PRESENTED TO THE HOUSE OF REPRESENTATIVES PURSUANT TO SECTION 150(3) OF THE CROWN ENTITIES ACT 2004

NEW ZEALAND FIRE SERVICE
Whakaratonga Iwi

Annual Report

For the year ended 30 June 2013

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AT A GLANCE

OUR PEOPLE

1,700 CAREER FIREFIGHTERS NATIONWIDE

8,300 URBAN VOLUNTEER FIREFIGHTERS

COORDINATE **3,500 RURAL VOLUNTEER** FIREFIGHTERS

OUR NETWORK 5 REGIONS

78 MANNED FIRE STATIONS

358 VOLUNTEER FIRE STATIONS

SUPPORT **187 RURAL** FIRE STATIONS

HIGH-LEVEL GOALS

PROTECTION OF PEOPLE, PROPERTY, COMMUNITIES & THE ENVIRONMENT – BY PROVIDING A PROMPT & EFFICIENT RESPONSE TO UNWANTED FIRES.

FIRE SAFE BEHAVIOUR & PRACTICE – THROUGH PROACTIVE PUBLIC EDUCATION & RURAL FIRE COORDINATION.

RESILIENT COMMUNITIES – BY PREPARING FOR & RESPONDING TO A BROAD RANGE OF NON-FIRE EMERGENCIES IN COLLABORATION WITH OTHER AGENCIES.

2012/2013 BUDGET

THE FIRE SERVICE IS FUNDED ALMOST ENTIRELY FROM THE FIRE LEVY ON PROPERTY INSURANCE.

$329 MILLION REVENUE
$336 MILLION EXPENDITURE

IN 2012/2013

70,907 INCIDENTS
WERE ATTENDED – AN INCREASE OF **7%** ON 2011/2012. THIS INCLUDED:

4,732 MOTOR VEHICLE ACCIDENTS

6,714 MEDICAL EMERGENCIES

3,357 HAZARDOUS MATERIALS INCIDENTS

443,800 DIRECT CONTACTS
WERE MADE WITH PEOPLE TO PROVIDE FIRE SAFETY EDUCATION & PREVENTION ADVICE.

A 94% TRUST & CONFIDENCE RATING
AS MEASURED USING AN INDEPENDENT (RESEARCH NZ) SURVEY OF THE PUBLIC, COVERING A RANGE OF PUBLIC SECTOR ORGANISATIONS.

Contents

Chairperson's Foreword

In 2012/13, the Fire Service was the subject of much political, public and media attention. This included the publication of the Fire Service Review Report and subsequent policy development. As well, we saw the Coronial Inquiries into the Christchurch Earthquake and the Royal Commission into the Pike River Mining Disaster. All made recommendations on how the Service can operate more effectively. The Commission has taken the opportunity to carry out a significant revision of the Fire Service's strategy. This reflects what has been learned over the difficult experiences of the last few years. This strategy will modify the Fire Service's longer-term direction so that the organisation can meet future demands and public expectations while continuing to deliver value for money.

The Fire Service's work has widened significantly over the years. Modern building materials and techniques have seen the incidence of fire as a threat to public safety diminish, but as that has happened the public expectation is that the Fire Service is available to respond to an ever widening range of emergencies.

Progress towards the reform of the rural fire management sector has been slow. Despite years of effort intended to reduce the number of Rural Fire Authorities (RFAs), New Zealand still has 80 separate rural fire management agencies. The Fire Service Review concluded that reducing the number of RFAs by forming enlarged rural fire authorities (ERFDs) is the correct strategy, and if it cannot be achieved by voluntary amalgamations then it should be implemented by the Government. We remain committed to achieving the ERFD objective on a voluntary basis as the optimum way to a more integrated and efficient management of rural fire in New Zealand. It is imperative not just that we reduce numbers of RFAs, but as well that the new structures are sustainable, effective, and efficient and maximise collaboration with sister emergency agencies.

Work has also continued in safeguarding the sustainability of the New Zealand Fire Service, both in terms of its financial performance and volunteer resourcing.

In 2012/13, a further $4 million in administrative savings were realised reflecting the Commission's drive for an organisation that is economic and efficient. Analysis to ensure that the levy base is better understood addressed the concern regarding the avoidance of commercial levies which the Commission is keen to address.

The Commission placed particular focus on the Volunteer Sustainability Programme in 2012/13. This is aimed at improving recruitment and retention and ongoing support for volunteer brigades. This is of fundamental importance given that some 80% of New Zealand's firefighters are volunteers. The programme, which is supported by improved management information of how well volunteer brigades are performing, is helping ensure that we can have confidence in the long-run availability of a volunteer workforce.

Lastly, I would like to take this opportunity to express the Commission's thanks for the hard work of all our people – rural, urban, volunteer and career. The general public appreciates these efforts.

Rt Hon Wyatt Creech
Chairperson

Chief Executive and National Commander's Foreword

This year the New Zealand Fire Service has been the subject of considerable public focus and scrutiny. Particularly, in the aftermath of the tragic events of the Christchurch earthquakes many of the officers involved during the incident gave testimony at the CTV Coronial Inquiry.

These inquiries are of fundamental importance for the families of those who were injured or killed. They have an absolute right to understand what happened and a fair expectation that every agency involved in the earthquake is making improvements where they should.

As I have publicly stated, I am incredibly proud of the courage shown by firefighters on that day, as they entered severely damaged buildings during the aftershocks at great personal risk to rescue those in need. Equally, I am committed to ensuring that the New Zealand Fire Service fully embeds what it has learned from the Christchurch earthquakes.

Through my leadership team I have prioritised an ambitious programme of work to ensure we learn from those lessons and work towards fulfilling the Fire Service's new vision, "Leading integrated fire and emergency services for a safer New Zealand."

This vision sets clear expectations of the ongoing improvements that will take place in the New Zealand Fire Service by the year 2020. As the Fire Services Review reiterated, the mandate and role of the organisation has changed over time and firefighters are required to attend a widening, more diverse range of incidents. The vision clarifies what steps the Fire Service needs to take to ensure it continues to perform at the high standards that the public expect of us.

Performance Summary

The incidence of structure fires has continued to trends downwards this year. This is an encouraging result and reflects the long term impact of fire safety messages and other environmental factors such as improvements to the building stock.

The rate of fire fatalities was in line with the projected rate. By international standards, New Zealand has a low rate of fire death and those fatalities that do occur are over-represented by marginalised socio-economic groups and increasingly in older adults. Encouragingly, no fatalities occurred in our risk group of under five year olds. The new vision reflects the importance of integration with communities and other agencies in finding more effective ways to promote safety messages.

The number of vegetation fires this year was higher than expected which is a result of the unusual drought conditions this summer in much of the country.

The results reflect generally positive movements in fire incidence nationwide and the committed efforts of New Zealand's firefighters to protect the public..

Paul Baxter
Chief Executive and National Commander

New Zealand Fire Service Commission Overview

Structure and function

The New Zealand Fire Service Commission (the Commission) is established as a Crown entity under section 4 of the Fire Service Act 1975. The Crown Entities Act 2004 prescribes the accountability framework for the Commission and sets out the 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 2012/2013 the board members were:

- Rt Hon Wyatt Creech, Chair
- David McFarlane, Deputy Chair
- Robert Francis, member (until 30 September 2012)
- Vicki Caisley, member
- Angela Hauk-Willis, member
- Rangi Wills, member (from 1 October 2012)

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.

Operations Overview

This section provides an overview of emergency response activities during 2012/2013 and a summary of the operational readiness and capability, fire station, and urban search and rescue programmes.

Incident trends

The Fire Service responded to 70,907 emergency incidents during 2012/2013. The total numbers of incidents over the last 10 years are shown in the table below.

Table 1 Incident trends

	Total incidents attended
2012/2013	70,907
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

Overall, incident numbers in 2012/2013 were consistent with the years 2006/2007 to 2008/2009, which are the latest years for which full data are available and which are not impacted by the Canterbury earthquakes. The number of fires continues to decline slowly, mainly owing to legislative changes relating to fireworks and local by-laws to control outside fires. There was a large number of natural disaster incidents in 2012/2013, mainly in a few major events.

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.

In the last few years there has been a steady increase in non-fire emergencies, with spikes in earthquake and weather-related events being the main contributor. Medical assistance calls are indicating a steady growth year after year, now being more than double the 2003 figures.

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

Operational readiness and capability

Insights from the Christchurch earthquake continue to be applied. A comprehensive command and control programme for all executive officers has been developed, and will be delivered in 2013/2014. The recently-introduced National Response Plan has been tested as part of a South Island-wide civil defence exercise. The plan is being refined as a consequence.

In additional, six senior operational commanders attended a comprehensive strategic command course at the Australian Institute of Police Management. Three more are scheduled to attend in October 2013.

PHOTO: DOMINION POST

Fire stations

Work on new stations commenced in Paihia, Takapuna and Port Waikato and these are expected to be completed later in 2013. In addition, there have been further enhancements of facilities at the National Training Centre. Major refurbishments of the fire stations at Chartwell and Darfield were commenced. A major refurbishment of National Headquarters was also commenced.

Significant survey, planning and construction work continues to improve the seismic resilience of the network. After extensive planning and consultation, a major project to seismically strengthen and refurbish Wellington Central Station is set to commence in August 2013. All remaining earthquake-prone or earthquake-risk sites have been identified and the necessary work, where not yet commenced, has been scheduled for completion over several years.

A Christchurch Redevelopment Project has been established to provide organisational direction and co-ordination for the redevelopment of the Christchurch metropolitan network following the earthquakes of 2010 and 2011. Most of the existing seven fire stations will need to be demolished and rebuilt at the same or a different location due to population movement, some earthquake damage, and ground conditions. Work to determine the future structure of the Christchurch metropolitan network is nearing completion following extensive consultation and risk-based location optimisation studies.

Independent maintenance condition surveys have been completed for all stations in all regions and work is well underway on priority maintenance that has been identified.

Urban Search and Rescue

The Fire Service Urban Search and Rescue (USAR) team learnt a great deal from its major deployments to Christchurch and the Japanese tsunami, and since that time has made many improvements. More equipment has been purchased, a new management structure introduced, and policies and procedures reviewed and extended.

During the year, the USAR team applied for International Search and Rescue Advisory Group (INSARAG) classification as a Heavy Rescue Team. This rigorous assessment is scheduled for early 2015. If successful, New Zealand USAR will have demonstrated that they meet the highest international USAR standards and will become one of only three INSARAG classified Heavy Rescue Teams in Australasia.

Training

The National Training Centre at Rotorua experienced a busy year and Training responded to a number of significant challenges during the year. These included a need for a greater focus on developing and maintaining key operational skills such as incident command, making training work better for volunteer firefighters, and recruitment and retention of trainers.

A wider range of training programmes were delivered. The new Volunteer Training and Progression System (TAPS) was delivered to all volunteer stations, and our contract with St John has delivered and assessed First Aid training and refreshers to over 5,000 firefighters.

Phase Two of the National Training Centre was completed, representing completion of the development of the Centre.

National Rural Fire Authority Overview

Guided by the National Rural Fire Authority (NRFA) Strategic Plan 2009/2014, the NRFA continued to implement initiatives to enhance the protection of forest and rural communities and to provide better leadership to Rural Fire Authorities (RFAs). In 2012/2013, the key areas of focus were:

- Continued promotion of the Enlarged Rural Fire Districts Strategy
- Implementation of the NRFA's monitoring and evaluation of the RFA performance framework
- Progressing the replacement of the national fire weather system
- Continued development of rural fire research outcomes.

Enlarged rural fire districts strategy

The Commission has for some years been running an initiative to promote and encourage the merging of rural fire authorities into Enlarged Rural Fire Districts (ERFDs). 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 four years, the National Rural Fire Officer (NRFO) and rural fire staff have undertaken an extensive programme of ongoing engagement with forest and rural fire stakeholders around the country, including RFAs, local government organisations, managers of crown land, forest owners and other rural organisations.

Table 2 below shows the progress of the ERFDs strategy against key performance indicators. The target is to have fewer than 20 ERFDs.

Table 2 ERFD strategy

	2011/2012	2012/2013	2013/2014 forecast	2014/2015 forecast
Number of ERFDs	7	9[1]	15[2]	18[3]
Number of Rural Fire Authorities (RFAs)*	76	62	35	18
Area (ha) under administration of ERFDs	10,548,087	12,400,900	22,004,300	26,582,500
% area of New Zealand under administration of ERFDs	39.2%	46.7%	82.8%	100%

* Number of rural fire authorities excludes the eight Defence RFDs which are not included in the ERFD programme.

1 New ERFDs – Taranaki.

2 New ERFDs – Wellington, East Coast, Central North Island, Otago, Thames Valley/Waikato, Northland extension.

3 New ERFDs – Hawke's Bay, Canterbury, Manawatu.

Fire authority performance monitoring and evaluation

A key function of the Commission is to monitor and evaluate the performance of Rural Fire Authorities (RFAs). An important input to the annual RFA performance assessment was the National Minimum Standards Audit programme of 81 audits of RFAs, which were completed by the end of June. Results indicate that most RFAs were at or near compliance with the minimum standards for fire equipment, personal protective equipment, fire weather observation and training. Any non-compliance matters are subject to corrective action plans between the NRFO and the relevant RFA, and progress against these is monitored.

Twenty RFA performance assessments out of a schedule of 28 were completed using the new performance assessment framework tool. Due to the impact of a heavy operational work load involving Rural Fire Fighting Fund claim assessments and operational incident reviews, the remaining eight assessments will be completed early in 2013/2014. This delay was associated with the events of a severe 2012/2013 summer fire season.

It is estimated that it will take a further two years using the new performance assessment tool to complete the initial baseline performance evaluation of all RFAs.

Fire weather system replacement

The NRFA is required to coordinate the operation of a national rural fire weather index, and to coordinate 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 the 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 current fire weather system, acquired from the Canadian Forest Service in 2002, is to be replaced by a new system developed by NIWA. The new system is expected to be implemented in August 2013.

Research outcomes

The NRFA continued to provide support to SCION and Australia-based Bushfire Cooperative Research Centre forest fire research outcomes in 2012/2013.

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 RFAs, 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 recurrence and increase community resilience.

The results of the first tranche of the Ministry of Business, Innovation and Employment (MBIE) Science & Innovation 2012 Investment Round announced on 23 August 2012 saw $2.2m over 4 years ($550,000 pa) allocated to our forest and rural fire research programme SCION.

This central government funding, along with annual confirmed funding from local government ($60,000), forest owners ($60,000), Department of Conservation ($55,000) and New Zealand Defence Force ($20,000), provides funding certainty for the forest and rural fire research programme over the next four years.

Fire season 2012/2013

A comparative study on the 2013 drought undertaken by the Ministry for Primary Industries confirms that last summer was one of the most extreme on record for New Zealand and the worst since 1945-1946. The 2013 drought was also one of the most widespread that New Zealand has experienced, with only the drought of 1972-1973 coming close to its geographical spread.

The areas most affected by the 2012-2013 drought were southern Northland, Auckland, Waikato, Bay of Plenty, Central North Island, Gisborne, Hawke's Bay, Wairarapa, and parts of the north and west of the South Island.

Due to the overall drought condition, there were 5,245 vegetation fires in 2012/2013, an increase of 14 percent on 2010/2011[1] year (4,599). The total area burnt in 2012/2013 was 4,360 hectares, a three-fold increase on the previous year (1,467 hectares burnt).

In 2012/2013 the Rural Fire Fighting Fund received 94 claims from Rural Fire Authorities; 34 claims originated within areas of Department of Conservation responsibility and 60 claims originated within areas of other Rural Fire Authorities' responsibility. Of the 94 claims lodged, it should be noted that 12 were withdrawn as the relevant Authorities recovered these costs from the people responsible.

The total cost of claims on the Rural Fire Fighting Fund for 2012/2013 amounted to $3,979,485. This amount comprised:

- $753,840 for 28 claims originating within areas of Department of Conservation responsibility
- $3,225,645 for 54 claims originating within the areas of all other RFAs.

The National Rural Fire Authority was also successful in recovering $1,177,641 of costs from people who had caused a wildfire, using the cost recovery provisions of section 43 of the Forest and Rural Fires Act 1977.

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

It should be noted, however, that the total value of claims lodged on the Rural Fire Fighting Fund does not provide a clear overall picture of the total fire suppression costs of wildfires for the 2012/2013 fire season. From information provided by Rural Fire Authorities, the overall cost of wildfires which originated within commercial forest and were not reimbursed from the Fund was $560,621. This involved 15 wildfires where the costs were carried by the Fire Authorities or forest owner insurers. In addition, it is estimated that a further $785,568 from 27 wildfires were carried, or recovered directly, by Rural Fire Authorities from people who caused the fires using the provisions of section 43 of the Forest and Rural Fires Act 1977.

International deployments

Following a formal request from Tasmania Fire Agencies under a Forest Fire Management Group (FFMG) bilateral agreement, two New Zealand Rural Fire Response Teams (NZRFRTs) consisting of 12 rural fire fighters from Northland and Nelson were deployed to Tasmania on 9 January 2013. Tasmania had experienced one of that state's most severe fire seasons in seven years. The fires in early January burnt more than 90,000 hectares of forest and rural area in Tasmania.

In addition, in early February a further formal request, this time from the Victoria State Government under the FFMG bilateral agreement, resulted in two deployments of NZRFRTs consisting of one liaison officer and 64 rural fire fighters to Australia. Half of this group was from the Department of Conservation and the remainder from the forestry sector. Over the course of their 16 day assignments, the NZRFRTs worked on containing large bushfires in the Gippsland area. These personnel were chosen from areas in New Zealand that at the time had the lowest wildfire risk exposure.

1 Data for 2011/12 was impacted by industrial action by career firefighters.

Fire Risk Management 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 identify trends and 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 that television continues to be the preferred method of communication.

With alcohol still featuring highly as a contributing factor to fire starts and, in particular, fire fatalities, there was a continued use of the previous year's TV campaign that showcased people who had had too much to drink being responsible and eating something before they headed home. This demonstration of positive behaviour was one that the Commission wanted to be reflected in fire-safe behaviour of the wider community.

The consequence-based series of advertising which started airing in the 2011/2012 year (the 'Precious' campaign) was continued. New advertisements in this series were rolled out during the year. The 'Precious' campaign features 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 and maintain smoke alarms.

This campaign will be continued in the coming year with the release of the final two advertisements in the series.

Print media campaign

A number of items in our suite of print media and templates were refreshed to reflect latest branding standards and our most up-to-date safety messages.

Avoidable residential fire injuries and fatalities

In 2012/2013 the fire fatality rate equalled the target of 0.45 per 100,000 population, but the injuries rate of 4.2 to the public was above the target of 4.0. However, overall, both of these national goals have shown significant reductions over the last five to ten years. Avoidable residential fire fatalities per 100,000 population have reduced by nearly 30 percent and injuries to the public per 100,000 population have reduced by around 14 percent since June 2003.

Notably, no children died from fire in the 2012/2013 year.

Analysis of the fires has shown no single contributing factor. However, while not always contributors to the cause of the fires, several common factors were present at most of the fatal fires: the victims were of increasing age, many were moderate to heavy smokers, alcohol had been consumed, most lived alone, and most properties did not have smoke alarms, or the smoke alarms that were installed had been rendered inoperable, usually by the removal of their battery.

Strategies are being explored to better reach the audience represented by these statistics with fire safety messages.

Education programmes: Get Firewise/Māui-Tinei-Ahi

The Get Firewise education programme for Year 1 and Year 2 students and the Māui Tinei Ahi programme for Māori children in kura kaupapa continued to be popular within many schools.

Work is being carried out to prepare training in the promotion and delivery of these important programmes to ensure momentum is not lost with the uptake by schools in the year ahead.

A new Māori preschool kit was developed for delivery in kōhanga reo and was rolled out during the 2012/2013 year.

Children who light fires

In the 2012/2013 year, 470 children completed our Fire Awareness and Intervention Programme (FAIP) for children who light fires, compared to 401 the previous financial year. With 87 percent of children being male and 34 percent being Māori, the risk groups remain relatively consistent with past years.

A 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.

Social media

Social media provides organisations like the Commission with the ability to participate, share, network and, above all, interact with the New Zealand public. The Fire Service has successfully been using social media as a communication tool since July 2010.

We have over 30,000 Facebook followers and 140,000 YouTube views, representing a significant increase in exposure from the 2011/2012 year. This also makes the New Zealand Fire Service one of the most active government organisations on social media. Globally, the New Zealand Fire Service sits comfortably within the top 10 fire and emergency services with an active Facebook presence.

Social media has now become a standard channel for communicating fire safety campaigns, raising awareness and promoting activity. Many volunteer fire brigades are also using social media effectively for both local fire safety initiatives and volunteer recruitment.

Using television programmes to raise awareness

Over the last year, the National Communications team has assisted several TV production companies to make episodes for various programmes on different aspects of fire safety.

The target viewing audiences included pre-school ages (Moe the Puppet and Kidzone), 9-13 year olds (Let's Get Inventing), school-leavers/students (Just the Job) and adults (The Block). With anticipated audiences of over 700,000, these collaborative partnerships with private commercial ventures have been cost-efficient models for the Commission to significantly extend effective public fire safety education.

Fire Research and Investigation Unit

Over the last year, the Fire Research and Investigation Unit (FRIU) has successfully identified a range of common fire causes and successfully worked with retailers, manufacturers and regulators to address the fire risk. One example included the successful recall of 28,000 washing machines after several fires in New Zealand and Australia.

Over the last year, the FRIU peer reviewed 470 fire investigation reports produced by New Zealand Fire Service specialist fire investigators, provided technical support and advice to investigators in the field, and delivered a range of fire investigation training to staff and other stakeholders.

During the year the FRIU responded to fires around the country on four occasions, and in Rarotonga, to support regional-based investigators to provide specialist assistance at some high-value loss fires. While in Rarotonga, the FRIU was able to assist Rarotonga authorities to develop a national arson reduction strategy.

Fire Information Unit

The unit has worked hard to reduce the backlog of evacuation scheme applications waiting for processing and has successfully introduced a new online evacuation scheme application service. Work began on the next stage of the online service which will introduce the ability for applicants to also manage the on-going maintenance of their evacuation scheme electronically.

Engineering Unit

As a result of the three Fire Service audits that identified a low quality of fire engineering building design and a subsequent investigation by the Ministry of Business, Innovation and Employment, guidelines for building consent documentation were published during the 2012/2013 year.

The introduction of the new Building Regulations has seen a small decline in the number of building consents being received for review by the engineering unit. However, the new Regulations now require applicants to seek Fire Service input at the pre-design stage. This input consists of technical advice from the engineering unit during the fire engineering brief process and subsequently, operational advice on fire-fighting systems for Fire Service use.

The workload trend currently indicates that this will require more resources than the building consent design review process, but is far more satisfactory in that the timing of the Fire Service input is at an early stage. To implement a nationally consistent process, the Fire Engineering Unit has produced a fire fighting facilities checklist and associated guide that has now been incorporated into the national process maps to guide Fire Service personnel.

Contestable Research Fund

Our knowledge of fire prevention and fire risk management has continued to increase with work completed on various research reports during the 2012/2013 year. The following reports were completed and either published or are awaiting publication:

- Fire system awareness in major buildings
- Fire safety features in housing
- Evaluation of Fire Service programmes targeted at Year 7 and 8 and senior secondary students.

While not yet completed, work continued on the following research reports which were started during the 2011/2012 year:

- Development of a Micro-Simulation Statistical Model for Household Fire Risk Identification
- Delivery Mechanisms for ‘Hard to Reach’ Groups.

The following new research reports were sponsored to be started by the Commission in the 2012/2013 year:

- Evaluation of “Get Out! Stay Out!” pre-school programme
- Communicating fire safety messages to refugees and new migrants
- Attitudes to fire safety in families with newborn babies
- Exploring social marketing approaches for improving fire safety behaviour in older people.

Commission's Administration of the Levy Provisions of the Fire Service Act

The New Zealand Fire Service Commission receives a levy from insurance companies or their agents, representing 95 percent of its funding requirements. The Commission holds that levy until such time as it is required to meet its net operating costs. The statutory responsibilities of the Commission in regards to the levy are largely set out in sections 48 through 53 of the Fire Service Act 1975 ("the Act") and can be summarised as follows:

- To have an understanding of the levy due to the Commission
- To give consideration to and assure itself through audits as to the calculation and timeliness of all levy received
- To keep all returns and information extracted from the same secret, except where published in aggregated form.

The Commission discharged its levy responsibilities by:

- Undertaking 38 audits of insurance companies, brokers and direct levy payers either through its agents or through analysis and investigation
- Issuing over 1,000 statutory declarations
- Reviewing the 974 payments and returns and the supporting 48,273 lines of payment provided by insurers, brokers and direct payers.

The Commission has a number of powers under the Act that are available to support it in regard to these responsibilities. During the year, the Commission used the following powers:

- Challenging the indemnity value declarations of a client under 48(6B) where the Commission believed that the indemnity value had been understated
- Making determinations under 48(6)(d)(ii) where an indemnity value had not been established and there was no sum insured under the contract
- Prosecuting organisations who failed to complete a statutory declaration as to their insurance arrangements as required under the Fire Service Regulations (2003).

The greatest challenge for the Commission, as has been the case for a number of years, however, has been the application of section 48(7) of the Act.

For some time, a number of brokers and insurers have been promoting artificial insurance constructs whose sole purpose is to minimise the amount of levy paid. This effectively shifts the responsibility for funding the operations of the Fire Service to other levy payers.

During the 2012/2013 year in the litigation between the Commission, IBANZ and Vero Insurance, the High Court of Auckland held that these arrangements were effective to reduce the payment of levy. The Commission believes that this judgement is not consistent with the legislation or the intent of the Act, and has appealed to the Supreme Court. It is hoped that a decision on the matter will be handed down in the 2013/2014 year.

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 and place a high level of trust and confidence in those services.

The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2012-2015 Statement of Intent. This section covers the longer-term outcome performances against the Commission's five-year national goals.

Missing data

The results in this section show performance against the Commission's national goals. Missing data owing to industrial action by members of the Professional Firefighters Union during the periods September to December 2009 and August 2011 to March 2012 are shown as gaps in the record. Subsequent 12-month rolling rates have been discounted to allow for the missing data.

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 0.45 per 100,000 population
Achieve and maintain the number of life-threatening and moderate injuries to the public from fire incidents to less than 4.0 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. In 2012/2013 the fire fatality rate equalled the expected rate of 0.45 per 100,000 population but the injuries rate of 4.23 to the public was above the target of 4.0. The increase in life-threatening and moderate injuries was caused by a spike in the number of injuries in October and November 2012. However, overall there have been significant reductions in both deaths and injuries over the last 5 to 10 years. The Commission believes that the main reason for the reductions is its delivery of fire safety education. Avoidable residential fire fatalities and injuries to the public per 100,000 population have reduced by 28 and 14 percent, respectively, since June 2003. Figure 1 shows the results and long-term trends for avoidable residential structure fire fatalities and Figure 2 shows the results for the rate of moderate and life-threatening injuries per 100,000 population.

Key fire safety messages delivered during 2012/2013 focused on the importance of smoke alarms through the “Could you live with yourself?”, “Keep looking while you’re cooking” and “Never underestimate the speed of fire” campaigns.

Figure 1 Annual avoidable residential structure fire fatality rate per 100,000 population

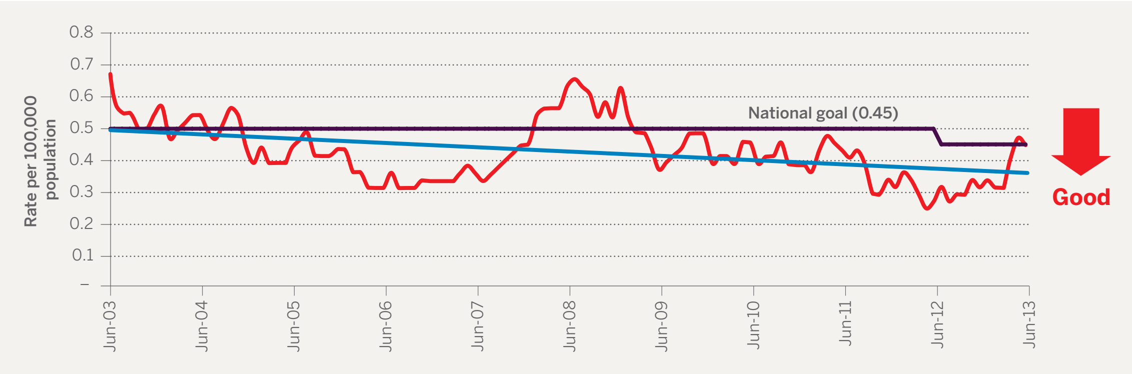
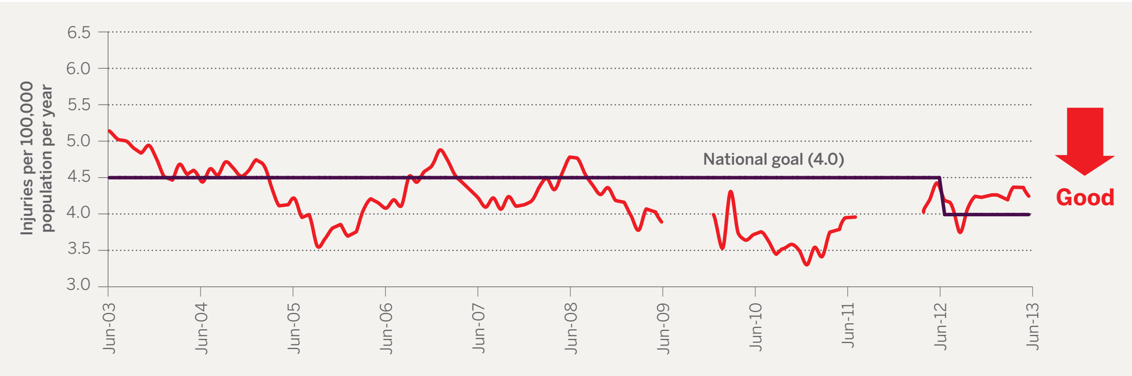


Figure 2 Moderate and life-threatening public injuries per 100,000 population as a result of fire



Property: Estimated value of fire loss

National goals – structures

Maintain the estimated dollar value of damage from fires in residential structures to below $75 million per annum
Maintain the estimated dollar value of damage from fires in non-residential structures to below $55 million per annum
Achieve and maintain the number of fires in structures to less than 120 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. The estimates are indicative only but the estimate for residential property has been verified by independent analysis.

Figure 3 Estimated annual flame damage to residential structures from fires

Figure 4 Estimated annual flame damage to non-residential structures from fires

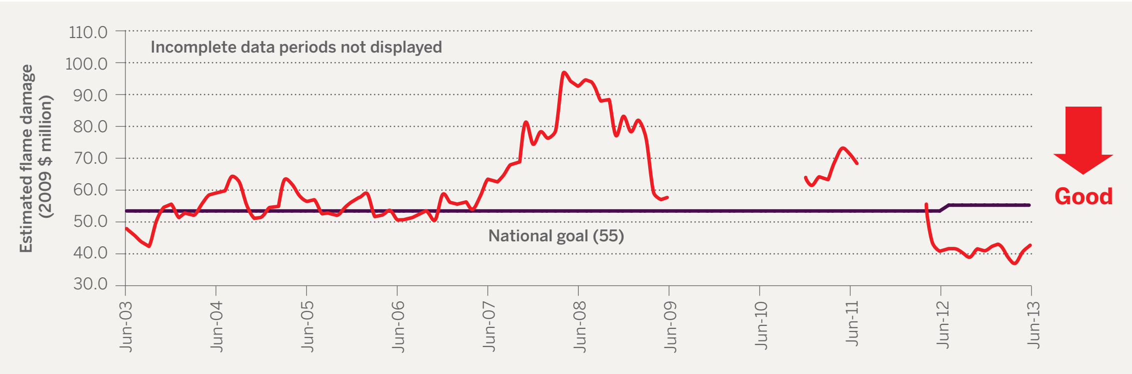
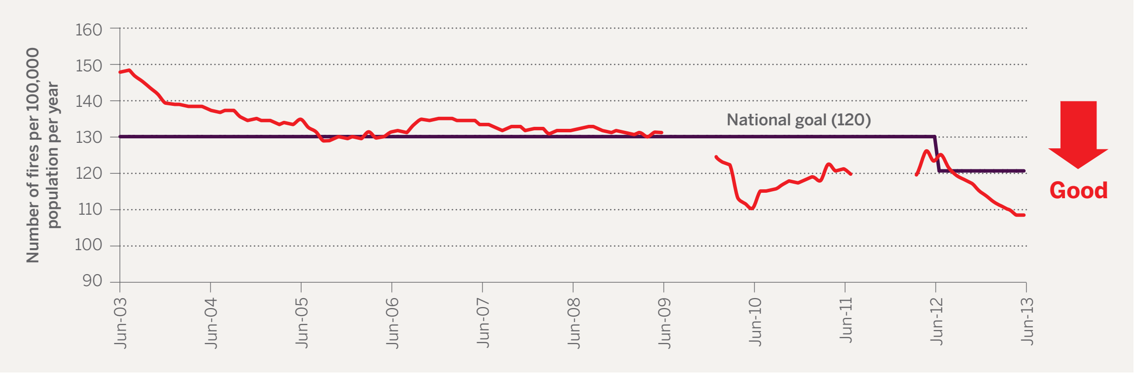


Figure 5 Fires in structures per 100,000 population per year



These graphs show the estimated dollar value of flame damage to residential structures (Figure 3) and non-residential structures (Figure 4).

Overall, the number of fires in all structures has declined significantly over the last decade and is well below the national goal level (Figure 5).

National goals – vegetation

Ensure annual area burnt by wildfires is less than 4,500 hectares
Achieve and maintain the number of vegetation fires to less than 100 per 100,000 population
Contain 95 percent of all wildfires within two hours of being reported

Figure 6 Number of wildfires and the hectares burnt as a result

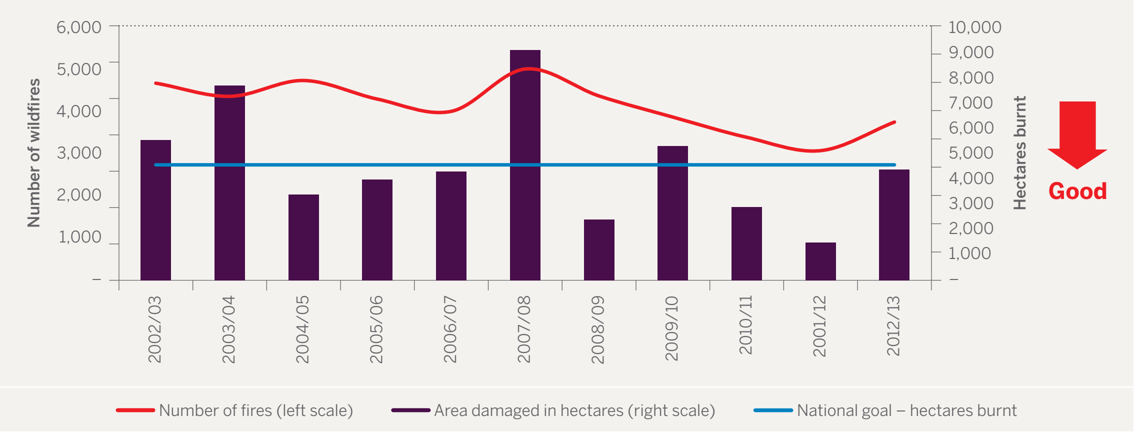
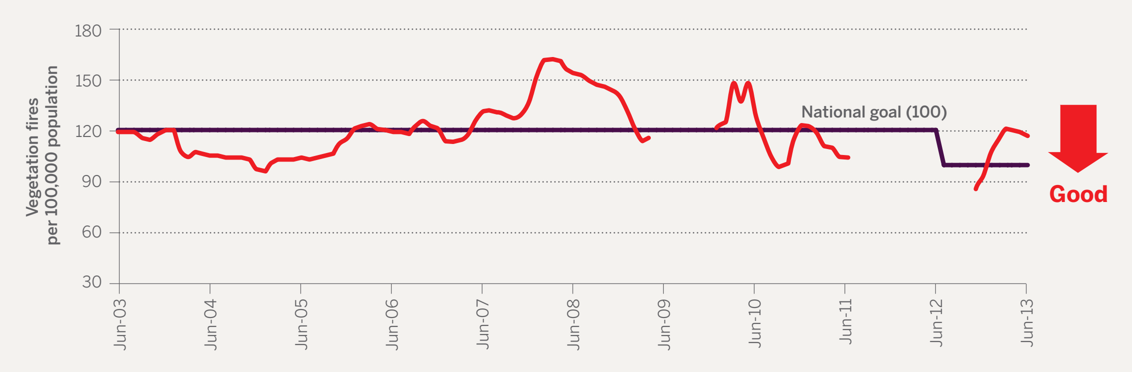


Figure 7 Total vegetation fires per 100,000 population per year



The number of vegetation fires per 100,000 population in 2012/2013 was above the national goal level at 117 per 100,000 population. This reflects the sustained drought conditions experienced throughout the North Island and in much of the South Island. In part, this increasing trend is also due to improved reporting of fires by fire authorities.

A comparative study on the 2013 drought released on 24 July by the Ministry for Primary Industries (MPI) confirmed it was one of the most extreme on record for New Zealand and the worst since 1945/1946. The 2013 drought was also one of the most widespread that New Zealand has experienced, with only the drought of 1972/1973 coming close to its geographical spread.

Figure 6 shows results from annual fire authority returns, with only a slight increase in fire incidents reported despite the extreme conditions. The area burnt in 2012/2013 was 4,360 hectares, which is less than the national goal of 4,500 hectares burnt. Figure 7 shows the number of vegetation fires per 100,000 population. Table 3 below shows the percentage of vegetation fires contained within two hours of notification.

Table 3 Containment of vegetation fires

Wildfires contained within two hours of being reported	2012/2013	2011/2012	National goal
In urban areas (within fire districts)	96%	96%	–
In rural areas (outside fire districts)	77%	90%	–
Overall	**87%**	**92%**	**95%**

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

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 (MVAs), hazardous substance spills, rescues, civil defence emergencies and medical emergencies. Other agencies have the statutory mandate to address many of these non-fire emergencies.

National goals

The Fire Service will meet its obligations for regional and national level Civil Defence exercises and emergencies as verified by independent reviews
The Fire Service will maintain its level of operational readiness for non-fire emergencies as judged by operational readiness audits
The Fire Service will respond to a range of non-emergencies within the service delivery guidelines for non-fire emergencies

Non-fire emergency demands continue to grow as shown in Figures 8 and 9. In the last 10 years the number of non-fire emergencies has grown by around 25% as expectations of the Fire Service continue to evolve. 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.

As part of the Commission's response to the Fire Service Review, we are committed to carrying out an evaluation of fire prevention activities in 2013/2014 and this should help determine the optimal allocation and distribution of fire prevention resources.

Figure 8 Non-fire emergencies attended by the New Zealand Fire Service

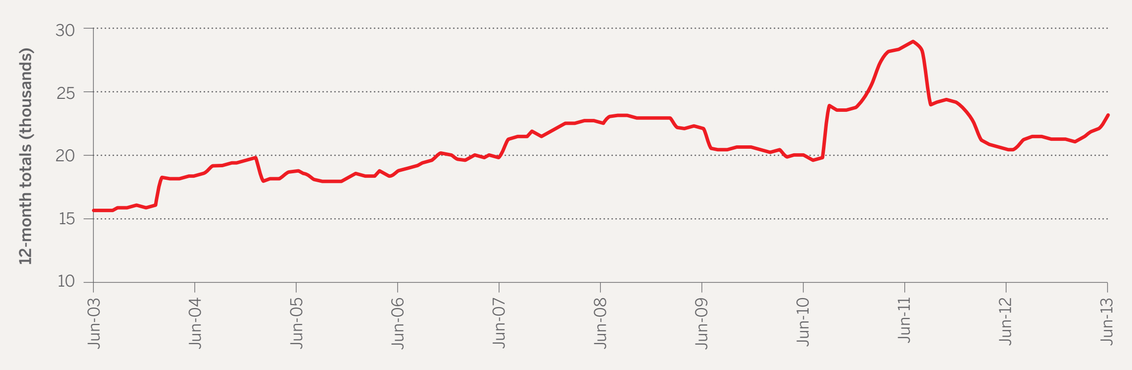
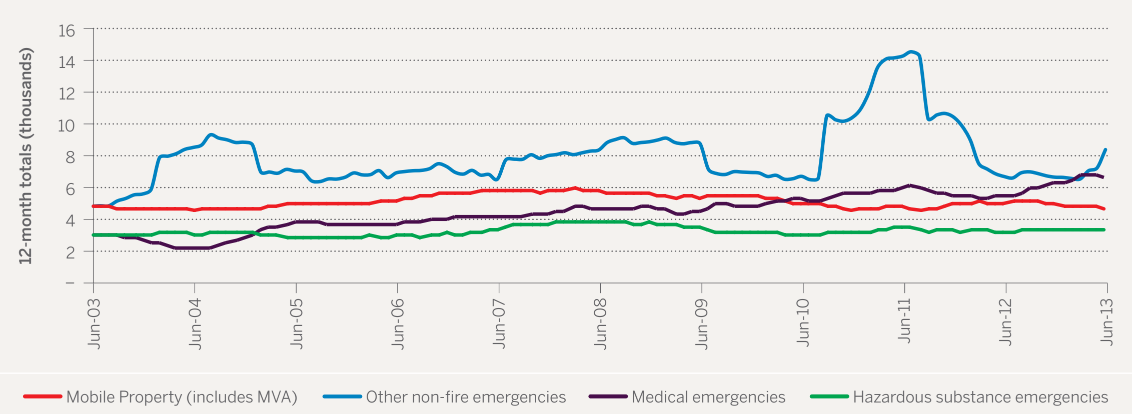


Figure 9 Non-fire emergencies attended by the New Zealand Fire Service



Outcome 3: New Zealanders have access to fire services in which they place 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
95% of the population and 95% of addresses are within 10 minutes of a fire service response

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 4 Trust and confidence

	2012/2013	2011/2012	National goal
Percentage of New Zealanders having full trust and confidence in New Zealand's fire services	94%	98%	95%

Figure 10 Public trust and confidence in the New Zealand Fire Service

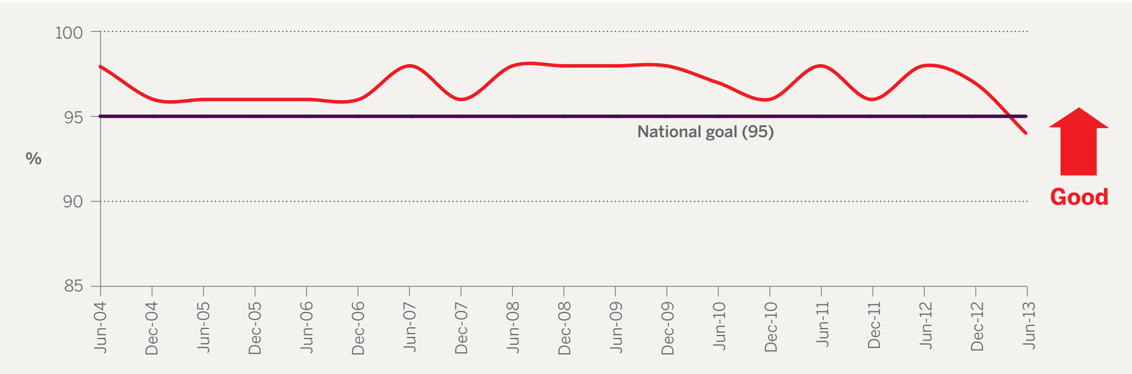
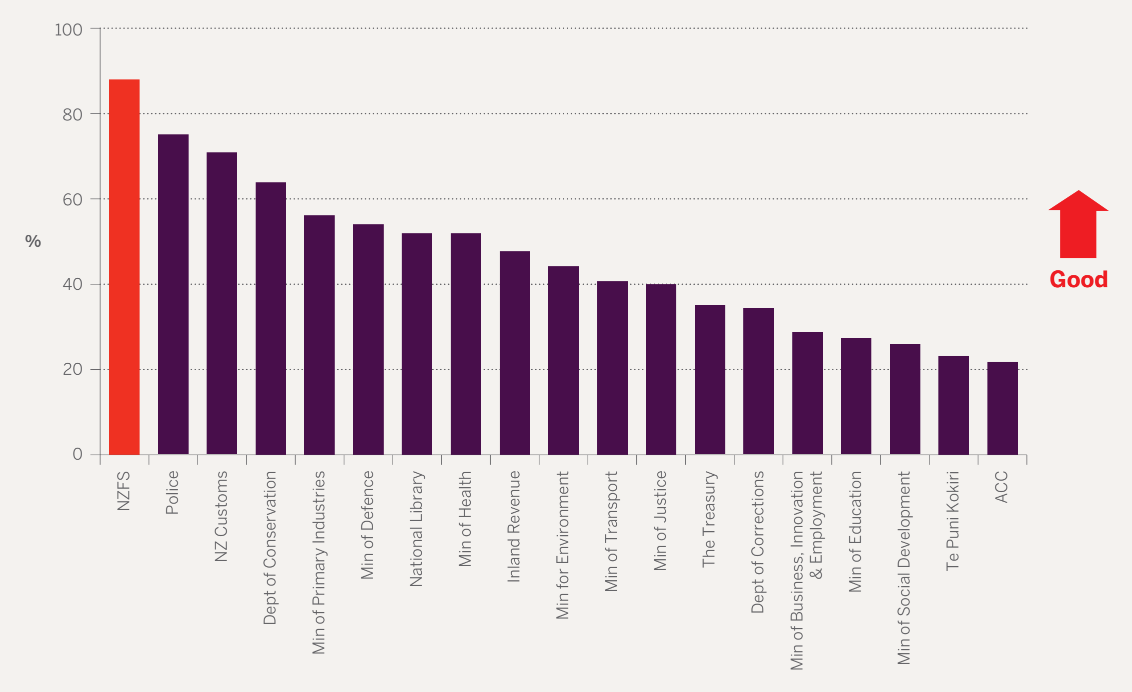


Figure 11 UMR goverment departments performance survey



Trust and confidence is measured using an independent survey (Research NZ) of the New Zealand public. The survey covers a range of public sector organisations with 94% of the public having trust and confidence in the Fire Service which is down from last year's 98% rating and fractionally below our goal of 95%. Notwithstanding this, the Fire Service continues to hold the best position of any government sector organisation included in the poll, with high levels of perceived knowledge, and trust and confidence amongst the general public.

In addition, the Commission monitors the public perception of government departments' performance (UMR survey). The results show where the public perceived performance was either good or excellent. The Fire Service achieved an 88 percent result in January 2013.

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 4.4 million residents and visitors, $400 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 2015:

- 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 1,600 per 100,000 population

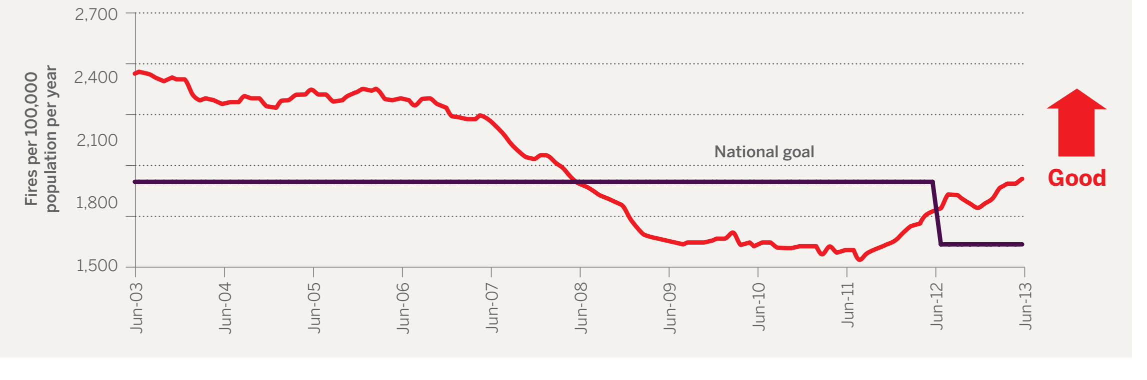
Table 5 summarises the results of the Commission's annual fire knowledge survey.

Table 5 Fire knowledge survey results

	2012/2013	2011/ 2012	2010/2011	2009/2010	National goal
People will believe a fire can become unsurvivable in five minutes or less	90%	89%	90%	91%	98%
People recall a fire safety message	79%	78%	79%	79%	85%
Homes will have at least one smoke alarm installed	92%	92%	90%	89%	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 12 Estimate of all fires in New Zealand per 100,000 population per year



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.

Figure 12 shows the estimate of all fires in New Zealand per 100,000 population, regardless of whether there was a Fire Service response. These figures are estimates and it is uncertain just how accurate they are. Given the uncertain nature of the results and the inability to draw firm conclusions this measure will be discontinued.

Output class 2: Firefighting and other Fire Service operations

The Fire Service responded to 70,907 emergency incidents during 2012/2013. The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2012/2013, 33 percent of incidents were non-fire related emergencies, compared to 25 percent in 2002/2003.

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 hazardous materials (hazmat) unit, 90 percent of the time within large urban areas
- 60 minutes for incidents requiring the specialist hazmat unit, 90 percent of the time for the rest of New Zealand
- For first response to medical emergencies:
  8 minutes, 90 percent of the time, for career stations
  11 minutes, 90 percent of the time, for volunteer stations

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

Tables 6 and 7 show the timeliness of responses to fire and non-fire emergencies compared to the national goal levels.

Table 6 Responses to structure fires inside fire districts

	2012/2013	2011/2012	National service delivery guideline
8 minutes for career stations	85%	87%	90%
11 minutes for volunteer stations	90%	90%	90%

Table 7 Responses to non-fire emergencies

	2012/2013	2011/2012	National goal
Motor vehicle accidents will be responded to within 30 minutes	97%	96%	90%
Incidents requiring the hazmat unit will be responded to within 20 minutes in large urban areas	89%	91%	90%
Incidents requiring the hazmat unit will be responded to within 60 minutes for the rest of New Zealand	89%	69%	90%
Medical emergencies will be responded to in 8 minutes by career stations	87%	86%	90%
Medical emergencies will be responded to in 11 minutes by volunteer stations	86%	86%	90%

Response times are close to target in all instances. The deterioration in response times to structure fires by career stations is largely caused by the difficult conditions prevailing in Christchurch. These measures are driven by longer-term issues such as station location and resource allocation, and as such are relatively static. The sharper change in hazmat responses reflects the introduction of new hazmat vehicles.

Table 8 Fire station resilience

	Number	Percent
Earthquake Resilient, > 67% NBS IL 4	320	73%
Earthquake Risk, 34%-66% NBS IL 4	35	8%
Earthquake Prone, 0%-33% NBS IL 4	75	17%
Christchurch metropolitan fire stations (to be rebuilt)	7	2%
Total	**437**	**100%**

Emergency facilities are designated Importance Level 4 (IL4) under the Building Act 2004 and, accordingly, all new fire stations are designed to 100% of the New Building Standard (NBS) IL4, being a loading of 1.8 times that of a residential house. The Commission has also established that existing fire stations should achieve a minimum standard of > 67% NBS IL4 to be considered "earthquake resilient".

Significant progress has been made in implementing a programme of work to upgrade or replace earthquake risk (34%-66% NBS IL 4) and prone (0%-33% NBS IL 4) fire stations.

The current status of existing fire stations is shown in the above table (Table 8).

Output class 3: Rural fire leadership and co-ordination

National goals

Reduce the number of fire authorities to less than 20 by December 2014
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

There are 71 fire authorities as at 30 June 2013. In 2010, the Commission commenced an initiative to promote and encourage the merging of small Rural Fire Authorities into 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, within regions which have yet to merge, negotiation and consultation is being progressed for the establishment of enlarged rural fire districts through rural fire stakeholder steering committees. In addition, and in accordance with the Fire Services Review findings, the Commission will review the incentives for the Enlarged Rural Fire District process, to encourage the voluntary adoption of enlarged rural fire districts.

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 9 Fire authorities fire plans

	2012/ 2013	2011/ 2012	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	Target
Number of fire authorities	71	76	78	86	86	89	–
Fire authorities with an adopted fire plan and a copy provided to the NRFA	69	76	78	86	86	81	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	97%	100%	100%	97%	100%	91%	100%
Percentage of fire authorities that have reviewed the readiness and response component of their fire plan	99%	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 2012/2013 have been:

- The design of new remuneration structures for firefighters and officers, including the introduction of performance-based progression for officers, and recognition for qualification attainment to ensure the Fire Service can meet its future operational leadership needs
- The development of further initiatives focused on ensuring the long-term sustainability of our volunteer workforce, with a particular focus on supporting effective brigade leadership, attraction strategies, minimising the "cost" of volunteering, and the development of flexible brigade models
- The continuation of the implementation of our leadership development strategy, including the introduction of a talent management programme for frontline leadership positions, implementation of significant enhancements to current development programmes, and increased specialist support for leadership positions
- The introduction of new systems for the recording, reporting and investigation of workplace accidents, illnesses and injuries, and a complete revision of our full suite of safety and wellbeing practices and procedures
- The development and implementation of new absence management procedures
- The implementation of new organisational structures at regional level, and new leadership and management structures focused on delivering enhanced support and services to frontline positions
- Establishing more effective relationships with workforce representative groups.

Leadership development

The enhanced leadership components of the Fire Service's training and progression system for senior firefighter, officer and executive officer programmes have been implemented and supported by a development centre prior to entry onto executive officer programmes to ensure that development is appropriately targeted to match individual needs and future potential.

A comprehensive consultation process on the introduction of regular performance development and support reviews for volunteer leadership positions has been completed, and these will be implemented in the 2013/2014 year, with the aim of ensuring that volunteer leaders are supported and developed to effectively carry out their brigade leadership responsibilities.

New training programmes have been rolled out to executive officers to enhance their capability to effectively support, develop and manage their people. These programmes will support the introduction of the performance development and support reviews for volunteer leadership positions and the performance-based progression for career officers.

New remuneration structures for firefighters and officers have been developed to encourage enhanced levels of qualification attainment, provide incentives for progression into leadership positions, and introduce performance-based progression for officers – all focused on ensuring that the Fire Service is able to meet its future leadership needs in response to our ageing workforce profile.

The talent management and succession planning programme developed in 2010/2011 has been reviewed and enhanced, and is now being rolled out to frontline supervisory positions to further support the focus on developing future leaders. Targeted development programmes continue to be put in place for leaders with high potential, and a development centre for new leaders.

Through changes to organisational structures, greater levels of specialist support are now available to frontline leaders, to assist them in effectively fulfilling their leadership responsibilities and ensuring that they are able to support their people in the delivery of our core services.

Volunteer sustainability

The volunteer sustainability project was established in 2009/2010 to improve recruitment and retention of volunteers. In addition to the range of initiatives focused on building leadership capability in volunteer brigades, as detailed in the section above, during 2012/2013 the Fire Service has also delivered the following new initiatives to support this overall programme:

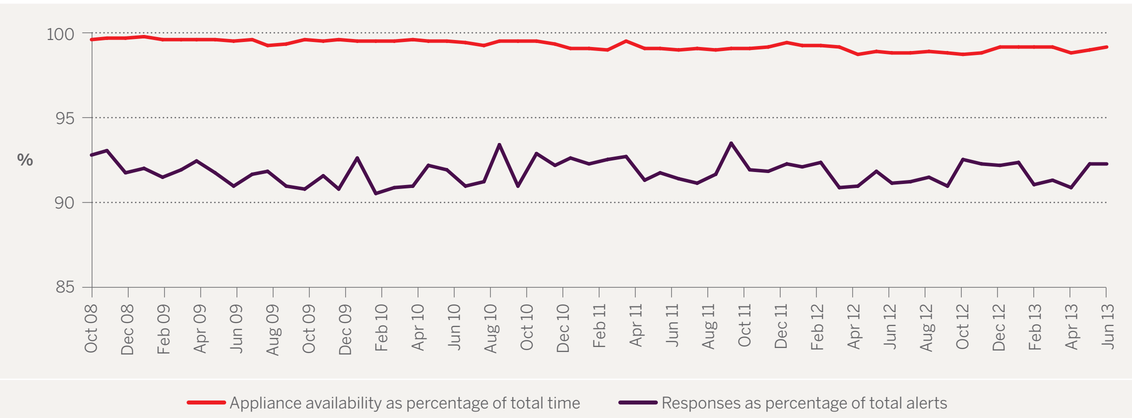
- The national implementation of the Volunteer Dashboard, a tool designed to provide brigade leadership with a comprehensive range of information on the overall health and functioning of their brigade, to ensure that any issues that may potentially impact on brigade viability and sustainability are identified and acted on early
- Enhanced levels of financial reimbursement for volunteers who incur costs in undertaking their volunteer role with the Fire Service, to ensure that the impacts of volunteering are minimised
- The continuation of our annual recognition of volunteers and the employers who support Fire Service volunteering
- A comprehensive review of our training and progression programmes for volunteers to ensure that they are more appropriately tailored to meet volunteer needs, and that the time commitment to completing programmes is minimised through enhanced learning materials
- The development of a resource centre for volunteers, providing them with ready access to all relevant corporate information to support their volunteering role
- The pilot of a volunteer availability system to enable more effective rostering of volunteers, supporting a better balance between volunteering activities and other commitments
- The provision of targeted support to brigades who have particular recruitment and retention challenges
- The implementation of an online recruitment management system to better support the recruitment process and enable effective follow-up, to ensure that recruitment actions are completed in a timely manner.

National goal – volunteer availability

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

Figure 13 shows volunteer availability. The red line shows the percentage of time that volunteer appliances are available to respond to incidents, currently about 99% of the time. Unavailability is due to a number of reasons, including training, training exercises and concurrent calls. The black line show the percentage of alerts where the local volunteer brigade responded.

Figure 13 Volunteer availability indicator



Diversity and fairness

The Fire Service continued to run a firefighter recruitment strategy aimed at attracting women and people from a range of ethnic backgrounds. In 2012/2013, the recruitment strategy 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 that the Fire Service is seen as an organisation that employs a wide range of individuals from many backgrounds. Advertising and other recruitment materials also profile the diverse range of people who join the Fire Service, either as volunteer or career firefighters.

Enhancements to recruitment material, the recruitment process and selection decisions were made to further support our diversity efforts. New attraction material has been developed and piloted for volunteer brigades that operate in communities where brigade sustainability has been a continuing challenge.

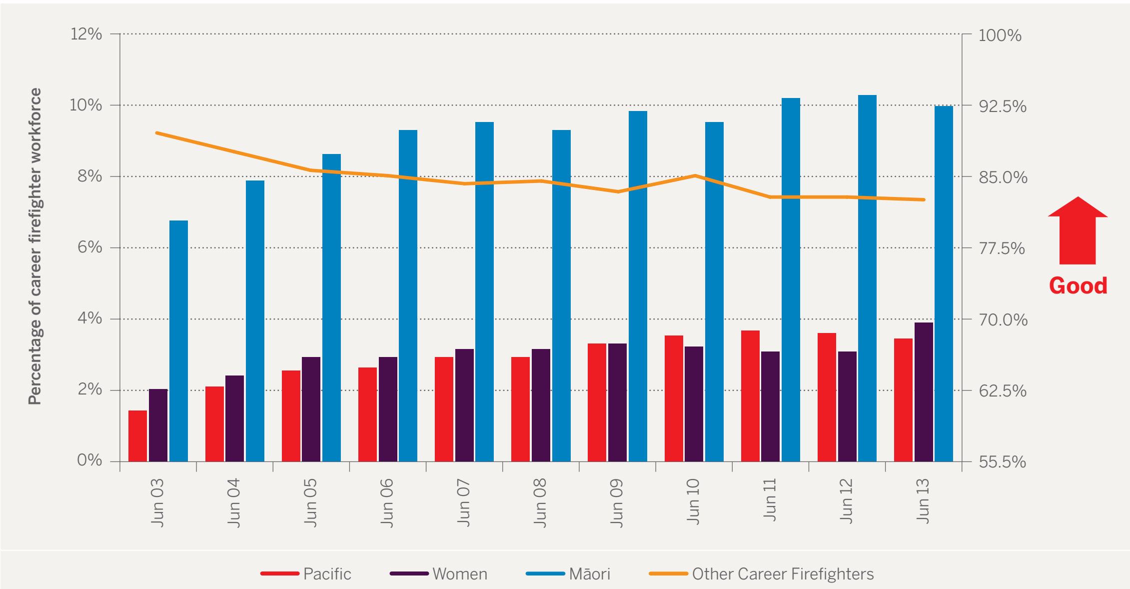
National goal

Achieve improved diversity of the Fire Service workforce so that it better reflects the communities we serve.
Targets for June 2013:

- 11% of operational firefighters will be of Māori origin
- 4.25% of operational firefighters will be of Pacific origin
- 5.5% of operational firefighters will be female.

Figure 14 shows the diversity of career firefighters at 30 June 2013.

Figure 14 Operational career firefighter diversity



Safety and wellbeing

Work continues on providing an effective welfare response to staff impacted by the Canterbury earthquakes, whether personally or professionally through their response role. International experiences have shown that the true psychological effects of such a devastating event can occur a number of years after the event and we have continued to learn from the experiences of our Australian counterparts in delivering our welfare support programme.

The Fire Service is a member of the ACC Partnership Programme. In 2012/2013 the ACC Partnership Programme audit awarded secondary-level accreditation, with tertiary-level standards being achieved in claims management. This is as a result of continuing efforts to enhance our safety and wellbeing performance to a consistently high level nationally. The Fire Service continues to achieve very positive outcomes from this programme, particularly in the area of rehabilitation and return-to-work practices. The Fire Service has undertaken some external benchmarking in these areas and performs very well, with much shorter duration absences for a wide range of claim types.

The Fire Service has seen significant reductions in the level of absenteeism over the last year as a result of sustained effort at all levels of the organisation and the introduction of new procedures aimed at ensuring that staff who are absent due to illness are supported to recover and return to work, fully fit, as soon as practicable.

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 and since its settlement, the NZPFU and the Fire Service have been engaged in a joint working party to develop new remuneration structures ahead of the 2013 negotiations. This working party has been very successful, both in terms of outcomes, and also in developing a much improved relationship between the parties that has already begun to support more collaborative ways of working.

Settlement of a new collective agreement was achieved with the PSA, with minimal change to terms and conditions. This collective agreement effectively supports and facilitates Fire Service operations and provides flexibility in the deployment of staff to meet operational needs.

Organisational design

The Fire Service has completed reviews of its regional and senior leadership structures, to identify improvements aimed at enhancing organisational efficiency and effectiveness, and improved frontline service delivery in 2012/2013.

These new structures have now been fully implemented and create clear lines of accountability for service delivery and consistent standards of service delivery nationally. The new senior leadership structures took effect on 1 October 2012 and have significantly strengthened 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 chart summarises key initiatives aligned to the seven elements of "a good employer".

Good employer element	Key Fire Service initiatives
1. Leadership, accountability and culture	‣ The Fire Service has developed a leadership model and continued the implementation of a wide range of associated initiatives to enhance leadership capacity and capability. ‣ Opportunities for staff members to engage in organisational initiatives outside their core area of expertise are established through working groups, project teams, advisory groups and the use of subject matter experts. ‣ Managers are encouraged and held accountable for providing staff with meaningful and challenging development opportunities. Enhanced training for managers to support this was provided in 2012/2013.
2. Recruitment, selection and induction	‣ Formal documented recruitment processes are in place, as is a review process to identify and address any issues that may arise. The number of reviews lodged is minimal and where opportunities for enhancement are identified, procedures are updated to reflect these learnings. ‣ Tools for managers, such as psychometric testing, development centres, practical work exercises and interview templates, are available and used for the full range of recruitment activities. ‣ Implementation 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. ‣ Performance management process for frontline supervisory positions has been developed and will be implemented in 2013. ‣ Opportunities are available for staff members to apply for roles across all fire regions, including national internal advertising of vacancies. ‣ The Career Board talent management programme, which has been implemented for all frontline leadership positions, has oversight of development opportunities, ensuring that these are targeted to maximise benefit for both individuals and the organisation, 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. ‣ Opportunities for job-sharing for operational positions to provide transition to retirement, and support other key life stages are available. ‣ Flexible rosters are available for some operational staff, giving them freedom to select a work pattern that meets their individual life needs.
5. Remuneration, recognition and conditions	‣ Transparent remuneration system linked to the performance management system. ‣ Development of comprehensive new remuneration structures for firefighters and officers that incentivise progression, reward qualification attainment and provide performance-linked remuneration progression at officer level. ‣ Range of recognition for volunteers, including honours, awards, medals and annual recognition gifts. ‣ Recognition policies for employees. ‣ 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.

National goal – turnover

Maintain annual employee turnover rates below:

- 15% for management and support and communications centre staff
- 6% for firefighters

Table 10 shows personnel turnover rates, compared to the national goal and the previous four years, split into three broad staff groups.

Table 10 Employee turnover rate

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	National goal
Management and support	9.6%	9.5%	7.8%	6%	9.3%	< 15%
Communication centre staff	8.6%	9.3%	5.1%	9%	1.2%	< 15%
Career firefighters	1.9%	3.5%	1.5%	2%	1.7%	< 6%

The overall firefighter turnover rate of 1.9% in 2012/2013 means that change in the diversity profile is slow.

The Fire Service has strategies around attracting diversity for future career rounds and within the volunteer space. Some of these have recently been implemented and others are still underway. These include:

- utilising LinkedIn and Facebook pages and websites such as www.maoripacificjobs.co.nz;
- advertising vacancies targeting various ethnicities (this worked well in the latest career round);
- targeting Women's Expos to increase awareness of female firefighters;
- a 'Practice Day' for the physical test for career recruitment rounds, which allows women to check their fitness levels before actually being formally assessed;
- a 'Just the job' career video targeting women for career firefighter roles; and
- planned targeted advertising in different publications and regions, to attract more diversity.

Greenhouse gas emissions

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.

Table 11 GHG emissions

	June 2013	June 2011	June 2007
GHG emissions will not exceed the 2007 base year of 9,877 tonnes of carbon dioxide equivalents	9,315	9,348	9,877
GHG emissions prevented from being released through firefighting actions will exceed 50,000 tonnes annually	51,000	56,000	–

Statement of Responsibility

for the year ended 30 June 2013

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 2013 set out on pages 35-100 fairly reflect the financial position and operations of the Commission.

Rt Hon Wyatt Creech
Chair
31 October 2013

Angela Hauk-Willis
Member of Commission
31 October 2013

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 2013

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 51 to 100, that comprise the statement of financial position as at 30 June 2013, 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 14 to 21 and the statement of service performance on pages 35 to 45.

Opinion on financial statements

In our opinion the financial statements of the Commission on pages 51 to 100:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Commission's:
  - financial position as at 30 June 2013; and
  - financial performance and cash flows for the year ended on that date.

Qualified opinion – performance data was not collected for some performance measures in the prior year

Reason for the qualified opinion on non-financial performance information

In respect of the 30 June 2012 corresponding information only, and as outlined on page 14 and 35, performance data was not collected for some performance measures during August 2011 to March 2012, due to industrial action by fire fighters.

As the performance data was not collected for those measures during August 2011 to March 2012, the performance data for the corresponding year is incomplete and does not fairly reflect the actual performance for those measures for the year ended 30 June 2012.

The lack of performance data meant that our work on the affected non-financial performance information for the corresponding year was limited and our audit opinion on the non-financial performance information for the year ended 30 June 2012 was modified accordingly.

The performance data reported for 2012/13 is for an entire year and as result of the above issues it is not directly comparable to the 2011/12 performance data.

Qualified opinion on non-financial performance information

In our opinion, except for the effects on the corresponding figures of the matter described in the "Reason for our qualified opinion" paragraph above, the non-financial performance information of the Commission on pages 14 to 21 and 35 to 45:

- 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 2013, 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 2013. 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, in our judgement, are likely to influence reader's overall understanding of the financial statements and non financial performance information. We were unable to determine whether there are material misstatements relating to the corresponding figures in the Commission's reported performance for those performance measures where data was not collected during August 2011 to March 2012, because the scope of our work was limited, as we referred to in our opinion.

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 Commission's preparation of the 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. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We did not obtain all the information and explanations we required due to the Commission not collecting performance data for some performance measures during August 2011 to March 2012, as explained above. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion on the financial statements and our 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 are also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Members of the Commission's responsibilities arise from the Crown Entities Act 2004 and the Fire Service Act 1975.

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 External Reporting Board.

In addition to the audit we have carried out a probity assurance review over a tender process for fire appliances. This assignment is compatible with those independence requirements.

Other than the audit and this assignment, 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 2013

This section sets out the measures of financial performance and the output performance for 2012/2013.

Statistical reporting

Both 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.

It should be noted that missing data owing to industrial action by members of the Professional Firefighters Union during the periods July 2009 to December 2009 and August 2011 to March 2012 are shown as gaps in the record and subsequent 12-month rolling rates have been discounted to allow for this.

During the year, the Fire Service raised an issue with the Minister concerning data integrity of some of the output measures in the quarterly report to the Minister. These were investigated and resolved and management is satisfied as to the accuracy of the output measures in this report.

Main financial measures

	2012/2013 Actual $000	**2012/2013** SOI Target $000
Levy receipts (including Rural Fire Fighting Fund)	331,132	313,042
Total revenue and income (excluding Rural Fire Fighting Fund)	352,547	326,328
Total expenditure (excluding Rural Fire Fighting Fund)	322,991	332,560
Net surplus attributable to the owners of the Commission	28,926	(6,992)
Debt and investment levels – minimum liquidity buffer	10,000	10,000
Capital expenditure cash flows		
Intangibles	(2,695)	(2,838)
Property, plant and equipment	(33,688)	(44,162)

Output classes levy receipts

	2012/2013 Actual levy receipts $000 GST excl.	**2012/2013 Budget levy receipts** $000 GST excl.	**2011/2012 Actual levy receipts** $000 GST excl.
Output Class 1: Fire safety education, prevention and advice	**51,988**	**50,087**	**51,825**
Output 1.1: Fire prevention and advice to the general public	37,749	35,687	37,809
Output 1.2: Professional and technical advice to the built environment public	12,583	12,835	12,386
Output 1.3: Fire safety legislation	1,656	1,565	1,630
Output Class 2: Firefighting and other Fire Service operations	**272,190**	**255,129**	**266,948**
Output 2.1: Operational readiness	215,898	203,164	211,212
Output 2.2: Operational responses to fire and other emergencies	45,696	43,200	45,958
Output 2.3: Wider emergency management capability	10,596	8,765	9,778
Output Class 3: Rural fire leadership and co-ordination	**6,954**	**7,826**	**7,171**
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	6,292	5,948	6,519
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	662	1,878	652
Total levy receipts assigned to outputs	**331,132**	**313,042**	**325,944**

Output classes other revenue and income

	2012/2013 Actual other revenue and income $000 GST excl.	**2012/2013 Budget other revenue and income** $000 GST excl.	**2011/2012 Actual other revenue and income** $000 GST excl.
Output Class 1: Fire safety education, prevention and advice	**2,490**	**1,201**	**793**
Output 1.1: Fire prevention and advice to the general public	1,499	581	331
Output 1.2: Professional and technical advice to the built environment public	487	204	105
Output 1.3: Fire safety legislation	504	416	357
Output Class 2: Firefighting and other Fire Service operations	**20,871**	**14,017**	**10,960**
Output 2.1: Operational readiness	12,838	7,799	5,686
Output 2.2: Operational responses to fire and other emergencies	7,613	6,080	4,592
Output 2.3: Wider emergency management capability	420	138	682
Output Class 3: Rural fire leadership and co-ordination	**1,576**	**804**	**407**
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes	1,549	778	401
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	27	26	6
Total other revenue and income assigned to outputs	**24,937**	**16,022**	**12,160**

Output classes total expenditure

	2012/2013 Actual total expenditure $000 GST excl.	**2012/2013 Budget total expenditure** $000 GST excl.	**2011/2012 Actual total expenditure** $000 GST excl.
Output Class 1: Fire safety education, prevention and advice	**49,630**	**52,419**	**49,515**
Output 1.1: Fire prevention and advice to the general public	35,835	36,956	35,775
Output 1.2: Professional and technical advice to the built environment public	11,930	13,409	11,858
Output 1.3: Fire safety legislation	1,865	2,054	1,882
Output Class 2: Firefighting and other Fire Service operations	**269,450**	**274,936**	**260,822**
Output 2.1: Operational readiness	210,019	215,547	203,467
Output 2.2: Operational responses to fire and other emergencies	49,196	50,161	47,527
Output 2.3: Wider emergency management capability	10,235	9,228	9,828
Output Class 3: Rural fire leadership and co-ordination	**8,062**	**8,701**	**7,211**
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes	7,392	6,876	6,607
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	670	1,825	604
Total expenditure assigned to outputs	**327,142**	**336,056**	**317,548**

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, including through national advertising media. These services aim to change people's 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) also 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		2012/2013 Actual	2011/2012 Actual	2012/2013 SOI target
1.1.1	Number of fire safety education programmes delivered and the percentage that use the standard national promotion material:			
	• Programmes for children using the FireWise programme	839	543*	1,200-1,500
	• Programmes for young people using the Fire Awareness Intervention Programme (FAIP)	470	399*	700-1,000
	• Home visits delivering fire safety messages	11,351	8,876*	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 2013	11,362	9,733	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 2012 and Feb 2013	Campaign conducted between Dec 2011 and Feb 2012	Campaign conducted between Dec 2012 and Feb 2013
1.1.4	Percentage of public satisfaction and level of expectations met with fire safety education provided by the Fire Service†	96% and 95%	92% and 94%	At least 90%

* Measures impacted by industrial action.

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

Comment on 1.1.4

A random telephone survey of 1,006 people was carried out in September 2013. Of the people surveyed, 27 percent had contact with the Fire Service for fire safety education. The levels of satisfaction and expectations reflect the views of these 27 percent 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 that 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		2012/2013 Actual	2011/2012 Actual	2012/2013 SOI target
1.2.1	Number of times technical fire safety advice is delivered and the percentage that meets the national technical fire safety standards:			
	• Number of times fire safety technical advice is provided	9,042	7,556	7,000-10,000
	• Percentage of technical advice delivered that meets the national technical fire safety standards	Not measured	97%	100%

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		2012/2013 Actual	2011/2012 Actual	2012/2013 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	755 Next independent audit scheduled for 2014 100%	473 99.6% 100%	500-750 100% 100%
1.3.2	Percentage of evacuation schemes submitted to the Fire Service processed within 20 working days of being received	46%	94%	At least 90%
	Percentage of evacuation scheme applications assessed to determine whether they have met the requirements of the evacuation regulations	100%	100%	100%
1.3.3	Percentage of identified dangerous buildings notified to the relevant territorial authority	100% (5 buildings)	100%	100%

Output Class 2: Fire fighting and other Fire Service operations

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

This output class includes the services that the Fire Service provides to prepare for and suppress fires and provide a response to other emergencies. Responses to other emergencies include events such 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 of 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 that 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. Each station carries out an audit each year against a standardised checklist

Pre-incident planning ensures that information is available for buildings so that 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 that information remains current.

Performance measures

Measure		2012/2013 Actual	2011/2012 Actual	2012/2013 SOI target
2.1.1	Percentage of stations assessed as meeting the minimum standard for operational readiness, as judged by full operational readiness assessments	100%	NA	100%
2.1.2	Percentage of stations assessed on a five-year rolling basis	100%	98% (430 of 438)	100%
2.1.3	Number of operational plans developed or reviewed in accordance with the National Commander's operational instructions	569 developed 1,885 reviewed	326 developed 733 reviewed	700-1,000 developed 1,000-1,500 reviewed

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 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 set out in Tables 6 and 7 in the "The Commission's Performance" section of this report.

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		2012/2013 Actual	2011/2012 Actual	2012/2013 SOI target
2.2.1	Percentage of alarms to fires in fire districts responded to by the Fire Service and appropriate action taken	100% (45,169)	100% (7,514)*	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% (5,800)	100% (3,640)	100%
2.2.3	Percentage of alarms to non-fire emergencies in fire districts responded to by the Fire Service and assistance provided	100% (39,166)	100% (11,565)	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% (9,791)	100% (3,444)	100%
2.2.5	Percentage of alarms to incidents that turn out to be false responded to by the Fire Service	100% (25,620)	100% (19,931)	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	100% 31	NA 2 *	100% Estimated at between 20-40
2.2.7	Percentage and number of specialist fire investigations carried out, according to the National Commander's operational instructions, completed for all incidents meeting the National Commander's criteria	100% 405	93% (232 out of 250)	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. †	96% and 99%	98% and 93%	At least 90%

* Measures impacted by industrial action.

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

Comment on measure 2.2.8

A random telephone survey of 1,006 people was carried out in September 2013. Of the people surveyed, 9 percent had contact with the Fire Service for emergency response. The levels of satisfaction and expectations reflect the views of these 9 percent 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 levels. 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 that Fire Service obligations under the National Civil Defence Emergency Management 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.

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

During the year, the USAR team applied for International Search and Rescue Advisory Group (INSARAG) classification as a Heavy Rescue Team. This rigorous assessment is scheduled for early 2015. If successful, New Zealand USAR will have demonstrated that they meet the highest international USAR standards and will become one of only three INSARAG classified Heavy Rescue Teams in Australasia.

Performance measures

Measure		2012/2013 Actual	2011/2012 Actual	2012/2013 SOI target
2.3.1	Maintain membership on all Emergency Management Groups (EMGs) and participate in EMG meetings[1]	16	20	100% Between 30-50
2.3.2	Number of urban search and rescue teams maintaining the International Search and Rescue Advisory Group (INSARAG) heavy level	3	3	3 by 30 June 2013
2.3.3	Number of exercises carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents	135	86	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	2 national level exercises; no national emergencies declared	No national emergency declared	100%

[1] The Fire Service is not a member of the EMG. Rather it is a member of The Coordinated Executive Groups (CEG), which is the operational arm of the Civil Defence management group. Numbers reported are in fact for membership of the CEG.

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 that 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		2012/2013 Actual	2011/2012 Actual	2012/2013 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%	100% (53) ($1,8m)	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%	100%	90%
3.1.4	Percentage of 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	68% (admin) 72% (meeting)	67% (admin) 62% (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 rural 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 to 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 required
- Inform the public
- Make decisions to close areas at high risk
- Plan and conduct controlled burns.

Performance measures

Measure		2012/2013 Actual	2011/2012 Actual	2012/2013 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 audit within two months of the audit	93% (91 audits)	96% (47 audits)	100%
3.2.2	Percentage of fire authorities provided with a written draft performance report on the estimated five evaluations of fire authorities' performance under the Forest and Rural Fires Act 1977 within two months of the assessment	82% (17 completed)	100% (eight completed)	100%
3.2.3	Percentage of performance reports accepted by fire authorities without recourse to mediation	94%	100%	95%
3.2.4	Percentage daily availability of fire weather information and the percentage updated by 3pm	95% 90%	96% 90%	100% 95%

Financial Commentary

for the year ended 30 June 2013

Financial performance

	Actual 2013 $millions	Budget 2013 $millions	Variance 2013 $millions	Actual 2012 $millions
Total revenue and income	352.5	326.3	26.2	337.2
Total expenditure	(323.0)	(332.6)	9.6	(315.0)
Net surplus/(deficit) excl. RFFF	**29.5**	**(6.3)**	**35.8**	**22.2**
RFFF income	3.5	2.7	0.8	0.9
RFFF expenditure	(4.1)	(3.4)	(0.7)	(2.5)
Net surplus/(deficit)	**28.9**	**(7.0)**	**35.9**	**20.6**
Cash and investments	70.5	39.9	30.6	53.2
Capital expenditure	36.5	47.0	(10.5)	43.0

RFFF = Rural Fire Fighting Fund

Cash and reserves

The establishment by the Commission of specific reserves (in both cash and equity) reflects the challenges and uncertainties it faces going forward, as well as the demands, in excess of business as usual activities, for which funding will be required.

Two of these reserves (the major emergencies response reserve and levy variability reserve) were established as a result of the Commission's experiences during the global financial crisis, as well as during the Christchurch earthquakes, Rena disaster and Pike River tragedy, when resources over and above its minimum shift manning were required to meet the demands on our staff at the time, and with the regulatory changes that occurred in the aftermath of these. The Commission has established two further reserves this year (Christchurch rebuild and seismic resilience reserve). These reserves reflect the amounts that will be required to meet the present need to seismically strengthen fire stations, as well as meet some of the costs associated with the Christchurch rebuild.

Cash and Investments totalling $70.5 million at year end go towards meeting:

- The current needs of the Rural Fire Fighting Fund (RFFF) of $4.5 million
- The contingent needs of emergency and levy reserves of $25.0 million
- The current and future demands from Christchurch insurance reserve of $12.2 million
- The current and future demands from the seismic reserve of $33.0 million.

The reserve established for the Christchurch rebuild reflects only the amount received from the Commission's settlement with its insurance companies. During the year, the Commission received $9.7 million ($12.2 million in total). This reserve is only part of the full cost of the rebuild, which is expected to cost in excess of $45.0 million over the next five years.

The disparity between the insurance proceeds and expected costs relating to relocating and rebuilding fire stations (including land acquisitions) are required to match the changing risk profile of the city, of which only some of the properties were the subject of insurance claims.

Capital expenditure

	Actual 2013 $millions	Budget 2013 $millions	Variance 2013 $millions	Actual 2012 $millions
Fleet	10.6	15.0	(4.4)	10.6
Property	12.9	14.5	(1.6)	15.6
Information communications and technology	4.3	6.5	(2.2)	5.1
Operational equipment	8.7	11.0	(2.3)	11.7
Total property, plant and equipment	**36.5**	**47.0**	**(10.5)**	**43.0**
Cash proceeds from disposals	(0.3)	(4.0)	3.7	(2.6)
Net total	**36.2**	**43.0**	**(6.8)**	**40.4**

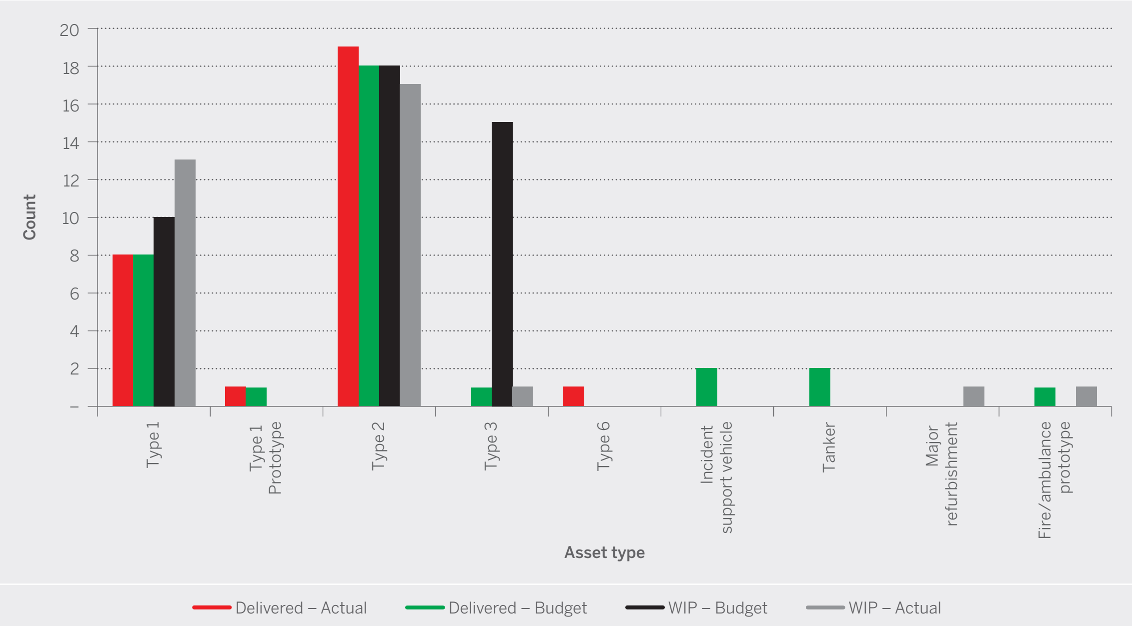
During the year the Commission:

- Acquired a total of 29 new appliances (2012: 35 new appliances), including eight Type 1 appliances, 19 Type 2 appliances, one Type 6 appliance and one prototype vehicle
- Acquired land at Katikati, Springfield and Ravensbourne
- Work on new fire stations commenced at Paihia, Takapuna and Port Waikato, and these are expected to be completed later in 2013
- Major works completed during the year include the Napier fire station redevelopment, the Otorohanga appliance bay, Rotorua appliance bay and roof, Woodville fire station office and amenities, Auckland office roof, Thames fire station additions, and the Wanganui fire station roof
- There were a number of major works in progress at year end, including the Wellington fire station seismic upgrade and refurbishment, the Te Aroha fire station refurbishment, the Wanganui fire station refurbishment, alterations at the Chartwell fire station, and the reroof at the Mangaweka fire station
- The Christchurch region rebuild has commenced, albeit more slowly than first anticipated, with the demolishment of the Lyttelton fire station and alterations to the Darfield fire station
- The only disposal of property during the year was Pt Howard during May 2013.

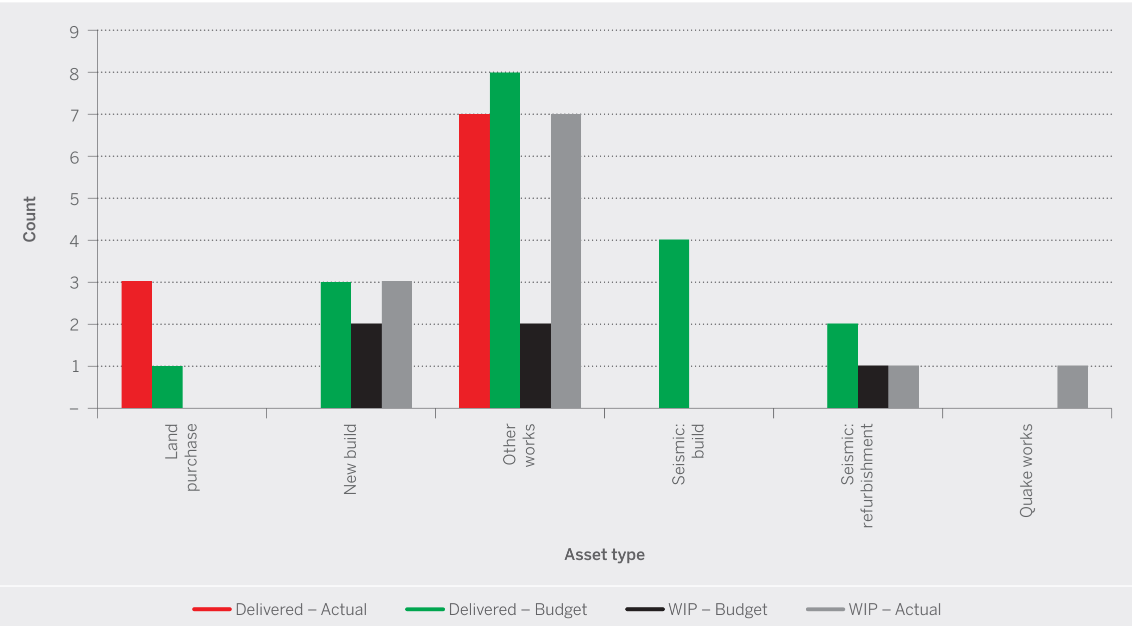
The Commission holds $575.2 million of fixed assets (including intangibles) primarily in the areas of fleet and property, and has to continually keep reinvesting in and maintaining these assets to ensure that its network of fire stations (436) and its fire appliances (850) remain fit for purpose.

The following graphs show the breakdown of the programme established at the start of the year against that which got delivered for the two major asset categories, fleet and property. The most significant delays occurred in relation to property primarily in the Christchurch rebuild and the seismic strengthening programmes, where investigations and consultation took precedence to acquisition and construction.

Fleet vehicles completed during the year – Actual compared with Budget (count)



Property works completed during the year – Actual compared with Budget (count)



Equity

Total equity is $556.7 million and reflects the asset ownership model adopted by the original and successive Commissions. The strategic decision to own assets (funded through the initial vesting of those assets into the Commission in 1975, and then through acquisition and construction growth ($575.2 million at year end) and progressive funding through depreciation rather than debt) reflects the Commission's strategic perspective regarding the importance of asset ownership and security of location. Revaluation reserves total $65.5 million (of which $16.8 million relates to revaluations during the current year). The Commission actively reviews its strategy of assets, including career and volunteer fire station locations, fleet and equipment.

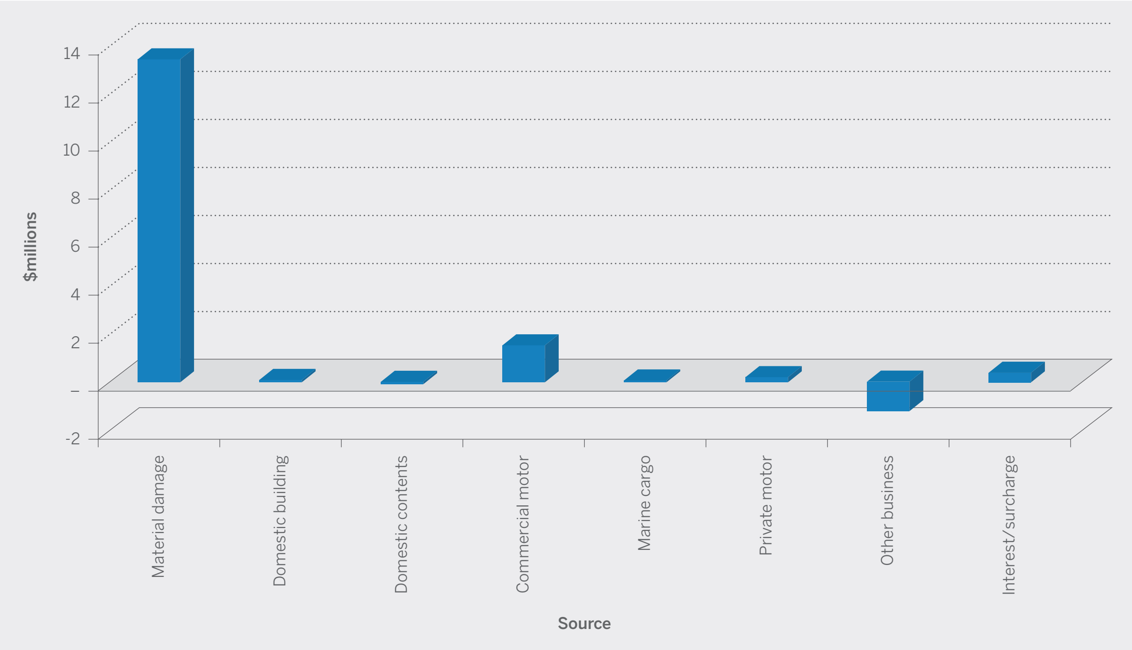
Levy income

One of the functions of finance in any organisation is to ensure that the organisation is capable of delivering what it needs to do today, while having an eye to the future in regards to what it needs to achieve. The Fire Service Act reflects this, in part, in that when setting the rate of levy, the Minister of Internal Affairs must give consideration not only to the actual net expenditure of the Service (the present), but must also be mindful of the need for levy rate stability over the medium to long term (the future). The rate of levy was last adjusted in 2008 and has proven to be effective in managing the current as well as the long-term strategic needs of the New Zealand Fire Service.

Levy, being the primary source of funding for the Commission (around 95% of the funding), still provides forecasting challenges. Through the voluntary disclosure of information by the insurance industry over the last 14 months into the levy remitted to the Commission, it has been observed that levy receipts at any point comprise:

1. Growth/shrinkage in residential and commercial payments either through economic, commercial decisions or avoidance practices
2. The receipt of late and early levies, and provision of penalties
3. Other one-off receipts.

Sources of Levy receipts



This year for the first time the Commission has been in a position to separately quantify each of these impacts. Levy income (which is accounted for on a cash basis) was $18.4 million greater than budgeted for as a result of:

- $7.8 million of growth above and beyond that budgeted for at the commencement of the year
- $7.8 million of levies being received either late or early
- Receipts relating to interest and surcharge of $0.2 million
- One-off contracts or payments of levy of $2.6 million.

The growth above that budgeted is derived almost solely from the sector of levy payers, as the graph above shows. The assumptions made in 2011/12 that there would be no growth in 2012/13 was realistic given the economic projections at the time both domestically and internationally, the perceived adverse impact of the Christchurch reconstruction on the levy, and the increasing premium cost of insurance. This proved not to be the case.

Operating expenditure

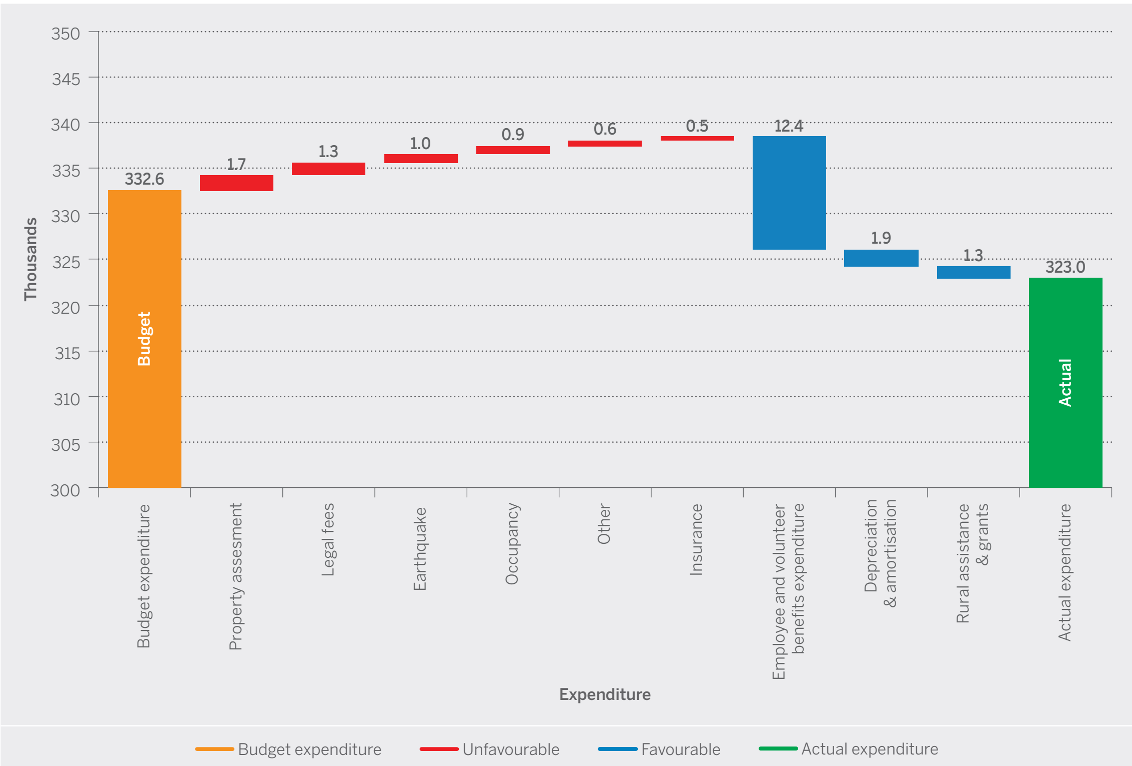
Overall operating expenditure was $9.6 million (excluding the Rural Fire Fighting Fund) under budget for the year. The most significant drivers were personnel costs which, despite having a large under budget result, still delivered the required outputs for the organisation. The main components of this were:

1. Employee and volunteer benefits ($12.4 million under budget) as a result of rolling the Professional Fire Fighters Collective Employment Agreement for six months while a joint working party progressed pay discussions. $500 lump sum per fire fighter was paid to extend the contract for six months to 30 June 2013. The filling of vacancies following the National Headquarters restructure and region/area realignment took longer than anticipated.

2. Other expenditure ($4.6 million above budget) as a result of:

- The financial impacts from the Christchurch earthquake continuing through temporary accommodation and welfare costs ($0.8 million over budget)
- The legal costs surrounding the Canterbury Earthquakes Royal Commission and the Coroner's Inquest into the death of Tamara Cvetanova and others, which accounted for a large part of the $1.3 million of overspend in the legal budgets
- Claims for rural grant assistance being lower than anticipated by $1.1 million, but claims on the Rural Fire Fighting Fund (RFFF) being $0.7 million higher due to the elevated rural fire season
- $1.7 million extra being spent identifying 10 year maintenance plans on the Commission's $378.9 million of property, as well as seismic assessments by engineers and architects on its at-risk properties (as identified in its desk top assessments)
- An additional $0.5 million being required for insurance premiums as a result of the higher global re-insurance costs.

Waterfall chart showing major variances between Budget and Actual expenditure



Statement of Comprehensive Income

for the year ended 30 June 2013

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Revenue				
Levy	1	328,916	310,956	325,538
Other revenue	2	20,509	12,523	9,211
Total revenue		**349,425**	**323,479**	**334,749**
Other income	2	**3,122**	**2,849**	**2,479**
Total revenue and income		**352,547**	**326,328**	**337,228**
Expenditure				
Employee and volunteer benefits expenditure	3	210,343	222,755	212,175
Depreciation	4	30,625	33,364	30,615
Amortisation	5	2,275	1,396	1,683
Finance costs	6	772	696	882
Other expenditure	7	78,976	74,349	69,616
Total expenditure		**322,991**	**332,560**	**314,971**
Net surplus/(loss) attributable to the Commission		**29,556**	**(6,232)**	**22,257**
Net (deficit) attributable to the Rural Fire Fighting Fund	8	**(630)**	**(760)**	**(1,701)**
Net surplus/(deficit) attributable to the owners of the Commission		**28,926**	**(6,992)**	**20,556**
Other comprehensive income				
Gains/(losses) on revaluation of land and buildings net of impairment losses	9	16,839	5,422	(6,783)
Total other comprehensive income/(loss)		**16,839**	**5,422**	**(6,783)**
Total comprehensive income/(loss) attributable to the owners of the Commission		**45,765**	**(1,570)**	**13,773**

The accompanying notes on pages 55 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 2013

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Assets				
Current assets				
Cash and cash equivalents	11	70,470	39,861	53,240
Trade and other receivables	12	2,301	2,576	2,516
Prepayments	13	785	776	802
Inventories	14	–	27	27
Non-current assets held for sale	15	815	–	1,143
Total current assets		**74,371**	**43,240**	**57,728**
Non-current assets				
Property, plant and equipment	4	567,635	570,832	547,735
Intangible assets	5	7,582	9,253	7,161
Total non-current assets		**575,217**	**580,085**	**554,896**
Total assets		**649,588**	**623,325**	**612,624**
Liabilities				
Current liabilities				
Trade and other payables	16	25,108	29,661	23,440
Employee and volunteer benefits	17	23,764	29,988	29,970
Borrowings	18	1,938	1,919	1,918
Provisions	19	1,672	1,265	1,551
Unamortised gain on sale and leaseback	20	269	–	341
Total current liabilities		**52,751**	**62,833**	**57,220**
Non-current liabilities				
Employee and volunteer benefits	17	32,188	30,227	34,605
Borrowings	18	5,635	8,715	7,573
Provisions	19	1,821	2,449	1,529
Unamortised gain on sale and leaseback	20	463	733	732
Total non-current liabilities		**40,107**	**42,124**	**44,439**
Total liabilities		**92,858**	**104,957**	**101,659**
Net assets		**556,730**	**518,368**	**510,965**
Equity				
Accumulated funds		419,294	427,184	434,750
Levy variability reserve	11	10,000	10,000	10,000
Major emergencies response reserve	11	15,000	15,000	15,000
Seismic resilience reserve	11	32,969	–	–
Christchurch rebuild	11	12,226	–	–
Revaluation reserves	9	65,532	64,561	48,876
Rural Fire Fighting Fund	8	1,709	1,623	2,339
Total equity		**556,730**	**518,368**	**510,965**

The accompanying notes on pages 55 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 2013

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Equity at beginning of year				
Accumulated funds		434,750	433,855	437,722
Levy variability reserve		10,000	10,000	–
Major emergencies response reserve		15,000	15,000	–
Revaluation reserves	9	48,876	58,700	55,430
Rural Fire Fighting Fund		2,339	2,383	4,040
Total equity at beginning of year		**510,965**	**519,938**	**497,192**
Changes in equity during year				
Transfers from statement of comprehensive income				
Accumulated funds		29,556	(6,232)	22,257
Revaluation reserves	9	16,839	5,422	(6,783)
Rural Fire Fighting Fund	8	(630)	(760)	(1,701)
Total comprehensive income		**45,765**	**(1,570)**	**13,773**
Transfers to reserves				
Accumulated funds		(45,195)	–	(25,000)
Levy variability reserve	11	–	–	10,000
Major emergencies response reserve	11	–	–	15,000
Seismic resilience reserve	11	32,969	–	–
Christchurch rebuild	11	12,226	–	–
Total transfers to reserves		–	–	–
Transfers from disposal of land and buildings				
Accumulated funds	9	183	(439)	(229)
Revaluation reserves	9	(183)	439	229
Total transfers from disposal of land and buildings		–	–	–
Total changes in equity during year		**45,765**	**(1,570)**	**13,773**
Equity at end of year				
Accumulated funds		419,294	427,184	434,750
Levy variability reserve		10,000	10,000	10,000
Major emergencies response reserve		15,000	15,000	15,000
Seismic resilience reserve		32,969	–	–
Christchurch rebuild		12,226	–	–
Revaluation reserves	9	65,532	64,561	48,876
Rural Fire Fighting Fund	8	1,709	1,623	2,339
Total equity at end of year		**556,730**	**518,368**	**510,965**

The accompanying notes on pages 55 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 2013

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Cash flows from operating activities				
Receipts from levy		329,829	313,042	325,150
Receipts from other revenue		21,878	13,919	12,236
Interest received		2,477	1,774	1,673
Net GST received/(paid)		(615)	2,402	87
Payments to employees and volunteers		(218,312)	(223,383)	(210,038)
Payments to suppliers for goods and services		(79,306)	(74,796)	(69,238)
Net cash flows from operating activities	**21**	**55,951**	**32,958**	**59,870**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	4	277	4,007	1,284
Purchase of intangible assets	4	(2,695)	(2,838)	(2,137)
Purchase of property, plant and equipment	4	(33,688)	(44,162)	(39,138)
Net cash flows from investing activities		**(36,106)**	**(42,993)**	**(39,991)**
Cash flows from financing activities				
Proceeds from borrowings		–	–	–
Interest paid		(696)	(696)	(781)
Payments on finance leases		(1,919)	(1,919)	(1,703)
Proceeds from sale of finance lease assets		–	–	1,334
Net cash flows from financing activities		**(2,615)**	**(2,615)**	**(1,150)**
Total net increase/(decrease) in cash and cash equivalents for the year		17,230	(12,650)	18,729
Cash and cash equivalents at the beginning of the year		53,240	52,511	34,511
Cash and cash equivalents at the end of the year	**11**	**70,470**	**39,861**	**53,240**

The accompanying notes on pages 55 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 2013 and were authorised for issue by the Commission on 31 October 2013.

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 18 April 2012 as part of the Statement of Intent 2012-2015 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 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 three 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 around 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 that the Commission expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, 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 are:

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 are:

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, 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 Department (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 12 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 carrying amount of the asset 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 30 days of recognition. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

Financial liabilities with duration of more than 12 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 is 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 are shown at cost less accumulated amortisation and impairment losses.

Computer software

Costs are capitalised as computer software when they create a new asset or increase 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. The New Zealand Police maintains SITE and proportionally charges 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 12 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 12 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 12 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 The 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, the State Sector Retirement Savings Scheme and the 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 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 are:

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:

- Direct costs are expenditure (including the Rural Fire Fighting Fund) directly attributable to an output that are charged to that output
- 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 the Rural Fire Fighting Fund)
- 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. An amount 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 effect 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 programme.

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 12 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 2013.

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 total minimum lease payments equates to 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 that 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 2013 $000	Budget 2013 $000	Actual 2012 $000
Levy contributions	327,817	310,056	324,802
Penalty Interest	745	525	462
Penalty Surcharge	354	375	274
Total	**328,916**	**310,956**	**325,538**

Levy receipts

Factors behind the significant favourable budget variance of $18.0 million include a large number of payments that related to past and future financial years and an element of unexpected growth. A number of the contracts that contributed to this level of unexpected growth came as a result of organisations re-assessing and increasing their insurance arrangements as a result of the Christchurch earthquakes. The above excludes levies paid by the Commission on their own insurances during the year, which amounted to $0.5 million (2012: $0.4 million).

Levy receipts – Rural Fire Fighting Fund

Also excluded above are levy receipts paid to the Rural Fire Fighting Fund. These receipts are separately disclosed – refer note 8 Net (deficit) attributable to the Rural Fire Fighting Fund.

	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Revenue			
Levy	2,216	2,087	406

Penalty and surcharge

This year, interest and surcharge receipts were $1.1 million, which was also in excess of expectations.

2. Other revenue and income

2a Other revenue	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
False alarms	4,390	4,070	3,641
Good corporate citizen contributions	1,904	2,017	1,585
Monitoring private fire alarms	2,201	2,150	2,218
Sponsorship	10	20	12
Commercial services	463	438	407
Insurance proceeds Christchurch earthquakes	9,726	2,000	500
Other revenue	1,815	1,828	848
Total	**20,509**	**12,523**	**9,211**

False alarms

This year, there was a slight increase over last year for costs recovered for unwanted false alarm activations. This is because last year not all incidents could be recognised due to the industrial action by members of the New Zealand Professional Fire Fighters Union (NZPFU).

The current charge that applies to all instances where there has been a third or subsequent unwanted false alarm activation ($1,000 plus GST) has not been increased by the Commission for more than 10 years.

Good corporate citizen contributions

There was a slight unfavourable variance as contributions were less than anticipated. During the year, the Commission received good citizen contributions from Housing New Zealand, BP Limited and the New Zealand Police. 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 Reserve Bank, which previously made a contribution, did not do so this year.

Insurance proceeds Christchurch earthquakes

Revenue includes a lump sum payment of $9.7 million (2012: $0.5 million and 2011: $2.0 million) negotiated to settle the balance of outstanding Christchurch earthquake insurance claims (both material damage and loss of income). The total insurance proceeds from the Christchurch earthquake insurance claims amounted to $12.2 million (period April 2011 to December 2012).

Other revenue

All other revenue was largely received in accordance with expectations.

2b Other income	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Interest income		2,349	1,724	1,544
Gain on disposal of property, plant and equipment		79	500	266
Rental income		353	296	327
Amortisation of gain on sale and leaseback	20	341	329	341
Net foreign exchange gain		–	–	1
Total		**3,122**	**2,849**	**2,479**

Interest income

Interest income exceeded budget by $0.6 million as a result of higher than expected cash and cash equivalent balances throughout the year.

3. Employee and volunteer benefits expenditure

	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Salaries and wages	180,530	186,498	169,276
Employer contributions to defined contribution plans	14,860	15,676	14,827
ACC levies	2,836	2,640	3,624
Other employee and volunteer benefits expenditure	12,117	17,941	24,448
Total	**210,343**	**222,755**	**212,175**

Salaries and wages

Salaries and wages are favourable when compared to budget. Savings were made in non-operational staff salaries due to vacancies resulting from the National Headquarters restructure and regional/area realignment projects, along with savings made due to the current collective being rolled for six months for a lump sum payment. Prior year salaries and wages were low, primarily due to savings resulting from industrial action during the period from August 2011 to May 2012 where only core activities were maintained.

Employer contributions to defined contribution plans

Variance to budget was favourable as contributions were less than anticipated due to vacancies resulting from the National Headquarters restructure and regional/area realignment projects. Employer contributions to defined contribution plans include 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

ACC levies are in line with budget, including the increase in the ACC Partnership Programme (ACCPP) provision at year end.

Other employee and volunteer benefits expenditure

Other employee and volunteer benefits costs were under budget by $5.8 million. This is mainly due to a $4.8 million adjustment to the actuarial valuation of gratuities, volunteer gratuities and long service leave provision, which reduced due to higher Treasury discount rates. Expenditure last year included a higher actuarial valuation for gratuities, volunteer gratuities and long service leave. Also included were restructure provisions due to the National Headquarters restructure and region/area realignment.

4. Property, plant and equipment

30 June 2013	Note	Land Actual 2013 $000	Buildings Actual 2013 $000	Fire appliances Actual 2013 $000	Motor vehicles Actual 2013 $000
Cost at beginning of year		–	–	250,814	2,784
Valuation at beginning of year		147,248	212,762	–	–
Net book value leased assets at beginning of year		–	–	–	–
Accumulated depreciation		–	–	(121,936)	(1,721)
Impairment losses	10	–	–	–	–
Work in progress		4	2,775	10,278	–
Total at beginning of year		**147,252**	**215,537**	**139,156**	**1,063**
Acquisitions		175	3,998	12,868	27
Disposals		(270)	(29)	(170)	–
Transfers		–	(82)	–	–
Other movements		–	2	–	–
Depreciation		–	(11,939)	(9,021)	(152)
Impairment losses to Statement of Comprehensive Income	10	–	–	–	–
Transfer to non-current assets held for sale	15	246	82	–	–
Revaluation movement	9	6,189	9,872	–	–
Revaluation movement Christchurch earthquakes	9	186	592	–	–
Net impairment losses to revaluation reserve	9	–	–	–	–
Work in progress		(4)	7,053	(2,517)	–
Net book value at end of year		**153,774**	**225,086**	**140,316**	**938**
Cost at end of year		–	–	258,870	2,693
Valuation at end of year		153,774	215,258	–	–
Net book value leased assets at end of year		–	–	–	–
Accumulated depreciation		–	–	(126,316)	(1,755)
Impairment losses	10	–	–	–	–
Work in progress		–	9,828	7,762	–
Net book value at end of year		**153,774**	**225,086**	**140,316**	**938**

Property consists primarily of special purpose fire station land and buildings, which form an integral part of the operational network.

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	TOTAL
Actual 2013 $000	Actual 2013 $000	Actual 2013 $000	Actual 2013 $000	Actual 2013 $000	Actual 2013 $000	Actual 2013 $000
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**
863	9,314	1,345	1,231	777	3,197	33,795
–	(15)	(2)	(2)	–	–	(488)
–	–	–	–	82	–	–
–	49	1	(1)	–	–	51
(2,021)	(4,940)	(1,033)	(1,001)	(518)	–	(30,625)
–	–	–	–	–	–	–
–	–	–	–	–	–	328
–	–	–	–	–	–	16,061
–	–	–	–	–	–	778
–	–	–	–	–	–	–
(197)	(937)	49	(253)	3	(3,197)	–
4,350	**34,494**	**4,381**	**2,709**	**1,587**	**–**	**567,635**
19,200	51,606	13,594	9,142	4,532	18,797	378,434
–	–	–	–	–	–	369,032
–	8,841	–	96	–	–	8,937
(15,030)	(26,499)	(9,269)	(6,920)	(2,979)	–	(188,768)
–	–	–	–	–	–	–
180	546	56	391	34	(18,797)	–
4,350	**34,494**	**4,381**	**2,709**	**1,587**	**–**	**567,635**

Fair value of property

30 June 2013	Note	Land Actual 2013 $000	Buildings Actual 2013 $000	TOTAL Actual 2013 $000
Independent valuation		154,284	215,563	369,847
Buildings – demolition impairment	10	–	–	–
Total fair value at end of year		**154,284**	**215,563**	**369,847**
The above is represented by:				
Net book value at end of year	4	153,774	225,086	378,860
Work in progress	4	–	(9,828)	(9,828)
Non-current assets held for sale	15	510	305	815
Total fair value at end of year		**154,284**	**215,563**	**369,847**

The fair value of property at 30 June 2013 was determined by independent registered valuers Quotable Value (QV) (formally known as Darroch) at $369.8 million (2012: $361.2 million), from which impairments to buildings planned to be demolished are deducted, if any.

Funds projected by the Commission for seismic strengthening are significant and amount to $33.0 million (2012: $39.7 million) at year end, covering the period to 30 June 2018. The Commission has established that existing fire stations should achieve a minimum standard of at least 67% of the current seismic loading standard as defined in the Building Act 2004 to be considered earthquake resilient and has approved a programme (either strengthening or replacement) based on structural engineering investigative work carried out. A full breakdown of the seismic strengthening programme has been provided to QV for them to factor into the annual property valuation.

QV, as part of the valuation, test the market value for all properties and, where no active market exists, adopt Optimised Depreciation Replacement Cost (ODRC). 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 fire stations. The Fire Service has 2,056 (2012: 2,060) buildings/improvements in the Commission property portfolio at 30 June 2013 of which 953 (2012: 1,152) were valued using market value.

Capital expenditure during the year

30 June 2013	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Fleet	10,628	15,000	10,620
Property	12,856	14,500	15,612
Information communications and technology	4,302	6,500	5,102
Operational equipment	8,705	11,000	11,678
Total property, plant and equipment	**36,491**	**47,000**	**43,012**
Cash proceeds from disposals	(292)	(4,007)	(2,618)
Net total	**36,199**	**42,993**	**40,394**

Capital expenditure for the full year to 30 June 2013 amounted to $36.5 million and as a result there was a $1.9 million reduction in the depreciation charge for the year. The $10.5 million reduction from the $47.0 million funding allowed for in the budget was a result of:

- Changes within the fleet manufacturing schedule, including delays in Type 3 heavy pump build as specifications were not finalised, and the delay in the build of two incident support vehicles and two tankers. This was offset in part by bringing forward the build of eight Type 1 rear mounted pumps ($4.4 million).
- Planned property spend was impacted due to delays in the contract setting process, obtaining the necessary consents (including resource), the Christchurch rebuild and seismic strengthening programme ($1.6 million).
- Operational equipment was under spent mainly due to delays in the working at heights programme and the Fire Service did not entering into a sale and leaseback of level 2 protective clothing garments ($2.3 million).
- Information communications and technology spend was impacted by issues around the resourcing and coordination of projects ($2.2 million).

Cash flow

Net capex cash spend was $6.9 million favourable when compared to budget (gross capex cash spend $36.4 million and gross cash disposal proceeds $0.3 million).

Capital expenditure works completed

Fleet	Count
Fire appliance manufacture numbers during the year:	
Type 1 appliance	8
Type 1 appliance – prototype	1
Type 2 appliance	19
Type 6 appliance	1
Type 3 appliance	–
Incident support vehicle (ISV)	–
Total count	**29**

Property	Count
Major works this year can be summarised as follows:	
New land acquisition	
Ravensbourne	1
Springfield land swap	1
Katikati	1
Other major works	
Napier redevelopment	1
Otorohanga appliance bay	1
Woodville office and amenities	1
Auckland office roof	1
Rotorua appliance bay and roof	1
Thames additions	1
Wanganui roof	1
Total count	**10**

Property	Count
Major works in progress at 30 June 2013:	
New build	
Paihia (new build on land purchased in prior year)	1
Takapuna (new build on land purchased in prior year)	1
Port Waikato (new build on existing site)	1
Other major works	
Mangaweka replace roof/cladding	1
Wanganui refurbishment	1
Ohakune office/storage building	1
NHQ office refurbishment	1
NTC Gas props	1
Wellington fire station seismic and refurbishment	1
Christchurch rebuild – Darfield	1
Chartwell alterations	1
Te Aroha refurbishment	1
Total count	**12**
Disposals	
Pt Howard (May 2013)	1
Springfield fire station (on leased land)	1
Total count	**2**
Demolished	
Lyttelton	1
Port Waikato	1
Total count	**2**

Other

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

30 June 2012	Notes	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	9	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 Actual 2012 $000	TOTAL Actual 2012 $000
Independent 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**

The fair value of property at 30 June 2012 was determined by independent registered valuers QV at $361.2 million, from which impairments to buildings planned to be demolished are deducted, if any.

5. Intangible assets

30 June 2013	Computer software (internally generated) Actual 2013 $000	Computer software (purchased) Actual 2013 $000	Shared Information Technology Environment (SITE) Actual 2013 $000	Work in progress Actual 2013 $000	TOTAL Actual 2013 $000
Cost at beginning 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)	–
Total at beginning of year	**2,755**	**4,321**	**85**	**–**	**7,161**
Acquisitions	1,635	2,470	107	(1,517)	2,695
Transfers	351	(351)	–	–	–
Other movements	–	1	–	–	1
Work in progress	292	(1,809)	–	1,517	–
Amortisation	(1,202)	(968)	(105)	–	(2,275)
Net book value at end of year	**3,831**	**3,664**	**87**	**–**	**7,582**
Cost at end of year	10,466	11,992	18,399	1,044	41,901
Accumulated amortisation	(6,927)	(9,080)	(18,312)	–	(34,319)
Work in progress	292	752	–	(1,044)	–
Net book value at end of year	**3,831**	**3,664**	**87**	**–**	**7,582**

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**

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 a whole of government radio network and as at 30 June 2013 the Commission has allocated $4.8 million (2012: $17.9 million) to this project to be spent during the period to 30 June 2018.

6. Finance costs

	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Finance charge on finance lease	696	696	783
Other	76	–	99
Total	**772**	**696**	**882**

7. Other expenditure

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Auditors – audit fees for statutory audit		181	265	173
Auditors – fees for other services		8	–	12
Remuneration of Commission and Committee Members	30	139	133	138
Fleet		13,585	13,039	13,475
Occupancy		14,528	13,559	12,443
Clothing and other consumables		7,569	7,288	6,777
Communications		6,128	6,877	6,116
Publicity and advertising		4,816	5,106	4,648
Grants		839	800	751
Impairment of receivables		216	–	(268)
Loss on disposal of property, plant and equipment	21	238	400	440
Net foreign exchange loss		–	–	5
Impairment of property, plant and equipment		–	–	198
Other expenditure		30,729	26,882	24,708
Total other expenditure		**78,976**	**74,349**	**69,616**

Fleet

Fleet costs are $0.5 million unfavourable to budget. Not all anticipated savings due to the new fleet policy materialised in vehicle lease costs and there was additional funding required to make breathing apparatus bracket modifications.

Occupancy

Occupancy costs are $0.9 million unfavourable to budget as additional funding was allocated to property maintenance to catch up on work identified by an external company commissioned to provide property condition reports.

Communications

Communications costs are $0.7 million favourable to budget. Police digital radio network charges were budgeted but have not as yet been rolled out. Landline charges were also lower than budgeted and communications spend for strategic initiative projects did not happen where budgets were set.

Other expenditure

Other expenditure costs are $3.8 million over budget due to:

- Portacom hire for Christchurch of $0.8 million was unbudgeted
- Repairs and maintenance on breathing apparatus was $0.6 million over as the budgeted outsourced price per repair was lower than actual
- $1.1 million was paid to an external party to prepare seismic reports on all at risk properties
- $1.3 million was over spent on legal fees including the Canterbury Earthquakes Royal Commission, Coroners Inquest into the death of Tamara Cvetanova and others, Fielding independent review, Taupo investigation, Hawk Packaging case, and IBANZ declaratory judgement proceedings, along with ongoing property and debt collection fees
- Insurance premiums were $0.5 million over budget as a result of the higher global reinsurance costs.

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

	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Revenue			
Levy	2,216	2,087	406
Department of Conservation	–	–	–
Other revenue	1,305	650	470
Total revenue	**3,521**	**2,737**	**876**
Claims expenditure	(4,151)	(3,497)	(2,577)
Net (deficit) attributable to the Rural Fire Fighting Fund	**(630)**	**(760)**	**(1,701)**

The closing balance of the Rural Fire Fighting Fund (RFFF) equity reserve as at 30 June 2013 was $1.7 million (2012: $2.3 million).

Department of Conservation

During the year, the Department of Conservation did not need to contribute to the RFFF because their balance remained above the minimum requirement.

Cost recoveries

Recoveries of $1.2 million were received from parties responsible for fires. Major fire costs recovered were Aotuhia $0.6 million, Kerikeri Airport $0.2 million and Glenhope $0.1 million.

Claims expenditure

The year had particularly dry fire seasons with droughts declared over much of the country during summer. As a consequence of this, claims were well above the five-year running average of $3.1 million (2012: $3.2 million).

9. Revaluation reserves

30 June 2013	Note	Land Actual 2013 $000	Buildings Actual 2013 $000	TOTAL Actual 2013 $000
Balance at beginning of year		**6,082**	**42,794**	**48,876**
Revaluation movement	4	6,189	9,872	16,061
Revaluation movement Christchurch earthquakes	4	186	592	778
Total revaluation gains/(losses)		**6,375**	**10,464**	**16,839**
Transfer to accumulated funds on disposal		34	(217)	(183)
Balance at end of year		**12,491**	**53,041**	**65,532**

30 June 2012	Note	Land Actual 2012 $000	Buildings Actual 2012 $000	TOTAL Actual 2012 $000
Balance at beginning of year		**2,954**	**52,476**	**55,430**
Revaluation movement	4	(715)	(12,996)	(13,711)
Revaluation movement Christchurch earthquakes	4	3,853	3,075	6,928
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**

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 2013	Note	Buildings – seismic impairment Actual 2013 $000	Buildings – demolition impairment Actual 2013 $000	TOTAL Actual 2013 $000
Balance at beginning of year		**–**	**–**	**–**
Impairment losses adjustment		–	–	–
Balance at end of year	**4**	**–**	**–**	**–**

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

During the year, there was no change to the impairment losses provision which remains at $nil (2012: $nil) which records impairments in excess of the seismic strengthening programme advised to QV.

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 2013 $000	Actual 2012 $000
Cash on hand and at bank	34,954	24,999
Short-term deposits	35,516	28,241
Total cash and cash equivalents	**70,470**	**53,240**

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 $0.25 million (2012: $0.25 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 2013 is 3.41% (2012: 3.37%). As at 30 June 2013 if the interest rates increased/decreased by 1% the interest income for the year and accumulated funds would increase/decrease by $0.7 million (2012: $0.5 million).

Restricted assets

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

	Actual 2013 $000	Actual 2012 $000
Short-term deposits	4,516	3,150
Total restricted cash and cash equivalents	**4,516**	**3,150**

Equity reserves

During the year, the Commission established two new equity reserves for better disclosure of balances tagged to the seismic strengthening programme and Christchurch rebuild.

Reserves supported by cash and cash equivalents

	Actual 2013 $000	Actual 2012 $000
Major emergencies response reserve	15,000	15,000
Levy variability reserve	10,000	10,000
Christchurch rebuild	12,226	–
Total	**37,226**	**25,000**

The major emergencies response reserve has been established for disaster response and to assist the Commission to respond promptly to any event. This reserve has funds that are ring-fenced within cash and cash equivalents.

The levy variability reserve 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 have gone into liquidation.

These reserves have funds that are ring-fenced within cash and cash equivalents.

The Christchurch rebuild reserve is new and has been established to assist the Commission to track the balance of insurance proceeds already received that will be used to assist with the property rebuild in the Christchurch area.

Other reserves

	Actual 2013 $000	Actual 2012 $000
Seismic resilience reserve	32,969	–
Total	**32,969**	**–**

The seismic resilience reserve is new and has been established to assist the Commission to track the projected balance required for the seismic strengthening programme. This reserve is not directly supported by cash and cash equivalents.

12. Trade and other receivables

	Actual 2013 $000	Actual 2012 $000
Trade and other receivables	3,270	3,329
Less provision for impairment	(969)	(813)
Total trade and other receivables	**2,301**	**2,516**

The carrying value of trade and other receivables approximates their fair value. Trade and other receivables mainly arise from the Commission's statutory functions.

Therefore, there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The Commission does not have any significant concentration of credit risk in relation to trade and other receivables. No collateral is held as security for any trade and other receivables.

The Commission's credit exposures are limited to the individual trade and other receivable balances. The Commission does not have any receivables as at 30 June 2013 (2012: $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 2013			Actual 2012		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	891	–	891	1,424	–	1,424
Past due 1-30 days	744	–	744	773	–	773
Past due 31-60 days	377	–	377	150	–	150
Past due 61-90 days	175	–	175	146	–	146
Past due > 91 days	1,083	(969)	114	836	(813)	23
Total	**3,270**	**(969)**	**2,301**	**3,329**	**(813)**	**2,516**

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.

	Actual 2013 $000	Actual 2012 $000
Provision for impairment of trade and other receivables at beginning of year	813	1,166
Additional provision made during the year	156	(353)
Provision for impairment of trade and other receivables	**969**	**813**

13. Prepayments

	Actual 2013 $000	Actual 2012 $000
Prepaid computer licenses	356	565
Prepaid travel	57	101
Prepaid other	372	136
Total prepayments	**785**	**802**

14. Inventories

	Actual 2013 $000	Actual 2012 $000
Inventories held for use in the provision of services	–	27
Total inventories	**–**	**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 2013 or 2012.

15. Non-current assets held for sale

		Land	Buildings	TOTAL
30 June 2013	**Note**	**Actual 2013** $000	**Actual 2013** $000	**Actual 2013** $000
Balance at beginning of year		**756**	**387**	**1,143**
Disposals		(270)	–	(270)
Transfers		24	(82)	(58)
Net book value at end of year	**4**	**510**	**305**	**815**

		Land	Buildings	TOTAL
30 June 2012	**Note**	**Actual 2012** $000	**Actual 2012** $000	**Actual 2012** $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**

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at the time of reclassification. Included at year end is the planned disposal of property located in Waitakere (Te Atatu fire station).

16. Trade and other payables

	Actual 2013 $000	Actual 2012 $000
Trade payables	10,352	9,495
Income in advance	128	309
Accrued levy refund	–	1,122
Accrued expenses	9,978	7,995
GST, PAYE and FBT payable	4,650	4,519
Total trade and other payables	**25,108**	**23,440**

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.

17. Employee and volunteer benefits

	Actual 2013 $000	Actual 2012 $000
Current employee and volunteer benefits		
Accrued salaries and wages	3,683	6,184
Annual leave	14,901	15,813
Long service leave and gratuities	5,180	6,791
Restructure provision	–	1,182
Total current employee and volunteer benefits	**23,764**	**29,970**
Non-current employee and volunteer benefits		
Long service leave and gratuities	32,188	34,605
Total non-current employee and volunteer benefits	**32,188**	**34,605**
Total employee and volunteer benefits	**55,952**	**64,575**

Expenditure on personnel represents over 70% of total operating costs of the Fire Service and, as a result, any changes in personnel has a significant impact on the overall cost structure.

Payroll

Payroll accruals in the prior year were higher mainly due to the inclusion of contractual liabilities resulting from the settlement of the employment contract with the New Zealand Professional Fire Fighters Union (NZPFU).

Long service leave and gratuities

The present value of the long service leave and gratuity liabilities depends on a number of factors that are determined on an actuarial basis using a range 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. Key economic assumptions are summarised as follows:

- Treasury rates calculated as at 31 May 2013 (2012: 30 June 2012)
- Implied risk-free rates over the period of cash outflows ranged from 2.53% to 6.00% (2012: 2.43% to 6.00%)
- Salary inflation factor has been determined as 3.00% (2012: 3.00%).

Fire Service staff profiles for actuarial valuations at year end remained relatively consistent with other years for long service leave, gratuities and ACC, with the exception of the staff movements that resulted from the National Headquarters restructure and area/region realignment projects.

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 ($2.870 million)/$3.288 million (2012: ($2.863 million)/$3.258 million) thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

18. Borrowings

	Actual 2013 $000	**Actual 2012** $000
Current borrowings		
Finance leases	1,938	1,918
Non-current borrowings		
Finance leases	5,635	7,573
Total borrowings	**7,573**	**9,491**
Analysis of minimum finance lease payments due		
Not later than one year	2,470	2,614
Later than one year and not later than two years	2,152	2,470
Later than two years and not later than five years	3,751	5,611
Later than five years and not later than ten years	640	826
Later than ten years	22	129
Total minimum lease payments due	**9,035**	**11,650**
Future finance charges	(1,462)	(2,159)
Present value of lease payments due	**7,573**	**9,491**
Analysis of present value of lease payments due		
Not later than one year	1,932	1,918
Later than one year and not later than two years	1,764	1,932
Later than two years and not later than five years	3,342	4,868
Later than five years and not later than ten years	514	651
Later than ten years	21	122
Present value of lease payments due	**7,573**	**9,491**

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

19. Provisions

	Actual 2013 $000	Actual 2012 $000
Current provisions		
Loss of medical scheme	161	159
ACC Partnership Programme	1,511	1,392
Total current provisions	**1,672**	**1,551**
Non-current provisions		
Lease make-good	338	270
ACC Partnership Programme	1,483	1,259
Total non-current provisions	**1,821**	**1,529**
Total provisions	**3,493**	**3,080**

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

Loss of medical scheme

	Actual 2013 $000	Actual 2012 $000
Loss of medical scheme at beginning of year	**159**	**157**
Contributions made to the scheme	2	2
Loss of medical scheme at end of year	**161**	**159**

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 2013 $000	Actual 2012 $000
Lease make-good at beginning of year	**270**	**562**
(Reduction)/additional provisions made	68	(292)
Lease make-good at end of year	**338**	**270**

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

Liability valuation

The Commission has participated in the ACC Partnership Programme (ACCPP) since 1 October 2000. Claims have been administered internally by the Commission for the entire intervening period. An external independent actuarial valuer, Melville Jessup Weaver (the Actuaries), has calculated the Commission's liability at year end.

Claims are managed by the Commission for a period of 48 months (2012: 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 (% risk) of 250% (2012: 250%) of the industry premium.

Method 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 as follows:

- 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 spot rates published by The Treasury for valuations at year end
- Included is a risk margin of 12.8% (2012: 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% (2012: 10.0%) of the expected future claim cost has also been allowed for
- The method used in our 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.

ACCPP provision summary

	2013 Current $000	2013 Non-current $000	2013 TOTAL $000	2012 TOTAL $000
Undiscounted estimated future claims costs	1,272	1,245	2,517	2,213
Discounting	(54)	(50)	(104)	(76)
Discounted estimated future claims costs	**1,218**	**1,195**	**2,413**	**2,137**
Claims handling expenses	122	120	242	213
Total discounted outstanding claims liabilities	**1,340**	**1,315**	**2,655**	**2,350**
Risk margin	171	168	339	301
ACCPP provision at end of year	**1,511**	**1,483**	**2,994**	**2,651**
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 2013 $000	Actual 2012 $000
ACC Partnership Programme provision at beginning of year	**2,651**	**1,922**
Net increase to provision during the year	343	729
ACC Partnership Programme provision at end of year	**2,994**	**2,651**

The increase in the ACCPP provision this year when compared to last year is driven by an increasing loss ratio as well as movement in the BF factors.

Objectives for managing risks

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

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

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 the Fire Service entered the ACCPP. The table sets out the discounted provision (central estimate) with loss ratios of 0.90% and 1.10%.

Loss ratio 2013 %	Liability 2013 $000	Loss ratio 2012 %	Liability 2012 $000
0.90%	2,413	0.90%	2,115
1.00%	**2,655**	**1.00%**	**2,350**
1.10%	2,896	1.10%	2,585

As stated above, the discount rates used were derived from rates specified by the 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 ratio 2013 %	Liability 2013 $000	Loss ratio 2012 %	Liability 2012 $000
(1.00%)	2,691	(1.00%)	2,382
0.00%	**2,655**	**0.00%**	**2,350**
1.00%	2,620	1.00%	2,320

20. Unamortised gain on sale and leaseback

	Actual 2013 $000	Actual 2012 $000
Current liabilities		
Finance leases	269	341
Non-current liabilities		
Finance leases	463	732
Total unamortised gain on sale and leaseback	**732**	**1,073**

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

	Note	Actual 2013 $000	Actual 2012 $000
Net surplus attributable to the owners of the Commission		**28,926**	**20,556**
Add/(subtract) non-cash items			
Amortisation of gain on sale and leaseback	2	(341)	(341)
Impairment of property, plant and equipment		–	198
Property, plant and equipment write-offs	7	238	440
Amortisation	5	2,275	1,683
Depreciation	4	30,625	30,615
Total non-cash items		**32,797**	**32,595**
(Subtract)/add movements in statement of financial position items			
(Decrease)/increase in employee and volunteer benefits	17	(6,206)	5,355
(Decrease) in trade and other payables including GST		(563)	(1,471)
Decrease/(increase) in prepayments	13	17	(26)
Decrease in inventories	14	27	–
Increase in provisions	19	121	286
Decrease in trade and other receivables	12	215	2,060
Total net movements		**(6,389)**	**6,204**
Add/(subtract) investing activities			
(Gains) on disposal of fixed assets	2	(79)	(266)
Interest paid	6	696	781
Total investing activity items		**617**	**515**
Net cash flows from operating activities		**55,951**	**59,870**

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 2013 $000	Actual 2012 $000
Property, plant and equipment	11,888	15,949
Intangibles	359	1,109
Total capital commitments	**12,247**	**17,058**
Not later than one year	12,214	10,475
Later than one year and not later than five years	33	6,583
Total capital commitments	**12,247**	**17,058**

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 2013 $000	Actual 2012 $000
Not later than one year	3,942	3,317
Later than one year and not later than five years	6,941	2,756
Later than five years	1,388	337
Total operating lease commitments as lessee	**12,271**	**6,410**

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. 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 2013 $000	Actual 2012 $000
Not later than one year	148	109
Later than one year and not later than five years	100	105
Later than five years	168	192
Total operating lease commitments as lessor	**416**	**406**

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 2013 is $0.2 million (2012: $0.2 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 Commission continues to evaluate its options around the replacement programmme for fire stations and it is expected that this process will take some time.

Seismic strengthening programme

There remains some uncertainty around cost projections for the seismic strengthening programme and there is a possibility that the final total spends may exceed this amount. The seismic resilience equity reserve amounting to $33.0 million at year end has been established to assist the Commission to track the projected funds required for this programme (2012: cost estimate $37.9 million).

Contingent assets

Rural Fire Fighting Fund claims for cost recovery

In accordance with section 43 of the Forest and Rural Fires Act 1977, there are a number of Rural Fire Fighting Fund claims with legal advisors for cost recovery and at year end possible recoveries have been estimated to be $2.5 million (2012: $1.4 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	Note	Actual 2013 $000	Actual 2012 $000
Loans and receivables			
Cash and cash equivalents	11	70,470	53,240
Trade and other receivables	12	2,301	2,516
Total loans and receivables		**72,771**	**55,756**
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	25,108	23,440
Total financial liabilities measured at amortised cost		**25,108**	**23,440**

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 2013 (2012: 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 flows and outflows, the Commission invests surplus cash with registered banks that have a high credit rating, as required by section 161 of the Crown Entities Act 2004. There is no significant concentration of credit risk arising from trade and other receivables. 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 that 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.

		Actual 2013			Actual 2012		
	Note	Less than 6 months $000	Between 6 months and 1 year $000	Between 1 and 5 years $000	Less than 6 months $000	Between 6 months and 1 year $000	Between 1 and 5 years $000
Creditors and other payables	16	25,108	–	–	23,440	–	–

Crown Retail Deposit Guarantee Scheme

The Commission is covered by the Crown Retail Deposit Guarantee. The size of the deposit covered by the guarantee is $1.0 million (2012: $1.0 million) per depositor per covered institution.

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 that 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 (2012: $nil).

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

	Actual 2013 $000	Actual 2012 $000
Revenue		
Government departments	2,415	267
Crown entities	5,825	2,061
State owned entities	2,653	16
Total	**10,893**	**2,344**

The Commission receive various income and revenues while carrying out its business activities. During the year system improvements have resulted in a more accurate capture of related party revenue transactions. Prior year comparatives have not been restated.

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 (2012: $1.4 million).

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

	Actual 2013 $000	Actual 2012 $000
Expenditure		
Government departments	4,282	3,022
Crown entities	1,046	1,061
State owned entities	1,411	1,531
Total	**6,739**	**5,614**

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

Significant transactions with Government related entities

Significant transactions above for expenditure in the Statement of Comprehensive Income during the year 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 $3.0 million (2012: $2.6 million)
- Air travel paid to Air New Zealand, amounting to $1.7 million (2012: $1.3 million)
- Road user taxes paid to the New Zealand Transport Agency, amounting to $0.5 million (2012: $0.8 million).

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 the Commission and key management personnel have control or significant influence over can be summarised as follows.

			Transaction value for the year		Balance outstanding for the year ended	
Person	**Counterparty**	**Ref**	**2013** $	**2012** $	**2013** $	**2012** $
Robert Francis: Commission Member	Wairarapa District Health Board	i	4,000	17,000	–	–
Rangi Willis: Commission Member	Powerco	ii	341	–	–	–
	Wanganui District Council	iii	31,709	–	–	–
Rt Hon Wyatt Creech: Chair	Healthcare of NZ Limited	iv	–	5,000	–	–
Total			**36,050**	**22,000**	**–**	**–**

i The Commission charged Wairarapa District Health Board, of which Robert Francis is the chair, rental for a building at the Masterton fire station.

ii The Commission charged Powerco, of which Rangi Willis is a trustee, hazardous substance charges.

iii The Commission charged Wanganui District Council, of which Rangi Willis is deputy mayor, false alarm and vegetation charges.

iv In the prior year, the Commission charged Healthcare of NZ Limited, of which the 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 the Commission and key management personnel have control or significant influence over can be summarised as follows.

			Transaction value for the year		Balance outstanding for the year ended	
Person	**Counterparty**	**Ref**	**2013** $	**2012** $	**2013** $	**2012** $
New Zealand Fire Service Superannuation Scheme	The NZFS Superannuation Scheme	i	15,541,705	15,075,166	–	–
Rangi Willis: Commission Member	Wanganui District Council	ii	3,638	–	–	–
Vicki Caisley: Commission Member	Vicki Caisley	iii	451	–	–	–
	Grant Thornton	iv	29,373	–	–	–
	Kiely Tompson Caisley	v	–	3,772	–	–
Total			**15,575,167**	**15,078,938**	**–**	**–**

i 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.

ii Purchase of goods from Wanganui District Council, of which Rangi Willis is deputy mayor.

iii Reimbursement of expenses for Vicki Caisley.

iv Purchase of goods from Grant Thornton, of which Vicki Caisley is the director.

v In the prior year, the Commission purchased services from Kiely Tompson Caisley, of which Vicki Caisley's husband is a partner.

Other related party disclosures

There are close family members of key management personnel employed by the Fire Service. The terms and conditions of those arrangements are no more favourable than the 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 they pay the fire service levy at the same rate as every other insured person.

29. Key management personnel benefits

	Actual 2013 $000	Actual 2012 $000
Salaries and other current employee benefits	3,996	3,949
Severance payments	429	74
Post-employment benefits (KiwiSaver and superannuation)	296	335
Total key management personnel benefits	**4,721**	**4,358**

Key management personnel includes Commission Members, the Chair of the Audit and Risk Committee, the Chief Executive & National Commander, and the 15 members (2012: 19 members) of the organisational leadership team. Other than the Commission the Fire Service has three key management teams, the strategic management team, the operational leadership team, and the two combined together, making the organisational leadership team. The role of each team being:

Strategic leadership team (SLT)

The SLT represents all the critical business functions. It provides dynamic, strategic decision-making for the organisation and quality advice for the Chief Executive & National Commander, and the Commission.

Operational leadership team (OLT)

The purpose of the OLT is to provide national, strategic operational leadership for the Fire Service core external service delivery functions, provide operational advice to SLT, drive the integration of risk reduction and response activities, ensure appropriate operational capability and readiness, and continuously improve the risk reduction and response performance of the Fire Service.

Organisational leadership team (OrgLT)

The OrgLT has been established to bring together the two groups above – the SLT and OLT.

30. Remuneration of Commission and committee members

		Actual 2013 $	Actual 2012 $
Rt Hon Wyatt Creech	Chair	53,000	50,493
Dame Margaret Bazley DNZM Hon Dlit (retired July 2011)	Chair	–	5,000
David McFarlane	Deputy Chair	23,375	22,979
Robert Francis (retired 30 September 2012)	Member	8,631	18,700
Vicki Caisley	Member	18,700	18,700
Angela Hauk-Willis (from August 2011)	Member	18,700	17,046
Rangi Wills (from 1 October 2012)	Member	12,227	–
Fees paid to Commission members		**134,633**	**132,918**
Alan Isaac (Audit and Risk Committee)	Chair	4,800	4,800
Total remuneration of Commission and Committee members		**139,433**	**137,718**

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 (2012: $nil).

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

31. Remuneration of employees

Total remuneration paid or payable	Actual 2013 Count	Actual 2012 Count
$100,000 – $109,999	286	110
$110,000 – $119,999	91	43
$120,000 – $129,999	33	21
$130,000 – $139,999	15	9
$140,000 – $149,999	6	6
$150,000 – $159,999	7	4
$160,000 – $169,999	3	7
$170,000 – $179,999	2	2
$180,000 – $189,999	5	5
$190,000 – $199,999	4	–
$200,000 – $209,999	1	2
$210,000 – $219,999	3	–
$220,000 – $229,999	1	1
$230,000 – $239,999	–	2
$240,000 – $249,999	2	2
$250,000 – $259,999	2	1
$260,000 – $269,999	1	–
$270,000 – $279,999	1	–
$360,000 – $369,999 (Chief Executive & National Commander)	1	–
$370,000 – $379,999 (Chief Executive & National Commander)	–	1
Total employees	**464**	**216**

The significant count increase this year when compared to the prior year, particularly the counts for the first three ranges above, of 248 (2012: count decrease of 110) can be explained as follows:

- Main contributor is an increase of 245 relating to firefighters due to counts in the prior year being lower as a result of the prolonged industrial action by the firefighters.
- Additional costs resulting from the National Headquarters restructure and region/area realignment including:
  - Severances – an increase of 10
  - New positions – an increase of 37
- There is also a decrease of 44 for employees earning over $100,000 in the prior year who left the organisation.

Gratuities were paid out in accordance with the Fire Service Act 1975 to employees who cease employment with the Fire Service following a minimum of 10 years service.

Cessation payments

During the year, there were a total of 37 severances (2012: 19 severances) including redundancies costing $1.6 million (2012: $0.9 million) due to the National Headquarters restructure and regional/area realignment projects. In addition, there were a total of 72 employees (2012: 60 employees) who received cessation payments including gratuities costing $1.8 million (2012: total cost $1.6 million).

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 Cash Flows and Financial Position: Cash and Cash Equivalents

The most significant variance to budget is cash and cash equivalents. Cash and cash equivalents for the year to 30 June 2013 were $30.6 million ahead of budget with major variances summarised below:

- There was a $0.7 million favourable variance on the opening balance of cash and cash equivalents when compared to budget
- Revenue includes a lump sum payment of $11.1 million (GST inclusive) negotiated to settle the balance of outstanding Christchurch earthquake insurance claims (both material damage and loss of income) – refer note 2
- Income and revenue (including levy receipts and excluding capex/insurance) is $14.3 million favourable when compared to budget – refer notes 1 and 2
- Spend including payroll and volunteers (excluding capex/GST) is $0.6 million favourable when compared to budget – refer notes 3 and 7
- GST is $3.0 million unfavourable when compared to budget
- Net capex spend (including intangibles) is $6.9 million favourable when compared to budget – refer notes 4 and 5.

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Working with communities to protect what they value | Te mahi tahi ki ngā hapori, ki te tiaki i a rātou taonga

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