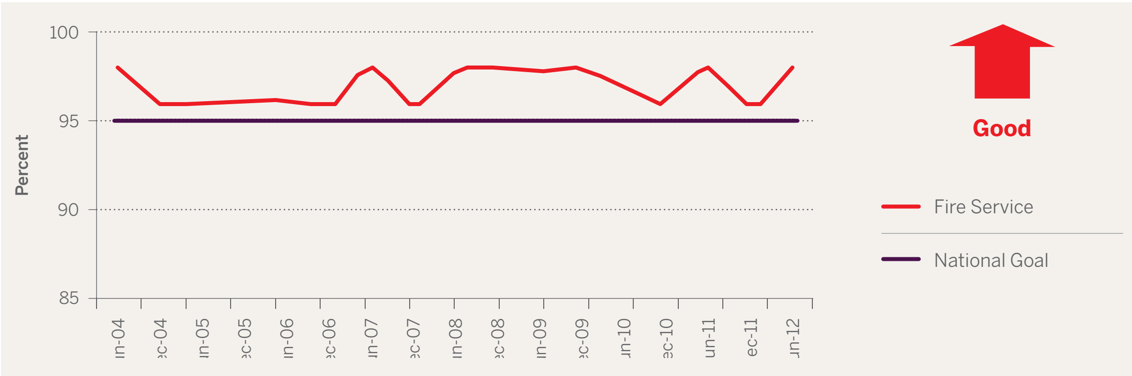


Figure 12 UMR goverment departments performance survey 2011

Trust and confidence is measured using an independent survey (BRC) of the New Zealand public. The survey covers a range of public sector organisations with 98% of the public having trust and confidence in the Fire Service, the highest level achieved. The average result for all organisations was 74% with a lowest result of 46%. In addition, the Commission monitors the public perception of government departments performance. The results show where the public perceived performance was either good or excellent. The Fire Service achieved a 90% result in December 2011.

The Commission's outputs and their expected impacts

The Commission delivered a comprehensive range of risk reduction, fire safety public education, emergency response and fire authority co-ordination services to protect New Zealand's 4.2 million residents and visitors, $240 billion stock of buildings and 27 million hectares of forest, tussock and grasslands from fire. The Commission uses the following results to assess the impact of its services (outputs). The Commission's outputs have been classified as follows:

- **Output Class 1:** Fire safety education, prevention and advice.
- **Output Class 2:** Firefighting and other Fire Service operations.
- **Output Class 3:** Rural fire leadership and co-ordination.

Output class 1: Fire safety education, prevention and advice

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 1,900 per 100,000 population

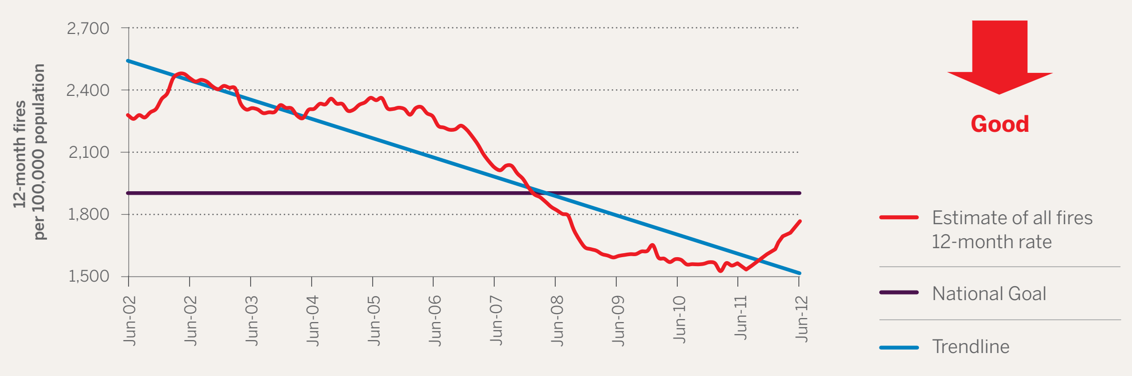
The following table summarises the results of the Commission's annual fire knowledge survey.

Table 7 Fire knowledge survey results

	2011/2012	2010/2011	2009/2010	2008/2009	2012 National Goal
People will believe a fire can become unsurvivable in five minutes or less	89%	90%	91%	89%	98%
People recall a fire safety message	78%	79%	79%	83%	85%
Homes will have at least one smoke alarm installed	92%	90%	89%	90%	96%

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.

Figure 13 Estimate of all fires in New Zealand



The estimated number of all fires in New Zealand is used to monitor whether fire safety education messages are having their desired impact of reducing the overall fire problem in New Zealand.

The graph (Figure 13) shows the estimate of all fires in New Zealand per 100,000 population, regardless of whether there was a fire service response.

Output class 2: Firefighting and other Fire Service operations

The Fire Service responded to 76,334 emergency incidents during 2010/2011. The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2010/2011, 37 percent of incidents were non-fire related emergencies, compared to 24 percent in 2000/2001.

National goals

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
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 tables below (Tables 8 and 9) show the timeliness of responses to fire and non-fire emergencies compared to the national goal levels.

Table 8 Responses to structure fires inside fire districts

Responses to structure fires inside fire districts	2011/2012	2010/2011	National service delivery guideline
8 minutes for career stations	87%	88%	90%
11 minutes for volunteer stations	90%	91%	90%

Table 9 Responses to non-fire emergencies

	2011/ 2012	2010/ 2011	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	91%	93%	90%
Incidents requiring the hazmat unit will be responded to within 60 minutes for the rest of New Zealand	69%	84%	90%

Earthquake surveys have been completed on all 437 fire stations and 12 other properties. The current status of fire stations is shown below.

Table 10 Fire station resilience

	Number	Percent
Minimum standard met	422	96%
Stations where work has commenced to bring the level up to the minimum standard	4	1%
Stations with design and consent work underway	3	2%
Further options being considered to bring stations up to standard	8	1%
Total	**437**	**100%**

The Christchurch earthquake has directly and indirectly affected the fire station earthquake strengthening and resilience programme this year. Three Christchurch fire stations have been moved from the "Minimum standard met" to the "Further options being considered" category as a result of damage incurred in the Christchurch earthquakes. Four other fire stations in the design and consent category have been put on hold and moved into the "Further options being considered" category as an indirect result of the Christchurch earthquake.

Output class 3: Rural fire leadership and co-ordination

National goals

Reduce the number of fire authorities from 86 to 60 by 2013*, with a sub goal of establishing between 3-5 enlarged rural fire districts during 2011/2012.
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.

There were 76 fire authorities at 30 June 2012. The Commission is promoting and encouraging the concept of enlarged rural fire districts. In conjunction with the Department of Internal Affairs, the Commission has published guidelines on the establishment, governance and management of enlarged rural fire districts.

Currently, negotiation and consultation is in progress for establishing a number of enlarged rural fire districts. Some of these have established steering committees and are in the process of developing firm proposals. The Commission is confident this initiative will be successful in the coming years.

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

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

Table 11 Fire authority fire plans

	2011/ 2012	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	Target
Number of fire authorities	76	78	86	86	89	90	–
Fire authorities with an adopted fire plan and copy provided to the NRFA	76	78	86	86	81	89	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	100%	100%	97%	100%	91%	99%	100%
Percentage of fire authorities that have reviewed the readiness and response component of their fire plan	99%	99%	98%	97%	–	–	–

Organisational Health and Capability

Our people

A five-year people strategy was developed in 2010 with the aim of refocusing the people management environment. Key areas of focus in 2011/12 have been:

- the negotiation of a new collective employment agreement for operational firefighters and officers that incorporates flexible rostering options to enable more efficient and effective resource deployment
- the development of further initiatives focused on ensuring the long-term sustainability of our volunteer workforce
- the implementation of significant enhancements to our leadership development programmes including a talent management and succession planning framework, new training programmes for aspiring and current leaders, enhanced selection processes, targeted development programmes and new development roles
- the enhancement of practices focused on the effective rehabilitation of ill and injured employees
- the development of new safety and wellbeing systems to support hazard management, incident and accident reporting and investigation, and site management
- the development of a new performance-linked remuneration system for management and support staff.

Leadership development

External organisations have been contracted to deliver enhanced leadership components of the Fire Service's training and progression system for senior firefighter, officer and executive officer programmes.

Enhancements have been made to Volunteer Executive Officer development programmes with a greater emphasis on the development of leadership skills.

The talent management and succession planning programme developed in 2010/2011 has been successfully rolled out to all executive officer levels, and new development positions have been established to ensure Fire Service has the necessary number of capable leaders for the future. The same programme will be made available to officer levels, and non-operational management positions in 2012/2013.

Targeted development programmes have been put in place for high potential leaders, and a development centre for new leaders, and selection process for executive officer positions are being piloted.

Volunteer sustainability

The volunteer sustainability project was established in 2009/2010 to improve recruitment and retention of volunteers. During 2011/2012, the Fire Service has delivered on the following new initiatives to support this overall programme:

- development of a volunteer value proposition
- development of a volunteer communications strategy and workshops to support effective communications with our volunteer workforce
- development of recommendations for a national approach to volunteer rewards and recognition
- analysis of leadership development needs
- delivery of reporting and analysis for volunteer sustainability
- enhanced reporting and monitoring tools for volunteer executive officers to support effective management of a healthy and sustainable brigade
- new recruitment aids to assist brigades in targeting un-tapped sections of the community for potential members, particularly to support day-manning of brigades on the fringe of urban areas.

Diversity and fairness

The Fire Service continued to run a firefighter recruitment strategy aimed at attracting females and people from a range of ethnic backgrounds. In 2011/2012, the recruitment strategy has continued to focus on reaching people from minority groups in the early stages of their careers.

This approach is intended to change people's perceptions, so the Fire Service is seen as an organisation that employs a wide range of individuals from many backgrounds.

Enhancements to recruitment material, the recruitment process, and selection decisions were made.

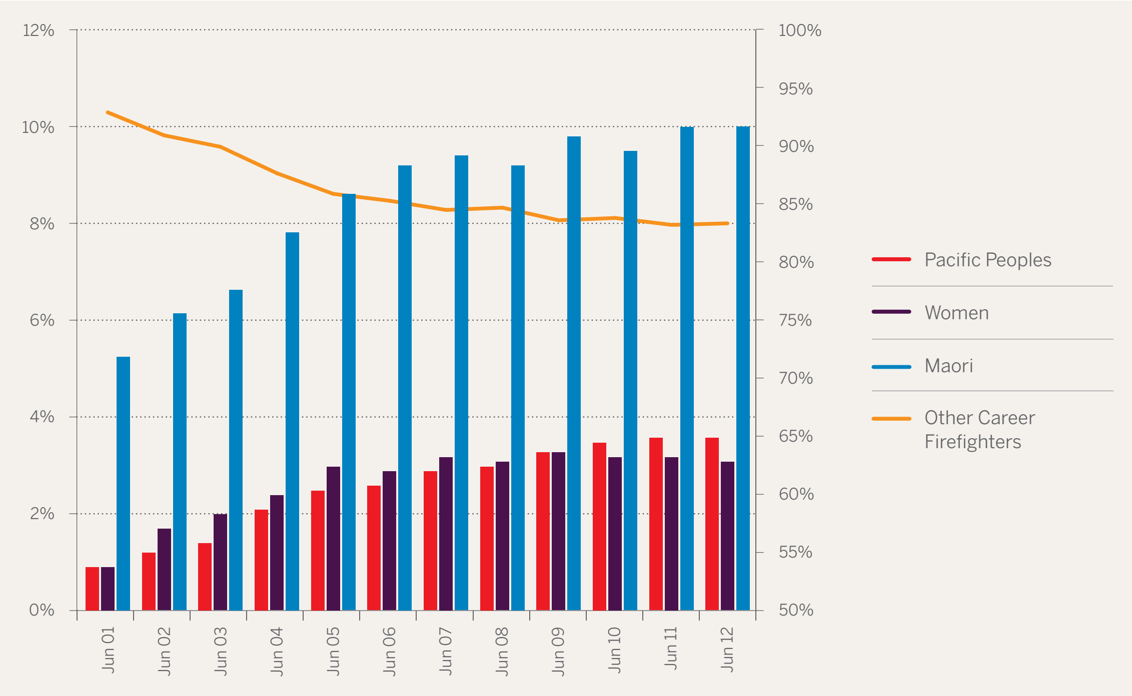
National goal

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

The following graph (Figure 14) shows the diversity of career firefighters at 30 June 2012.

Figure 14 Diversity of career firefighters



Safety and wellbeing

Work has continued on providing an effective welfare response to staff impacted by the devastating Canterbury earthquakes, whether personally, or professionally through their response role.

The Fire Service is a member of the ACC Partnership Programme and for several years has achieved tertiary-level accreditation through this programme. In 2010, the ACC Partnership Programme audit identified some deficiencies in our documentation and evidence to support the demonstration of tertiary level. As a result primary-level accreditation was achieved. In 2011/2012 the ACC Partnership Programme audit awarded secondary-level accreditation, with tertiary-level standards being achieved in claims management. This is as a result of significant efforts in addressing the issues identified during the 2010/2011 audit and on strengthening our overall practices. The Fire Service continues to achieve very positive outcomes from this programme, particularly in the area of rehabilitation and return to work practices. The number of claims, and lost time from claims, continues to reduce, demonstrating not only safer work practices but effective rehabilitation and return to work outcomes.

Employment relations

The Fire Service's employment relationship with its staff members is covered by three collective agreements or through individual employment agreements. The Collective Employment Agreements are between the Fire Service and the:

- Public Service Association (PSA)
- New Zealand Fire Service Executive Fire Officers Society (EOS)
- New Zealand Professional Firefighters Union (NZPFU).

The collective agreement with the NZPFU was successfully renegotiated during 2011/2012, achieving changes that will enable the organisation to introduce more flexible rostering practices for firefighter and officer positions. Working parties on rostering and remuneration resulting from these negotiations are progressing well, with positive and constructive engagement between the parties.

Negotiations commenced with the PSA for a new Collective Employment Agreement in 2012 and have progressed well with settlement likely early in 2012/2013.

Organisational Design

The Fire Service has undertaken reviews of its regional and senior leadership structures, to identify improvements aimed at enhancing organisational efficiency and effectiveness, and improved front-line service delivery.

The review of regional structures has created clear lines of accountability for service delivery, and consistent standards of service delivery nationally. It has resulted in a reallocation of resources nationally based on risk profile and workload demand factors. Enhanced support for front-line service delivery roles will be achieved through these changes.

The new senior leadership structures will take effect from 1 October 2012 and will significantly strengthen overall leadership at an organisational level.

Good employer

The initiatives outlined in this section reflect the seven elements of 'a 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

The following table (Table 12) summarises key initiatives aligned to the seven elements of 'a good employer'

Table 12 Good employer initiatives

Good employer element	Key Fire Service initiatives
1. Leadership, accountability and culture	▸ The Fire Service developed a leadership model and associated initiatives to enhance leadership capacity and capability. ▸ Opportunities were provided for staff members to engage in organisational initiatives outside their core area of expertise. ▸ Managers were encouraged and held accountable for providing staff with meaningful and challenging development opportunities
2. Recruitment, selection and induction	▸ Formal documented recruitment processes are in place. ▸ Availability of tools for managers, such as psychometric testing and interview templates. ▸ Development of an online recruitment management system to streamline our recruitment processes. ▸ Enhancements to internal promotion processes.
3. Employee development, promotion and exit	▸ Performance management process for staff outside of the NZPFU collective agreement. ▸ Opportunities are available for staff members to apply for roles across all fire regions. ▸ The Career Board which will be implemented across the Fire Service, will have the oversight of development opportunities and help to actively manage career development and succession planning.
4. Flexibility and work design	▸ Flexible work practices where appropriate, for example variable start and finish times for administrative and non-operational staff. ▸ Job design to accommodate staff members such as the job share initiative and flexible rosters.
5. Remuneration, recognition and conditions	▸ Transparent remuneration system linked to the performance management system. ▸ Review of the Reward and Recognition offering for volunteers. ▸ Earthquake recognition plan put in place to recognise the efforts of personnel across the country.
6. Harassment and bullying prevention	▸ Delivery of targeted training for managers and staff on policy and effective practice. ▸ Four-level process for addressing complaints.
7. A safe and healthy workforce	▸ Operation of national and local committees responsible for monitoring safe work practices and making improvements to practices at a local and national level. ▸ Development of a training programme to educate managers in their responsibilities, and to enhance their effectiveness in supporting the effective rehabilitation of ill and injured employees. ▸ Active engagement at employee union and individual employee level in safety and wellbeing initiatives, including participation in national, regional and local committees.

The following table (Table 13) shows personnel turnover rates, compared to the national goal and the previous two years, split into three broad staff groups.

Table 13 Employee turnover rates

	2011/ 2012	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	National Goal
Management and support	9.2%	7.8%	6%	9.3%	13.5%	<15%
Communication centre staff	9.3%	5.1%	9%	1.2%	7.8%	<15%
Career firefighters	3.4%	1.5%	2%	1.7%	2.3%	<6%

Enhancement of work practices, structures and performance

The Commission continues to build on its approach of continuous improvement. This is demonstrated through the achievement of a silver award from the Business Excellence Foundation in 2009, and positive outcomes in the state sector Better Administration and Support Services benchmarking exercise undertaken in 2010 and 2011. Through this benchmarking, the Commission was able to demonstrate that its administrative and support services are delivered effectively in a cost-effective manner, and compare well with other state sector agencies. The Commission also participated in the government BASS programme to help further improve its support services. The Commission is pleased that it compared favourably to other government organisations but will continue to explore ways of improving its services.

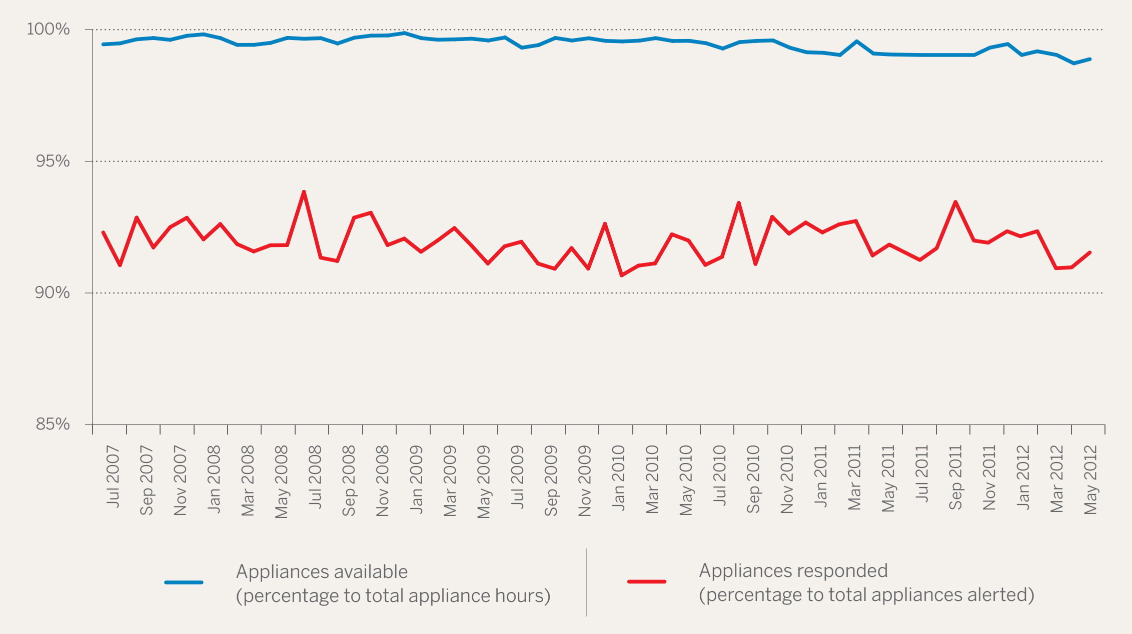
National goals – organisational health and capability

Sufficient volunteers are available to volunteer brigades so they can meet their community obligations
Improve the employee engagement index to 75 percent by 2012
Maintain at least 90% of fire appliances below the theoretical replacement age*.

* Fire appliance age is an important factor in determining whether a fire appliance is "fit for purpose". This measure is used to assess whether fire appliances are being replaced in a timely manner to ensure that the fire appliance fleet remains current. Please note that in some cases fire appliances can last legitimately last longer (depending on usage) than the theoretical replacement age and therefore the measure is not 100%

The graph below 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.

Figure 15 Volunteer availability indicators



The Commission 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 with progress reported on page 29 of this report.

The employee engagement index was discontinued so there are no results for this measure. The measure has been removed from the 2012/2015 Statement of Intent.

The Fire Service is maintaining 92% of its pumping fire appliances below the theoretical replacement age.

National goals – environment

Establish targets for reducing carbon emissions and energy consumption by 30 December 2011

In 2008/2009 the Commission established its base level greenhouse gas (GHG) emissions through an external audit. The baseline GHG emissions level included all operational and support activities undertaken but did not include the GHG emissions resulting from the emergency incidents. A further internal assessment of GHG emissions was completed this year for 2010/2011. The table below shows the two results:

	June 2007	June 2011
Tonnes of carbon dioxide equivalents	9,877	9,348

The following new measure was included in the 2012/2015 Statement of Intent:

Contain GHG emissions below the 2007 base year of 9,877 tonnes of carbon dioxide equivalents.

Research was completed in 2011/2012 that assessed the average level of GHG emissions released as a result of fires in residential structures. The research found that on average 40 tonnes of carbon dioxide was released from a fire in a residential structure that resulted in the total loss of the structure and its contents. The Commission estimates that up to 56,376 tonnes of carbon dioxide were prevented from being released as a result of fire fighting activities that extinguished fires in residential structures before they were totally destroyed. This calculation represents the top end of the GHG emissions saved from release as a result of firefighting activities in residential structures.

The following new measure was included in the 2012/2015 Statement of Intent:

GHG emissions prevented from being released through firefighting actions will exceed 50,000 tonnes annually.

Statement of Responsibility

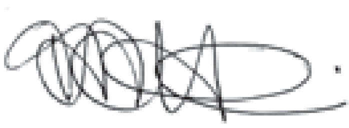
for the year ended 30 June 2010

Pursuant to the Crown Entities Act 2004, the New Zealand Fire Service Commission 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, the financial statements and the statement of service performance for the year ended 30 June 2010 set out on pages 39 to 100 fairly reflect the financial position and operations of the Commission.

Dave McFarlane
Deputy Chair
30 October 2012



Angela Hauk-Willis
Member of Commission
30 October 2012

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the New Zealand Fire Service Commission's financial statements and non financial performance information for the year ended 30 June 2012

The Auditor General is the auditor of the New Zealand Fire Service Commission (the Commission). The Auditor General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the Commission on her behalf.

We have audited:

- the financial statements of the Commission on pages 56 to 100, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the Commission that comprises the report about outcomes on pages 18 to 28 and the statement of service performance on pages 39 to 51.

Opinion on the financial statements

In our opinion the financial statements of the Commission on pages 56 to 100:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Commission's:
  - financial position as at 30 June 2012; and
  - financial performance and cash flows for the year ended on that date.

Qualified opinion on the non-financial performance information – our work was limited because performance data was not collected for some outcomes and performance measures during August 2011 to March 2012.

Reason for our qualified opinion

As outlined on page 39, performance data was not collected for some outcome and output performance measures during August 2011 to March 2012, due to industrial action by fire fighters. The effect of not collecting some data on particular outcome and output performance measures is explained by the Commission on page 18 for the outcome measures, and pages 39 to 51 for the output performance measures.

The performance data for the affected output performance measures fairly reflects the performance for July 2011 and for April 2012 to June 2012. However, because relevant performance data was not collected for those measures during August 2011 to March 2012, the output performance data for the full year may be incomplete. Further, because relevant outcome data was not collected during August 2011 to March 2012, the reported performance for some outcome measures has been based on average data from the previous three years. Accordingly, our work was limited and there were no audit procedures we could apply to the performance data for the affected outcome and output performance measures for the period August 2011 to March 2012, given the data was not collected. We have been unable to determine whether the reported performance reflects the actual performance for the affected outcome and output performance measures for the year ended 30 June 2012.

Qualified Opinion

Except for the effects of the matter described in the "Reason for our qualified opinion" paragraph above, the non financial performance of the Commission on pages 18 to 28 and 39 to 51:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects the Commission's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
  - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
  - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 31 October 2012. This 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 members of the Commission and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non financial performance information.We are unable to determine whether there are material misstatements in the non-financial performance information because the scope of our work was limited, as we referred in our opinion on the non-financial performance information.
If we had found material misstatements in the financial statements that were not corrected, we would have referred to them in our opinion on the financial statements.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Commission's financial statements and non financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the members of the Commission;
- the appropriateness of the reported non financial performance information within the Commission's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non financial performance information; and
- the overall presentation of the financial statements and non financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. We did not receive all the information and explanations we required although we believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion on the financial statements and qualified opinion on the non-financial performance information.

Responsibilities of the members of the Commission

The members of the Commission are responsible for preparing financial statements and non financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Commission's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The members of the Commission are also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non financial performance information that are free from material misstatement, whether due to fraud or error.

The members of the Commission's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non financial performance information and reporting that opinion to you based on our audit. Our 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 assignments in respect of a review of the National Rural Fire Authority Monitoring and Evaluation Framework and assurance over two tender processes for fire appliances which are compatible with those independence requirements.

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

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Service Performance

for the year ended 30 June 2012

This section sets out the measures of financial performance and the output performance for 2011/2012.

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.

Incompleteness of reporting data for 2011/2012

Members of the New Zealand Professional Firefighters Union (NZPFU) undertook industrial action in 2011/2012. The industrial action limited work to the activities related to providing emergency response. The result of this industrial action was fewer outputs delivered than forecast for many of the outputs contained in the Statement of Intent and limited incident data being available for reporting on progress against national goals covering fire and non-fire outcomes. The industrial action impacted the period from August 2011 to March 2012.

Despite the industrial action all emergency incidents were responded to in the normal way, however, detailed statistics about the incidents were not completed. Members of the NZPFU returned to normal duties in late March.

Completeness of incident data for 2011/2012

For those incidents not affected by industrial action, the Station Management System (SMS), which contains incident information, was 99.7 percent complete in 2011/2012. The remaining 0.3 percent was proportionally spread across all incident types. This treatment is consistent with previous years. Completeness for each of the last five years was: 99.4 percent, 98.5 percent for the months where incident data was available (July-August 2009 and January-June 2010), 99.0 percent, 98.4 percent and 98.1 percent.

Main financial measures

	2011/2012 Actual $000	2011/2012 SOI Target $000
Levy receipts (including Rural Fire Fighting Fund)	325,944	309,042
Total revenue and income (excluding Rural Fire Fighting Fund)	337,228	319,064
Total expenditure (excluding Rural Fire Fighting Fund)	314,971	320,540
Net surplus attributable to the owners of the Commission	20,556	(2,788)
Debt and investment levels-minimum liquidity buffer	10,000	10,000
Capital expenditure cash flows		
Intangibles	2,137	5,287
Property, plant and equipment	40,875	47,213

Output classes levy receipts

	2011/2012 Actual levy receipts $000 GST excl.	2011/2012 Budget levy receipts $000 GST excl.	2010/2011 Actual levy receipts $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**51,825**	**50,683**	**48,921**
Output 1.1: Fire prevention and advice to the general public.	37,809	34,922	34,276
Output 1.2: Professional and technical advice to the built environment public.	12,386	13,907	13,399
Output 1.3: Fire safety legislation.	1,630	1,854	1,246
Output Class 2: Firefighting and other Fire Service operations.	**266,948**	**251,560**	**257,696**
Output 2.1: Operational readiness.	211,212	200,259	194,441
Output 2.2: Operational responses to fire and other emergencies.	45,958	43,575	42,066
Output 2.3: Wider emergency management capability.	9,778	7,726	21,189
Output Class 3: Rural fire leadership and co-ordination.	**7,171**	**6,799**	**4,985**
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.	6,519	6,490	4,362
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	652	309	623
Total levy receipts assigned to outputs	**325,944**	**309,042**	**311,602**

Output classes other revenue and income

	2011/2012 Actual other revenue and income $000 GST excl.	**2011/2012** Budget other revenue and income $000 GST excl.	**2010/2011** Actual other revenue and income $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**793**	**672**	**1,293**
Output 1.1: Fire prevention and advice to the general public.	331	202	758
Output 1.2: Professional and technical advice to the built environment public.	105	73	181
Output 1.3: Fire safety legislation.	357	397	354
Output Class 2: Firefighting and other Fire Service operations.	**10,960**	**11,033**	**14,560**
Output 2.1: Operational readiness.	5,686	6,091	6,330
Output 2.2: Operational responses to fire and other emergencies.	4,592	4,900	5,215
Output 2.3: Wider emergency management capability.	682	42	3,015
Output Class 3: Rural fire leadership and co-ordination.	**407**	**751**	**2,107**
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.	401	749	2,098
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	6	2	9
Total other revenue and income assigned to outputs	**12,160**	**12,456**	**17,960**

Output classes total expenditure

	2011/2012 Actual total expenditure $000 GST excl.	2011/2012 Budget total expenditure $000 GST excl.	2010/2011 Actual total expenditure $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**49,515**	**51,943**	**49,625**
Output 1.1: Fire prevention and advice to the general public.	35,775	35,446	34,724
Output 1.2: Professional and technical advice to the built environment public.	11,858	14,221	13,427
Output 1.3: Fire safety legislation.	1,882	2,276	1,474
Output Class 2: Firefighting and other Fire Service operations.	**260,822**	**264,442**	**270,537**
Output 2.1: Operational readiness.	203,467	207,689	199,648
Output 2.2: Operational responses to fire and other emergencies.	47,527	48,797	46,836
Output 2.3: Wider emergency management capability.	9,828	7,956	24,053
Output Class 3: Rural fire leadership and co-ordination.	**7,211**	**7,901**	**6,947**
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.	6,607	7,446	6,418
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	604	455	529
Total expenditure assigned to outputs	**317,548**	**324,286**	**327,109**

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 and the administration of fire safety legislation.

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.

The Commission (as the National Rural Fire Authority) 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		2011/2012 Actual	2010/2011 Actual	2011/2012 SOI target
1.1.1	Number of fire safety education programmes delivered and the percentage that use the standard national promotion material. Targets are:			
	• programmes for children using the FireWise programme	543*	1,235	1,200-1,500
	• programmes for young people using the Fire Awareness Intervention Programme (FAIP)	399*	582	700-1,000
	• home visits delivering fire safety messages	8,876*	18,508	13,000-16,000
	• percentage using the standard national promotion material	100% of Firewise and FAIP programmes	100% of Firewise and FAIP programmes	100%
1.1.2	Number of smoke alarms installed by 30 June 2012.	9,733*	20,084	20,000-25,000
1.1.3	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 2011 and Feb 2012	Campaign conducted between Dec 2010 and Feb 2011	Campaign conducted between Dec 2011 and Feb 2012
1.1.4	Percentage of public satisfaction and level of expectations met with fire safety education provided by the Fire Service. +	92% and 94%	94% and 97%	At least 85%

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

* Measures impacted by industrial action by members of the NZPFU – see page 39 for details.

Comment on measures 1.1.1 and 1.1.2

Industrial action by members of the New Zealand Professional Firefighters Union meant that fewer services were carried out than planned during 2011/2012. See page 39 for a description of the industrial action.

Comment on 1.1.4

A random telephone survey of 1006 people was carried out in September 2012. Of the people surveyed 29% had contact with the Fire Service for fire safety education. The levels of satisfaction and expectations reflect the views of these 29% of people surveyed.

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		2011/2012 Actual	2010/2011 Actual	2011/2012 SOI target
1.2.1	Number of times technical fire safety advice is delivered and the percentage that meets			
	• number of times fire safety technical advice is provided	7,556*	9,505	7,000-10,000
	• percentage of technical advice delivered that meets the national technical fire safety standards	97%*	88%	100%

Comment on measures

Industrial action by members of the New Zealand Professional Firefighters Union meant that fewer services were carried out than planned during 2011/2012. See page 39 for a description of the industrial action.

The percentage of technical advice that met the national technical fire safety standards was based on a sample of 30 pieces of advice and assessed internally. The advice not meeting the technical fire safety standards was not technically incorrect but covered an area where the Fire Service did not have a legislative mandate.

* Measures impacted by industrial action by members of the NZPFU – see page 39 for details.

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
- Advising on buildings considered dangerous because they are a fire hazard.

Performance measures

Measure		2011/2012 Actual	2010/2011 Actual	2011/2012 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 and the percentage meeting the internal quality standards.	473 99.6% 100%	443 95% 100%	500-1,000 100% 100%
1.3.2	Percentage of evacuation schemes submitted to the Fire Service processed within 20 working days of being received.	94%	68%	At least 90%
	Percentage of evacuation scheme applications assessed to determine whether they have met the requirements of the evacuation regulations.	100%	NA	100%
1.3.3	Percentage of identified dangerous buildings notified to the relevant territorial authority.	100%*	100%	100%

Comment on measure 1.3.2

The percentage of evacuation schemes processed within the statutory timeframe has improved significantly from 2010/2011. Considerable work was carried during 2010/2011 to improve the automated processing of these schemes.

Comment on measure 1.3.3

Industrial action by members of the New Zealand Professional Firefighters Union meant that fewer buildings were identified as dangerous than previous years, however the ones identified were processed normally.

* Measures impacted by industrial action by members of the NZPFU – see page 39 for details.

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 represents the coverage and capacity of the Fire Service throughout New Zealand regardless of how many emergency incidents are actually attended. It is an important aspect or the overall services provided and ensures that people are confident that they have 24 hour, 365 day access to an emergency response capability when they need it. The 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 assessments. 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		2011/2012 Actual	2010/2011 Actual	2011/2012 SOI target
2.1.1	Percentage of stations assessed meeting the minimum standard for operational readiness, as judged by full operational readiness assessments.	NA	100%	100%
2.1.2	Percentage of stations assessed on a five-year rolling basis.	98% (430 of 438)	79% (346 of 437)	100%
2.1.3	Number of operational plans developed or reviewed in accordance with the national commander's operational instructions.	326 developed and 733 reviewed*	1,144 developed and 1,623 reviewed	700-1,000 developed 1,000-1,500 reviewed

Comment on measure 2.1.1

The result of "na" reflects that no full operational readiness assessment at fire region level were completed in 2011/2012 due to industrial action (See page 39 for a description of the industrial action). However, 5,802 corrective actions were identified as part of the 2010/2011 assessments and in 2011/2012, 88% of these corrective action were completed and 12% remained open. The Commission is confident that the minimum level of operational readiness has been met.

Comment on measure 2.1.3

Industrial action by members of the New Zealand Professional Firefighters Union meant that fewer services were carried out than planned during 2011/2012. See page 39 for a description of the industrial action.

* Measures impacted by industrial action by members of the NZPFU – see page 39 for details.

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. National goals for monitoring response times are included on page 26.

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		2011/2012 Actual	2010/2011 Actual	2011/2012 SOI target
2.2.1	Percentage of alarms to fires, in fire districts, responded to by the Fire Service and appropriate action taken.	100% (7,514)*	100% (15,859)	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% (3,640)*	100% (4,766)	100%
2.2.3	Percentage of alarms to non-fire emergencies in fire districts, responded to by the Fire Service and assistance provided.	100% (11,565)*	100% (23,810)	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% (3,444)*	100% (4,786)	100%
2.2.5	Percentage of alarms to incidents that turn out to be false responded to by the Fire Service.	100% (19,931)*	100% (27,113)	100%
2.2.6	Percentage 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.	NA 2*	100% 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.	93% (232 out of 250)	100% 194	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.+	98% and 93%	99% and 94%	At least 90%

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

* Measures impacted by industrial action by members of the NZPFU – see page 39 for details.

Comment on measure 2.2.1 to 2.2.5

Industrial action by members of the New Zealand Professional Firefighters Union meant that fewer services were carried out than planned during 2011/2012. See page 39 for a description of the industrial action.

Comment on measure 2.2.6

Due to industrial action by members of the New Zealand Professional Firefighters Union this measure was unable to be reported in 2011/2012. See page 39 for a description of the industrial action.

Comment on measure 2.2.8

A random telephone survey of 1006 people was carried out in September 2012. Of the people surveyed 11% had contact with the Fire Service for emergency response. The levels of satisfaction and expectations reflect the views of these 11% of people surveyed.

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 and has established three teams, one each in Auckland, Palmerston North and Christchurch. Each team meets the International Search and Rescue Advisory Group (INSARAG) medium level capability. 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		2011/2012 Actual	2010/2011 Actual	2011/2012 SOI target
2.3.1	Number of times the Fire Service participated in Emergency Management Group meetings.	20*	37	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 2012
2.3.3	Number of exercises carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents.	86*	234	Between 250-350
2.3.4	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 national emergency declared	1 national emergency declared	100%

Comment on measure 2.3.1 and 2.3.3

Industrial action by members of the New Zealand Professional Firefighters Union meant that fewer services were carried out than planned during 2011/2012. See page 39 for a description of the industrial action.

* Measures impacted by industrial action by members of the NZPFU – see page 39 for details.

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 co-ordinated 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		2011/2012 Actual	2010/2011 Actual	2011/2012 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% (53) ($1.8m)	100% (63) ($1.87m)	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.	100%	98%	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.	67% (admin) 62% (meeting)	63% (admin) 67% (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.

Performance measures

Measure		2011/2012 Actual	2010/2011 Actual	2011/2012 SOI target
3.2.1	Percentage of fire authorities provided with written reports, on the estimated 60 fire and equipment, weather station and training standards audits, within two months of the audit.	96% (47 audits)	94% (52 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.	100% (eight completed)	80% (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 daily availability of fire weather information and the percentage updated by 3pm.	96% 90%	100% 99%	100% 95%

Financial Commentary

for the year ended 30 June 2012

Financial performance

	Actual 2012 $000	Budget 2012 $000	Variance 2012 $000	Actual 2011 $000
Income	338,104	321,498	16,606	329,562
Expenditure	(317,548)	(324,286)	6,738	(327,109)
Net surplus/(deficit)	20,556	(2,788)	23,344	2,453
Cash and investments	53,240	17,589	35,651	34,511
Capital Expenditure	43,012	52,500	(9,488)	59,786

At the time the 2011/12 budget in the Statement of Intent ("SOI") was being prepared the organisation was in an environment strongly influenced by:

- Environmental disasters in the form of Christchurch earthquakes and recovery, Pike River, Japanese earthquake and the Rena disaster
- Industrial action by members of the New Zealand Professional Fire Fighters Union ("NZPFU")
- Indications of a slow economic environment underpinned by low economic growth, increasing inflation and interest costs, sluggish levy growth held down by the loss of properties and businesses in Christchurch, levy minimisation schemes and the continuation of the effects from the global financial crisis.

The 2011/12 environment was characterised by:

1. Continuing industrial action by members of the NZPFU impacting training, some capital projects and general non operational duties including recording of these. Settlement achieved backdated to January 2012.

2. Continuation of the impacts from the Christchurch earthquakes including negotiating with Commissions own insurers over settlement of claims (still not resolved) and the impact of increased material damage insurance premiums.

3. Significant levy growth driven by:
   - Insurance companies switching from monthly to annual premiums
   - Settlement of an outstanding dispute with a levy payer
   - Writing of significant contract works policies
   - Collection of levy arrears, surcharge and interest.

4. The general slowness in progressing capital expenditure in part as a result of an inability to deploy assets due to the industrial action but also as a consequence of letting suitable tenders on property programmes due to a question of affordability. Key capital strategies continued, namely:

   Fleet replacement strategy:
   - With a focus on acquiring fit for purpose vehicles that provide best value for money.

   Property high priority projects:
   - Seismic strengthening program
   - Central fire stations at Auckland, Wellington and Dunedin
   - Christchurch fire stations stabilisation and replacement
   - Digital mobile radios
   - All of Government radio network.

   Plant and equipment upgrades:
   - Breathing apparatus replacement strategy
   - Sale and lease back of level 2 protective clothing.

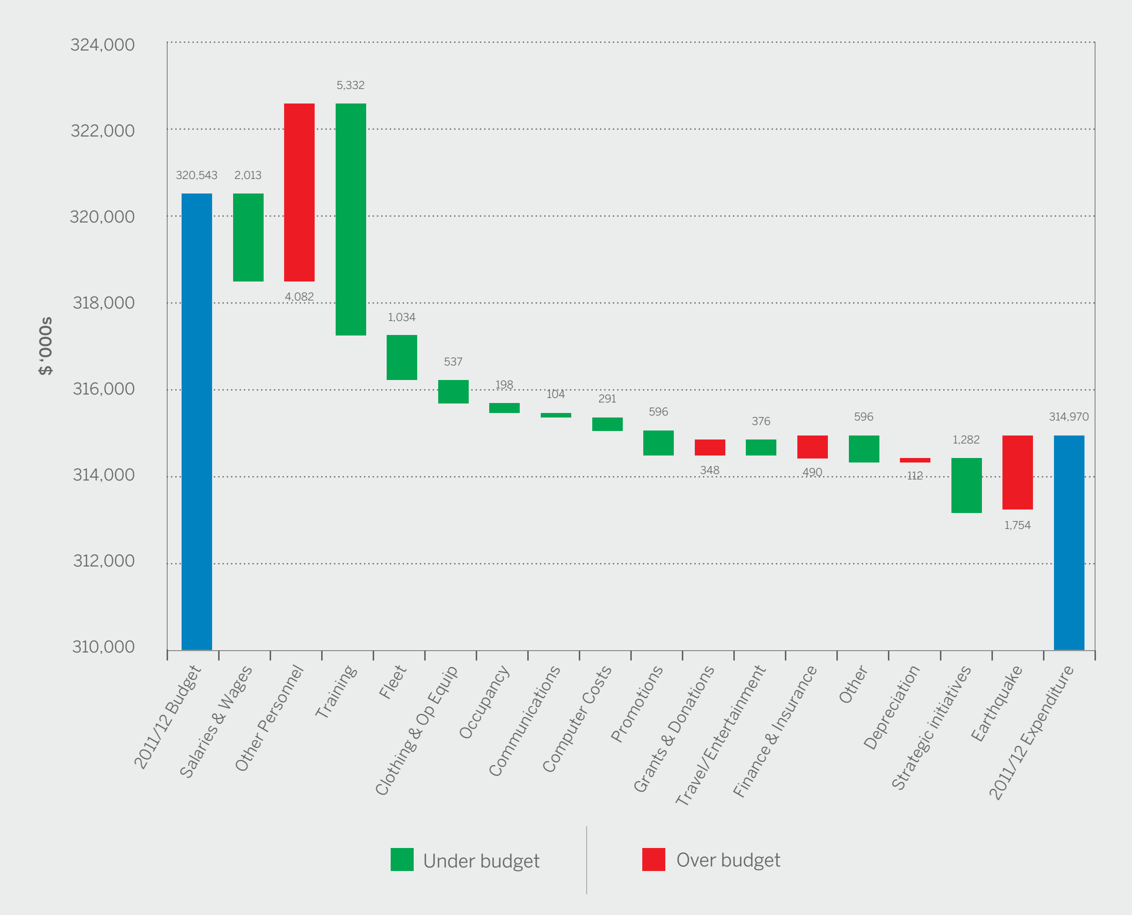
5. The impact on Regional and National Headquarters during restructuring, which was announced in detail during the year which builds on the regional realignment project that was effective from 1 July 2011, and is planned to be completed by 30 June 2013.

6. Lower than expected Treasury discount rates at year end impacting the actuarial valuation of employee and volunteer provisions on the balance sheet.

The culmination of events led to a turnaround in the final result of $23.3 million from the net operating deficit of $2.8 million projected in the SOI. The final result as at 30 June 2012 was a $20.6 million net operating surplus. The main drivers to this result being:

- The projected impact on levy income from the Christchurch rebuild being less than what was anticipated and there were a number of large one-off identifiable movements
- Overall operating expenditure is under budget mainly due to the industrial action by members of the NZPFU
- The impact of the industrial action and restructuring during the year on delivery of programmes and other associated areas of expenditure.

2011/12 Operating Expenditure (excl Rural Fire Fighting Fund) versus Budget



Operating Income

Overall operating income was $16.6 million ahead of budget for the year. Levy income was the major contributor with a significant favourable levy variance of $16.9 million.

There were a number of factors behind the result:

1. Change in policy type by an insurer
2. Settlement of a long running dispute
3. Prior year levy receipts
4. Interest and surcharge receipts.

Levy income was also able to partially compensate for other revenue being flat apart from interest earnings and insurance proceeds. Interest earnings exceeded budget by $0.8 million as a result of higher than expected cash and cash equivalent balances throughout the year. Insurance proceeds from the Christchurch earthquakes were not budgeted. The $0.5 million received during the year by the Commission related to property damage to the Lyttelton fire station.

Operating Expenditure

Overall operating expenditure was $6.7 million under budget for the year. The most significant driver being the industrial action by members of the NZPFU and the duration of this action. Expenditure on personnel represents over 70% of total operating costs. Any changes in personnel has a significant impact on the overall cost structure of the organisation. Settlement of the employment contract with the NZPFU was in line with budget. The industrial action started August 2011 and continued until May 2012. The final settlement included a $1,200 lump sum which was provided for in the prior year and 2.7% increase backdated to January 2012.

The Rural Fire Fighting Fund ("RFFF") favourable variance of $1.2 million is a result of lower claims on the fund as the budget was based on a five year average. In any one year, weather changes and location can severely impact the claim volume and value on the fund.

Other areas where expenditure fell below budget were:

- Fleet spend was $0.8 million below budget due to lower fuel costs and appliance usage was lower which also impacted road user charges
- Publicity and advertising was $0.6 million below budget because through centralising programmes a more targeted and efficient spend was achieved
- Clothing and other consumables was $0.5 million below budget because the volume of protective clothing and uniforms consumed did not materialise
- Communications (including computer costs) was $0.3 million below budget due to a lower spend on strategic initiatives.

Areas where expenditure could not be contained included:

- Employee and volunteer benefits cost exceeded budget by $6.7 million. This includes an unfavourable variance of $4.0 million as actuarial valuations at 30 June 2012 were higher than anticipated. Discount rates supplied by Treasury reduced significantly compared to the prior years and the Treasury prescribed salary rate increase was also higher. The other adverse cost was the restructuring severance cost amounting to $2.6 million which was not budgeted.
- ACC Partnership Programme provision increased by $1.1 million mainly due to the change to the claims patterns using ACC sourced data. In addition the provision was impacted adversely by the downwards movement in the discount rates supplied by Treasury
- Operating cost increases arising from the Christchurch earthquakes (such as the hire of portacom buildings)
- There has been a substantial increase in premiums paid for insurances relating to national disasters
- Good corporate citizen levy contributions variance was $0.9 million unfavourable as contributions were less than anticipated.

Balance Sheet

Cash and investment of $53.2 million were held at year end. This includes two new reserves established by the Commission amounting to $25.0 million ring-fenced within cash and cash equivalents for general liquidity and disaster response.

Major emergencies response reserve

A major emergencies response reserve of $15 million has been established for disaster response and to assist the Commission to respond promptly to any event.

Levy variability reserve

The levy variability reserve of $10 million has been established as a buffer for general liquidity and to assist the Commission under circumstances where levies are not paid as projected. This may be because insurers or brokers have left the New Zealand insurance market or they have gone into liquidation.

The residual $28.2 million cash and investment balance is available to cover the high demand for capital investment in the medium term and any cash operating deficits together with funding other balance sheet liabilities. Key requirements for capital investment include the rebuild of Christchurch fire stations, the Fire Service contribution towards the all of Government radio network, and the continuation of the property seismic strengthening programme.

Capital Programme

Capital spend during the year (includes leases, intangibles and donated assets)

	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Fleet	10,620	13,000	19,513
Property	15,612	17,500	18,272
Information Communications and Technology	5,102	7,500	4,916
Operational Equipment	11,678	14,500	17,085
Total property, plant and equipment	**43,012**	**52,500**	**59,786**
Cash proceeds from disposals	(2,618)	(5,086)	(10,376)
Net total	**40,394**	**47,414**	**49,410**

During the year the Commission acquired:

- A total of 35 new appliances (2011: 52 new appliances) including 16 type 1 appliances, 12 type 2 appliances, 5 type 3 appliances and 2 incident support vehicles
- Land at Wanaka and new fire stations at Hororata and Springfield, and completion of the National Training Centre at Rotorua
- A major refurbishment at Palmerston North was completed and work continued in the seismic strengthening programme with 3 rebuilds (Culverden, Oxford and Runanga) and 1 refurbishment (Masterton)
- $1.3 million sale and lease back of level 2 protective clothing.

Overall the capital expenditure programme was 18% under spent when compared to budget for the year. The under spend arose from:

- The inability to acquire appropriate land or settle land transactions
- Property builds delayed into 2013 financial year
- Lower quantity and price of level 2 protective clothing acquired
- Delays in mobile radio rollout.

Where appropriate capital budgets have been carried forward into 2013.

Seismic strenghtening programme

Funds tagged by the Commission for seismic strengthening, including the replacement of existing buildings where necessary, are significant and amount to $39.7 million at 30 June 2012 (2011: $18.2 million) and cover the period from now to 30 June 2018. The Commission have approved the seismic strengthening programme (either strengthening or replacement) based on structural engineering investigativework carried out that aims to bring the building strength for fire stations to within the range of 33% to 67% of level 4 of the current seismic loading standard as defined in the Building Act 2004. New Zealand building code structures that are categorised as level 4 include structures with special post-disaster functions and emergency services facilities such as fire, police stations and emergency vehicle garages which is set at 180% of the normal code to allow not just for survival but for continued operations during a disaster. The full details of the seismic strengthening programme, including the priority of fire stations, is still under review.

Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Revenue				
Levy	1	325,538	307,293	309,402
Other revenue	2	9,211	10,354	12,677
Total revenue		**334,749**	**317,647**	**322,079**
Income	2	**2,479**	**1,417**	**3,117**
Total revenue and income		**337,228**	**319,064**	**325,196**
Expenditure				
Employee and volunteer benefits expenditure	3	212,175	214,101	216,632
Depreciation	4	30,615	30,074	28,581
Amortisation	5	1,683	2,043	1,899
Finance costs	6	882	790	255
Other expenditure	7	69,616	73,532	77,193
Total expenditure		**314,971**	**320,540**	**324,560**
Net surplus attributable to the Commission		**22,257**	**(1,476)**	**636**
Net (deficit)/surplus attributable to the Rural Fire Fighting Fund	8	**(1,701)**	**(1,312)**	**1,817**
Net surplus/(deficit) attributable to the owners of the Commission		**20,556**	**(2,788)**	**2,453**
Other comprehensive income				
(Losses)/gains on revaluation of land and buildings net of impairment losses	9	(6,783)	3,093	4,481
Total other comprehensive (loss)/income		**(6,783)**	**3,093**	**4,481**
Total comprehensive income attributable to the owners of the Commission		**13,773**	**305**	**6,934**

The accompanying notes on pages 60 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Financial Position

as at 30 June 2012

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Assets				
Current assets				
Cash and cash equivalents	11	53,240	17,589	34,511
Trade and other receivables	12	2,516	2,485	4,576
Prepayments	13	802	688	776
Inventories	14	27	27	27
Non-current assets held for sale	15	1,143	–	2,084
Total current assets		**57,728**	**20,789**	**41,974**
Non-current assets				
Property, plant and equipment	4	547,735	554,974	546,309
Intangible assets	5	7,161	10,313	6,707
Total non-current assets		**554,896**	**565,287**	**553,016**
Total assets		**612,624**	**586,076**	**594,990**
Liabilities				
Current liabilities				
Trade and other payables	16	23,440	30,532	24,663
Employee and volunteer benefits	17	29,970	25,617	28,993
Borrowings	18	1,918	1,645	1,633
Provisions	19	1,551	1,345	1,265
Unamortised gain on sale and leaseback	20	341	–	341
Total current liabilities		**57,220**	**59,139**	**56,895**
Non-current liabilities				
Employee and volunteer benefits	17	34,605	28,445	30,227
Borrowings	18	7,573	9,115	8,227
Provisions	19	1,529	2,490	1,376
Unamortised gain on sale and leaseback	20	732	–	1,073
Total non-current liabilities		**44,439**	**40,050**	**40,903**
Total liabilities		**101,659**	**99,189**	**97,798**
Net assets		**510,965**	**486,887**	**497,192**
Equity				
Accumulated funds		434,750	435,336	437,722
Major emergencies response reserve	11	15,000	–	–
Levy variability reserve	11	10,000	–	–
Revaluation reserves	9	48,876	49,320	55,430
Rural Fire Fighting Fund	8	2,339	2,231	4,040
Total equity		**510,965**	**486,887**	**497,192**

The accompanying notes on pages 60 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Changes in Equity

for the year ended 30 June 2012

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Equity at beginning of year				
Accumulated funds		437,722	436,721	437,167
Revaluation reserves	9	55,430	46,318	50,868
Rural Fire Fighting Fund		4,040	3,543	2,223
Total equity at beginning of year		**497,192**	**486,582**	**490,258**
Changes in equity during year				
Transfers from statement of comprehensive income				
Accumulated funds		22,257	(1,476)	636
Revaluation reserves	9	(6,783)	3,093	4,481
Rural Fire Fighting Fund	8	(1,701)	(1,312)	1,817
Total comprehensive income		**13,773**	**305**	**6,934**
Transfers to reserves				
Accumulated funds		(25,000)	–	–
Major emergencies response reserve	11	15,000	–	–
Levy variability reserve	11	10,000	–	–
Total transfers to reserves		**–**	**–**	**–**
Transfers from disposal of land and buildings				
Accumulated funds	9	(229)	91	(81)
Revaluation reserves	9	229	(91)	81
Total transfers from disposal of land & buildings		**–**	**–**	**–**
Total changes in equity during year		**13,773**	**305**	**6,934**
Equity at end of year				
Accumulated funds		434,750	435,336	437,722
Major emergencies response reserve	11	15,000	–	–
Levy variability reserve	11	10,000	–	–
Revaluation reserves	9	48,876	49,320	55,430
Rural Fire Fighting Fund	8	2,339	2,231	4,040
Total equity at end of year		**510,965**	**486,887**	**497,192**

The accompanying notes on pages 60 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Cash Flows

for the year ended 30 June 2012

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Cash flows from operating activities				
Receipts from levy		325,150	309,042	311,602
Receipts from other revenue		12,236	11,355	12,265
Interest received		1,673	771	1,536
Net GST received/(paid)		87	1,864	979
Payments to employees and volunteers		(210,038)	(208,570)	(210,593)
Payments to suppliers for goods and services		(69,238)	(80,784)	(80,692)
Net cash flows from operating activities	21	**59,870**	**33,678**	**35,097**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		1,284	5,086	2,105
Purchase of intangible assets		(2,137)	(5,287)	(1,894)
Purchase of property, plant and equipment		(39,138)	(47,213)	(46,149)
Net cash flows from investing activities		**(39,991)**	**(47,414)**	**(45,938)**
Cash flows from financing activities				
Interest paid		(781)	(790)	(350)
Payment of finance leases		(1,703)	(1,645)	(2,117)
Proceeds from sale of finance lease assets		1,334	–	8,271
Net cash flows from financing activities		**(1,150)**	**(2,435)**	**5,804**
Net increase /(decrease) in cash and cash equivalents		18,729	(16,171)	(5,037)
Cash and cash equivalents at beginning of year		34,511	33,760	39,548
Cash and cash equivalents at end of year	11	**53,240**	**17,589**	**34,511**

The accompanying notes on pages 60 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Accounting Policies

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 and the ultimate parent is the New Zealand Crown. The primary objective of the Commission is to provide services in New Zealand for community benefit rather than to make a financial return.

For the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) the Commission is a public benefit entity. These financial statements for the Commission are for the year ended 30 June 2012 and were authorised for issue by the Commission on 31 October 2012.

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). They also 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 20 April 2011 as part of the Statement of Intent 2011/2014 and were prepared in accordance with NZ IFRS. They are also 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 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.

Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

Accounting Standards

Standards, amendments and interpretations that have been adopted, and which are relevant to the Commission are summarised below.

NZ IAS 24 Related Party Disclosures

Effective for reporting periods commencing on or after 1 January 2011. Changes include:

- More information is required to be disclosed about transactions between the Commission and entities controlled or significantly influenced by the Crown;
- Commitments with related parties require disclosure;
- Information is required to be disclosed about any related party transaction with Ministers of the Crown.

The Commission has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect.

Amendments to NZ IAS 1 Presentation of Financial Statements

The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item.

FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)

The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the Commission is that certain information about property valuations is no longer required to be disclosed.

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

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement.

NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit.

The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board ("XRB"). Under this Accounting Standards Framework, the Commission is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards ("PAS"). These standards are being developed by the XRB based on current International Public Sector Accounting Standards.

The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Commission expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still underdevelopment, the Commission is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

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 below.

Levy

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

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

Provision of services

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

Volunteer services

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

Income

Interest income

The Commission recognises interest income using the effective interest rate method.

Rental income

Rental received under operating leases is 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 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. Estimated useful lives and associated depreciation rates for asset classes being:

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	4-12 years	8-25%
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. Estimated useful lives and associated amortisation rates for asset classes being:

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

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

Interest expense

Interest expense is recognised using the effective interest rate method.

Goods and services tax (GST)

Figures reported in the financial statements are GST exclusive with the exception of receivables and payables which are disclosed GST inclusive. Where GST is not recoverable then it is recognised as part of the related asset or expense. The net amount of any GST balance, either recoverable or payable to the Inland Revenue (IRD) is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed GST exclusive.

The statement of cash flows has been prepared on a net GST basis, with cash receipts and payments presented GST exclusive. 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 as follows.

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

The Commission uses derivative financial instruments (forward foreign exchange contracts) to manage its exposure to foreign exchange risk in relation to the purchases of significant items of property, plant and equipment. The Commission does not hold or issue these financial instruments for trading purposes and has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date the Commission entered into the contract and are subsequently remeasured to their fair value at each balance date.

Fair value is determined as the value of entering into a forward foreign exchange contract, for the same quantity of foreign currency with the same settlement date as the original contract, on the date for which the fair value is determined. Movements in the fair value of the forward foreign exchange contracts are recognised in the statement of comprehensive income. Derivative financial instruments can also be classified as financial liabilities depending upon the fair value at balance date.

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

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

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 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 duration of less than twelve months are recognised at their nominal value.

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

Inventories

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

Non-current assets held for sale

Non-current assets held for sale are assets where their carrying amount will be recovered through a sale transaction rather than through continuing use. These assets are available for immediate sale and the sale is considered to be 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. Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of comprehensive income.

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

Leasehold improvements

Leasehold improvements are capitalised as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses. Assets are classed as land, buildings, leasehold improvements, fire appliances, motor vehicles, communications, computer, operational and non-operational equipment.

Additions

Costs are capitalised as property, plant and equipment when they create a new asset or increase the economic benefits over the total life of an existing asset. This includes all costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

For existing assets, subsequent expenditure that extends or expands the asset's service potential is capitalised. Costs that do not meet the criteria for capitalisation, including costs of day-to-day servicing of property, plant and equipment, are recognised in the statement of comprehensive income.

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.

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.

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, as well as, costs that do not meet the criteria for capitalisation (including staff training and software maintenance).

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.

Trade payables

Short-term creditors and other payables are recorded at their face value.

Employee and volunteer benefits

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

Current employee and volunteer benefits

Benefits to be settled within twelve months of balance date are calculated at undiscounted current rates of pay according to the amount of the accrued entitlements. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and retiring and long service leave entitlements expected to be settled within twelve months. Non-accumulating absences such as maternity leave are compensated when the absences occur and therefore no accrual is necessary. Sick leave is paid when taken under the Commission's wellness policy and therefore no accrual is necessary.

Non-current employee and volunteer benefits

Benefits that are payable beyond twelve months, such as long service leave, retirement leave and gratuities, are calculated on an actuarial basis. The actuarial calculation takes into account the future entitlements accruing to staff, based on years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, contractual entitlements information and the present value of the estimated future cash flows.

The discount rate, 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 below.

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

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

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

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, other reserves, revaluation reserves and the Rural Fire Fighting Fund.

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. Classification of commitments being:

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**

Future payments due under the lease contract. Operating leases are principally for property and motor vehicles.

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

Expenditure allocation

The Commission allocates expenditure to outputs as follows:

i Direct costs are expenditure (including the Rural Fire Fighting Fund) directly attributable to an output that are charged to that output;

ii Indirect costs are all costs other than direct costs and are apportioned across all the outputs based on the percentage of that output to total direct expenditure (excluding Rural Fire Fighting Fund);

iii The Rural Fire Fighting Fund receives an indirect cost allocation annually (presently around $0.3 million).

Revenue and income allocation

Levy revenue is allocated to each output based on the proportion of net expenditure allocated to the outputs. Other revenue and income that is directly related to outputs is allocated to those outputs. Amounts that cannot be directly related to outputs is allocated based on the proportion of gross expenditure allocated to the outputs. Net expenditure is total expenditure net of other revenue and income.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they were revised. Any revision affecting future periods is recognised in the periods affected. Judgements that have a significant affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements when they occur.

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

The residual value and useful life of property, plant and equipment and intangible assets are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires the Commission to consider a number of factors such as the physical condition, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact the depreciation or amortisation expense recognised in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position.

The Commission minimises the risk of this estimation by:

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

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

Long Service Leave and Gratuities

Entitlements that are payable beyond twelve months (such as long service leave and gratuities) have been calculated on an actuarial basis. 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 judgements in applying the Commission's accounting policies for the period ended 30 June 2012.

Lease classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. The Commission classifies leases as finance leases under the following situations:

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

Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease agreements are finance leases.

Investment properties

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

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.

Notes to the Financial Statements

1 Levy

	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Levy contributions	324,802	306,393	307,038
Penalty Interest	462	525	1,628
Penalty Surcharge	274	375	736
Total	**325,538**	**307,293**	**309,402**

Levy receipts

There were a number of factors behind the significant favourable variance. The projected impact on levy from the Christchurch rebuild was less than what had been anticipated and there were a number of large one-off identifiable movements. The largest of these was a major insurer who changed from monthly to annual policies which resulted in a $6.5 million favourable variance.

Penalty and surcharge

This year less interest and surcharge were recovered with some new finds and others waived.

Prior year comparatives have been restated to reflect current year income classifications.

2 Other revenue and income

2a Other revenue

	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
False alarms	3,641	3,400	3,969
Good corporate citizen contributions	1,585	2,517	1,533
Monitoring private fire alarms	2,218	2,150	2,055
Sponsorship	12	20	278
Commercial services	407	438	383
Insurance proceeds Christchurch earthquakes	500	–	2,000
Other revenue	848	1,829	2,459
Total	**9,211**	**10,354**	**12,677**

Good corporate citizen contributions

Variance was unfavourable as contributions were less than anticipated. During the year the Commission received good citizen contributions from Housing New Zealand, the Ministry of Education, the Reserve Bank of New Zealand 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. The receipt of one good citizen contribution was delayed until 2013 and a second was part received as levy rather than a good citizen contribution.

Other revenue

Unfavourable variance as recoveries from attendances at rural fires, hazardous substances and for special services, capital expenditure contributions from volunteer brigades, donations made to the Commission, other insurance proceeds, reparations received and other sundry income, were less than anticipated.

Insurance proceeds Christchurch earthquakes

Favourable variance is due to insurance proceeds from the Christchurch earthquakes that were not budgeted. Insurance proceeds Christchurch earthquakes records preliminary payments received by the Commission related to property material damage and business interruption. The only insurance payout received during the year was $0.5 million for material damage to the Lyttelton fire station

2b Other income

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Interest income		1,544	721	1,369
Gain on disposal of property, plant and equipment		266	–	1,053
Rental income		327	367	339
Amortisation of gain on sale and leaseback	20	341	329	355
Net foreign exchange gain		1	–	1
Total		**2,479**	**1,417**	**3,117**

Interest income

Interest income exceeded budget by $0.8 million as a result of higher than expected cash and cash equivalent balances throughout the year ended 30 June 2012.

3 Employee and volunteer benefits expenditure

	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Salaries and wages	169,276	178,248	181,990
Employer contributions to defined contribution plans	14,827	15,582	14,801
ACC levies	3,624	2,548	2,233
Other employee and volunteer benefits expenditure	24,448	17,723	17,608
Total	**212,175**	**214,101**	**216,632**

Salaries and wages

Salary and wages are $9.0 million favourable to budget owing to industrial action from August 2011 to May 2012 where only core activities were maintained during this period. This affected National and Regional training as no career staff courses were run. Volunteer courses were also unable to be run due to career trainers on strike. The other savings was generated by non-fire fighter vacancies owing to recruitment while restructuring was occurring. The previous year salaries and wages included $5.0 million for call-backs, overtime and pro rata leave due to responses to the to Christchurch earthquakes, Japan deployment and Pike River Mine incident.

Employer contributions to defined contribution plans

Variance was favourable as contributions were less than anticipated. 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.

ACC levies

The unfavourable variance is mainly due to the increase in the ACC Partnership Programme ("ACCPP") provision. The increase in the ACCPP provision of $0.7 million (2011: decrease ($0.5 million)) this year when compared to last year is mainly due to a change in the claims patterns rising from the change in the data source from the New Zealand Fire Service to ACC sourced data. The ACC data has a claims pattern with the amounts paid later than is the case for the New Zealand Fire Service data. In addition the discount rates supplied by Treasury reduced significantly compared to the prior years and this resulted in the requirement for a larger provision being allowed for on the balance sheet.

Other employee and volunteer benefits expenditure

Employee and volunteer benefits cost exceeded budget by $6.7 million. This includes an unfavourable variance of $4.0 million as actuarial valuations at 30 June 2012 were higher than anticipated. Discount rates supplied by Treasury reduced significantly compared to the prior years and the Treasury prescribed salary rate increase was also higher.

The other adverse cost above was the restructuring severance cost amount to $2.6 million which was not budgeted.

Prior year comparatives have been restated to reflect current year expenditure classifications.

4 Property, plant and equipment

30 June 2012	Note	Land Actual 2012 $000	Buildings Actual 2012 $000	Fire appliances Actual 2012 $000	Motor vehicles Actual 2012 $000
Cost at beginning of year		–	–	243,994	2,868
Valuation at beginning of year		143,537	217,495	–	–
Net book value leased assets		–	–	–	–
Accumulated depreciation		–	–	(118,995)	(1,656)
Impairment losses	10	–	(2,785)	–	–
Work in progress		4	9,581	13,350	–
Total at beginning of year		**143,541**	**224,291**	**138,349**	**1,212**
Acquisitions		580	14,078	10,234	66
Disposals		(807)	(448)	(144)	(24)
Transfers		–	(185)	–	–
Depreciation		–	(12,419)	(9,283)	(191)
Impairment losses to statement of comprehensive income	10	–	–	–	–
Transfer to non–current assets held for sale	15	800	141	–	–
Revaluation movement	9	(715)	(12,996)	–	–
Revaluation movement Christchurch earthquakes		3,853	3,075	–	–
Net book value at end of year		**147,252**	**215,537**	**139,156**	**1,063**
Cost at end of year		–	–	250,814	2,784
Valuation at end of year		147,248	212,762	–	–
Net book value leased assets		–	–	–	–
Accumulated depreciation		–	–	(121,936)	(1,721)
Work in progress		4	2,775	10,278	–
Net book value at end of year		**147,252**	**215,537**	**139,156**	**1,063**

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	TOTAL
Actual 2012 $000	**Actual 2012** $000	**Actual 2012** $000	**Actual 2012** $000	**Actual 2012** $000	**Actual 2012** $000	**Actual 2012** $000
16,377	35,761	11,566	7,360	4,473	24,162	346,561
–	–	–	–	–	–	361,032
–	9,789	–	229	–	–	10,018
(11,127)	(20,559)	(7,355)	(5,238)	(3,589)	–	(168,519)
–	–	–	–	–	–	(2,785)
842	278	9	100	–	(24,162)	2
6,092	**25,269**	**4,220**	**2,451**	**884**	**–**	**546,309**
1,742	11,503	692	1,449	531	–	40,875
(5)	(1,356)	(1)	(2)	(7)	–	(2,794)
–	–	2	(2)	185	–	–
(2,124)	(4,195)	(892)	(1,161)	(350)	–	(30,615)
–	(198)	–	–	–	–	(198)
–	–	–	–	–	–	941
–	–	–	–	–	–	(13,711)
–	–	–	–	–	–	6,928
5,705	**31,023**	**4,021**	**2,735**	**1,243**	**–**	**547,735**
18,504	42,481	12,255	8,113	5,079	15,600	355,630
–	–	–	–	–	–	360,010
–	10,004	–	163	–	–	10,167
(13,176)	(22,945)	(8,242)	(6,185)	(3,867)	–	(178,072)
377	1,483	8	644	31	(15,600)	–
5,705	**31,023**	**4,021**	**2,735**	**1,243**	**–**	**547,735**

Fair value of property

30 June 2012	Note	Land Actual 2012 $000	Buildings Budget 2012 $000	TOTAL Actual 2011 $000
Darroch valuation		148,004	213,149	361,153
Buildings – demolition impairment	10	–	–	–
Total fair value at end of year		**148,004**	**213,149**	**361,153**
The above is represented by:				
Net book value at end of year	4	147,252	215,537	362,789
Work in progress	4	(4)	(2,775)	(2,779)
Non–current assets held for sale	15	756	387	1,143
Total fair value at end of year		**148,004**	**213,149**	**361,153**

Property consists primarily of special purpose fire station land and buildings which form an integral part of the operational network. The fair value of property at 30 June 2012 was determined by independent registered valuers Darroch ("Darroch") at $361.2 million from which impairments to buildings planned to be demolished are deducted, if any.

Funds tagged by the Commission for seismic strengthening, including the replacement of existing buildings where necessary, are significant and amount to $39.7 million at 30 June 2012 (2011: $18.2 million) and cover the period from now to 30 June 2018. The Commission have approved the seismic strengthening programme (either strengthening or replacement) based on structural engineering investigative work carried out that aims to bring the building strength for fire stations to within the range of 33% to 67% of level 4 of the current seismic loading standard as defined in the Building Act 2004. New Zealand building code structures that are categorised as level 4 include structures with special post-disaster functions and emergency services facilities such as fire, police stations and emergency vehicle garages which is set at 180% of the normal code to allow not just for survival but for continued operations during a disaster. The full details of the seismic strengthening programme, including the priority of fire stations, is still under review.

The timeline for the seismic strengthening programme and the allocation to individual fire stations has been projected by the Commission at 30 June 2012 and this has been provided to Darroch for them to factor into the annual property valuation. Therefore the buildings valuation of $213.1 million is after deducting $25.2 million as an allowance for impairment to recognise expected seismic strengthening costs. These costs are indicative and will be refined as more detailed seismic surveys are undertaken.

Darroch, as part of the valuation, test the market value for all properties and where no active market exists then Optimised Depreciation Replacement Cost ("ODRC") is adopted. All land, dwellings and most site improvements and small sheds are treated using an added value or market value approach. There are several sites with more than one improvement. The fire stations are mainly valued using an ODRC approach as not a lot of market evidence tends to exist for sales of stations. All ODRC values are then tested using a market rental approach for alternative use as a check method. In total there are 2060 buildings/improvements in the Commission property portfolio at 30 June 2012 and 1152 were valued using market value.

A number of the Commissions properties sustained damage to land and/or buildings due to the earthquakes and aftershocks that occurred in the Christchurch region during the year ended 30 June 2011. Darroch, as part of the annual valuation, have revalued all properties owned by the Commission (taking into consideration impairment) that are located within Christchurch City, Selwyn District, Bank's Peninsula District and Waimakariri District.

Capital expenditure during the year (Includes leases, intangibles and donated assets)	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Fleet	10,620	13,000	19,513
Property	15,612	17,500	18,272
Information Communications and Technology	5,102	7,500	4,916
Operational Equipment	11,678	14,500	17,085
Total property, plant and equipment	**43,012**	**52,500**	**59,786**
Cash proceeds from disposals	(2,618)	(5,086)	(10,376)
Net total	**40,394**	**47,414**	**49,410**

Overall the capital expenditure programme was 18% under spent when compared to budget for the year.

Fleet

The 18% under spend was due to changes in the appliance manufacturing and delivery schedule and there were delays with type 3 and 6 prototypes. During the year there were a total of 35 new appliances manufactured (2011: 52 new appliances) including 16 type 1 appliances, 12 type 2 appliances, 5 type 3 appliances and 2 incident support vehicles ("ISV").

Property

Property capital expenditure was 11% under spent due to delays in the Christchurch capital replacement programme, the build of new fire stations at Takapuna and Grey Lynn and the purchase of land at Upper Hutt and St Albans. During the year land was purchased at Wanaka and new fire stations were completed at Hororata and Springfield, and the National Training Centre at Rotorua was officially opened. A major refurbishment at Palmerston North was completed. Work continued in the seismic strengthening programme with 3 rebuilds (Culverden, Oxford and Runanga) and 1 refurbishment (Masterton) being completed.

All property for disposal are subject to a consultative clearance process set up for the settlement of Maori land claims. Transfers and revaluation movements are shown net of accumulated depreciation. Disposals are shown net of accumulated depreciation and any impairment losses.

Other Capital Expenditure

Other spend was impacted by industrial action by members of the NZPFU which resulted in delays in strategic initiatives (such as projects or equipment rollouts) including Safe Working Heights.

During the year there was a further sale and lease back of level 2 protective clothing amounting to $1.3 million. Cash proceeds from disposals include level 2 protective clothing garments sold of $1.3 million.

30 June 2011	Note	Land Actual 2011 $000	Buildings Actual 2011 $000	Fire appliances Actual 2011 $000	Motor vehicles Actual 2011 $000
Cost at beginning of year		–	–	226,648	2,761
Valuation at beginning of year		154,019	206,083	–	–
Net book value leased assets		–	–	–	–
Accumulated depreciation and impairment losses		–	(6,946)	(119,137)	(1,543)
Total at beginning of year		**154,019**	**199,137**	**107,511**	**1,218**
Acquisitions		1,613	14,664	25,669	193
Disposals		(870)	(1,486)	(302)	–
Transfers		–	–	25	–
Depreciation		–	(11,805)	(7,904)	(199)
Transfer to non–current assets held for sale	15	(1,116)	(387)	–	–
Revaluation movement	9	(5,723)	15,216	–	–
Revaluation movement Christchurch earthquakes		(4,385)	(4,343)	–	–
Net impairment losses to revaluation reserve	9	–	3,716	–	–
Work in progress		3	9,579	13,350	–
Net book value at end of year		**143,541**	**224,291**	**138,349**	**1,212**
Cost at end of year		–	–	243,994	2,868
Valuation at end of year		143,537	217,495	–	–
Net book value leased assets		–	–	–	–
Accumulated depreciation		–	–	(118,995)	(1,656)
Impairment losses	10	–	(2,785)	–	–
Work in progress		4	9,581	13,350	–
Net book value at end of year		**143,541**	**224,291**	**138,349**	**1,212**

	Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	TOTAL
	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000
	13,937	37,793	10,541	6,837	4,410	30,587	333,514
	–	–	–	–	–	–	360,102
	–	326	–	296	–	–	622
	(9,216)	(20,400)	(6,375)	(4,399)	(3,118)	–	(171,134)
	4,721	**17,719**	**4,166**	**2,734**	**1,292**	**30,587**	**523,104**
	2,444	18,336	793	977	63	–	64,752
	(2)	(6,754)	(2)	(3)	–	–	(9,419)
	–	(177)	151	(99)	–	(6,425)	(6,525)
	(1,913)	(4,134)	(897)	(1,258)	(471)	–	(28,581)
	–	–	–	–	–	–	(1,503)
	–	–	–	–	–	–	9,493
	–	–	–	–	–	–	(8,728)
	–	–	–	–	–	–	3,716
	842	279	9	100	–	(24,162)	–
	6,092	**25,269**	**4,220**	**2,451**	**884**	**–**	**546,309**
	16,377	35,761	11,566	7,360	4,473	24,162	346,561
	–	–	–	–	–	–	361,032
	–	9,789	–	229	–	–	10,018
	(11,127)	(20,559)	(7,355)	(5,238)	(3,589)	–	(168,519)
	–	–	–	–	–	–	(2,785)
	842	278	9	100	–	(24,162)	2
	6,092	**25,269**	**4,220**	**2,451**	**884**	**–**	**546,309**

Fair value of property

30 June 2011	Note	Land Actual 2011 $000	Buildings Budget 2011 $000	TOTAL Actual 2011 $000
Darroch valuation		145,093	215,238	360,331
Total fair value at end of year		**145,093**	**215,238**	**360,331**
The above is represented by:				
Net book value at end of year	4	143,541	224,291	367,832
Work in progress	4	(4)	(9,581)	(9,585)
Non-current assets held for sale	15	1,556	528	2,084
Total fair value at end of year		**145,093**	**215,238**	**360,331**

The fair value of property at 30 June 2011 was determined by independent registered valuers Darroch at $360.3 million from which impairments to buildings planned to be demolished are deducted, if any.

5 Intangible assets

30 June 2012	Computer software (internally generated) Actual 2012 $000	Computer software (purchased) Actual 2012 $000	Shared Information Technology Environment (SITE) Actual 2012 $000	Work in Progress Actual 2012 $000	TOTAL Actual 2012 $000
Cost at beginning of year	8,583	8,998	18,272	1,215	37,068
Accumulated amortisation	(4,866)	(7,373)	(18,122)	–	(30,361)
Work in progress	–	1,215	–	(1,215)	–
Total at beginning of year	**3,717**	**2,840**	**150**	**–**	**6,707**
Acquisitions	210	1,927	–	–	2,137
Amortisation	(1,172)	(446)	(65)	–	(1,683)
Net book value at end of year	**2,755**	**4,321**	**85**	**–**	**7,161**
Cost at end of year	8,479	9,873	18,292	2,561	39,205
Accumulated amortisation	(5,724)	(8,113)	(18,207)	–	(32,044)
Work in progress	–	2,561	–	(2,561)	–
Net book value at end of year	**2,755**	**4,321**	**85**	**–**	**7,161**

30 June 2011	Computer software (internally generated) Actual 2011 $000	Computer software (purchased) Actual 2011 $000	Shared Information Technology Environment (SITE) Actual 2011 $000	Work in Progress Actual 2011 $000	TOTAL Actual 2011 $000
Cost at beginning of year	8,019	8,676	18,292	144	35,131
Accumulated amortisation	(4,078)	(6,276)	(18,071)	–	(28,425)
Total at beginning of year	**3,941**	**2,400**	221	**144**	**6,706**
Acquisitions	447	283	–	–	730
Transfers	116	(17)	–	1,071	1,170
Work in progress	–	1,215	–	(1,215)	–
Amortisation	(787)	(1,041)	(71)	–	(1,899)
Net book value at end of year	**3,717**	**2,840**	**150**	–	**6,707**
Cost at end of year	8,583	8,998	18,272	1,215	37,068
Accumulated amortisation	(4,866)	(7,373)	(18,122)	–	(30,361)
Work in progress	–	1,215	–	(1,215)	–
Net book value at end of year	**3,717**	**2,840**	**150**	**–**	**6,707**

Shared Information Technology Environment (SITE)

Shared Information Technology Environment (SITE) includes system and technology platform assets that support receiving emergency calls and dispatching resources to emergency incidents. These SITE assets include the computer-aided dispatch software, the Land Mobile Radio 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 assets is fully amortised but the assets are still in use. They are maintained by the New Zealand Police who proportionally charge the Commission and this charge is included within operational expenditure in the Statement of Comprehensive Income.

Plans to replace the SITE asset are presently under review by central Government. The Commission has been asked to contribute to an all of Government radio network and as at 30 June 2012 the Commission has allocated $17.9 million to this project to be spent during the period from now to 30 June 2018.

6 Finance costs

	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Finance charge on finance lease	783	644	255
Other	99	146	–
Total	**882**	**790**	**255**

Finance costs for the year are above budget due to new finance lease for level 2 protective clothing that was negotiated January 2012 which was six months earlier when compared to budget.

7 Other expenditure

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Auditors – audit fees for statutory audit		173	189	168
Auditors – fees for other services		12	78	9
Remuneration of Commission and Committee Members	30	138	143	144
Fleet		13,475	14,234	14,502
Occupancy		12,443	12,406	12,416
Clothing and other consumables		6,777	7,237	8,833
Communications		6,116	6,420	6,025
Publicity and advertising		4,648	5,230	4,975
Grants		751	570	4,677
Impairment of receivables	12	(268)	100	444
Loss on disposal of property, plant and equipment	21	440	200	1,912
Net foreign exchange loss		5	–	58
Impairment of property, plant and equipment		198	200	–
Other expenditure		24,708	26,525	23,030
Total other expenditure		**69,616**	**73,532**	**77,193**

Overall operating expenditure this year is under budget with the most significant driver being the industrial action by members of the NZPFU and the duration of this action. The impact of the industrial action on the expenditure base was through a ban on training, no involvement in projects or equipment rollouts and reduced activity other than operational response.

Industrial action by NZPFU members covered by the New Zealand Fire Service/NZPFU Collective Employment Agreement ("CEA") commenced on 5 August 2011.

Fleet

Fleet spend was $0.8 million below budget due to projected fuel increases that did not eventuate and appliance usage was low which also impacted road user charges.

Publicity and advertising

Publicity and advertising was $0.6 million below budget because through centralising the programmes and the budget a more targeted and efficient spend was achieved.

Clothing and other consumables

Clothing and other consumables was $0.5 million below budget because the volume of protective clothing and uniforms consumed did not materialise.

Communications

Communications (including computer costs) was $0.3 million below budget due to a lower spend on strategic initiatives.

Impairment of receivables

Impairment of receivables is a credit because of a reduction in the provision required for doubtful debts.

Other expenditure

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

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

	Actual 2012 $000	**Budget 2012** $000	**Actual 2011** $000
Levy	406	1,749	2,200
Department of Conservation	–	–	200
Other revenue	470	685	1,966
Total revenue	**876**	**2,434**	**4,366**
Claims expenditure	**(2,577)**	**(3,746)**	**(2,549)**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	**(1,701)**	**(1,312)**	**1,817**

The closing balance of the Rural Fire Fighting Fund (“RFFF”) as at 30 June 2012 was $2.3 million (2011: $4.0 million).

Department of Conservation

During the year the Department of Conservation (“DOC”) did not need to contribute to the RFFF because their balance remained above the minimum requirement, in part due to the Mahia fire cost recovery during the prior year amounting to $0.8 million.

Claims expenditure

The favourable variance is mainly due to lower claims on the fund and the budget was based on a five year average. In any one year weather changes and location can severely impact the claim volume and value on the fund.

9 Revaluation reserves

30 June 2012	Note	Land Actual 2012 $000	Buildings Budget 2012 $000	TOTAL Actual 2011 $000
Balance at beginning of year		**2,954**	**52,476**	**55,430**
Revaluation movement	4	(715)	(12,996)	(13,711)
Revaluation movement Christchurch earthquakes		3,853	3,075	6,928
Impairment losses	10	–	–	–
Reversal of impairment losses	10	–	–	–
Total revaluation gains/(losses)		**3,138**	**(9,921)**	**(6,783)**
Transfer to accumulated funds on disposal		(10)	239	229
Balance at end of year		**6,082**	**42,794**	**48,876**

30 June 2011	Note	Land Actual 2011 $000	Buildings Budget 2011 $000	TOTAL Actual 2010 $000
Balance at beginning of year		**13,240**	**37,628**	**50,868**
Revaluation movement	4	(5,723)	15,216	9,493
Revaluation movement Christchurch earthquakes		(4,385)	(4,343)	(8,728)
Impairment losses	10	–	(2,785)	(2,785)
Reversal of impairment losses	10	–	6,501	6,501
Total revaluation gains/(losses)		**(10,108)**	**14,589**	**4,481**
Transfer to accumulated funds on disposal		(178)	259	81
Balance at end of year		**2,954**	**52,476**	**55,430**

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 the individual asset is transferred to accumulated funds.

10 Impairment losses

30 June 2012	Note	Buildings – seismic impairment Actual 2012 $000	Buildings – demolition impairment Budget 2012 $000	TOTAL Actual 2011 $000
Balance at beginning of year		**2,785**	**–**	**2,785**
Impairment losses adjustment		(2,785)	–	(2,785)
Impairment losses	9	–	–	–
Work completed during year	9	–	–	–
Balance at end of year	4	**–**	**–**	**–**

30 June 2011	Note	Buildings – seismic impairment Actual 2011 $000	Buildings – demolition impairment Budget 2011 $000	TOTAL Actual 2010 $000
Balance at beginning of year		**6,501**	**445**	**6,946**
Impairment losses adjustment		(1,784)	(445)	(2,229)
Impairment losses	9	(119)	–	(119)
Work completed during year	9	(1,813)	–	(1,813)
Balance at end of year	4	**2,785**	**–**	**2,785**

During the year the impairment losses provision was reduced to $nil as there are no impairments at 30 June 2012 in excess of the balances (including seismic strengthening programme) advised to Darroch for them to factor into the annual property valuation. The impairment provision for buildings due to be demolished for new fire stations is the recoverable amount for these buildings determined by the amount a similar building would cost to rent for the time until demolition.

11 Cash and cash equivalents

	Actual 2012 $000	Actual 2011 $000
Cash on hand and at bank	24,999	28,722
Short term deposits	28,241	5,789
Total cash and cash equivalents	**53,240**	**34,511**

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- or above 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 $0.3 million (2011: $0.3 million). 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 2012 is 3.37% (2011: 3.20%). As at 30 June 2012 if the interest rates increased/decreased by 1 percent the interest income for the year and accumulated funds would increase/decrease by $0.5 million (2011: $0.3 million).

Restricted assets

Cash and cash equivalents include the following restricted amounts held on behalf of the RFFF.

	Actual 2012 $000	Actual 2011 $000
Short term deposits	3,150	4,880
Total restricted cash and cash equivalents	**3,150**	**4,880**

Reserves

Two new reserves were established by the Commission during the year with cash introduced of $25.0 million ring-fenced within cash and cash equivalents for general liquidity and disaster response. A major emergencies response reserve of $15.0 million has been established for disaster response and to assist the Commission to respond promptly to any event. The levy variability reserve of $10.0 million has been established as a buffer for general liquidity and to assist the Commission under circumstances where levies are not paid as projected. This may be because insurers and brokers have left the New Zealand insurance market or they have gone into liquidation.

	Actual 2012 $000	Actual 2011 $000
Major emergencies response reserve	15,000	–
Levy variability reserve	10,000	–
Total restricted cash and cash equivalents	**25,000**	**–**

12 Trade and other receivables

	Actual 2012 $000	Actual 2011 $000
Trade and other receivables	3,329	5,742
Less provision for impairment	(813)	(1,166)
Total trade and other receivables	**2,516**	**4,576**

The carrying value of trade and other receivables approximates their fair value. Trade and other receivables 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 2012 (2011: $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 2012			Actual 2011		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	1,424	–	1,424	3,468	–	3,468
Past due 1-30 days	773	–	773	530	–	530
Past due 31-60 days	150	–	150	266	–	266
Past due 61-90 days	146	–	146	218	–	218
Past due > 91 days	836	(813)	23	1,260	(1,166)	94
Total	**3,329**	**(813)**	**2,516**	**5,742**	**(1,166)**	**4,576**

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 2012 $000	Actual 2011 $000
Provision for impairment of trade and other receivables at beginning of year		1,166	738
Additional provision made during the year	7	(353)	444
Receivables written-off during the period		–	(16)
Provision for impairment of trade and other receivables		**813**	**1,166**

13 Prepayments

	Actual 2012 $000	Actual 2011 $000
Prepaid computer licenses	565	376
Prepaid travel	101	88
Prepaid other	136	312
Total prepayments	**802**	**776**

14 Inventories

	Actual 2012 $000	Actual 2011 $000
Inventories held for use in the provision of services	27	27
Total inventories	**27**	**27**

All of the Commission's inventories are held for distribution and are items to be consumed in the rendering of services at no consideration. There have been no write-downs of inventories held for distribution or reversals of previous write-downs in either 2012 or 2011.

15 Non-current assets held for sale

30 June 2012	Note	Land Actual 2012 $000	Buildings Budget 2012 $000	TOTAL Actual 2011 $000
Balance at beginning of year		**1,556**	**528**	**2,084**
Disposals		(765)	(141)	(906)
Transfers		(35)	–	(35)
Net book value at end of year	4	**756**	**387**	**1,143**

30 June 2011	Note	Land Actual 2011 $000	Buildings Budget 2011 $000	TOTAL Actual 2010 $000
Balance at beginning of year		**440**	**141**	**581**
Disposals		(440)	(141)	(581)
Transfers		1,556	528	2,084
Net book value at end of year	4	**1,556**	**528**	**2,084**

Non-current assets held for sale are valued at the lower of the carrying amount or fair value less costs to sell at the time of reclassification. Included this year are planned disposals for property located in Hutt City (Point Howard Station) and Waitakere (Te Atatu Station).

16 Trade and other payables

	Actual 2012 $000	Actual 2011 $000
Trade payables	9,495	10,948
Income in advance	309	1,103
Accrued levy refund	1,122	–
Accrued expenses	7,995	7,459
GST, PAYE and FBT payable	4,519	5,153
Total trade and other payables	**23,440**	**24,663**

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.

Accrued levy refund

Accrued levy refund represents the balance accrued for a levy refund under review at 30 June 2012 that was actually resolved and paid during July 2012.

17 Employee and volunteer benefits

	Actual 2012 $000	Actual 2011 $000
Current employee and volunteer benefits		
Accrued salaries and wages	6,184	2,330
Annual leave	15,813	17,821
Restructure provision	1,182	–
Long service leave and gratuities	6,791	8,842
Total current employee and volunteer benefits	**29,970**	**28,993**
Non–current employee and volunteer benefits		
Long service leave and gratuities	34,605	30,227
Total non–current employee and volunteer benefits	**34,605**	**30,227**
Total employee and volunteer benefits	**64,575**	**59,220**

The 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 are the discount rate and the salary inflation factor. Any changes in these assumptions will have an impact on the carrying amount of the liability.

Overall employee and volunteer benefits was $5.4 million higher when compared to the previous year and this was mainly the result of higher than expected actuarial valuations at 30 June 2012.

The key economic assumptions are summarised below.

- The implied risk-free rates over the period of cash outflows ranged from 2.43% to 6.00% (2011: 2.84% to 6.24%).
- The salary inflation factor has been determined as 3.00% (2011: 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 ($2.9)/$3.3 million (2011: ($2.3)/$2.6 million), thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

Regional/Area realignment projects

The Commission approved a detailed restructuring plan, which was announced in detail during the year which builds on the regional realignment project that was effective from 1 July 2011. Restructuring has already commenced and the plan and associated payments are expected to be completed by 30 June 2013. The restructuring provision represents the estimated cost for redundancy payments arising from the restructure.

18 Borrowings

	Actual 2012 $000	Actual 2011 $000
Current borrowings		
Finance leases	1,918	1,633
Non-current borrowings		
Finance leases	7,573	8,227
Total borrowings	**9,491**	**9,860**
Analysis of minimum finance lease payments due		
Not later than one year	2,614	2,343
Later than one year and not later than two years	2,470	2,343
Later than two years and not later than five years	5,611	5,796
Later than five years and not later than ten years	826	1,618
Later than ten years	129	139
Total minimum lease payments due	**11,650**	**12,239**
Future finance charges	(2,159)	(2,379)
Present value of lease payments due	**9,491**	**9,860**
Analysis of present value of lease payments due		
Not later than one year	1,918	1,633
Later than one year and not later than two years	1,932	1,767
Later than two years and not later than five years	4,868	4,876
Later than five years and not later than ten years	651	1,456
Later than ten years	122	128
Present value of lease payments due	**9,491**	**9,860**

The Commission enters into finance leases for various items of plant and equipment including level 2 protective clothing. Finance lease liabilities are secured over the leased assets.

19 Provisions

	Actual 2012 $000	Actual 2011 $000
Current provisions		
Loss of medical scheme	159	157
ACC Partnership Programme	1,392	1,108
Total current provisions	**1,551**	**1,265**
Non-current provisions		
Lease make-good	270	562
ACC Partnership Programme	1,259	814
Total non-current provisions	**1,529**	**1,376**
Total provisions	**3,080**	**2,641**

Movements for each class of provision can be summarised as follows.

Loss of medical scheme	Actual 2012 $000	Actual 2011 $000
Loss of medical scheme at beginning of year	**157**	**154**
Contributions made to the scheme	2	3
Loss of medical scheme at end of year	**159**	**157**

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.

Lease make-good	Actual 2012 $000	Actual 2011 $000
Lease make-good at beginning of year	**562**	**510**
(Reduction)/additional provisions made	(292)	52
Lease make-good at end of year	**270**	**562**

A provision has been established by the Commission for leased premises, where 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.

ACC Partnership Programme

The Commission has participated in the ACC Partnership Programme ("ACCPP") since 1 October 2000 with claims being administered internally by the Commission for the period. An external independent actuarial valuer, Melville Jessup Weaver ("the Actuaries") has calculated the Commission's liability and the valuation at 30 June 2012.

Claims are managed by the Commission for a period of 48 months (2011: 48 months) from the claim lodgement date. At the end of the period, 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 Commission has chosen a stop loss limit of 250% (2011: 250%) of the industry premium.

ACCPP provision summary	Current 2012 $000	Non-Current 2012 $000	TOTAL 2012 $000	TOTAL 2011 $000
Undiscounted estimated future claims costs	1,134	1,079	2,213	1,616
Discounting	(12)	(64)	(76)	(67)
Discounted estimated future claims costs	1,122	1,015	2,137	1,549
Claims handling expenses	112	101	213	155
Total discounted outstanding claims liabilities	**1,234**	**1,116**	**2,350**	**1,704**
Risk margin	158	143	301	218
ACCPP provision at end of year	**1,392**	**1,259**	**2,651**	**1,922**
Claim handling cost%	**10.0%**	**10.0%**	**10.0%**	**10.0%**
Risk margin %	**12.8%**	**12.8%**	**12.8%**	**12.8%**

ACCPP provision movement summary	Actual 2012 $000	Actual 2011 $000
ACCPP provision at beginning of year	**1,922**	**2,475**
Net increase/(decrease) to provision during the year	428	(771)
Total discounted outstanding claims liabilities	**2,350**	**1,704**
Risk margin	301	218
ACCPP provision at end of year	**2,651**	**1,922**

Methods and assumptions

The Actuaries use an actuarial Bornheutter-Fergusson (BF) paid claims valuation methodology. BF uses the weighted average of past claims development applied to an estimate of the ultimate claims costs to project future claims development. The estimated ultimate claims costs are derived for each loss period using some measure of exposure and an assumed loss ratio. It can be applied to claims paid, incurred claims and also to claim counts. The methodology for this valuation used liable earnings as the measure of exposure and the weighted average of past claim payments development to project future claim payments development.

The key assumptions of the methodology are summarised below.

- The principal assumption is that the development pattern of claims payments is the same for all loss periods.
- The assumed "loss ratio" (claims/liable earnings) was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs.
- Projected future payments were discounted based on spot rates published by Treasury.
- Included is a risk margin of 12.8% (2011: 12.8%) to allow for the inherent uncertainties in the central estimate of the claims liability.
- A provision for future claim handling costs of 10.0% (2011: 10%) of the expected future claim cost has also been allowed for.
- The method used in the Actuaries calculations assumes that future inflation will be the same as the historical weighted average inflation which is present in the claims data. It is not possible to calculate the inflation rate explicitly.

Objectives for managing risks

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

- Actively managing workplace injuries to ensure employees have access to appropriate treatment and rehabilitation to assist with safe and durable return to work.
- 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.
- Working towards identifying, assessing and controlling work place hazards and training personnel in safe work practices.
- Providing induction training on health and safety.
- Maintaining accurate records of all incidents that have or could have caused harm.
- Implementing and monitoring procedures, standards and workplace conditions that aim to comply with all legal duties and responsibilities.

Sensitivity analysis

The assumed 'loss ratio' of 1.00% of liable earnings was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs since New Zealand Fire Service entered the ACCPP. The table sets out the discounted provision (central estimate) with loss ratios of 0.90% and 1.10%.

As stated above the discount rates used were derived from rates specified by Treasury. The table sets out the discounted provision (central estimate), when the discount rates are set 1.0% higher and lower than the bond rates.

Loss Ration 2012 %	Liability 2012 $000	Loss Ration 2011 %	Liability 2011 $000
0.90%	2,115	0.90%	1,533
1.00%	2,350	1.00%	1,704
1.10%	2,585	1.10%	1,874
(1.00%)	2,382	(1.00%)	1,725
0.00%	2,350	0.00%	1,704
1.00%	2,320	1.00%	1,684

20 Unamortised gain on sale and leaseback

	Actual 2012 $000	Actual 2011 $000
Current liabilities		
Finance leases	341	341
Non-current liabilities		
Finance leases	732	1,073
Total unamortised gain on sale and leaseback	**1,073**	**1,414**

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.

21 Reconciliation of net surplus to the net cash flows from operating activities

	Notes	Actual 2012 $000	Actual 2011 $000
Net surplus attributable to the owners of the Commission		**20,556**	**2,453**
Add/(subtract) non–cash items			
Depreciation	4	30,615	28,581
Amortisation	5	1,683	1,899
Amortisation of gain on sale and leaseback	2	(341)	(355)
Property, plant and equipment write-offs	7	440	1,912
Impairment of property, plant and equipment		198	–
Total non–cash items		**32,595**	**32,037**
Add/(subtract) movements in statement of financial position items			
Increase/(Decrease) in trade and other payables including GST		(1,471)	(2,501)
Increase in employee and volunteer benefits	17	5,355	6,404
Increase/(decrease) in provisions	19	286	(416)
Decrease/(increase) in trade and other receivables	12	2,060	(2,091)
(Increase) in prepayments	13	(26)	(86)
Total net movements		**6,204**	**1,310**
Add/(subtract) investing activities			
(Gains) on disposal of fixed assets	2	(266)	(1,053)
Interest paid		781	350
Total investing activity items		**515**	**(703)**
Net cash flows from operating activities		**59,870**	**35,097**

Cash flow net GST received (paid)

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.

22 Capital commitments

Future minimum asset payments due under non-cancellable contracts	Actual 2012 $000	Actual 2011 $000
Property, plant and equipment	15,949	20,133
Intangibles	1,109	1,551
Total capital commitments	**17,058**	**21,684**
Not later than one year	10,475	17,909
Later than one year and not later than five years	6,583	3,775
Total capital commitments	**17,058**	**21,684**

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 the acquisition of property, plant and equipment including fire appliances.

23 Operating lease commitments as lessee

Future minimum lease payments due under non-cancellable operating leases as lessee	Actual 2012 $000	Actual 2011 $000
Not later than one year	3,317	4,246
Later than one year and not later than five years	2,756	3,845
Later than five years	337	374
Total operating lease commitments as lessee	**6,410**	**8,465**

The Commission has operating lease commitments for office premises, motor vehicles and office equipment. The most significant lease held is for the three floors and car parks in the AXA Building, 80 The Terrace, Wellington. This lease is due to expire in November 2012 and has a right of renewal. There are no restrictions placed on the Commission by any of its operating leasing arrangements, other than the premises must be used as commercial premises.

24 Operating lease commitments as lessor

Future minimum lease payments due under non-cancellable operating leases as lessor	Actual 2012 $000	Actual 2011 $000
Not later than one year	109	169
Later than one year and not later than five years	105	162
Later than five years	192	215
Total operating lease commitments as lessor	**406**	**546**

The Commission leases out 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 year.

25 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 2012 is $0.2 million (2011: $0.1 million).

Replacement of fire stations Christchurch area

The Commission is required to replace, repair, demolish or relocate a number of fire stations located in the Christchurch area due to earthquake damage. The expectation is that considerable costs will be covered by insurance. The Commission continues to evaluate its options around the replacement program for fire stations and it is expected that this process will take some time.

Seismic strengthening programme

In addition to the funds already set aside by the Commission for seismic strengthening programme at 30 June 2012 it notes that there remains some uncertainty around cost estimates for the period from now to 30 June 2018, for a number of reasons, and there is a possibility that the final total spend could exceed this amount.

Contingent assets

Insurance claims

The Commission is currently negotiating a number of insurance claims for material damage and additional costs of working related to the Christchurch earthquakes. The Commission estimate the future proceeds of these claims will be around $7.1 million GST exclusive (2011: $4.0 million).

26 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	Notes	Actual 2012 $000	Actual 2011 $000
Loans and receivables			
Cash and cash equivalents	11	53,240	34,511
Trade and other receivables	12	2,516	4,576
Total loans and receivables		**55,756**	**39,087**
Fair value through statement of comprehensive income			
Derivative financial instruments assets		–	–
Derivative financial instruments liabilities		–	–
Total fair value through statement of comprehensive income		–	–
Financial liabilities measured at amortised cost			
Trade and other payables	16	23,440	24,663
Total financial liabilities measured at amortised cost		**23,440**	**24,663**

Financial instrument risks

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

Market risk

Interest rate risk

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The Commission's currency risk arises when sourcing property, plant and equipment denominated in foreign currency. The Commission enters into foreign exchange forward contracts to manage its foreign currency exposure in relation to supply contracts entered into for the purchase of property, plant and equipment. There were no forward foreign exchange contracts in place as at 30 June 2012 (2011: no 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 has processes in place to review the credit quality of customers prior to the granting of credit.

Due to the timing of its cash inflows and outflows, the Commission invests surplus cash with registered banks that have a 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. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position. The Commission holds no collateral or other credit enhancement for financial instruments that give rise to credit risk.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions.

The Commission mainly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements. The forecast cash flows are updated on a daily basis and include both known and perceived cash flow requirements.

To assist this process the Commission established during the year the new levy variability reserve which is designed to be a buffer for general liquidity and will provides access to funds as and when required.

The forecast cash flows are updated on a daily basis and include both known and perceived cash flow 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.

Contractual maturity analysis of financial liabilities

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.

	Notes	Actual 2012 Less than 6 months $000	Actual 2012 Between 6 months and 1 year $000	Actual 2012 Between 1 and 5 years $000	Actual 2011 Less than 6 months $000	Actual 2011 Between 6 months and 1 year $000	Actual 2011 Between 1 and 5 years $000
Creditors and other payables	16	23,440	–	–	24,663	–	–

27 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, liabilities and risk, and aims for best practice with regards to its general financial dealings. This helps to ensure the Commission effectively achieves its goals and objectives.

28 Related party disclosures

The Commission is a wholly owned entity of the Crown. All related party transactions are conducted at arm's length on normal business terms. No provision has been required, nor any expenses recognised, for the impairment of any receivables from a related party (2011 $nil).

Collectively, but not individually, significant, transactions with Government related entities	**Actual 2012** $000	**Actual 2011** $000
Revenue		
Government department	267	2,032
Crown Entities	2,061	1,134
State Owned Entities	16	19
Total	**2,344**	**3,185**

The Commission receive various income and revenues while carrying out its business activities.

Significant transactions with Government related entities

The only significant transaction for revenue in the statement of comprehensive income during the year was the good citizen contribution from Housing New Zealand amounting to $1.4 million (2011: $1.0 million). For further information see Other revenue and income note 2.

Collectively, but not individually, significant, transactions with Government related entities	Actual 2012 $000	Actual 2011 $000
Expenditure		
Government department	3,022	3,063
Crown Entities	1,061	1,240
State Owned Entities	1,531	2,167
Total	**5,614**	**6,470**

The Commission purchases various goods and services while carrying out its business activities.

Significant transactions with Government related entities

There were three significant transactions above for expenditure in the statement of comprehensive income during the year and these can be summarised as follows.

- Share of costs for the three communication centres located in Auckland, Wellington and Christchurch paid to the New Zealand Police amounting to $2.6 million (2011: $2.1 million). For further information see Intangibles assets note 5.
- Air travel paid to Air New Zealand amounting to $1.3 million (2011: $2.0 million). For further information see Other expenditure note 7.
- Road user taxes paid to the New Zealand Transport Agency amounting to $0.8 million (2011: $1.0 million). For further information see Other expenditure note 7.

Collectively, but not individually, significant, transactions with Government related entities

In conducting its activities, the Commission is required to pay various taxes and levies to the Inland Revenue, Accident Corporation Commission and other entities related to the Crown (such as GST, FBT, PAYE and ACC). The payment of theses taxes and levies is based on standard terms and conditions that apply to all tax and levy payers (excluding income taxation for which the Commission is exempt).

The Commission and Executive Management Team

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

			Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
Person	**Counterparty**	**Ref**	2012 $	2011 $	2012 $	2011 $
Robert Francis – Commission Member	Wairarapa District Health Board	(i)	17,000	16,000	–	–
Rt Hon Wyatt Creech – Deputy Chair	Open Country Dairy Limited	(ii)	–	1,150	–	–
Rt Hon Wyatt Creech – Deputy Chair	Healthcare of NZ Limited	(iii)	5,000	–	–	–
Total			**22,000**	**17,150**	**–**	**–**

(i) The Commission charged the Wairarapa District Health Board, of which Robert Francis is the chairperson, rental for a building at the Masterton Fire Station.
(ii) The Rt Hon Wyatt Creech was in the previous year a director of the Open Country Dairy Limited who the Commission charged false alarm call out charges.
(iii) The Commission charged Healthcare of NZ Limited, of which Rt Hon Wyatt Creech is a director, false alarm call out charges.

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

Person	Counterparty	Ref	Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
			2012 $	2011 $	2012 $	2011 $
Angela Foulkes – Commission Member (Retired)	NZ Qualification Authority	(iv)	–	79,623	–	–
New Zealand Fire Service superannuation scheme	NZ Fire Service Superannuation Scheme	(v)	15,075,166	15,605,927	–	–
Vicki Caisley – Commission Member	Kiely Tompson Caisley	(vi)	3,772	15,192	–	–
Robert Francis – Commission Member	Wairarapa District Health Board	(vii)	–	854	–	–
Total			**15,078,938**	**15,701,596**	**–**	**–**

(i) Purchase of goods and services from the New Zealand Qualifications Authority, of which Angela Foulkes (now retired) was a board member.
(ii) The Commission pays employer superannuation contributions to the New Zealand Fire Service superannuation scheme. The scheme is operated by ten trustees six of whom are appointed by the Commission. All Commission appointed trustees from New Zealand Fire Service staff members have now retired.
(iii) Purchase of services from Kiely Tompson Caisley, of which Vicki Caisley's husband is a partner.
(iv) Purchase of goods from the Wairarapa District Health Board, of which Robert Francis is the chairperson.

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.

Commission Members, staff and volunteers of the New Zealand Fire Service Commission insure their properties against the risk of fire and that they pay the fire service levy at the same rate as every other insured person

29 Key management personnel benefits

	Actual 2012 $000	**Actual 2011** $000
Salaries and other current employee benefits	4,023	3,544
Post-employment benefits (KiwiSaver and superannuation)	335	153
Total key management personnel benefits	**4,358**	**3,697**

Key management personnel includes Commission Members, the Chief Executive & National Commander, and the 19 members (2011: 18 members) of the senior leadership and management team.

30 Remuneration of Commission and committee members

		Actual 2012 $000	Actual 2011 $000
Rt Hon Wyatt Creech	Chair	50,493	23,375
Dame Margaret Bazley DNZM Hon Dlit (retired July 2011)	Chair	5,000	60,000
David McFarlane	Deputy Chair	22,979	18,700
Robert Francis	Member	18,700	18,700
Vicki Caisley (from December 2010)	Member	18,700	10,788
Angela Hauk-Willis (from August 2011)	Member	17,046	–
Angela Foulkes ONZM (retired November 2010)	Member	–	7,911
Fees paid to Commission Members		**132,918**	**139,474**
Alan Isaac (Audit and Risk Committee)	Chair	4,800	4,800
Total remuneration of Commission and Committee Members		**137,718**	**144,274**

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 Commission members have received any compensation or other benefits relating to cessation (2011 $nil).

The Commission has a range of insurance cover in place in respect Commission and Committee Members' liabilities.

31 Remuneration of employees

	Actual 2012 count	Actual 2011 count
Total remuneration paid or payable		
$100,000-$109,999	110	211
$110,000-$119,999	43	51
$120,000-$129,999	21	26
$130,000-$139,999	9	14
$140,000-$149,999	6	6
$150,000-$159,999	4	1
$160,000-$169,999	7	3
$170,000-$179,999	2	3
$180,000-$189,999	5	4
$200,000-$209,999	2	1
$210,000-$219,999	–	1
$220,000-$229,999	1	2
$230,000-$239,999	2	1
$240,000-$249,999	2	–
$250,000-$259,999	1	1
$340,000-$349,999 (Chief Executive & National Commander)	–	1
$370,000-$379,999 (Chief Executive & National Commander)	1	–
Total employees	**216**	**326**

The previous year salaries and wages included $5.0 million for call-backs, overtime and pro rata leave due to responses to the to Christchurch earthquakes, Japan deployment and Pike River Mine incident.

Cessation payments

During the year there were 19 severances including redundancies costing $892,452 mainly due to the regional/area realignment projects. In addition there were 60 employees who received cessation payments including gratuities costing $1,591,815 (2011: 38 total cost $1,017,000). Gratuities were 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.

32 Post balance date events

There were no significant events after the balance date.

33 Explanation of significant variances against budget

Explanations for major variances from the Commission's budget in the Statement of Intent are included in the notes above. Other explanations for major variances can be summarised as follows.

Statement of financial position – Trade and other payables

The budgeted increase in trade and other payables did not eventuate and this balance overall remains at a level similar to the previous year.

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