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

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NEW ZEALAND FIRE SERVICE
Whakaratonga Iwi

Annual Report

For the year ended 30 June 2014

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Contents

Front Cover:

Volunteer firefighter recruitment poster.
Chloe Dowling, Orchardist and Volunteer Firefighter, Clyde, Otago

OUR PEOPLE

1,700 Career Firefighters

8,300 Urban Volunteers

3,500 Rural Volunteers

585 Management and Support Staff

OUR NETWORK

79 Career Stations

360 Volunteer Stations

187 Rural Fire Forces

OUR GOALS

Protection of people, property and the environment – by providing a prompt and efficient response to fires and other emergencies.

Fire safe behaviour and practice through proactive public education and rural fire coordination.

Resilient communities – by preparing for and responding to a broad range of non-fire emergencies in collaboration with other agencies.

OUR IMPACT

73,464
incidents attended

In 2013 - 14, an increase of 3.6% on 2012 - 13. This included:

5,294 structure fires	Decreased
4,951 vegetation fires	Remains Static
8,298 medical emergencies	Increased
4,627 motor vehicle accidents	Decreased
3,709 hazards materials	Remains Static

583,694

direct contacts were made to provide fire safety education and prevention advice.

96%

trust and confidence rating, as measured using an independent survey of the public, covering a range of public sector organisations.

Chairperson's Foreword

During the 2013/2014 year, the Commission and the Fire Service developed and introduced a new Vision, "Leading integrated fire and emergency services for a safer New Zealand". The vision sets a range of ambitious goals to be achieved by 2020 and is backed by an extensive programme of work. Members of the Strategic Leadership Team spent several months over the past year talking with staff and volunteers across the country about the thinking behind the Vision.

The recently published 2014–2018 Statement of Intent lays out the work programme and the six identified priority areas linked to Vision 2020: people, safety, incident management, integration, medical response, and risk reduction and prevention.

The new vision statement fits well with Cabinet's decision to approve a range of recommendations from the Fire Review Panel Report, including the need to modernise fire service legislation, review the Fire Service funding and create a more flexible governance model. The Commission strongly supports the Cabinet decision as, without legislative change, it faces significant difficulties in maintaining its funding level, and effectively providing a full range of fire and emergency services.

We are hopeful that a Bill to reform the Fire Service's mandate, governance and funding can be introduced within the next year.

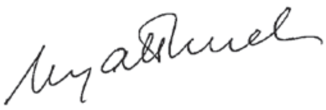
The Commission has already implemented one of the Review Panel Report recommendations – for the National Rural Fire Advisory Committee to be a sub-committee of the Commission, chaired by a Commission member.

The new Rural Fire Committee of the Commission met for the first time in October 2013. The Committee's focus has been on setting the strategic direction and policy for the rural fire sector. The key objective is the further amalgamation of separate Rural Fire Authorities (RFAs) into Enlarged Rural Fire Districts (ERFDs). Progress has not been easy despite general consensus that the RFA structure is inefficient, and that ERFDs are more effective and provide better value for money. At the end of June 2014, the number of RFAs had been reduced from 121 to 57. As at 30 June 2014, 59 percent of land previously managed by RFAs is now managed by ERFDs. The intent is to have 70 percent of land managed by ERFDs by 30 June 2015.

Financial sustainability is of increasing concern. In recent years, the Commission's fiscal strategy has reflected the need for all government agencies to live within their means. We have sought no increase in the Fire Service levy rate. This means that the Commission has had to maintain a firm control on expenditure and ensure all levy payments due are collected.

The Commission has been concerned for some time by the gradual erosion of the levy base by organisations and individuals using increasingly sophisticated insurance arrangements to reduce the amount of levy they pay. This exploitation of loopholes in the law undermines the security of our funding. The Commission vigorously challenges all levy-reducing schemes it encounters and believes that some are not consistent with the intent of the Fire Service Act. The insurance industry sought and won a court ruling on the legality of such schemes, and this was appealed by the Commission. The Court of Appeal noted that it was required to base its decision on a law that was almost 40 years old and which could not have anticipated these issues. The Court suggested, and the Commission agrees, that legislative change would address the issue. In the meantime, the Commission has been granted leave to make a further appeal to the Supreme Court.

Finally, I would like to take this opportunity to express the Commission's appreciation for the very hard work of all staff and volunteers who provide such an excellent fire and emergency service to the people of New Zealand.



Rt Hon Wyatt Creech
Chairperson

Chief Executive and National Commander's Foreword

When the results of the annual Research NZ survey of public trust and confidence in the public sector were released, I was very pleased to see that the Fire Service continued to hold the lead position, with 96 percent of the public expressing trust and confidence in our organisation. This was up two percent on last year. In the separate UMR survey which monitors public perception of government departments, the Fire Service achieved an 89 percent result – again the highest of any government organisation. We can justifiably be very proud of the high esteem we are held in – it reflects well on the organisation and all our staff. However, we must continue to work hard to maintain that level of trust and confidence.

Our new Vision 2020, "Leading integrated fire and emergency services for a safer New Zealand", will help maintain that public support. Vision 2020 was launched on 20 February and was followed by an extensive series of discussions with managers, career and volunteer staff around the country.

These discussions have given us the opportunity to fully engage with front-line personnel on how we can work together to provide a world-leading, fully integrated emergency service that puts the safety of its personnel and the public at the forefront of what it does. Vision 2020 is supported by a broad programme of work, and I have been delighted with the support and interest shown by our staff in the intent of the Vision and the work underpinning it.

Our six current priorities are: people, safety, incident management, integration and rural coordination, medical response, and risk reduction and prevention. Within these priorities we are putting particular emphasis on further developing our culture of safety, improving incident management, developing our future leadership and supporting volunteers.

For example, we have put all Executive Officers through command training. Further courses for other ranks have begun and there is an ongoing commitment to maintaining this focus on incident management. Work is also underway to develop leadership capability. While there are many good leaders in the Fire Service, we also recognise that we can do things better, in particular by providing more effective leadership training and development for our people.

We continue to focus on ensuring the sustainability of our volunteer brigades. This is of fundamental importance given that 80 percent of New Zealand's firefighters are volunteers. This means that every project, programme or piece of work we do needs to be designed with volunteers in mind, as much as career staff, from the outset.

The Urban Search and Rescue (USAR) team has applied for International Search and Rescue Advisory Group (INSARAG) International External Classification (IEC) as a Heavy Rescue Team. This rigorous assessment is scheduled for early 2015. If successful, New Zealand USAR will have demonstrated that it meets the highest international USAR standards and will become one of only three INSARAG classified Heavy USAR Teams in Australasia. Recent reports from the international USAR IEC accreditation mentors indicate that the Fire Service has made good progress and they are confident we will succeed in our assessment in March 2015. Our investment in the team over the past year has been significant and includes one major deployment exercise, and intensive command and management training.

The release of the Coroner's report into the collapse of the CTV building following the Christchurch earthquake was an important event, not only for the families of those killed or injured, but also for the Fire Service and other emergency services. The Fire Service has already addressed or is implementing the recommendations within the report. The Fire Service is committed to continuous improvement and implements change as a result of its experience at major incidents.

One of the critical recommendations coming out of the Coroner's report was around incident command and control. All Executive Officers have now completed a five-day incident management refresher course. Extensive planning has begun to ensure that all operational officers (both paid and volunteer) take part in an on-going programme of competence refreshers and assessment.

At the end of May, the Fire Service released the Operational Review and Accident Investigation Report into the fire at Racetech's Petone factory in August last year, in which a firefighter received serious burns. We did so because of the considerable public interest in this incident, and the importance of being open and transparent. It also showed our commitment to staff safety and to learning from our mistakes.

Communication to staff about the findings reinforced the paramount importance safety has for the organisation and the need for all staff to embed safety awareness and risk management in everything they do.

Arising out of the Fire Services Review, the Emergency Services Ministers invited Chief Executives of the emergency services sector to form an Emergency Services Coordination Group. The purpose of this group is to identify opportunities to improve the effectiveness and efficiency of emergency services, coordinate capital investment and resource sharing between departments, and ensure that core emergency services have the capability, systems and operational readiness to work effectively together. Its inaugural meeting took place in September 2014.

Financial sustainability is a big concern given the increasing demands on our limited resources. It is one of the biggest challenges facing the Fire Service. Over the next five years we need to finance an extensive property upgrade and replacement programme. This includes upgrading buildings to meet new seismic requirements, investing in the Christchurch Justice and Emergency Services Precinct, rebuilding the main Christchurch fire station and training facilities, and rebuilding major facilities in Auckland, Wellington and Dunedin. Additionally, there is the increasing demand for our service, in particular medical calls, motor vehicle extrication and expansion of the USAR capability. There are also costs associated with managing the retirement of our ageing workforce.

Performance summary

There has been a continuing decline in the number of reported fires in structures per 100,000 population. This follows a greater uptake of smoke alarms, more use of flame-resistant building materials, increasing urbanisation, safer product design, the move to low-power devices, more efficient heating technology and improved fire safety behaviour.

Avoidable fire fatalities are also reducing. We believe that our programme of fire safety education has played a major role in the reduction of fire-related deaths. Avoidable residential fire fatalities per 100,000 population have reduced significantly over the last ten years. This year we welcomed a record low number of just ten such deaths. Meanwhile, the number of non-fire emergencies is growing as a result of more medical calls and weather-related events.

Paul Baxter
Chief Executive and National Commander

New Zealand Fire Service Commission Overview

Structure and function

The Commission was 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 2013/2014, the Board members were:

- Rt Hon Wyatt Creech, Chair
- David McFarlane, Deputy Chair
- Vicki Caisley, member
- Angela Hauk-Willis, member
- Rangi Wills, member.

Vision

Leading integrated fire and emergency services for a safer New Zealand.

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 2013/2014, and a summary of operational readiness and capability, fire stations, and urban search and rescue programmes.

Incident trends

The Fire Service responded to 73,464 emergency incidents during 2013/2014. The total number of incidents over the last ten years is shown in the table below.

Table 1 Incident trends

	Total incidents attended
2013/2014	73,464
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

The main trend in recent years has been the increasing proportion of non-fire related incidents. In 2013/2014, 38 percent of incidents were non-fire compared with 28 percent in 2003/2004.

Non-fire emergencies

The number of non-fire emergencies is increasing as expectations of the Fire Service evolve. Over the past ten years, the number of non-fire emergencies has grown by almost 48 percent.

The number of mobile property (including motor vehicles) accidents and hazardous substances emergencies remains relatively static, while medical emergencies and other non-fire emergencies, such as civil defence emergencies, continue to grow. The growing number of non-fire emergencies in the latter part of 2013 was linked to the severe winds and the earthquakes experienced in Wellington in July and August.

Medical calls are also increasing. This is mostly due to the decision, in partnership with ambulance services, for an appliance to be co-responded with an ambulance to all cardiac and respiratory arrest calls. For the first time, all our career stations, as well as brigades, are now being sent to these calls (referred to as code 'purple' by St John) as a matter of course. Previously, only some brigades and Wellington career appliances were routinely dispatched to these calls. This partnership with ambulance services now standardises our national response to these life-threatening incidents. International research shows that if both a fire appliance and an ambulance are dispatched at the same time, then the closest possible resource arrives first, CPR can begin earlier which improves survival rates, and the presence of firefighters frees up ambulance staff to administer drug therapy.

Operational readiness and capability

The Fire Service verifies its state of readiness by conducting internal operational readiness assessments. We regularly audit all aspects of our business, station management, equipment maintenance, performance and response capability. The results identify any areas needing improvement so that the necessary changes can be made.

We also carry out post-incident operational reviews on all major or unusual incidents. These reviews highlight examples of good operational practice that can be shared throughout the organisation and identify any opportunities for improvement. Any reviews that result in Corrective Action Plans are reported monthly to the Operational Leadership Team and managers take responsibility for putting in place the changes that are recommended. The implementation of these plans is also subject to audit.

Fire Service staff regularly review and update risk plans for specific sites or likely scenarios in their urban or rural areas. This information is then immediately available for crews responding to an incident at that site, or at a particular type of emergency (e.g. oil tank farm, local hospital or chemical factory fire).

A significant programme to refresh operational command and control capability is underway, with all Executive Officers having completed the first refresher course. Extensive planning has begun to ensure that all operational officers (both paid and volunteer) take part in an on-going programme of competence refreshers and assessment.

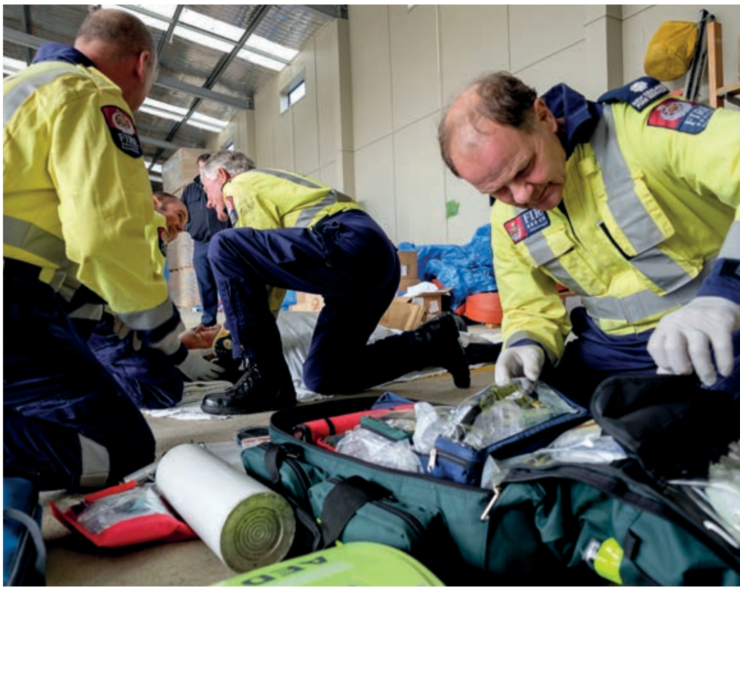
Response times are reported against national guidelines. These response times have been established to provide a balance between resource availability and early intervention to reduce or minimise the consequence of emergency incidents.

The reviewed National Response Plan has been tested twice this year as part of national exercises and has proven to be robust. It has now been republished.

Fire stations

New stations have been built in Paihia, Takapuna, Port Waikato, Katikati and Toko. Construction of a major new fire station in Grey Lynn has begun, and new stations are also planned for Wanaka and Hikurangi by June 2015. Major refurbishments of the fire stations at Chartwell, Darfield, Te Aroha, Thames and Blenheim were completed. A comprehensive refurbishment of National Headquarters in Wellington was also completed.

Significant survey, prioritisation, planning and construction work continues to improve the seismic resilience of the network. A major project to seismically strengthen and refurbish Wellington Central Station is due to be completed in November 2014. As part of the seismic programme, construction has begun on new stations in Taumarunui and Southbridge. In addition, major seismic upgrade and refurbishment projects are underway in Whanganui, Alexandra, Omarama and St Kilda. All remaining earthquake-prone or earthquake-risk sites have been identified and the necessary work, if not underway, has been scheduled for completion over the coming years. New stations in Rangiora and Lyttelton are scheduled to begin construction before June 2015.



Following the earthquakes of 2010 and 2011, the business case to rebuild our Christchurch network has been approved. Four of the seven career fire stations will be relocated, with the Christchurch City, Addington and Woolston stations to be rebuilt at their current sites. The new station locations reflect optimal response times, population movement and predicted growth in demand on our services. Land acquisition and concept design work has begun.

A significant amount of planned maintenance work continues, in particular an upgrade of a range of facilities at Mount Wellington. In addition, programmed maintenance contracts for critical building components including appliance bay doors and back-up generators are being implemented in each region.

A major programme to ensure adequate exhaust extraction at all fire stations was approved and is being rolled out over five years.

The divestment of the former site of Te Atatu fire station was successfully completed.

Urban Search and Rescue

The New Zealand Urban Search and Rescue (NZ USAR) taskforce is made up of 160 firefighters, ten engineers, 18 medics, ten dog handlers and four doctors.

Their specialist role is to rescue people trapped in different types of accidents or natural disasters. These can include building or structural collapses, industrial accidents, landslides, floods and earthquakes.

The team's technicians are trained to shore up buildings, and use a range of heavy tools and cutting gear to safely extract people from difficult or confined spaces.

New Zealand is an active member of the International Search and Rescue Advisory Group (INSARAG), a global network of more than 80 countries and organisations within the United Nations. INSARAG is establishing minimum standards for USAR teams and methodology for international coordination of these USAR teams in international emergencies.

INSARAG's two main areas of work are preparedness and response. These play an important role in supporting countries to reach minimum standards for international response as well as building USAR capacity. For response capability, INSARAG has developed the INSARAG International External Classification (IEC) system to ensure international minimum standards are met. NZ USAR will be assessed for this classification in March 2015.

To ensure preparedness, INSARAG has facilitated numerous national, regional and international USAR capacity-building initiatives. NZ USAR attends regional meetings and also participates in annual exercises to practise full deployment of USAR teams. These exercises involve other government stakeholders (including the Ministry of Civil Defence and Emergency Management, and the Ministry of Foreign Affairs and Trade) and our external partners with whom we have Memoranda of Understanding.

Training

Training has begun implementing a new Training Strategy that sets the direction for the next five years to support a more effective and safe workforce. Its focus is on developing key operational skills such as incident command, providing the required trainer capacity and capability, improving training for volunteers, and ensuring that all core operational skills are maintained. The new strategy makes the most of our world-class training facility in Rotorua, and introduces smarter use of technology and online learning. It also incorporates the lessons taken from the Christchurch earthquake and other operational incidents, and the training implications of Vision 2020.

A refreshed Training personnel structure has been implemented to support the delivery of the Training Strategy.

The National Training Centre in Rotorua is a valuable asset and is fully utilised by the Fire Service and several of its emergency service partners. Construction of a second training facility is planned in Christchurch to service the South Island and for national urban search and rescue training.

In 2013/2014, a range of new training initiatives included:

- In conjunction with Operations, new Tactical Command and Control programmes for all Officers were developed. These were delivered to all Executive Officers during the year and will be delivered to all other Officers over the next three years. These include programmes for on-going skill maintenance in incident command
- Development of a new course resource scheduling tool to improve administrative processes
- Based on research outcomes, improvements were made to the Operational Skills Maintenance (OSM) programme
- Monitoring the new volunteer Training and Progression (TAPS) programmes and designing new Career TAPS programmes
- A review of a number of core operational areas, including Pump Operation and Line Rescue training
- Completion of the infrastructure to deliver online learning to career and volunteer staff.

National Rural Fire Authority Overview

Guided by the National Rural Fire Authority (NRFA) 2009–2014 Strategic Plan, the NRFA has continued to implement initiatives to enhance the protection of New Zealand's forest and rural lands and communities, and to promote better leadership to Rural Fire Authorities (RFAs). In 2013/2014 the key areas of focus were:

- Continued promotion and leadership of the Enlarged Rural Fire Districts (ERFD) strategy
- Embedding of the NRFA's Performance Monitoring and Evaluation Framework
- Implementing a new auditing system for two new National Minimum Standards, the Fire Hazard assessment and Timely Response to Fires
- Replacement of the National Fire Weather System with a new system that has enhanced capability including fire weather modelling, with the ability to forecast potential fire danger levels out to six days.

Enlarged Rural Fire Districts Strategy

The Commission's initiative to promote and encourage RFAs to merger into larger ERFD continues.

The goals are:

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

Progress has not been easy despite general consensus on the inefficiency of the current RFA structure, and on the increased effectiveness and value for money provided by ERFDs.

During 2013/2014, the extensive programme of engagement with forest and rural stakeholders around the country continued and two new ERFDs (Wellington and Otago) were established; a further three were in various stages of transitioning in 2014/2015. Further consultation will continue with RFAs, central and local government organisations, forest owners, and other rural land management organisations in 2014/2015.

Table 2 ERFD strategy

	2011/2012	2012/2013	2013/2014
Number of ERFDs*	7	9	11[1]
Number of Rural Fire Authorities	76	62	52
Area (ha) under administration of ERFDs	10,548,087	12,400,900	16,399,200
Percentage of New Zealand land under administration of ERFDs	39.20%	46.70%	59.40%

* Number of RFAs excludes the seven Defence RFDs, which are not included in the ERFD programme.

1 New ERFDs include Wellington and Otago.

Performance monitoring and evaluation framework

The primary purpose of the RFAs Performance Monitoring and Evaluation Framework (PMEF) is to enable the Fire Service Commission, as the National Rural Fire Authority, to understand the effectiveness of current policy, and help inform interventions and corrective actions where there are risk exposures or the required outcomes are not being achieved by RFAs.

Secondary purposes of the framework include:

- To engage stakeholders and ensure RFA ownership
- To communicate meaningful results to diverse RFA stakeholders
- To compare rural fire management practices across RFAs, and determine what does and does not work to advance practice.

The 2013/2014 audit standards programme was completed with a total of 95 minimum standard audits carried out as scheduled. The NRFA will continue to monitor RFAs subject to Corrective Action Plans. The RFA 2013/2014 performance assessment programme was also completed with a total of 23 RFAs assessed.

The monitoring of RFAs through the framework process shows RFAs areas where they can improve in the PMEF components of the Fire Plan, Fire Control Measures and the NRFA National Minimum Standards.

Fire season 2013/2014

The 2013/2014 fire season was relatively quiet compared with 2012/2013 when we experienced severe drought conditions over 80 percent of New Zealand's forest and rural lands. Most RFAs had fewer than average days of very high fire danger and less than average fire activity. The exception was in Waikato, Auckland and Northland, where drought conditions remained into 2014 and the number of days of very high to extreme fire danger levels was above fire season averages.

Rural Fire Fighting Fund

RFAs lodged 95 claims on the Rural Fire Fighting Fund (RFFF) for the 2013/2014 fire season totalling $1.984m. By comparison, in 2012/2013, 94 claims were lodged on the RFFF totalling $4.151m. The NRFA was successful in the recovery of $578,905 of costs associated with grants from the RFFF during 2013/2014 from people responsible for causing a wildfire. This was done using the cost recovery provisions of section 43 of the Forest and Rural Fires Act 1977.

International deployments

Formal arrangements have been in place between rural fire agencies in the United States, Canada, Australia and New Zealand since 2000. In that time, there have been 13 international deployments to these countries involving a total of 595 forest and rural firefighters from New Zealand.

A formal request for assistance was received from the Victoria fire agencies on 28 January 2014 for rural firefighters from New Zealand with tall timber forest fire fighting expertise capable of working in the steep and remote areas of Victoria in Australia.

On 30 January 2014, an initial team of 22 forest and rural firefighters was deployed to the East Gipsland region where wildfires had spread over a vast area. It was an arduous assignment, with crews using hand tools and chainsaws to support heavy machinery in ground-based firefighting operations.

A second team of 22 specialist rural firefighters was deployed to the same region on 3 February. Both teams worked seven-day shifts followed by two days' rest. They returned to New Zealand in early March when wildfire conditions in Victoria eased.

Fire Risk Management Overview

Fire Research and Investigation

Over the past year, the Fire Research and Investigation Unit (FRIU) has successfully worked with retailers, manufacturers and regulators to address fire risk issues it identified among specific products. This included product recalls for two heating products which caused 24 and 25 fires, respectively.

In the past 12 months the FRIU has:

- Peer reviewed 430 fire investigation reports by Fire Service specialist fire investigators
- Provided technical support and advice to fire investigators in the field
- Delivered a range of fire investigation training to staff and other stakeholders
- Provided fire investigation support to Police authorities in Nauru following the detention centre riots, at the request of the Australasian Fire and Emergency Services Authorities Council
- Provided a range of fire investigation-related training both internally and externally to several agencies, including 50 Scene of Crime Officers from three Auckland Police districts.

Fire Evacuation Schemes

During the past year, 89 percent of Evacuation Schemes were processed within 20 days. This was a considerable improvement from the 46 percent achieved in the 2012/2013 financial year.

For the month of June 2014, 93 percent of Evacuation Schemes were processed within 20 days.

Fire engineering

The number of consents forwarded by building consent authorities has increased noticeably. This reflects the strong activity in the construction industry.

Changes to the Building Code in 2012 have also resulted in a substantial increase in requests for fire engineering briefs and submissions of firefighting facilities checklists. This is a positive trend, as it gives the Fire Service an opportunity for early involvement in the design process.

Significant engineering projects include:

- City Rail Link-Auckland
- Auckland Convention Centre
- Re-build for Christchurch rebuild
- Waterview tunnel.

Children who light fires

This year, 439 children completed our Fire Awareness and Intervention Programme (FAIP) for young people who light fires, compared with 470 the previous financial year. Most (87 percent) were male and a third were Māori, which is consistent with previous years. A highlight this year was the development and release of a 3D interactive online game that teaches principles of safe evacuation in an engaging and entertaining way. The game has also been produced as an app for Android and iPhone mobile devices.

FAIP continues to be a valuable fire mitigation programme providing outstanding value to both the Fire Service and the community. It relies partly on government agencies referring young offenders to the programme, so we continue to actively remind these agencies of the availability and value of the programme.

Contestable Research Fund

Over the past decade, the Commission's Contestable Research Fund has generated a significant body of research that advances our knowledge of fire prevention and fire risk management, and operational readiness and response.

The following reports were published or are awaiting publication:

- Exploring digital approaches for improving safety behaviour in older people
- What motivates people in small rural communities to become Volunteer Rural Firefighters?
- Risk factors and offending behaviours among children and adolescents who deliberately light fires
- Attitudes to fire and safety in families with newborn babies
- Communicating fire safety messages to new migrants
- Quantifying the change in high country fire hazard from wilding trees
- Development of a micro-simulation statistical model for household fire risk identification
- Delivery mechanisms for 'hard to reach' groups
- Evaluation of Get Out! Stay Out! pre-school programme.

Work continues on the following research reports that were started in the 2012/2013 year:

- Minimum fitness standards for rural volunteers
- Describing wildfire prone areas in the New Zealand context.

The following new research reports were initiated in the 2013/2014 year:

- Diversity in the community versus diversity in the Fire Service
- Evaluating effective methods of engaging school leavers
- Early childhood centres in multi-storey buildings
- Evaluation of the effectiveness of the Home Fire Safety Checks
- The value of fire stations to their communities
- Home security versus fire safety for the elderly.

Promotions and Public Education

Public education

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

The social marketing model achieves sustained changes in behaviour by:

- 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 builds understanding of specific aspects of human behaviour and offers strategies on how best to reach at-risk audiences with fire safety solutions.

The Fire Service's own data on the cause and origin of fire and whether smoke alarms were installed, are 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 evaluated regularly to determine their effectiveness in reducing the incidence and consequences of fire.

Television campaign

One of the Commission's goals is to improve public understanding that a fire in a house can be fatal within five minutes. To support this, a new television commercial showing the rapid progression of a real house fire has been developed. Based on the award-winning version on the same theme shot over a decade earlier, the new commercial was made for high definition television. The commercial has been aired strategically in high-rating programmes to maximise exposure. This is expected to translate into higher public awareness of the speed of fire in the next financial year.

Promoting a fire-safe lifestyle is another important strategy for the Commission and our research shows that television continues to be the public's preferred method of communication.

Alcohol still features as a major contributing factor to the cause of house fires and to fire fatalities. The Fire Service continued to use the previous year's television campaign to model the positive behaviour of people who had too much to drink, eating something before they headed home.

The consequence-based advertising campaign which began in the 2011/2012 year has been further developed. The Precious campaign features the father of a young girl who has been badly burnt in a fire. The series of television commercials promotes the installation of smoke alarms with a sub-theme raising awareness of the danger of not looking while cooking. This series continues to yield very positive results in terms of public awareness and motivation to change behaviour according to the Communications Effectiveness research conducted quarterly.

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 continue to be popular within many schools. Two new digital games have been developed to complement the learning outcomes in the education programmes. Each game focuses on escaping a house fire quickly; however, they are designed for different age groups. The aim of both games is to teach children the correct action to take if there is a fire in their house.

A new Māori preschool kit *E Puta, E Noho, Ki Waho* was developed for delivery in kōhanga reo. The resource will be deployed in 2014/2015 in partnership with the National Kōhanga Reo Trust and Ministry of Education.

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.

The organisation now has 36,000 Facebook followers, almost 300,000 YouTube views and an active Twitter presence. This makes the Fire Service one of the most active government organisations on social media. Globally, the Fire Service still sits comfortably within the top ten fire and emergency services with an active Facebook presence.

Social media is now a regular channel for communicating fire safety campaigns, raising awareness, promoting Fire Service activity, and communicating product recalls and risks. Many volunteer fire brigades are also using social media effectively for both local fire safety initiatives and volunteer recruitment.

Over the past 12 months, the Fire Service has increased its activity on Twitter and LinkedIn, and has created an Instagram account for easy distribution of images. Across all platforms there has been an increase of cross-promotion with other agencies and messages, which increases the reach of messages into other audiences.

Using television programmes to raise awareness

The Fire Research and Investigation Unit (FRIU), Engineering and Communications teams helped a television production company to film the supervised burning of a house in July for use in a science-based programme. The episode will focus on the speed of fire and will screen early in 2015. It will be presented by television personality Nigel Latta. Prior to filming, the production crew sat in on a lecture on fire dynamics given by the Engineering Manager to new Fire Risk Management Officers (FRMO) to better understand fire behaviour.

Over the last year, the National Communications team has assisted several television 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.

Commission's Administration of the Levy Provisions of the Fire Service Act 1975

The New Zealand Fire Service Commission receives a levy from insurance companies or their agents, making up 95 percent of its funding. The Commission holds that levy until such time as it is required to meet its net operating expenditure. The levy-related statutory responsibilities of the Commission are largely set out in sections 48 through 53 of the Fire Service Act 1975 ("the Act"):

- 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:

- Completing seven audits of insurance companies, brokers and direct levy payers either through its agents or through analysis and investigation
- Issuing over 1,500 statutory declarations
- Reviewing the 1,316 payments and returns and the supporting 58,913 lines of payment provided by insurers, brokers and direct payers.

The Commission has this information going back for a number of years, so is able to identify where levy might have been underpaid or unpaid. Each month, where the Commission identifies concerns with variations in the amount of levy paid, it gets in touch with the broker or insurer to investigate these amounts. In a number of cases, revised payments and returns were promptly submitted. For the first time in a number of years, this resulted in a number of insurers making a supplementary payment of levy during the month that levy was due. Occasionally, the result has identified an overpaid levy and a refund has been made to the broker or insurer. It is encouraging that whilst the payment of levy is often viewed as an 'additional burden' on insurers and brokers, the work by the Levy team has helped brokers and insurers to meet their obligations under the Act.

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

- Conducting audits of information under section 51
- 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.

An ongoing challenge for the Commission 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 funding of the Fire Service to other levy payers.

During the 2013/2014 year, a judgment in the appeal of the decision in the litigation between the Commission, IBANZ and Vero Insurance was handed down. The judgment of the Court of Appeal held that these arrangements were effective to reduce the payment of levy. The Commission has now been granted leave by the Supreme Court to appeal the decision.

In its decision, the Court of Appeal noted that the solution to the misuse of the section was legislative, not judicial, which critically overlooked two of the foundations upon which our funding model was based:

- Stability – The amount of levy received each year should be relatively consistent and related to the growth in the overall economy. Having stability allows the Commission to make long-term decisions about investing in its fleet, properties and people, and is critically important, given that around 95 percent of its annual costs are fixed or cannot be easily altered within a 12-month period. It is this stability that has seen the rate of levy unchanged for almost 12 years, with only one increase from 7.3c per $100 insured to 7.6c in 2008.
- Fairness – The Commission recognises that the Act has not moved over time with changes to the industry, and from time to time this presents arguments of inequity. The Commission would concur that it is not fair that two buildings of equal value, only one of which invests in safety measures such as the installation of sprinklers and proper training for its staff, pay the same amount of levy. However, the Commission believes that it is nonsensical that one could reduce the amount of levy paid on its buildings by going to a broker who would promote these schemes, as opposed to a broker who recognised that the purpose of levy was to allow for a properly funded Fire Service.

The Commission believes that this judgement was 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 2014/2015 year.

The next greatest challenge for the Commission is the prevalence of 'self-insurance' arrangements, where, in response to the increasing costs of insurance, some organisations have sought to create their own reserves to deal with some incidents. The Act, when it was created almost 40 years ago, did not contemplate this, and in some instances these arrangements do not attract levy. It is hoped that the review of the Act scheduled for 2015 will help the Commission to overcome some of these issues.

In the interim, the Commission recognises that there are some areas where people who are not insured do not contribute a levy payment to the Commission. These are largely limited to the domestic and motor vehicle sectors. The Commission looks forward to working with the Department of Internal Affairs in the funding review to develop ways to improve the current model. In every instance bar one, when the Commission has become aware that an organisation was not insured and invited that organisation to make a contribution to our operations, they have done so. The list of those organisations that have made a contribution this year are set out in Note 2 to the accounts.

The Commission's Performance

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

1. Fire safe behaviour and practice – through proactive public education and rural coordination programmes.
2. Protection of people, property, communities and the environment – by providing a prompt and efficient response to unwanted fires.
3. Resilient communities – by preparing for and responding to a broad range of non-fire emergencies in collaboration with other agencies.

The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2013–2016 Statement of Intent.

Missing data

The results in this section show performance against the Commission's targets. 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 adjusted to allow for the missing data.

Outcome 1: Reduced consequences of structure fires

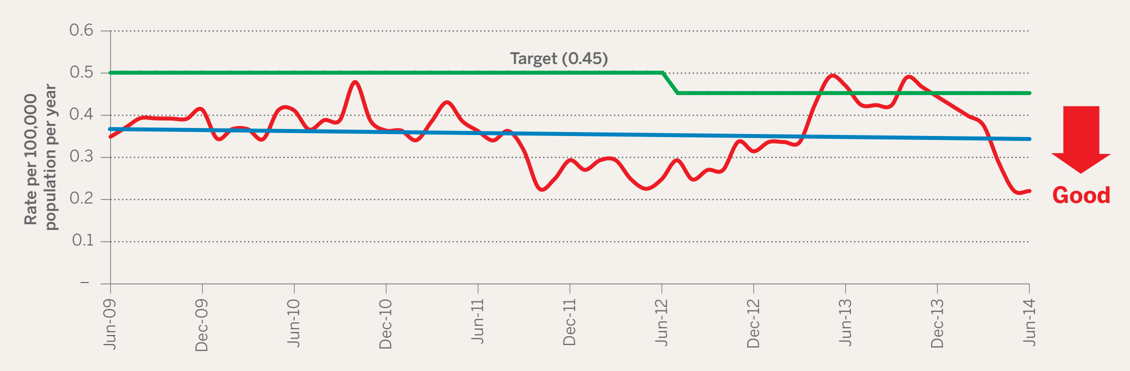
People: Avoidable residential fire fatalities from fire

Achieve and maintain an avoidable residential structure fire fatality rate of less than 0.45 per 100,000 population

The Commission monitors the number of avoidable residential fatalities from fire to assess its progress against its statutory mandate to protect life. In 2013/2014 there were ten such fire fatalities – the lowest on record. Translated, this equals 0.22 per 100,000 population, which is well below the expected rate of 0.45 per 100,000 population. Overall, there has been a significant reduction in deaths over the last five to ten years. The Commission believes that its provision of fire safety education has played a significant part in the reduction in fire fatalities. Avoidable residential fire fatalities per 100,000 population have reduced by 60 percent since June 2004. Figure 1 shows the results and long-term trends for avoidable residential structure fire fatalities.

Key fire safety messages delivered during 2013/2014 focused on the importance of smoke alarms through its *Could you live with yourself?*, *Keep looking while you're cooking*, *Never underestimate the speed of fire* and *Don't drink and fry* campaigns.

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



Property: Estimated value of fire loss

Achieve and maintain the number of fires in structures to fewer than 120 per 100,000 population
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

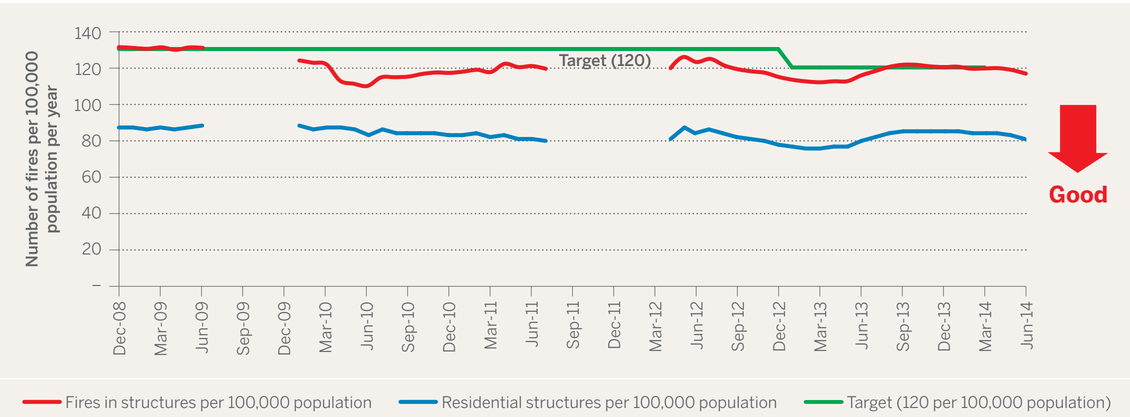
There has been a downward trend in structure fires over the last five years. Structure fires on a population basis are continuing to trend down in line with the reduction in the number of structure fires. There were 116 fires per 100,000 population in structures (up slightly on last year), 77 per 100,000 of which were in residential structures. This is a good result when measured against our target of 120 fires in structures per 100,000 population.

Overall, these results indicate that we continue to make good progress in reducing the number and consequences of structure fires.

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. The measures reflect just the losses to the structures themselves and do not include contents or downstream economic or social losses.

In 2013/2014, fire damage to residential structures ($71.55m) and non-residential structures ($51.96m) was up on a year ago. However, in both instances they remained below the targets of $75 million and $55 million per annum, respectively.

Figure 2 Fires in structures per 100,000 population per year



Overall, the number of fires in all structures has continued to decline over the last five years and is below what would be expected (Figure 2). In the previous annual report, the number of fires in structures per 100,000 population per year, as at 30 June 2013, was reported as 108. That figure later increased to 115 as a result of late reporting.

Figure 3 Estimated annual flame damage to residential structures from fires

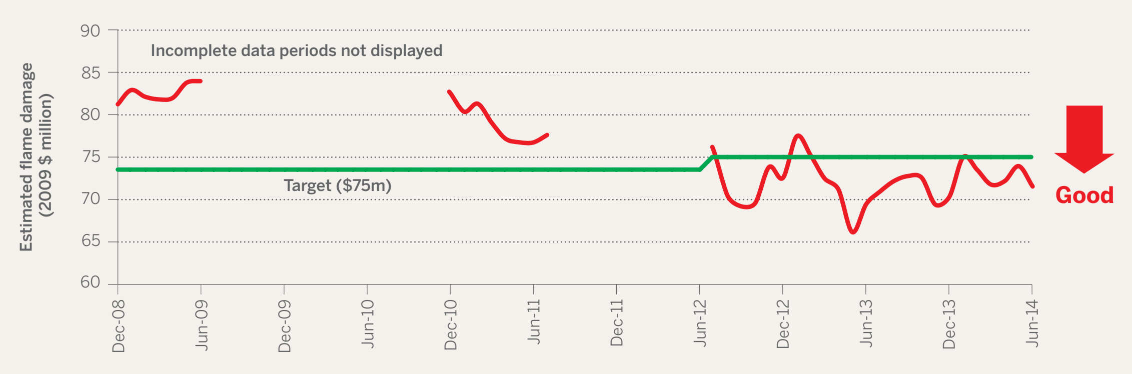
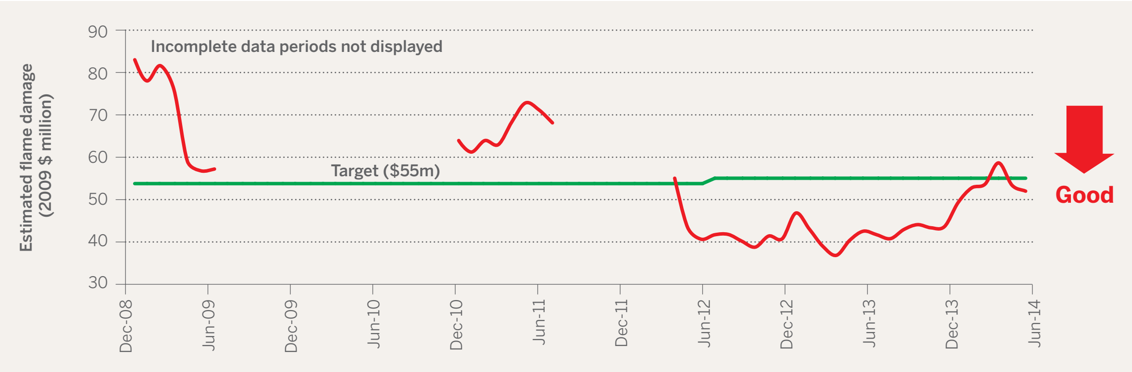


Figure 4 Estimated annual flame damage to non-residential structures from fires



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

Outcome 2: Contribute to reduced consequences of non-fire emergencies

The Commission contributes to improved outcomes across a wide range of non-fire emergencies. More than a third of the Fire Service's responses involve non-fire emergencies and rescues, including motor vehicle accidents, (MVAs), hazardous substances spills, rescues, civil defence emergencies and medical emergencies. Other agencies have the statutory mandate to address many of these non-fire emergencies.

Non-fire emergency demands continue to grow as shown in Figures 5 and 6. In the last ten years, these non-fire emergencies have grown by around 48 percent (from 18,997 incidents in 2003/2004 to 28,131 in 2013/2014) as expectations of the Fire Service continue to evolve. The impact of the Christchurch earthquakes is shown by the sharp spike in 2010/2011.

The Fire Service faces a number of difficulties in measuring performance against Outcome 2. First, management of non-fire emergencies is often shared by many agencies and apportioning individual contributions is often impracticable.

Second, this outcome includes a very large range of incident types ranging from animal rescues to hazardous materials incidents. This makes it hard technically to measure or compare performance against many dissimilar accident types.

Finally, and most fundamentally, the Fire Service's role in many non-fire emergencies is usually only temporary and is focused on making an incident safe before handing over to the relevant agency. This includes incidents such as gas leaks and medical responses (where the Fire Service's contribution ends once a patient is transported by ambulance). In all such cases, while the Fire Service plays a critical short-term role in keeping people safe, the actual resolution at the incident is usually not the Fire Service's responsibility.

In 2014/2015 the Fire Service is rolling out a wide programme of stakeholder engagement. This will help to ensure that effective communication exists and a coordinated approach continues to be taken by the Fire Service with its many non-fire emergency partners.

Figure 5 Non-fire emergencies attended by the Fire Service

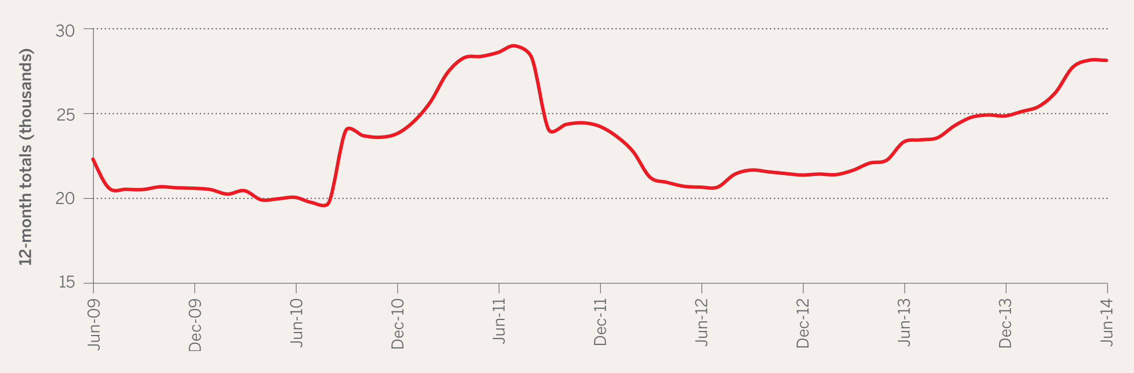
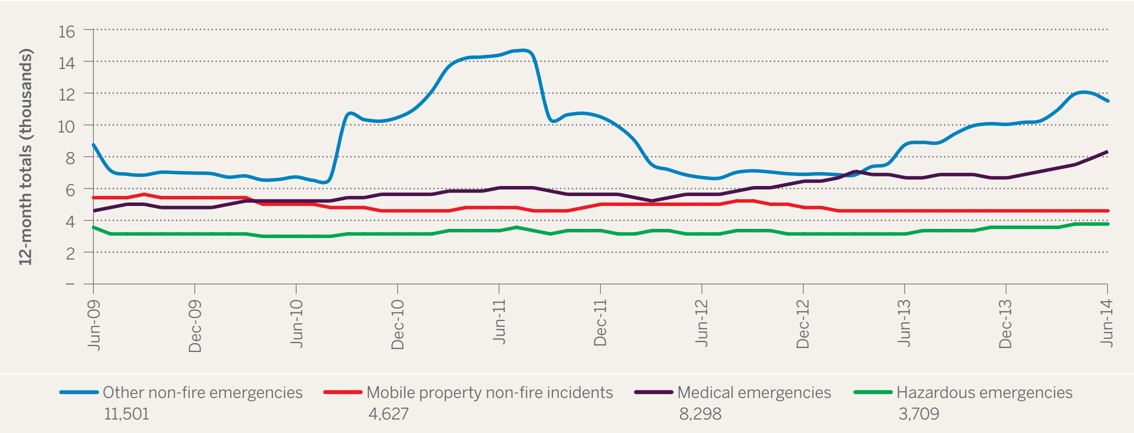


Figure 6 Non-fire emergencies attended by the Fire Service



Outcome 3: Reduced consequences of vegetation fires

Ensure annual area burnt by wildfires is less than 4,500 hectares
Contain 95 percent of all wildfires within two hours of being reported

Figure 7 Number of wildfires and the hectares burnt as a result

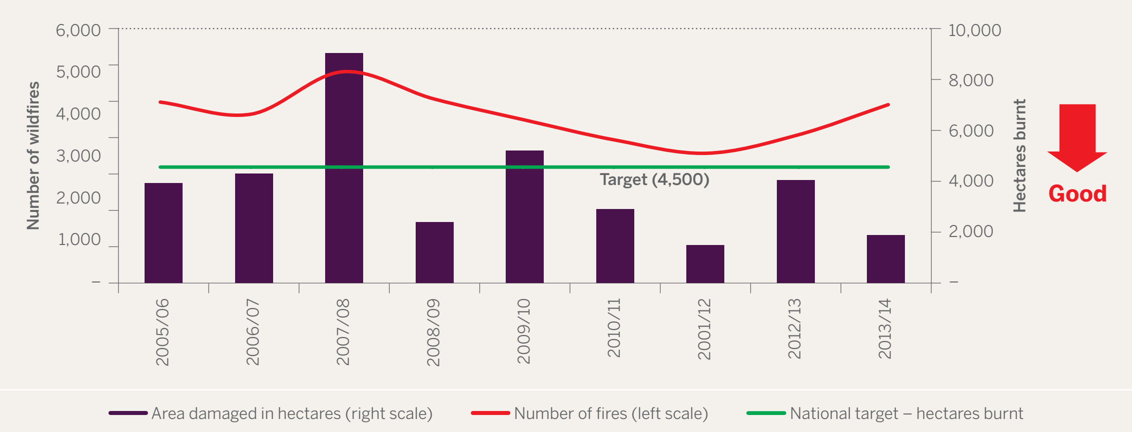


Figure 8 Total vegetation fires per 100,000 population per year

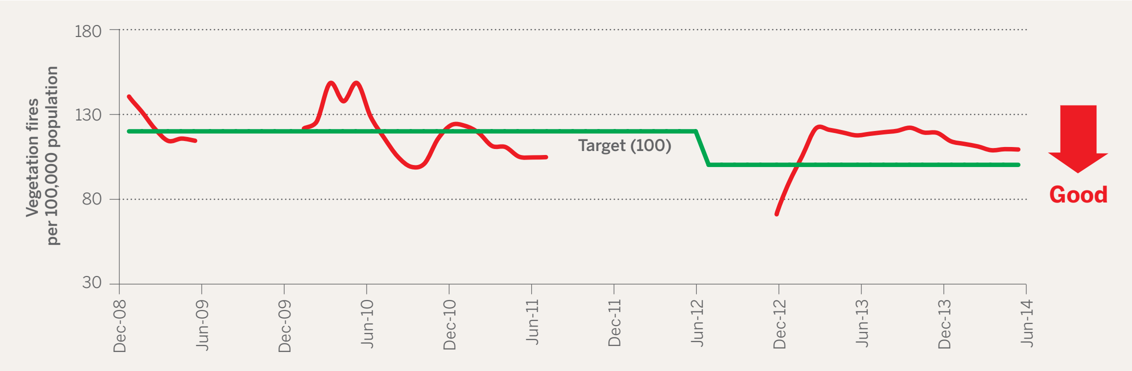


Figure 7 shows results from annual fire authority returns. All but two rural fire authorities have provided returns and the reported number of wildfires (4,222) is down on last year. The area burnt in 2013/2014 was 2,050 hectares, which is less than half the area burnt the previous year and below the target of 4,500 hectares burnt. Figure 8 shows the number of vegetation fires per 100,000 population. The rate of 109 vegetation fires per 100,000 population (Figure 8) in 2013/2014 was higher than expected but trended down from the high rate of 117 per 100,000 population during the severe 2012/2013 summer conditions.

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	2013/2014	2012/2013	National goal
In urban areas (within fire districts)	94%	96%	–
In rural areas (outside fire districts)	75%	77%	–
Overall	**84%**	**87%**	**95%**

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 coordination services to protect New Zealand's 4.4 million residents and visitors, $415 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 coordination.

Output class 1: Fire safety education, prevention and advice

Improve the fire safety knowledge and behaviour of the public:

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

Table 4 summarises the results of the Commission's annual fire knowledge survey.

Table 4 Fire knowledge survey results

	2013/2014	2012/2013	2011/2012	2010/2011	Target
People will believe a fire can become unsurvivable in five minutes or less	88%	90%	89%	90%	98%
Homes will have at least one smoke alarm installed	92%	92%	92%	90%	96%

A telephone survey is carried out between July and August each year, which 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. The results of the latest survey are consistent with results over recent years but still below our target, which may be too ambitious and will be reviewed. The Fire Service is currently developing a new long-term strategy and risk reduction strategy which will inform targets in this area.

Output class 2: Firefighting and other Fire Service operations

The Fire Service responded to 73,464 emergency incidents during 2013/2014. The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2013/2014, 38 percent of incidents were non-fire related emergencies, compared with 28 percent in 2003/2004.

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 5 and 6 show the timeliness of responses to fire and non-fire emergencies compared with the national service guidelines.

Table 5 Responses to structure fires inside fire districts

	2013/2014	2012/2013	National service delivery guideline
8 minutes for career stations	87%	85%	90%
11 minutes for volunteer stations	90%	90%	90%

Table 6 Responses to non-fire emergencies

	2013/2014	2012/2013	National service delivery guideline
Motor vehicle accidents will be responded to within 30 minutes	96%	97%	90%
Incidents requiring the hazmat unit will be responded to within 20 minutes in large urban areas	90%	89%	90%
Incidents requiring the hazmat unit will be responded to within 60 minutes for the rest of New Zealand	74%	89%	90%
Medical emergencies will be responded to in 8 minutes by career stations	86%	87%	90%
Medical emergencies will be responded to in 11 minutes by volunteer stations	85%	86%	90%

Response times are close to target in all instances. The deterioration in response times to hazmat incidents is explained, at least in part, by the longer travel times by many of these units. Service response times are continually investigated. However, the primary driver of performance is the physical location of fire stations. Consequently, the Fire Service's levers to improve performance are necessarily long term.

Table 7 Fire station resilience

	Number	Percent
Earthquake resilient, > 67 percent NBS IL 4	332	76%
Earthquake risk, 34-66 percent NBS IL 4	93	21%
Earthquake prone, 0-33 percent NBS IL 4	12	3%
Total	**437**	**100%**

Structures with special post-disaster functions such as fire stations are designated Importance Level 4 (IL4) under the Building Act 2004 and, accordingly, all new fire stations are designed to 100 percent of the New Building Standard (NBS) IL4. The Commission has also established that existing fire stations should achieve a minimum standard of > 67 percent NBS IL4 to be considered 'earthquake resilient'.

A prioritised programme of work to upgrade or replace 'earthquake prone' (0 percent-33 percent NBS IL 4) and 'earthquake risk' (34–66 percent NBS IL 4) fire stations, so that the minimum standard of > 67 percent NBS IL4 is achieved in each case, is well underway. This programme of work will take several years to complete.

The current status of existing fire stations is shown in Table 7 above.

Output class 3: Rural fire leadership and coordination

Reduce the number of fire authorities to less than 20 by December 2014
100 percent of rural fire authorities meet their legal obligations for adopting and reviewing their fire plans
Achieve and maintain the number of vegetation fires to less than 100 per 100,000 population

As at 30 June 2014, the number of fire authorities has been reduced from 121 to 52. Although progress has been slow against the original target, the uptake of ERFDs is beginning to make significant improvements to the coordination of the rural fire sector. The rate of progress reflects the voluntary nature of the amalgamation process and the potential for individual RFAs to prevent amalgamations from taking place.

The new Rural Fire Committee of the Commission met for the first time in October 2013. The Committee's focus has been on setting the strategic direction and policy for rural fire with an initial priority to approve options to accelerate the enlarged Rural Fire Districts strategy.

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 8 Fire authorities' fire plans

	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	Target
Number of fire authorities	52	71	76	78	86	86	20
Fire authorities with an adopted fire plan and a copy provided to the NRFA	52	69	76	78	86	86	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	100%	97%	100%	100%	97%	100%	100%
Percentage of fire authorities that have reviewed the readiness and response component of their fire plan	91%	99%	99%	99%	98%	97%	–

Organisational Health and Capability

Our people

The Fire Service's People Strategy developed for the years 2010 to 2015 has continued to provide focus and direction for People and Capability support to the organisation, to deliver on the commitments within the Statement of Intent, including:

- The embedding of the Career Board for Executive Officers, and its extension to senior station officers and station officers, supports the ongoing identification and development of future leaders
- Enhancement of stakeholder relationships, particularly workforce representatives, including the New Zealand Professional Firefighters Union (NZPFU), the Public Service Association (PSA), the New Zealand Executive Fire Officers Society (NZEFOS) and the United Fire Brigades Association (UFBA)
- Building leadership capability across the workforce (paid and volunteer) through performance development programmes, and local area and region-based interventions to support brigade leadership; adapting trials of tools and processes traditionally utilised for an employment context, and applying these to the volunteer environment
- Continuing to focus on 'service to the service' achieved through the 2012 region realignment, and carrying this through into Vision 2020, with its emphasis on developing, supporting and sustaining excellence in our people
- Building on the strong leadership safety commitment, so the Fire Service can make safety real for our people in every role and in every situation, to enable them to work safely and go home safely
- Increased emphasis on active management of staff welfare and wellbeing, and more active intervention at the early stages of absence to facilitate early return to work support, identifying patterns of absence that may give rise to concerns so they can be addressed as early as possible
- Improved processes for recruitment of staff (paid and volunteer), including introduction of an online recruitment management system that has helped to streamline the applications and improved reporting and efficiency.

Workforce relations

There are three key instruments that inform the employment relationships for Fire Service paid staff: the collective agreements with the PSA, NZEFOS and NZPFU. Other paid staff members are employed on Individual Employment Agreements either based on those models or stand alone at the more senior levels of the Fire Service.

For volunteers, the terms of their engagement are based on the Model Rules of Association and their relationship is with the brigade rather than the Fire Service directly. The UFBA represents the interest of volunteer brigades at a national level, and engages with the Fire Service through a variety of national-level roles and initiatives. Chief Fire Officers (CFOs) are supported at local, area and regional levels by region management teams, with support structures in place to provide guidance and assistance to brigade leadership.

The collective agreement with NZPFU agreement was settled during the 2013/2014 year with changes building upon the previous settlement. This integrated the changes agreed in working groups regarding remuneration, and continued that approach by introducing further working parties and a joint commitment to improved processes for renewal into the future. The PSA and NZEFOS collective agreements with the Fire Service have both been in bargaining over the period and discussions remain open, with the approach in both rounds reflecting a more principles-based engagement rather than the traditional industrial models of the past. In these agreements, the process for remuneration adjustment currently remains remuneration review rather than outright negotiation. This approach is reflective of a level of maturity in the employment relationships, and a growing trust and confidence between the parties, consistent with the increasing engagement and collaboration between the Fire Service and NZPFU.

Organisational design

Throughout 2013/2014, the Fire Service continued to refine its structure at a national level, and to organise its leadership and key functions in ways that support the delivery of the overall strategic plan. Greater levels of collaboration and collective responsibility for decision making at senior management levels, and more opportunities for front-line staff to engage with leaders in more meaningful ways, have encouraged wider understanding of different aspects of the Fire Service and different perspectives. The launch of the Commission's new Fire Service Vision – Vision 2020 – in early 2014 has seen high levels of engagement nationally as senior leaders have been presenting and engaging with all levels of the organisation to secure buy in and commitment to the Vision.

Leadership development

The Fire Service is committed to actively growing and developing its leaders. In 2013/2014 we continued to foster the development of our operational leaders through the Career Boards, and to identify and develop those who have potential to progress. The talent management and succession planning programme was rolled out to front-line supervisory and management positions. Individual, targeted development plans were provided for all participants, as well as career development opportunities to help prepare people for future roles.

A comprehensive induction process was established to support those who have been appointed into development roles. This included providing the specific training and development required for their roles, as well as liaison with external mentors, and a pool of internal mentors.

The development of a comprehensive leadership development framework commenced. This will sit alongside the operational training and progression system, and will focus on growing the leadership capabilities required to deliver the Fire Service's Vision and strategic priorities.

We continued to support the leadership development of volunteer leaders, through funding the UFBA volunteer leadership and governance programme, and supporting volunteer leaders to attend AFAC development courses in Australia. We introduced a range of volunteer leadership resources focused on building the capabilities identified as having a significant impact on the health and performance of a brigade. An induction process and range of self-paced learning modules were developed to help newly appointed volunteer leaders get up to speed in their new role. We also standardised and supported the Volunteer Chiefs' Regional and Area forums, to encourage opportunities for volunteer chiefs to share stories and learn from each other.

Volunteer sustainability

With over 8,500 urban volunteers throughout New Zealand, it is important that the Fire Service has a strong volunteer workforce that is able to respond to fire and community emergencies. In 2013/2014 a range of activities were undertaken that focused on helping to maintain and support our volunteer workforce.

The recruitment effort of brigades was supported by a newly developed 'Step Forward' recruitment marketing campaign and the rollout of an online recruitment management system accessible to all brigades. Each brigade received a pack of recruitment resources to use to attract and recruit new members. The online recruitment management system has streamlined the volunteer recruitment process, making it simpler and more timely for both applicants and brigades. The 0800 recruitment number was extended to support volunteer recruitment and answer any questions people may have about becoming a Fire Service volunteer.

We continued to recognise the contribution our volunteers, their families and employers make. 'Thank you' advertisements were placed in all major and provincial newspapers as part of National Volunteer Week. Good employer relationships are an important factor in sustaining volunteer turnouts. We are reviewing our Employer Recognition Scheme to determine ways in which the Fire Service can best recognise the contribution employers make to their communities and volunteer brigades.

We have strengthened the service support provided to our brigades. A development programme for Fire Service volunteer support roles that closely interface with brigades was delivered. We continued to provide specific support to individual brigades seeking guidance, and we began work to identify brigades that have complex and specific needs requiring a more targeted and often multi-disciplinary approach.

Diversity

The Fire Service recognises that a more diverse operational fire fighting workforce requires cultural change both within the organisation and within the communities from which we attract our firefighters of the future. The strategies and initiatives implemented to date and planned for the future are aimed at building a more diverse and representative workforce in the medium to long term. We are focusing on incrementally broadening our diversity in the short term, while being cognisant of the longer lead-in times required for significant change.

Until January 2013, diversity data reported on career firefighters only. The tables below show that women are better represented within our brigades in small towns and rural areas (14.1 percent) compared with (2.8 percent) in career stations.

Women make up 12.1 percent of all firefighters (career and volunteer), which is over our 5.5 percent target. However, we have met less than half the targets for Māori and Pacific people.

In the cities and large towns where our career firefighters are stationed, the diversity figures for Māori and Pacific people are nearer to the targets set, and reflect the greater numbers of Pacific people, particularly in urban areas.

We have introduced an online recruitment system that has made application to join the Fire Service more accessible and more streamlined for more people. This, along with advertising more widely through electronic and social media networks, is intended to attract younger applicants. Our advertising includes information and images to create more interest and greater identification among women, Māori and Pacific people, and other ethnic minorities. Our research shows that word of mouth is the most frequently used way to recruit volunteers, so information has been developed and distributed to all volunteer brigades to help members present and discuss volunteering within their local communities.

Diversity – targets

Achieve improved diversity of the Fire Service workforce so it better reflects the communities we serve.
Targets for June 2014:

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

Tables 9 and 10 show the diversity of career and volunteer firefighters at 30 June 2014.

Table 9 Career firefighter diversity

	SOI target	2013/14	2012/13	2011/12	2010/11
Māori	11.0%	10.4%	10.0%	10.3%	10.1%
Pacific people	4.3%	3.8%	3.5%	3.6%	3.6%
Female	5.5%	2.8%	3.9%	3.1%	3.2%

Table 10 Volunteer firefighter diversity

	SOI target	2013/14
Māori	11.0%	2.8%
Pacific people	4.3%	0.2%
Female	5.5%	14.1%

Table 11 Combined volunteer and firefighter diversity

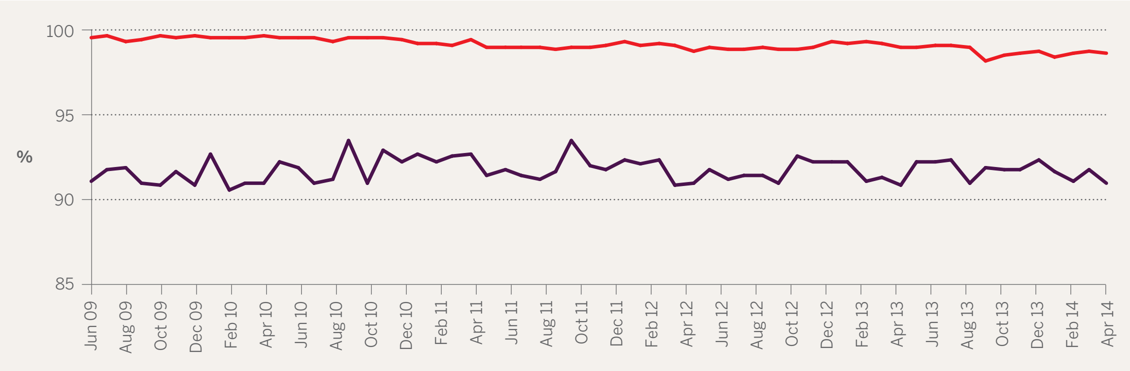
	SOI target	2013/14
Māori	11.0%	4.2%
Pacific people	4.3%	0.8%
Female	5.5%	12.1%

Volunteer availability – targets

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

Figure 9 shows volunteer availability. The red line shows the percentage of time that volunteer appliances are available to respond to incidents, currently about 91 percent of the time. The nine percent of incidents where the designated volunteer appliance did not respond occurred for a variety of reasons, including training and concurrent calls. The black line shows the percentage of alerts where the local volunteer brigade responded.

Figure 9 Volunteer availability indicator



Turnover – targets

Maintain annual employee turnover rates below:

- 15 percent for management and support, and communications centre staff
- 6 percent for firefighters

Table 12 Employee turnover rates

	2013/16 SOI target	2013/14	2012/13	2011/12	2010/11	2009/10
Management and support	<15%	5.5%	9.6%	9.5%	7.8%	6.0%
Communication centre staff	<15%	6.7%	8.6%	9.3%	5.1%	9.0%
Career firefighters	<6%	1.5%	1.9%	3.5%	1.5%	2.0%

The overall firefighter turnover rate of 1.5 percent in 2013/2014 means that change in the diversity profile is slow. The Fire Service has strategies in place to attract a more diverse range of applicants, particularly volunteers. These include:

- utilising LinkedIn and Facebook pages and websites such as www.maoripacificjobs.co.nz
- advertising vacancies targeting various ethnicities
- 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
- planned targeted advertising in different publications and regions, to attract more diversity.

Safety and wellbeing

Safety is the number one priority for the Fire Service – to make sure that everyone goes home safely, every day or at the end of every incident or call out. Our operational processes are sound, so the main focus is on refining information, practices and behaviours in situations where there is critical risk of injury or occupational illness for our people. There are a number of initiatives and programmes to make safety real for every member of the organisation according to their varying levels of responsibility – from executive governance to all operational and support activities. We are enhancing safe and supportive systems and practices to build a strong Fire Service safety culture.

Safety: Several cases involving serious injury, or the potential for serious injury, have resulted in thorough investigations and a number of training, information and leadership development programme initiatives. Understanding behaviour – why people make or do not make certain choices under pressure – will help minimise the risk of harm. There have been significant changes in the workplace safety environment in New Zealand, with the establishment of WorkSafe NZ in 2013 and the pending change in health and safety legislation scheduled for early 2015. These provide an opportunity for the Fire Service to go beyond meeting its legal obligations by determining and implementing what best practice means in practical terms for the whole organisation.

The Fire Service annual independent safety audit among career stations and in area and region offices provides very good feedback on its safety systems. We have been able to maintain the primary level audit standard or higher across multiple and diverse sites since entering the ACC Partnership Programme in October 2000. The audit also provides information on where we can make improvements and embed our safety systems further into everyday behaviour and practice. The key learning from the 2013 audit about continuing wide participation in safety and wellbeing, and providing strong leadership from managers and officers, has been fed back into collaborative development of projects and programmes. The lessons learnt in the career operational environment can be transferred into the volunteer and rural sectors as we continue to move into a more integrated way of working.

Wellbeing: Peer support and EAP programmes provide avenues for personnel to seek help in relation to work or personal issues that will help them to be more resilient. The Christchurch Welfare Liaison Office continues to be a focal point for people in Canterbury, and is a specific and well-utilised conduit for all Fire Service personnel and their families in the area to access practical help or professional support.

The Injury Management Unit works with Fire Service managers, those who are injured and the NZPFU. It continues to perform well against external benchmarking.

There have been ongoing, significant reductions in the level of absenteeism over the last 12 months as a result of a stronger leadership focus on the issue across the organisation. This has been achieved alongside better understanding and implementation of procedures to ensure that staff who are absent due to illness are supported to recover and return to work, fully fit, as soon as practicable.

Other safety and wellbeing initiatives underway include:

- Making safety a high priority and raising awareness. Safety and wellbeing has been high on the agenda at every Commission, Strategic Leadership Team, Operational Leadership Team, Region and Area Management Team meeting, and station briefing throughout the organisation
- The Operational Leadership Team and the Strategic Leadership Team review new injury, illness and significant near miss information each week or more often if there are serious concerns
- The Fire Service investigation and recommendations from the Petone Racetech fire were accepted by WorkSafe NZ following its independent investigation, as the findings aligned with and provided a sound basis for embedding identified improvements
- Improvement in the Level 2 investigation process, through the selection and training of a smaller, better informed, more agile team of investigators. This is expected to be fully embedded and further refined by the end of 2014
- A review and report on the Fire Service peer support programme was completed. It was reviewed and endorsed against international best practice standards by the University of Melbourne's Australian Institute for Post Traumatic Mental Health

- As a result of this report, a project was initiated to update, increase visibility and bring together the variances in the current peer support programme, renamed as Critical Incident and Personal Stress Support (CIPSS). The programme will continue to involve a backbone of peer supporters trained consistently and assisted by a network of professionals when threshold criteria are reached. The updated programme will be implemented in 2014/2015.
- The Injury Management Unit has continued to provide excellent tertiary-level support for injured staff members, with an increasing focus on supporting illness recovery and absence management as resources allow.

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 is developing future leaders through a variety of initiatives and opportunities, all of which focus on effective understanding of what good people leadership looks like and how it can be implemented and enhanced within. • Managers are encouraged and held accountable for having meaningful and sometimes challenging discussions with their people, to communicate well, and to model examples of good leadership in their day-to-day behaviour and conversations. • Career Board identification and development opportunities and mentoring programmes are in place to further develop a culture of effective and accountable leaders. • Excellence in leadership – key focus of the Fire Service Vision 2020.
2. Recruitment, selection and induction	• The Fire Service online recruitment management system has streamlined parts of its recruitment processes. • Further enhancement of the system will enable the Fire Service to fully implement selection criteria to ensure it engages the most resilient, adaptable and effective workforce.
3. Employee development, promotion and exit	• Performance management process for staff outside the NZPFU collective agreement. • Performance management process for frontline supervisory positions was developed and was 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 front-line 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 to 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. • Job-sharing options are being trialled for operational staff and will be reviewed to determine the value of offering future opportunities. • Relieving rosters will be piloted in a metropolitan area and in a provincial area to determine how this might be implemented more widely in practice.

Good employer element	Key Fire Service initiatives
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 and acting-up secondment opportunities. • Information on FireNet, and in *Fire and Rescue* magazine. • Recognition of Fire Service personnel related to Canterbury earthquake response – internally and through putting people forward for consideration under government honours.
6. Harassment and bullying prevention	• Zero tolerance endorsed by open-door policy from the Chief Executive for people to report any concerns directly to him. • Weekly review of any concerns at senior leadership level. • Online confidential reporting of any 'sensitive complaints'. • Active investigation of any complaints and accountability required where contributing behaviours are identified. • Safer workplaces – zero tolerance to bullying or harassment – key focus of the Fire Service Vision 2020.
7. A safe and healthy workforce	• Strong demonstrable safety leadership from the top of the organisation, and devolution of appropriate responsibilities through each level of management and through to each individual. • Good network model for stakeholder participation through national, regional, area and local committees for monitoring safe work practices and making improvements. • Involvement of unions and associations in all safety and wellbeing projects, initiatives, reviews, and individual rehabilitation and return to work planning. • Strong focus on critical risk, review, and improvement and development.

Statement of Responsibility

for the year ended 30 June 2014

Pursuant to the Crown Entities Act 2004, the New Zealand Fire Service Commission 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 2014 set out on pages 37–98 fairly reflect the financial position and operations of the Commission.

Rt Hon Wyatt Creech
Chair
31 October 2014

Angela Hauk-Willis
Member of Commission
31 October 2014

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 2014

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 98, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the Commission that comprises the report about outcomes on pages 18 to 25 and the statement of service performance on pages 37 to 47.

Opinion

In our opinion:

- the financial statements of the Commission on pages 51 to 98:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Commission's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date.
- the non financial performance information of the Commission on pages 18 to 25 and 37 to 47:
  - 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 2014, 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 2014. 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 readers' overall understanding of the financial statements and non financial performance information. If we had found material misstatements that were not corrected, we would have referred to them 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 preparation of the Commission's financial statements and non financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

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.

Other than the audit, 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 2014

This section sets out the measures of financial performance and the output performance for 2013/2014.

Statistical reporting

The number and consequences of fires shown in this Annual Report for earlier years may vary slightly from the same data given in previous Annual Reports. At the end of each year, detailed information on a small percentage of incidents is not available.

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.

Main financial measures

	2013/2014 Actual $000	**2013/2014** SOI Target $000
Levy receipts	339,440	337,734
Total revenue and income	354,547	350,986
Total expenditure	349,786	349,659
Net surplus attributable to the owners of the Commission	4,761	1,327
Debt and investment levels – minimum liquidity buffer	10,000	10,000
Capital expenditure cash flows	50,212	47,500

Output classes levy receipts

	2013/2014 Actual levy receipts $000 GST excl.	2013/2014 Budget levy receipts $000 GST excl.	2012/2013 Actual levy receipts $000 GST excl.
Output Class 1: Fire safety education, prevention and advice	**52,613**	**54,037**	**51,988**
Output 1.1: Fire prevention and advice to the general public	38,357	39,515	37,749
Output 1.2: Professional and technical advice to the built environment public	12,559	12,496	12,583
Output 1.3: Fire safety legislation	1,697	2,026	1,656
Output Class 2: Firefighting and other Fire Service operations	**280,717**	**274,578**	**272,190**
Output 2.1: Operational readiness	222,672	217,839	215,898
Output 2.2: Operational responses to fire and other emergencies	47,522	46,607	45,696
Output 2.3: Wider emergency management capability	10,523	10,132	10,596
Output Class 3: Rural fire leadership and coordination	**6,110**	**9,119**	**6,954**
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes	5,431	8,106	6,292
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	679	1,013	662
Total levy receipts assigned to outputs	**339,440**	**337,734**	**331,132**

Output classes other revenue and income

	2013/2014 Actual other revenue and income $000 GST excl.	**2013/2014 Budget other revenue and income** $000 GST excl.	**2012/2013 Actual other revenue and income** $000 GST excl.
Output Class 1: Fire safety education, prevention and advice	**1,146**	**954**	**2,490**
Output 1.1: Fire prevention and advice to the general public	497	419	1,499
Output 1.2: Professional and technical advice to the built environment public	162	126	487
Output 1.3: Fire safety legislation	487	409	504
Output Class 2: Firefighting and other Fire Service operations	**13,260**	**11,575**	**20,871**
Output 2.1: Operational readiness	7,061	5,986	12,838
Output 2.2: Operational responses to fire and other emergencies	5,915	5,488	7,613
Output 2.3: Wider emergency management capability	284	101	420
Output Class 3: Rural fire leadership and coordination	**701**	**723**	**1,575**
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	692	713	1,548
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	9	10	27
Total other revenue and income assigned to outputs	**15,107**	**13,252**	**24,936**

Output classes total expenditure

	2013/2014 Actual total expenditure $000 GST excl.	**2013/2014 Budget total expenditure** $000 GST excl.	**2012/2013 Actual total expenditure** $000 GST excl.
Output Class 1: Fire safety education, prevention and advice	**52,988**	**54,888**	**49,630**
Output 1.1: Fire prevention and advice to the general public	38,339	39,903	35,835
Output 1.2: Professional and technical advice to the built environment public	12,470	12,678	11,930
Output 1.3: Fire safety legislation	2,179	2,307	1,865
Output Class 2: Firefighting and other Fire Service operations	**289,945**	**284,963**	**269,450**
Output 2.1: Operational readiness	226,662	222,905	210,019
Output 2.2: Operational responses to fire and other emergencies	52,753	51,831	49,196
Output 2.3: Wider emergency management capability	10,530	10,227	10,235
Output Class 3: Rural fire leadership and coordination	**6,853**	**9,808**	**8,062**
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	6,121	8,859	7,392
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	732	949	670
Total expenditure assigned to outputs	**349,786**	**349,659**	**327,142**

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 that 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 coordinates 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		2013/2014 Actual	2012/2013 Actual	2013/2014 SOI target
1.1.1	50 percent of Year 1 and 2 classes receive the FireWise programme (i.e. to ensure that all students receive the programme during their first two years at primary school)	802	–	1,000 agree to deliver the programme in 2013/2014
1.1.2	Number of people who receive the Fire Awareness Intervention Programme (FAIP)	439	470	500
1.1.3	Number of homes which have received a home fire safety check	6,089	–	6,000
1.1.4	Number of homes where a smoke alarm has been installed or maintained	12,000	–	13,000

The results of three of the four measures fall short of the targets set. However, with the exception of FAIP, the results exceed those of the previous two years.

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 that 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 Business, Innovation and Employment, the Ministry of Education, rest home associations, Housing New Zealand, the Department of Corrections, the Building Research Association of New Zealand, the Fire Protection Association of New Zealand, 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		2013/2014 Actual	2012/2013 Actual	2013/2014 SOI target
1.2.1	100 percent of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of being received	99%	100%	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		2013/2014 Actual	2012/2013 Actual	2013/2014 SOI target
1.3.1	100 percent of evacuation schemes submitted to the Fire Service processed within 20 working days of being received	89%	46%	100%

This result falls short of the target, but performance increased steadily during the year and was a significant improvement on last year's result. As an indication, the last quarter result was 94 percent continuing the improvement towards the target of 100 percent.

Output Class 2: Fire fighting and other Fire Service operations

(Sections 17N, 17O, – 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 to 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 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 constant state of operational readiness. 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 by 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		2013/2014 Actual	2012/2013 Actual	2013/2014 SOI target
2.1.1	100 percent of stations receive an annual operational readiness audit	100%	–	100%
2.1.2	100 percent of priority Corrective Action Plans (CAPs) identified during audits are completed within the required timeframe (number of CAPs recorded for informational purposes)	58%	–	100%
2.1.3	100 percent of operational plans are reviewed within the required timeframe	53%	569 developed 1,885 reviewed	100%

There were 12 priority CAPs identified during audits. Priority CAPs are defined as those where an accelerated timeline of one month is set for resolution. Of these, 11 were completed; seven within the required timeframe (58 percent) and four outside the timeframe (34 percent). One was outstanding as at 30 June 2014.

Operational plans (now referred to as site reports) are required to be reviewed within five years of being developed. There were 934 operational plans that should have been reviewed prior to the end of the 2013/2014 year. Only 492 (53 percent) were reviewed. The main reason for this result is that the current system does not provide brigades with advanced warning that plans need to be reviewed. A systems enhancement to address this problem will be investigated.

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 incidents. 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 re-positioning fire stations and changing equipment is costly and time consuming. National service guidelines for monitoring response times are set out in Tables 5 and 6 in '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		2013/2014 Actual	2012/2013 Actual	2013/2014 SOI target
2.2.1	Number of fire emergencies attended	20,304	–	n/a
2.2.2	Number of non-fire emergencies attended (total)	28,131	–	n/a
	• Number of medical emergencies attended	8,295	–	n/a
	• Number of motor vehicle crashes attended	4,627	–	n/a
	• Number of hazardous materials incidents attended	3,709	–	n/a
2.2.3	100 percent of Corrective Action Plans (CAPs) identified during post-incident operational reviews are completed within the required timeframe (number of CAPs recorded for informational purposes)	6%	–	100%
2.2.4	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	87%	85%	90%
	• 11 minutes 90 percent of the time for volunteer stations	90%	90%	90%

The issue with the low number of CAPs completed within the required timescale is largely a timing one. Many are complex issues that take longer than the standard timeframes. While only four of the 71 CAPs from Operational Reviews that were due for completion this financial year were completed on time, the number completed (albeit late for various reasons) was much higher at 43. The number that remain incomplete is 28, which is approximately three percent of all CAPs. Steps are being taken to improve the recording, tracking and monitoring of CAPs.

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 the team has bases in Auckland, Palmerston North and Christchurch. The 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.

The USAR team has applied for INSARAG classification as a Heavy Rescue Team. This rigorous assessment is scheduled for early 2015. If successful, New Zealand USAR will have demonstrated that it meets the highest international USAR standards and will become one of only three INSARAG classified heavy USAR teams in Australasia.

Performance measures

Measure		2013/2014 Actual	2012/2013 Actual	2013/2014 SOI target
2.3.1	Progress towards USAR accreditation meets required timeline	On target	--	n/a
2.3.2	Development and implementation of incident management training for senior officers meets required timeline	On target	--	n/a
2.3.3	Meet or exceed national service delivery guidelines for non-fire emergencies:			
	• 30 minutes for motor vehicle accidents 90 percent of the time	96%	97%	90%
	• 20 minutes for incidents requiring the specialist hazmat unit 90 percent of the time within major urban areas	90%	89%	90%
	• 60 minutes for incidents requiring the specialist hazmat unit 90 percent of the time for the rest of New Zealand	74%	89%	90%
	• For first response to medical emergencies:			
	• 8 minutes 90 percent of the time for career stations	86%	87%	90%
	• 11 minutes 90 percent of the time for volunteer stations	85%	86%	90%

Recent reports from the international USAR IEC accreditation mentors indicate that the Fire Service has made good progress and they are confident that we will be successful with our assessment in March 2015.

All planned command and control tactical courses have been delivered. A Coordinated Incident Management System (CIMS) functional course and a Strategic Command course, both for Fire Service commanders, are in the design phase and are expected to be delivered in September 2014 and March 2015, respectively. Engagement has also started with the Police in regard to the multi-agency delivery of the CIMS functional course, and with other agencies on a multi-agency Coordination Centre training programme.

Some of the national service delivery guidelines response times for non-fire emergencies meet or exceed minimum requirements. Others have not reached the expected target.

The response times for hazmat responses outside major urban areas have declined and this issue is being investigated. It is explained, at least in part, by the longer travel times by many of these units. Medical response results are short of the target but not by a great deal. In the case of career stations, responses are in line with structure fire responses, as would be expected, but at 86 percent is short of the target of 90 percent. Volunteer station medical response results are below both the target of 90 percent and volunteer responses to structure fires. Early investigation has revealed that a proportion of incidents over 11 minutes (for volunteer stations) are within a small number of districts.

Output Class 3: Rural fire leadership and coordination

(Sections 14A, 17X and 46A – 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 coordination of rural fire management, including establishing rural fire standards, auditing fire authorities' compliance against those standards, evaluating fire authority performance under the Forest and Rural Fires Act 1977, and providing a coordinated national view on rural fire issues.

Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes

This output covers National Rural Fire Authority (NRFA) activities to maintain an administrative infrastructure to support fire fighting services in rural areas. The NRFA provides advice including interpretation on legal matters, and 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		2013/2014 Actual	2012/2013 Actual	2013/2014 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%	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	97%	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	70% (admin) 66% (meeting)	68% (admin) 72% (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 of 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 the 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 firefighting response and resources required
- Inform the public
- Make decisions to close areas at high risk
- Plan and conduct controlled burns.

Performance measures

Measure		2013/2014 Actual	2012/2013 Actual	2013/2014 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	100%	93% (91 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	100%	82% (17 completed)	100%
3.2.3	Percentage of performance reports accepted by fire authorities without recourse to mediation	97%	94%	95%
3.2.4	Percentage daily availability of fire weather information and the percentage updated by 3 pm	100% 100%	95% 90%	100% 95%

Financial Commentary

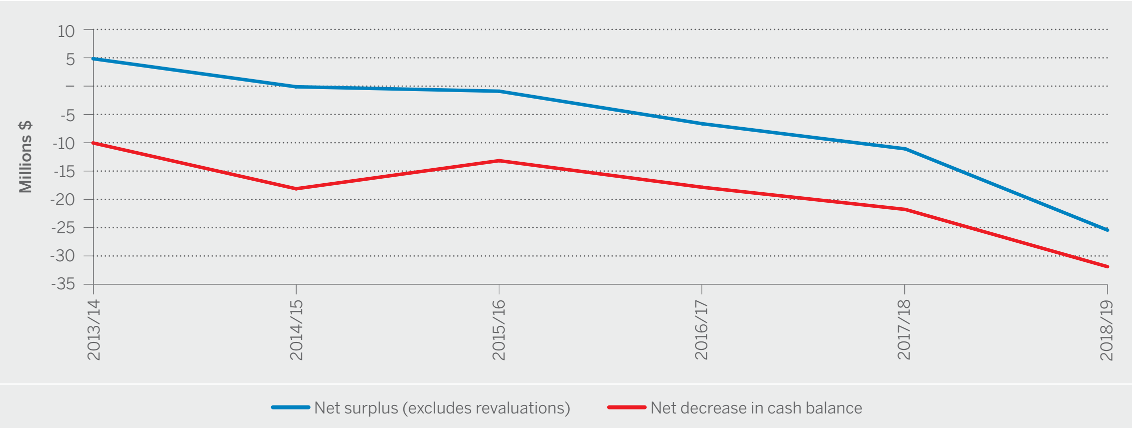
for the year ended 30 June 2014

Any simple analysis of financial statements often focuses on two issues:

- **Surplus / (deficit)** – How the organisation has performed
- **Equity** – How the owners' equity (being the communities that receive our services) has changed during the year.

Based simply upon this analysis, the New Zealand Fire Service Commission ('the Commission') is in a strong financial position. It had a modest surplus of $4.8 million during the year. The next few years are also expected to generate modest surpluses. Due to the location of its stations, the Commission has also benefited from increasing property values over the past few years ($31.4 million compared to $16.8 million in previous year). However this fails to recognise the challenges the Commission faces where it looks at maintaining its operational capability against the prospect of continued decline in its cash balances. The challenge is depicted in the table below :

Net surplus vs cash balance



The Commission's surplus of $4.8 million should be considered against the reduction in cash and investments of $10.1 million. Last year there was an increase in its cash and investment of $17.1 million. All of this year's $10 million reduction is due to the gap between depreciation and amortisation ($34.8 million) and its capital expenditure ($50.2 million). The table below shows that this situation is not expected to change over the next five years:

$millions	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Depreciation/Amortisation	34.8	36.7	38.9	38.4	38.2	40.5
Capital spend cash flow	50.2	50.0	50.0	50.0	50.0	50.0
Net cash (outflows)	(10.1)	(18.2)	(13.3)	(17.9)	(21.7)	(31.9)

The Commission has built a solid cash and investment position in anticipation of the additional capital investment. Sustaining these investments will be challenging over the next three to five years with negative cash flows projected (refer above) as a result of significant capital investment and as the growth in income is less than the estimated growth in operating expenditure. Levy growth has been steady over the last few years but there are ongoing challenges to ensure the amount collected remains not only stable but also grows in line with the demand for services.

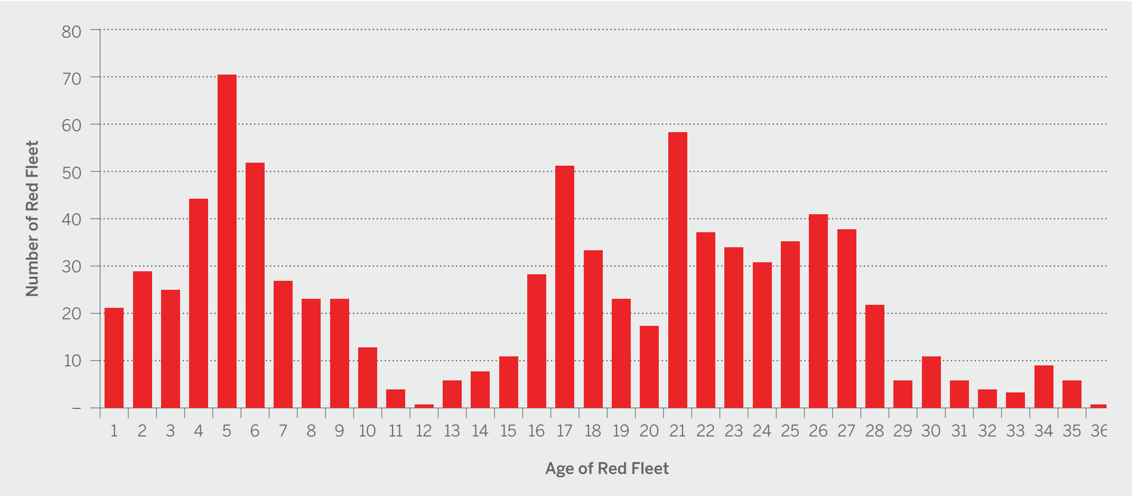
Levy growth is dependent on factors such as new residential housing stocks, contract works, economic growth and new motor vehicles. However, it comes under pressure from organisations that choose not to insure for fire, those who fail to pay levy owing, and from those insured organisations, brokers and insurers in the industry who avoid paying their fair share of levy by exploiting perceived loopholes in the Act.

With the high demand for continued capital investment and continued growth in the cost and scope of operations, the Commission must maintain its levy base. This means challenging avoidance and minimisation and delivering growth with the current rate of levy.

The rate of levy has only changed once in the last 10 years (an increase of 7.3c per $100 insured to 7.6c per $100 insured). The charge for a third or subsequent unwanted false alarm has also not altered in this time ($1,000 plus GST).

The New Zealand Fire Service Commission is highly dependent upon its network of fire stations, appliances and equipment for both service delivery and resilience. This network ties up over $600 million of capital, and a significant amount of expenditure and reinvestment is required to maintain it. The graph and the table below show why constant reinvestment and strategic replacement is critical to maintaining the Commission's infrastructure. Failure to do this ages the infrastructure and creates issues for future Commissions and management.

Age profile of fire appliances

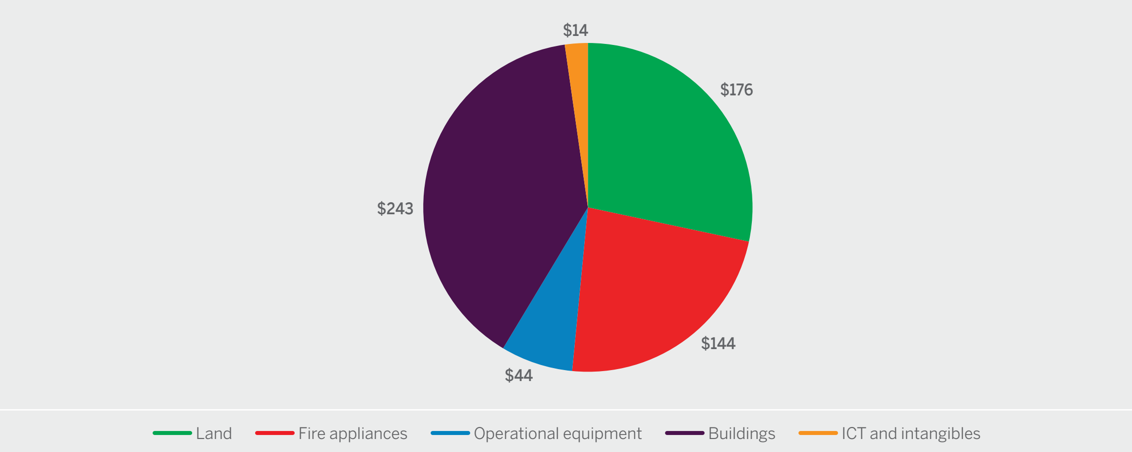


As at September 2014

Fire Stations	Age
230	37 years and under
120	38-50 years old
87	Over 50 years old

During 2013/2014 over $50 million was reinvested in this network, one of the largest ever capital spends by the Commission. This level of investment is not expected to reduce in the foreseeable future given the Commission priorities are to seismically strengthen its properties along with the rebuild of its Christchurch infrastructure.

Snapshot of assets at year end – assets' carrying value ($M)



In most organisations, the level of capital investment in any one year would approximate the amount of depreciation expense. However, this is currently not the case for the Commission due to:

a The historical purchase price being vastly different from today's purchase price (e.g. appliances have a life between 25 and 30 years)

b The Commission undertaking more than just renewal of assets (e.g. seismic strengthening of buildings, installation of exhaust extraction)

c Extraordinary expenditure as a result of the relocation and rebuild of stations following the Christchurch earthquakes.

During the current year, the additional funding of the capital investment programme is being managed from the Commission's balance sheet by using its reserves in cash and investments ($60.4 million at year end compared to $70.5 million the year before) to meet the level of investment required in the short term. With finite levels of cash reserves this is not sustainable in the medium to long term and other forms of funding will be required.

$millions	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Investments	60.4	42.2	28.9	11.0	–	–
Debt	–	–	–	–	10.7	42.6

The current strength of the balance sheet (net current assets of $10.5 million and net long-term assets of $582.4 million) is reflected in the equity of $592.9 million. The Commission has significant equity in the Fire Service infrastructure but very little of it is freely available given the operational and strategic nature of those assets. The net portion of its balance sheet as at 30 June 2014 shows it has $1.20 in assets for every $1 in liabilities ($1.40 in the previous year). This is driven by the Commission's investments but as these are reduced (due to capital reinvestment) this ratio will weaken. The long-term portion of the balance sheet is very different with long-term assets covering its liabilities 15.9 : 1 (14.3 : 1 in previous year).

The Commission has established a number of reserves to reflect the immediate demands and first call on its equity. These reserves (both cash and equity) reflect the challenges and uncertainties that the Commission faces, as well as the demands, in excess of business as usual activities, which will require funding.

Two of these reserves, the Major Emergencies Response Reserve ($15 million) and Levy Variability Reserve

($10 million) were established as a result of the Commission's experiences during the global financial crisis, the Christchurch earthquakes, the Rena disaster and the Pike River tragedy, when resources far beyond standard operational requirements were needed.

In 2013, the Commission established two further reserves – the Christchurch Rebuild ($12.0 million) and Seismic Resilience Reserve ($31.6 million). These reserves differ as they did not involve any specific cash being ring-fenced. Instead, these were separated out from the general equity reserves in the balance sheet to reflect the amounts that will be required to seismically strengthen fire stations, and reflect the amount received from the Commission's settlement with its insurer.

Statement of Comprehensive Income

for the year ended 30 June 2014

	Note	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Revenue				
Levy	1	339,440	337,734	331,132
Other revenue	2a	11,479	10,055	21,814
Total revenue		**350,919**	**347,789**	**352,946**
Other income	2b	**3,628**	**3,197**	**3,122**
Total revenue and income		**354,547**	**350,986**	**356,068**
Expenditure				
Employee and volunteer benefits expenditure	3	227,218	229,676	210,343
Depreciation	4	32,056	32,096	30,625
Amortisation	5	2,724	2,401	2,275
Finance costs	6	613	827	772
Other expenditure	7	85,191	81,540	78,976
Rural Fire Fighting Fund claims expenditure	8	1,984	3,119	4,151
Total expenditure		**349,786**	**349,659**	**327,142**
Net surplus attributable to the Commission		**4,761**	**1,327**	**28,926**
Other comprehensive income				
Gains on revaluation of land and buildings net of impairment losses	9	31,375	15,163	16,839
Total other comprehensive income		**31,375**	**15,163**	**16,839**
Net surplus attributable to the owners of the Commission		**36,136**	**16,490**	**45,765**

Note: Included above within notes 1, 2a and 8 are balances related to the Rural Fire Fighting Fund that in prior years were categorised and included under the heading below.

Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	8	**1,263**	**(536)**	**(630)**

The accompanying Notes on pages 55 to 98 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Financial Position

as at 30 June 2014

	Note	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Assets				
Current assets				
Cash and cash equivalents	11	60,356	69,795	70,470
Trade and other receivables	12	1,985	2,516	2,301
Prepayments	13	781	802	785
Inventories	14	–	27	–
Non-current assets held for sale	15	–	–	815
Total current assets		**63,122**	**73,140**	**74,371**
Non-current assets				
Property, plant and equipment	4	614,680	582,736	567,635
Intangible assets	5	6,766	7,388	7,582
Total non-current assets		**621,446**	**590,124**	**575,217**
Total assets		**684,568**	**663,264**	**649,588**
Liabilities				
Current liabilities				
Trade and other payables	16	23,097	28,723	25,108
Employee and volunteer benefits	17	25,887	27,325	23,764
Borrowings	18	1,764	1,703	1,938
Provisions	19	1,699	1,551	1,672
Unamortised gain on sale and leaseback	20	187	–	269
Total current liabilities		**52,634**	**59,302**	**52,751**
Non-current liabilities				
Employee and volunteer benefits	17	32,574	34,605	32,188
Borrowings	18	3,877	7,227	5,635
Provisions	19	2,341	3,053	1,821
Unamortised gain on sale and leaseback	20	276	–	463
Total non-current liabilities		**39,068**	**44,885**	**40,107**
Total liabilities		**91,702**	**104,187**	**92,858**
Net assets		**592,866**	**559,077**	**556,730**
Equity				
Accumulated funds		425,848	465,727	419,294
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	31,559	–	32,969
Christchurch rebuild	11	12,226	–	12,226
Revaluation reserves	9	95,261	66,988	65,532
Rural Fire Fighting Fund	8	2,972	1,362	1,709
Total equity		**592,866**	**559,077**	**556,730**

The accompanying Notes on pages 55 to 98 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 2014

	Note	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Equity at beginning of year				
Accumulated funds		419,294	463,864	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	51,825	48,876
Rural Fire Fighting Fund		1,709	1,898	2,339
Total equity at beginning of year		**556,730**	**542,587**	**510,965**
Changes in equity during year				
Transfers from statement of comprehensive income				
Accumulated funds		3,498	1,863	29,556
Revaluation reserves	9	31,375	15,163	16,839
Rural Fire Fighting Fund	8	1,263	(536)	(630)
Total comprehensive income		**36,136**	**16,490**	**45,765**
Transfers to reserves				
Accumulated funds		1,410	–	(45,195)
Seismic resilience reserve	11	(1,410)	–	32,969
Christchurch rebuild	11	–	–	12,226
Total transfers to reserves		–	–	–
Transfers from disposal of land and buildings				
Accumulated funds	9	1,646	–	183
Revaluation reserves	9	(1,646)	–	(183)
Total transfers from disposal of land and buildings		–	–	–
Total changes in equity during year		**36,136**	**16,490**	**45,765**
Equity at end of year				
Accumulated funds		425,848	465,727	419,294
Levy variability reserve		10,000	10,000	10,000
Major emergencies response reserve		15,000	15,000	15,000
Seismic resilience reserve		31,559	–	32,969
Christchurch rebuild		12,226	–	12,226
Revaluation reserves	9	95,261	66,988	65,532
Rural Fire Fighting Fund	8	2,972	1,362	1,709
Total equity at end of year		**592,866**	**559,077**	**556,730**

The accompanying Notes on pages 55 to 98 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 2014

	Note	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Cash flows from operating activities				
Receipts from levy		339,683	337,734	329,829
Receipts from other revenue		11,799	10,795	21,878
Interest received		2,637	2,200	2,477
Net GST (paid)/received		(158)	2,508	(615)
Payments to employees and volunteers		(224,064)	(230,263)	(218,312)
Payments to suppliers for goods and services		(87,329)	(82,469)	(79,306)
Net cash flows from operating activities	**21**	**42,568**	**40,505**	**55,951**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	4	1,188	486	277
Purchase of intangible assets	4	(1,908)	(1,721)	(2,695)
Purchase of property, plant and equipment	4	(49,492)	(46,265)	(33,688)
Net cash flows from investing activities		**(50,212)**	**(47,500)**	**(36,106)**
Cash flows from financing activities				
Interest paid		(538)	(827)	(696)
Payments on finance leases		(1,932)	(1,703)	(1,919)
Net cash flows from financing activities		**(2,470)**	**(2,530)**	**(2,615)**
Total net (decrease)/increase for the year		(10,114)	(9,525)	17,230
Cash and cash equivalents at the beginning of the year	11	70,470	79,320	53,240
Cash and cash equivalents at the end of the year	**11**	**60,356**	**69,795**	**70,470**

The accompanying Notes on pages 55 to 98 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 Service Public Benefit Entity (PS PBE). These financial statements for the Commission are for the year ended 30 June 2014 and were authorised for issue by the Commission on 31 October 2014.

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 with the exception of levy receipts. 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 receipts are therefore recognised on a cash basis.

Budget figures

The budget figures were approved by the Commission on 17 April 2013 as part of the Statement of Intent 2013–2016 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.

Standards for PS PBEs after 1 July 2014

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this regime the Commission is classified as a Tier 1 reporting entity (entities publicly accountable with expenses greater than $30 million) and is required to apply the full range of standards and other pronouncements for PS PBEs when preparing general purpose financial reports for the period beginning on 1 July 2014 (year ended 30 June 2015).

The comparative reporting year is the year ended 30 June 2014.

The Commission does not anticipate that any significant changes to present policies will be required during the transition to the new standards for PS PBEs.

Accounting standards

The effective date of a standard indicates the annual reporting period from which that standard applies. A standard also applies to subsequent annual reporting periods until that standard is superseded by a new/amended/revised standard.

Accounting standards and other documents that may impact can be summarised as follows:

Standard	Title	Effective date
PBE IPSAS 1	Presentation of Financial Statements	1 July 2014
PBE IPSAS 2	Cash Flow Statements	1 July 2014
PBE IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	1 July 2014
PBE IPSAS 4	The Effects of Changes in Foreign Exchange Rates	1 July 2014
PBE IPSAS 5	Borrowing Costs	1 July 2014
PBE IPSAS 9	Revenue from Exchange Transactions	1 July 2014
PBE IPSAS 12	Inventories	1 July 2014
PBE IPSAS 13	Leases	1 July 2014
PBE IPSAS 14	Events After the Reporting Date	1 July 2014
PBE IPSAS 17	Property, Plant and Equipment	1 July 2014
PBE IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	1 July 2014
PBE IPSAS 20	Related Party Disclosures	1 July 2014
PBE IPSAS 21	Impairment of Non-Cash-Generating Assets	1 July 2014
PBE IPSAS 22	Disclosure of Information About the General Government Sector	1 July 2014
PBE IPSAS 23	Revenue from Non-Exchange Transactions	1 July 2014
PBE IPSAS 25	Employee Benefits	1 July 2014
PBE IPSAS 26	Impairment of Cash-Generating Assets	1 July 2014
PBE IPSAS 28	Financial Instruments: Presentation	1 July 2014
PBE IPSAS 29	Financial Instruments: Recognition and Measurement	1 July 2014
PBE IPSAS 30	Financial Instruments: Disclosures	1 July 2014
PBE IPSAS 31	Intangible Assets	1 July 2014
PBE IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2014
PBE IAS 34	Interim Financial Reporting	1 July 2014
PBE FRS 43	Summary Financial Statements	1 July 2014
PBE FRS 46	First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs	1 July 2014

Due to the change in the Accounting Standards Framework for PS PBEs, it is expected that all new NZ IFRSs and amendments to existing NZ IFRSs will not be applicable. As a result, 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 IFRSs that exclude PS PBEs 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 receipts 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, which recognises interest as earned.

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	10–30 years	3–10%
Motor vehicles	4–20 years	5–25%
Communications equipment	5 years	20%
Computer equipment	4–10 years	10–25%
Operational equipment	4–12 years	8–25%
Non-operational equipment	5–15 years	7–20%
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	4–10 years	10–25%
SITE	4–10 years	10–25%

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 as 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 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 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 re-measured 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 on 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.

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.

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.

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, and 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 as 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.

Leasehold improvements

Leasehold improvements are capitalised as property, plant and equipment.

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 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.

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. Classifications 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

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.

- Levy revenue is allocated to each output based on the proportion of net expenditure allocated to the outputs (net expenditure is total expenditure net of other revenue and income)
- 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.

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 also 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 values

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 and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact on 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 process 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 year ended 30 June 2014.

Lease classification

Determining whether a lease agreement is 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 properties held primarily to earn rental income, 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 rather than 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 2014 $000	Budget 2014 $000	Actual 2013 $000
Levy contributions	338,799	336,155	330,033
Penalty interest	451	947	745
Penalty surcharge	190	632	354
Total	**339,440**	**337,734**	**331,132**

Levy receipts

Levy receipts were within 0.5 percent ($1.7 million) of the budget for the year. The main variation during the year in expected receipts was in respect of contract works insurance policies that were put in place during the year.

Excluded are levies paid by the Commission on their own insurances during the year, which amounted to $0.3 million (2013: $0.5 million).

Penalty and surcharge

Interest and surcharge receipts were $0.6 million (2013: $1.1 million) which was below expectations.

Levy receipts – Rural Fire Fighting Fund

A portion of the above levy receipts are paid into the Rural Fire Fighting Fund – refer note 8 Net surplus/(deficit) attributable to the Rural Fire Fighting Fund.

2. Other revenue and income

2a Other revenue	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
False alarms	4,357	4,070	4,390
Good corporate citizen contributions	2,303	1,965	1,904
Monitoring private fire alarms	1,774	1,734	2,201
Sponsorship	2	20	10
Commercial services	526	438	463
Insurance proceeds including Christchurch earthquakes	41	-	9,726
Rural Fire Fighting Fund	665	650	1,304
Other revenue	1,811	1,178	1,816
Total	**11,479**	**10,055**	**21,814**

False alarms

Receipts for this year were similar to the amount recovered the prior year for unwanted false alarm activations. There has been no increase in the rate charged ($1,000 plus GST) by the Commission for more than ten years.

Good corporate citizen contributions

There was a favourable variance this year as contributions were more than anticipated. It was noted that the New Zealand Police made an additional contribution this year as a catch up on prior year contributions.

During the year, the Commission received good citizen contributions from Housing New Zealand, BP Oil New Zealand Limited, the Reserve Bank of New Zealand 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.

Insurance proceeds including Christchurch earthquakes

Revenue in the prior year included a lump sum payment of $9.7 million negotiated to settle the balance of outstanding Christchurch earthquake insurance claims (both material damage and loss of income). The total proceeds from the Christchurch earthquake insurance claims amounted to $12.2 million.

Rural Fire Fighting Fund

Included above are other receipts paid to the Rural Fire Fighting Fund. For an overview of these receipts, refer note 8 Net surplus/(deficit) attributable to the Rural Fire Fighting Fund.

Other revenue

All other revenue was largely received in accordance with expectations.

2b Other income	Note	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Interest income		2,552	2,150	2,349
Gain on disposal of property, plant and equipment		394	500	79
Rental income		411	290	353
Amortisation of gain on sale and leaseback	20	269	256	341
Net foreign exchange gain		2	1	–
Total		**3,628**	**3,197**	**3,122**

Interest income

Interest income exceeded budget by $0.4 million (2013: $0.6 million) as a result of higher than expected cash and cash equivalent balances throughout the year, as well as the increase in interest rates that occurred during the second half of the year.

3. Employee and volunteer benefits expenditure

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Salaries and wages	191,763	191,502	180,530
Employer contributions to defined contribution plans	15,956	15,463	14,860
ACC levies	2,311	2,736	2,836
Other employee and volunteer benefits	17,188	19,975	12,117
Total	**227,218**	**229,676**	**210,343**

Salaries and wages

Salaries and wages are in line with budget. Prior year salaries and wages were low, primarily due to rolling the collective for six months for a lump sum payment while negotiations were taking place, and savings in non-operational staff salaries due to vacancies while the National Headquarters restructure and regional/area realignment project were taking place.

Employer contributions to defined contribution plans

Contributions were slightly unfavourable when compared with budget. 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 under budget, including the ACC Partnership Programme (ACCPP) provision movement at year end, mainly due to a drop in the ACC levy rates applicable.

Other employee and volunteer benefits

Other employee and volunteer benefits costs were under budget by $2.8 million. This is mainly due to savings in training and conferences where a decision was made to defer the career Training and Progression System (TAPS) review until new operational policies and standard operating procedures (SOPs) are finalised, along with low uptake of the volunteer TAPS programme and change in priority to the leadership development programme. There were also lower contractor fees as the Enhanced Capability project was changed in scope. Expenditure in the prior year included a $4.8 million downward adjustment to the actuarial valuation of gratuities, volunteer gratuities and long service leave provision, which reduced due to higher Treasury discount rates.

4. Property, plant and equipment

30 June 2014	Note	Land Actual 2014 $000	Buildings Actual 2014 $000	Fire appliances Actual 2014 $000	Motor vehicles Actual 2014 $000
Cost at beginning of year		–	–	258,870	2,693
Valuation at beginning of year		153,774	215,258	–	–
Net book value leased assets at beginning of year		–	–	–	–
Accumulated depreciation		–	–	(126,316)	(1,755)
Impairment losses	10	–	–	–	–
Work in progress		–	9,828	7,762	–
Total at beginning of year		**153,774**	**225,086**	**140,316**	**938**
Acquisitions		2,350	18,109	13,734	252
Disposals		(510)	(1,651)	(34)	–
Transfers		–	(877)	28	(150)
Other movements		–	–	–	–
Depreciation		–	(12,272)	(9,326)	(133)
Impairment losses to Statement of Comprehensive Income	10	–	–	–	–
Transfer to non-current assets held for sale	15	510	305	–	–
Revaluation movement	9	20,303	11,072	–	–
Net impairment losses to revaluation reserve	9	–	–	–	–
Work in progress		8	1,452	(1,270)	–
Net book value at end of year		**176,435**	**241,224**	**143,448**	**907**
Cost at end of year		–	–	267,388	2,680
Valuation at end of year		176,427	229,944	–	–
Net book value leased assets at end of year		–	–	–	–
Accumulated depreciation		–	–	(130,432)	(1,773)
Impairment losses	10	–	–	–	–
Work in progress		8	11,280	6,492	–
Net book value at end of year		**176,435**	**241,224**	**143,448**	**907**

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	Work in progress	TOTAL
Actual 2014 $000	**Actual 2014** $000	**Actual 2014** $000	**Actual 2014** $000	**Actual 2014** $000	**Actual 2014** $000	**Actual 2014** $000
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**
1,152	7,285	3,476	2,039	1,284	(533)	49,148
–	(164)	(26)	(1)	–	–	(2,386)
–	140	859	–	–	–	–
–	–	–	–	–	–	–
(1,773)	(5,426)	(1,268)	(1,251)	(607)	–	(32,056)
–	149	–	–	–	–	149
–	–	–	–	–	–	815
–	–	–	–	–	–	31,375
–	–	–	–	–	–	–
(143)	(239)	(11)	(297)	(33)	533	–
3,586	**36,239**	**7,411**	**3,199**	**2,231**	**–**	**614,680**
20,352	58,578	17,208	10,931	5,686	18,264	401,087
–	–	–	–	–	–	406,371
–	7,720	–	30	–	–	7,750
(16,803)	(30,366)	(9,842)	(7,856)	(3,456)	–	(200,528)
–	–	–	–	–	–	–
37	307	45	94	1	(18,264)	–
3,586	**36,239**	**7,411**	**3,199**	**2,231**	**–**	**614,680**

Fair value of property

30 June 2014	Note	Land Actual 2014 $000	Buildings Actual 2014 $000	TOTAL Actual 2014 $000
Independent valuation		176,427	229,944	406,371
Total fair value at end of year		**176,427**	**229,944**	**406,371**
The above is represented by:				
Net book value at end of year	4	176,435	241,224	417,659
Work in progress	4	(8)	(11,280)	(11,288)
Non-current assets held for sale	15	–	–	–
Total fair value at end of year		**176,427**	**229,944**	**406,371**

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

The fair value of property at 30 June 2014 was determined by independent registered valuers Quotable Value (QV) at $406.4 million (2013: $369.8 million), from which impairments to buildings planned to be demolished are deducted, if any.

QV, as part of the valuation, tests the market value for all properties and, where no active market exists, adopts Optimised Depreciation Replacement Cost (ODRC). Land, dwellings, site improvements and small sheds are treated using an added value or market value approach. 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 463 (2013: 457) properties in the Commission property portfolio at year end, of which 159 were inspected during the year (representing 34 percent of the portfolio).

The count change is due to the purchase of land located in East Coast Bays, Upper Hutt, Lyttelton, Greytown, Taumarunui and Waiau.

To ensure that properties with high value and significant change were inspected, the following criteria were established:

- New property additions during the year
- Properties with improvement values over $1.0 million
- Properties where assets required verification
- Properties that required an inspection due to changes in property nature.

Seismic strengthening programme

The seismic resilience reserve projected by the Commission for the seismic strengthening programme amounts to $31.6 million at year end (2013: $33.0 million). The Commission requires a minimum standard of at least 67 percent of the current seismic loading standard, as defined in the Building Act 2004 for fire stations (and other operational areas), for these properties to be considered earthquake resilient. It has approved a programme of works (either strengthening or replacement) based on a range of structural engineering work and risk assessment. QV factors into its valuation the Commission's programme of seismic strengthening works which is supplied to it at year end.

Other

All property for disposal is 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.

Capital net spend

30 June 2014	Actual 2014 $000	Actual cash flow 2014 $000	Budget 2014 $000	Actual 2013 $000
Fleet	12,987	12,849	12,700	10,628
Property	25,980	26,517	20,412	12,856
Information communications and technology[1]	4,306	4,207	8,874	4,302
Operational equipment	7,702	7,827	6,000	8,705
Total property, plant and equipment	**50,975**	**51,400**	**47,986**	**36,491**
Cash proceeds from disposals	(1,199)	(1,188)	(486)	(292)
Net spend	**49,776**	**50,212**	**47,500**	**36,199**

[1] Information Communicatons and Technology actual and budget includes capex for intangible assets.

Capital expenditure for the year was significantly higher than the prior year at $51.0 million (2013: $36.5 million). On a net basis, the $2.3 million of extra spend during the year when compared to budget was a result of:

- The early purchase of 1,500 Level 2 protective suits late in the year costing $1.9 million
- Information communications and technology being impacted by issues around the resourcing and coordination of projects making it $4.6 million behind budget
- Property requiring further funding of $5.6 million during the year due to a re-prioritisation exercise that was carried out to better configure the programme (including associated risks). Impacted were new land purchases, new builds, major refurbishments, the seismic strengthening programme and the Christchurch rebuild
- Proceeds from the disposal of assets – mainly the Te Atatu property exceeding expectations by $0.7 million
- Other agreed changes impacting the fleet manufacturing schedule, which were offset in part by delays agreed with suppliers for the purchase of operational equipment – this resulted in additional spend of $0.1 million.

Cash flow

Net capex cash spend exceeded budget for the year for reasons discussed above.

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		–	–	–	–
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		–	–	–	–
Accumulated depreciation		–	–	(126,316)	(1,755)
Impairment losses		–	–	–	–
Work in progress		–	9,828	7,762	–
Net book value at end of year		**153,774**	**225,086**	**140,316**	**938**

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	Work in progress	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
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) at $369.8 million (2012: $361.2 million), from which impairments to buildings planned to be demolished were deducted, if any.

5. Intangible assets

30 June 2014	Computer software (internally generated) Actual 2014 $000	Computer software (purchased) Actual 2014 $000	Shared Information Technology Environment (SITE) Actual 2014 $000	Work in progress Actual 2014 $000	TOTAL Actual 2014 $000
Cost at beginning 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)	–
Total at beginning of year	**3,831**	**3,664**	**87**	**–**	**7,582**
Acquisitions	679	1,431	6	(208)	1,908
Work in progress	528	(736)	–	208	–
Amortisation	(1,283)	(1,384)	(57)	–	(2,724)
Net book value at end of year	**3,755**	**2,975**	**36**	**–**	**6,766**
Cost at end of year	9,723	12,802	18,404	836	41,765
Accumulated amortisation	(6,788)	(9,843)	(18,368)	–	(34,999)
Work in progress	820	16	–	(836)	–
Net book value at end of year	**3,755**	**2,975**	**36**	**–**	**6,766**

Shared Information Technology Environment (SITE)

SITE includes system and technology platform assets (computer-aided dispatch software, land mobile radio network and telecommunications infrastructure) that support receiving emergency calls and dispatching resources to emergency incidents.

The asset represents the Commission's proportional ownership of SITE located at communication centres shared with the New Zealand Police (Auckland, Wellington and Christchurch). Plans to replace the SITE asset are presently under review by the Commission in conjunction with central government.

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**

6. Finance costs

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Finance charge on finance lease	538	730	696
Other	75	97	76
Total	**613**	**827**	**772**

7. Other expenditure

	Note	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Auditors – Audit NZ fees for statutory audit		186	205	181
Auditors – Audit NZ fees for other services		–	54	8
Other audit fees for other services		34	60	52
Remuneration of Commission and committee members	30	142	138	139
Fleet		14,117	13,837	13,585
Occupancy		16,535	15,289	14,528
Clothing and other consumables		9,311	7,246	7,569
Communications		6,258	6,698	6,128
Publicity and advertising		4,822	5,546	4,816
Grants		887	1,093	839
Impairment of receivables		167	–	216
Loss on disposal of property, plant and equipment	21	1,425	400	238
Other expenditure		31,307	30,974	30,677
Total other expenditure		**85,191**	**81,540**	**78,976**

Fleet

Fleet costs are $0.3 million unfavourable to budget as there was additional funding required to make breathing apparatus bracket modifications.

Occupancy

Occupancy costs are $1.2 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.

Clothing and other consumables

Clothing and other consumables are $2.0 million unfavourable due to the rollout of the new colour scheme for helmets to better identify a rank, which was an issue identified in the operational review of the Christchurch earthquakes response. A decision to replace existing station wet weather wear with 4,500 new items of fit for purpose gear was also made during the year. There were also higher Level 2 protective garment maintenance costs as the directive was issued for all Level 2 protective garments to be checked for damage on a more regular basis to ensure safety. Additional funding was allocated to the USAR team for supplies required to develop an accredited Heavy USAR team that is capable of both domestic and international deployment, and which has readiness and capability aligned with internationally accepted standards.

Loss on disposal of property, plant and equipment

Property write offs were $1.0 million over budget, mainly due to the new property strategy agreed during the year. The sites identified for capital works during 2014/2015 are based on a prioritisation exercise that takes into consideration both risks and operational requirements – and includes refurbishments/new builds, and seismic strengthening projects.

Communications

Communications costs are $0.4 million favourable to budget due to a delay to the digital radio rollout in Wellington and subsequently Christchurch.

Other expenditure

Other expenditure costs are $0.4 million over budget, partly due to higher than anticipated legal costs including the levy case with Insurance Brokers Association of Australia and New Zealand (IBANZ), and the Coroner's inquest – CTV building.

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

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Revenue			
Levy	2,582	1,933	2,216
Department of Conservation	–	–	–
Other revenue	665	650	1,305
Total revenue	**3,247**	**2,583**	**3,521**
Deduct claims expenditure	(1,984)	(3,119)	(4,151)
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	**1,263**	**(536)**	**(630)**

The Rural Fire Fighting Fund (RFFF) reserve closing balance at year end was $3.0 million (2013: $1.7 million).

Levy

The Minister is asked annually to authorise the allocation of levy receipts to the RFFF under section 46H of the Fire Service Act 1975.

Department of Conservation

There was no requirement for the Department of Conservation to contribute to the RFFF during the year. The Department of Conservation RFFF closing balance was $1.4 million while its average claims for the last five years have been $0.5 million, so this trend may continue into future years.

Cost recoveries

Recoveries of $0.6 million (2013: $1.2 million) were received from parties responsible for fires. Major fire costs recovered were Ashworth $0.3 million.

Claims expenditure

Weather conditions experienced in some regions during the year were warmer and drier than anticipated, and this was offset in part by a wet winter. There were more fires, but fewer extended wildfire events. As a result, the level of claims continues to be well below the five-year running average of $3.1 million (2013: $3.1 million).

9. Revaluation reserves

30 June 2014	Note	Land Actual 2014 $000	Buildings Budget 2014 $000	TOTAL Actual 2014 $000
Balance at beginning of year		**12,491**	**53,041**	**65,532**
Revaluation movement	4	20,303	11,072	31,375
Total revaluation gains/(losses)		**32,794**	**64,113**	**96,907**
Deduct transfer to accumulated funds on disposal		(75)	(1,571)	(1,646)
Balance at end of year		**32,719**	**62,542**	**95,261**

30 June 2013	Note	Land Actual 2013 $000	Buildings Budget 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**

Revaluation reserves are used to record accumulated increases and decreases in the fair value of land and buildings. When a property is disposed of (either through sale or demolition), any balance in the revaluation reserve relating to that property is transferred to accumulated funds.

10. Impairment losses

30 June 2014	Note	Buildings – seismic impairment Actual 2014 $000	Buildings – demolition impairment Budget 2014 $000	TOTAL Actual 2014 $000
Balance at beginning of year		**–**	**–**	**–**
Impairment losses adjustment		–	–	–
Balance at end of year	**4**	**–**	**–**	**–**

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**	**–**	**–**	**–**

For the second year in a row there was no change to the impairment losses provision, which remains at $nil (2013: $nil). This records impairments in excess of the seismic strengthening programme advised to QV.

11. Cash and cash equivalents

	Actual 2014 $000	Actual 2013 $000
Cash on hand and at bank	23,023	34,954
Short-term deposits	37,333	35,516
Balance at end of year	**60,356**	**70,470**

The carrying value of cash on hand and at the 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 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 (2013: $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.

The movement between budgeted cash and cash equivalents at the beginning of the year and actual cash and cash equivalents at the beginning of the year of $8.9 million was due to the forecast position at the time of completing the 2013–2016 Statement of Intent, where higher income and a lower reduction of liabilities were forecast.

Sensitivity analysis

The weighted average effective interest rate for term deposits at 30 June 2014 is 3.33 percent (2013: 3.41 percent). As at 30 June 2014 if the interest rates increased/decreased by 1% the interest income for the year and accumulated funds would increase/decrease by $0.6 million (2012: $0.7 million).

Restricted assets

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

	Actual 2014 $000	Actual 2013 $000
Short-term deposits	3,334	4,516
Balance at end of year	**3,334**	**4,516**

Reserves supported by cash and cash equivalents

	Actual 2014 $000	Actual 2013 $000
Major emergencies response reserve	15,000	15,000
Levy variability reserve	10,000	10,000
Christchurch rebuild reserve	12,226	12,226
Balance at end of year	**37,226**	**37,226**

The major emergencies response reserve has been established for disaster response and to assist the Commission to respond promptly to any major event.

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.

The Christchurch rebuild reserve has been established to assist the Commission to track the balance of insurance proceeds received in prior years that will be used in the Christchurch rebuild of property.

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

Other reserves

	Actual 2014 $000	Actual 2013 $000
Seismic resilience reserve	31,559	32,969
Balance at end of year	**31,559**	**32,969**

The seismic resilience reserve 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 2014 $000	Actual 2013 $000
Trade and other receivables	2,957	3,270
Deduct provision for impairment	(972)	(969)
Balance at end of year	**1,985**	**2,301**

Trade and other receivables mainly arise from the Commission's statutory functions and the carrying value approximates their fair value. The Commission does not have any significant concentration of credit risk in relation to trade and other receivables, and there are no procedures in place to monitor or report the credit quality with reference to internal or external credit ratings. No collateral is held as security for any trade and other receivables, and the Commission's credit exposures are limited to the individual balances. The Commission does not have any receivables at year end (2013: $nil) that would otherwise be past due, but not impaired, whose terms have been renegotiated.

Provision for impairment of trade and other receivables

At year end the provision for impairment is calculated by completing an assessment of the likelihood of recovery based on historical payments, losses in previous periods, and a review of specific trade and other receivables.

	Actual 2014 $000	Actual 2013 $000
Provision for impairment of trade and other receivables at beginning of year	969	813
Additional provision made during year	3	156
Balance at end of year	**972**	**969**

Any overdue receivables at year end have been assessed for impairment and appropriate provisions applied as summarised below.

	Actual 2014			Actual 2013		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	1,133	–	1,133	891	–	891
Past due 1–30 days	411	–	411	744	–	744
Past due 31–60 days	168	–	168	377	–	377
Past due 61–90 days	121	–	121	175	–	175
Past due > 91 days	1,124	(972)	152	1,083	(969)	114
Total	**2,957**	**(972)**	**1,985**	**3,270**	**(969)**	**2,301**

13. Prepayments

	Actual 2014 $000	Actual 2013 $000
Prepaid computer licences	384	356
Prepaid travel	125	57
Prepaid other	272	372
Balance at end of year	**781**	**785**

14. Inventories

	Actual 2014 $000	Actual 2013 $000
Inventories held for use in the provision of services	–	–
Balance at end of year	**–**	**–**

Inventories at year end are $nil. Typically, 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 or reversals of previous write-downs this year or in the prior year.

15. Non-current assets held for sale

		Land	Buildings	TOTAL
30 June 2014	**Note**	**Actual 2014** $000	**Actual 2014** $000	**Actual 2014** $000
Balance at beginning of year		**510**	**305**	**815**
Deduct disposals		(510)	(305)	(815)
Transfers		–	–	–
Carrying value at end of year	**4**	**–**	**–**	**–**

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. During the year, the disposal of the property located in Waitakere (Te Atatu fire station) took place.

		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**
Deduct disposals		(270)	–	(270)
Transfers		24	(82)	(58)
Carrying value at end of year	**4**	**510**	**305**	**815**

16. Trade and other payables

	Actual 2014 $000	Actual 2013 $000
Trade payables	10,869	10,352
Income in advance	371	128
Accrued expenses	6,976	9,978
Taxation payables (GST, PAYE and FBT)	4,881	4,650
Balance at end of year	**23,097**	**25,108**

Trade and other payables are non-interest bearing and are typically settled on 30-day terms. As a result, the carrying value of trade and other payables approximates their fair value.

17. Employee and volunteer benefits

	Actual 2014 $000	Actual 2013 $000
Current employee and volunteer benefits		
Accrued salaries and wages	4,357	3,683
Annual leave	16,145	14,901
Long service leave and gratuities	5,385	5,180
Total current employee and volunteer benefits	**25,887**	**23,764**
Non-current employee and volunteer benefits		
Long service leave and gratuities	32,574	32,188
Total non-current employee and volunteer benefits	**32,574**	**32,188**
Balance at end of year	**58,461**	**55,952**

Expenditure on personnel represents over 70 percent of total operating costs for the Commission and because of this any changes within personnel can have a significant impact on the overall cost structure.

Accrued salaries and wages

The increase this year is due to the timing of the last payroll payment for the year when compared with the prior year. The last payroll payment this year was 24 June versus 25 June in the prior year, resulting in an additional day of payroll accruals this year.

Annual leave

This reflects the current leave liabilities as at the end of the financial year.

Long service leave and gratuities

The valuation of long service leave and gratuities depends on a number of factors that are determined on an actuarial basis using a range of assumptions. Key economic assumptions used in calculating this liability are the discount rate and the salary inflation factor.

Any changes in these assumptions can have a significant impact on the carrying value of the liability. Key economic assumptions are:

- Treasury rates, which were calculated as at 30 June 2014 (2013: 31 May 2013)
- Implied risk-free rates over the period of cash outflows which ranged from 3.70 percent to 5.50 percent (2013: 2.53 percent to 6.00 percent)
- Salary inflation factor, which was determined (at a minimum) at 3.00 percent (2013: 3.00 percent) per annum.

This year the long service liability has increased because some permanent employees are now eligible for 10 days of long service leave after 10 years' service (2013: 20 years' service) due to a policy change in eligibility during the year.

Sensitivity analysis

If the discount rate were to increase/(decrease) by 1 percent each year from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would (decrease)/increase by ($2.9 million)/$3.3 million (2013: ($2.9 million)/$3.3 million), thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

18. Borrowings

	Actual 2014 $000	**Actual 2013** $000
Current borrowings		
Finance leases	1,764	1,938
Non-current borrowings		
Finance leases	3,877	5,635
Total borrowings	**5,641**	**7,573**
Analysis of minimum finance lease payments due		
Not later than one year	2,153	2,470
Later than one year and not later than two years	1,988	2,152
Later than two years and not later than five years	1,918	3,751
Later than five years and not later than ten years	507	640
Later than ten years	–	22
Total minimum lease payments due	**6,566**	**9,035**
Future finance charges	(925)	(1,462)
Present value of lease payments due	**5,641**	**7,573**
Analysis of present value of lease payments due		
Not later than one year	1,764	1,932
Later than one year and not later than two years	1,741	1,764
Later than two years and not later than five years	1,711	3,342
Later than five years and not later than ten years	425	514
Later than ten years	–	21
Present value of lease payments due	**5,641**	**7,573**

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

19. Provisions

	Actual 2014 $000	Actual 2013 $000
Current provisions		
Loss of medical scheme	163	161
ACC Partnership Programme	1,536	1,511
Total current provisions	**1,699**	**1,672**
Non-current provisions		
Lease make-good	879	338
ACC Partnership Programme	1,462	1,483
Total non-current provisions	**2,341**	**1,821**
Balance at end of year	**4,040**	**3,493**

Major movements for each provision are summarised below.

Loss of medical scheme

	Actual 2014 $000	Actual 2013 $000
Loss of medical scheme at beginning of year	**161**	**159**
Contributions made to the scheme	2	2
Balance at end of year	**163**	**161**

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 2014 $000	Actual 2013 $000
Lease make-good at beginning of year	**338**	**270**
Additional provisions made	541	68
Balance at end of year	**879**	**338**

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. The Commission uses an external independent actuarial valuer, Melville Jessup Weaver (the Actuaries), to calculate the liability at year end. Claims are managed by the Commission for a period of 48 months (2013: 48 months) from the claim lodgement date. At the end of the specified 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.

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:

- 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 percent (2013: 12.8 percent) to allow for the inherent uncertainties in the central estimate of the claims liability
- A provision for future claim handling costs of 11.2 percent (2013: 10.0 percent) 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

	2014 Current $000	2014 Non-current $000	2014 TOTAL $000	2013 TOTAL $000
Undiscounted estimated future claims costs	1,289	1,226	2,515	2,517
Discounting	(64)	(60)	(124)	(104)
Discounted estimated future claims costs	**1,225**	**1,166**	**2,391**	**2,413**
Claims handling expenses	137	130	267	242
Total discounted outstanding claims liabilities	**1,362**	**1,296**	**2,658**	**2,655**
Risk margin (12.8%)	174	166	340	339
ACCPP provision at end of year	**1,536**	**1,462**	**2,998**	**2,994**
Claim handling cost %	11.2%	11.2%	11.2%	10.0%
Risk margin %	12.8%	12.8%	12.8%	12.8%

This year there was a small reduction in the discounted estimated future claims liability due to increasing discount rates, but this was offset by increased claims handling expenses. After allowing for the risk margin, the overall provision was similar to the prior year.

In the prior year the ACCPP provision increase was driven by an increasing loss ratio as well as other movement in the BF factors.

ACC Partnership Programme provision movement summary

	Actual 2014 $000	Actual 2013 $000
ACCP Provision at beginning of year	**2,994**	**2,651**
Net increase to provision during the year	4	343
Balance at end of year	**2,998**	**2,994**

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

	Loss ratio 2014 %	Liability 2014 $000	Loss ratio 2013 %	Liability 2013 $000
The assumed loss ratio of 1.0 percent 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 percent and 1.10 percent.	0.90%	2,416	0.90%	2,413
	1.00%	**2,658**	**1.00%**	**2,655**
	1.10%	2,900	1.10%	2,896

	Loss ratio 2014 %	Liability 2014 $000	Loss ratio 2013 %	Liability 2013 $000
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 percent higher and lower than the bond rates.	(1.00%)	2,693	(1.00%)	2,691
	0.00%	**2,658**	**0.00%**	**2,655**
	1.00%	2,624	1.00%	2,620

20. Unamortised gain on sale and leaseback

	Actual 2014 $000	Actual 2013 $000
Current liabilities		
Finance leases	187	269
Non-current liabilities		
Finance leases	276	463
Balance at end of year	**463**	**732**

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 2014 $000	Actual 2013 $000
Net surplus attributable to the owners of the Commission		**4,761**	**28,926**
Add/(subtract) non-cash items			
Amortisation of (gain) on sale and leaseback	2	(269)	(341)
(Gain) unrealised foreign exchange	2b	(2)	–
Property, plant and equipment write-offs	7	1,425	238
Amortisation	5	2,724	2,275
Depreciation	4	32,056	30,625
Total non-cash items		**35,934**	**32,797**
(Subtract)/add movements in Statement of Financial Position items			
(Decrease) in trade and other payables including GST		(1,647)	(563)
Decrease in inventories	14	–	27
Decrease in prepayments	13	4	17
Decrease in trade and other receivables	12	316	215
Increase in provisions	19	547	121
Increase/(decrease) in employee and volunteer benefits	17	2,509	(6,206)
Total net movements		**1,729**	**(6,389)**
Add/(subtract) investing activities			
(Gain) on disposal of fixed assets	2	(394)	(79)
Interest paid	6	538	696
Total investing activity items		**144**	**617**
Net cash flows from operating activities		**42,568**	**55,951**

Cash flow net GST received/(paid)

The net GST component of operating activities reflects the net GST received/(paid) 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 2014 $000	Actual 2013 $000
Property, plant and equipment	19,922	11,888
Intangibles	–	359
Total capital commitments	**19,922**	**12,247**
Not later than one year	19,420	12,214
Later than one year and not later than five years	502	33
Total capital commitments	**19,922**	**12,247**

Capital commitments arise when orders are placed before balance date but the goods and services are received after balance date, and where 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 2014 $000	Actual 2013 $000
Not later than one year	4,424	3,942
Later than one year and not later than five years	6,456	6,941
Later than five years	2,753	1,388
Total operating lease commitments as lessee	**13,633**	**12,271**

The Commission has operating lease commitments for office and fire station premises, motor vehicles, and office equipment. Significant leases include the four floors and car parks at National Headquarters located at 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 2014 $000	Actual 2013 $000
Not later than one year	139	148
Later than one year and not later than five years	229	100
Later than five years	115	168
Total operating lease commitments as lessor	**483**	**416**

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 (2013: $nil).

25. Contingencies

Contingent liabilities

Claims

The Commission is currently engaged in a number of claims with current and former employees and the final settlement of these claims at year end is estimated to be $0.3 million (2013: $0.2 million).

Replacement of fire stations Christchurch area

The Commission continues to evaluate its options around the replacement programme for fire stations (replace, repair, demolish or relocate) located in the Christchurch area due to earthquake damage.

Seismic strengthening programme

There remains some uncertainty around cost projections for the seismic strengthening programme and there is a possibility that total spend may exceed the seismic resilience reserve amount of $31.6 million at year end (2013: $33.0 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 at year end. Possible recoveries have been estimated to be $2.2 million (2013: $2.5 million).

26. Financial instruments

The Commission is exposed as part of its everyday operations to a range of financial instruments including 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 2014 $000	Actual 2013 $000
Loans and receivables			
Cash and cash equivalents	11	60,356	70,470
Trade and other receivables	12	1,985	2,301
Total loans and receivables		**62,341**	**72,771**
Fair value through Statement of Comprehensive Income			
Derivative financial instrument assets		–	–
Derivative financial instrument liabilities		–	–
Total fair value through Statement of Comprehensive Income		**–**	**–**
Financial liabilities measured at amortised cost			
Trade and other payables	16	23,097	25,108
Total financial liabilities measured at amortised cost		**23,097**	**25,108**

Financial instrument risks

The Commission has a range of policies to manage its exposure to financial instrument risks (including market risk, credit risk and liquidity risk) and seeks to minimise this exposure. 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 year end (2013: 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 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.

Contractual maturity analysis of financial liabilities

The Commission's financial liabilities are analysed into relevant maturity groupings based on the remaining period from year end to the contractual maturity date.

		Actual 2014			Actual 2013		
	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	23,097	–	–	25,108	–	–

27. Capital management

The Commission's capital is equity (represented by net assets), which comprises accumulated funds and reserves. The Commission is subject to the financial management and accountability provisions in the Crown Entities Act 2004 ('the Act'). These provisions impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. Approval has been obtained from the Minister of Finance in accordance with the Act for the Commission 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 revenue and income, expenses, assets, liabilities, and risk, and aims for best practice with regards to its operations and 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, or any expense recognised, for the impairment of any related party receivables (2013: $nil).

Collectively, but not individually, significant transactions with government-related entities

	Actual 2014 $000	Actual 2013 $000
Related party revenue and income		
Government departments	4,682	2,415
Crown entities	5,775	5,825
State-owned entities	3,156	2,653
Total	**13,613**	**10,893**

The Commission receives various revenue and income streams while carrying out its business activities.

Significant transactions with government-related entities

The only significant related party transaction recorded in the Statement of Comprehensive Income during the year was the good citizen contribution receipt from Housing New Zealand of $1.4 million (2013: $1.4 million).

Collectively, but not individually, significant transactions with government-related entities

	Actual 2014 $000	Actual 2013 $000
Related party expenditure		
Government departments	4,232	4,282
Crown entities	3,340	1,046
State-owned entities	2,891	1,411
Total	**10,463**	**6,739**

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

Significant transactions with government-related entities

Significant related party transactions for expenditure in the Statement of Comprehensive Income during the year were:

- Share of costs for the three communication centres (Auckland, Wellington and Christchurch) paid to the New Zealand Police of $3.1 million (2013: $3.0 million)
- Air travel paid to Air New Zealand of $2.1 million (2013: $1.7 million)
- Road user taxes paid to the New Zealand Transport Agency of $0.9 million (2013: $0.5 million).

Collectively, but not individually, significant transactions with government-related entities

In conducting its business activities, the Commission is required to pay various taxes and levies to the IRD, ACC and other organisations related to the Crown (such as GST, FBT, PAYE and ACC). The payment of these taxes and levies is based on standard terms and conditions that apply to all tax and levy payers (excluding income taxation from which the Commission is exempt).

The Commission and key management personnel

The total 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**	**2014** $	**2013** $	**2014** $	**2013** $
Robert Francis: Commission member	Wairarapa District Health Board	i	–	4,000	–	–
Rangi Willis: Commission member	Powerco	ii	6,800	341	–	–
	Whanganui District Council	iii	71,988	31,709	17,351	–
Total			**78,788**	**36,050**	**17,351**	**–**

i A prior year balance where 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 has charged Powerco, of which Rangi Willis is a trustee, a false alarm charge and in the prior year a hazardous substance charge.

iii The Commission has charged Whanganui District Council, of which Rangi Willis is a councillor, contract fire services, a false alarm charge and in the prior year a false alarm charge and vegetation charges.

The total 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**	**2014** $	**2013** $	**2014** $	**2013** $
New Zealand Fire Service Superannuation Scheme	The New Zealand Fire Service Superannuation Scheme	iv	15,965,227	15,541,705	–	–
Rangi Willis: Commission member	Whanganui District Council	v	–	3,638	–	–
Vicki Caisley: Commission member	Grant Thornton	vi	–	29,373	–	–
Rt Hon Wyatt Creech: Chair	Healthcare NZ Dunedin	vii	1,658	–	–	–
Total			**15,966,885**	**15,574,716**	**–**	**–**

iv The Commission pays employer superannuation contributions to the New Zealand Fire Service Superannuation Scheme which is operated by ten trustees, six of whom are appointed by the Commission.

v A prior year balance where the Commission purchased goods from Whanganui District Council, of which Rangi Willis is a councillor.

vi A prior year balance where the Commission purchased services from Grant Thornton, of which Vicki Caisley was a director.

vii Purchase of services from Healthcare NZ Dunedin of which Wyatt Creech is the Chair.

Other related party disclosures

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

Commission members, staff and volunteers of the New Zealand Fire Service who insure their property against the risk of fire pay fire service levies. Levies are payable at the same market rate as any other member of the public.

29. Key management personnel benefits

	Actual 2014 $000	Actual 2013 $000
Salaries and other current employee benefits	3,539	3,996
Gratuity payments	147	–
Severance payments	–	429
Post-employment benefits (KiwiSaver and superannuation)	158	296
Total key management personnel benefits	**3,844**	**4,721**

Key management personnel include Commission members, the Chair of the Audit and Risk Committee, the Chief Executive & National Commander, and the 15 members (2013: 15 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 is as follows:

Strategic leadership team (SLT)

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 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)

OrgLT has been established to bring together the two groups above (SLT and OLT) for better integration across all business functions to enable a more effective deployment of national programmes and initiatives.

30. Remuneration of Commission and committee members

		Actual 2014 $000	Actual 2013 $000
Rt Hon Wyatt Creech	Chair	53,000	53,000
David McFarlane	Deputy Chair	24,768	23,375
Robert Francis (retired 30 September 2012)	Member	–	8,631
Vicki Caisley	Member	19,815	18,700
Angela Hauk-Willis	Member	19,815	18,700
Rangi Willis (from 1 October 2012)	Member	19,815	12,227
Total remuneration of the Commission		**137,213**	**134,633**
Alan Isaac (Audit and Risk Committee)	Chair	4,800	4,800
Total for year		**142,013**	**139,433**

During the year, no transactions were entered into with any member of the Commission other than for the payment of their fees and the reimbursement of their expenses, and no members received any other compensation or benefits relating to cessation (2013: $nil).

An interest register is maintained for members of the Commission so that there is transparency and full disclosure, and a range of insurance cover is in place for Commission and committee members' liabilities.

31. Remuneration of employees

Total remuneration paid or payable	Actual 2014 $000	Actual 2013 $000
$100,000 – $109,999	253	286
$110,000 – $119,999	159	91
$120,000 – $129,999	83	33
$130,000 – $139,999	27	15
$140,000 – $149,999	16	6
$150,000 – $159,999	10	7
$160,000 – $169,999	4	3
$170,000 – $179,999	6	2
$180,000 – $189,999	5	5
$190,000 – $199,999	2	4
$200,000 – $209,999	2	1
$210,000 – $219,999	–	3
$220,000 – $229,999	–	1
$240,000 – $249,999	2	2
$250,000 – $259,999	1	2
$260,000 – $269,999	–	1
$270,000 – $279,999	–	1
$340,000 – $349,999	1	–
$350,000 – $359,999 (Chief Executive & National Commander)	1	–
$360,000 – $369,999 (Chief Executive & National Commander)	–	1
Total employees	**572**	**464**

Of the 108 count increase there were 18 employees from National Headquarters (NHQ) and 90 employees from regional operations. The following factors contributed to the large increase this year:

- A number of NHQ staff, who started part way through the prior year due to the NHQ restructure, moved into this threshold having now completed a full year
- Settling of the collective agreement with the New Zealand Professional Firefighters Union (NZPFU) members had a significant impact on increasing officers' remuneration
- An Executive Officer on-call allowance was established to reimburse Executive Officers (Area Managers and Assistant Area Managers) for this activity.

Cessation payments

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 ten years' service.

During the year, there was one severance (2013: 37 severances) including redundancies, costing $0.02 million (2013: $1.6 million). The prior year was higher due to the NHQ restructure and regional/area realignment projects.

There were 55 employees (2013: 72 employees) who received cessation payments including gratuities, costing $1.6 million (2013: total cost $1.8 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:

30 June 2014 – Statement of Cash Flows and Financial Position

The most significant variance was cash and cash equivalents which was $9.4 million lower than budget at year end with major variances being:

- There was an $8.9 million unfavourable variance on the opening balance of cash and cash equivalents – refer note 11
- Income and revenue (including levy receipts and excluding capex/insurance) is $3.4 million favourable – refer notes 1 and 2
- Spend including payroll and volunteers (excluding capex/GST) is $1.5 million favourable – refer notes 3 and 7
- GST is $2.7 million unfavourable
- Net capex spend (including intangibles) is $2.7 million unfavourable – refer notes 4 and 5.

30 June 2013 – Statement of Cash Flows and Financial Position

The most significant variance was cash and cash equivalents, which was $30.6 million ahead of budget at year end with major variances being:

- There was a $0.7 million favourable variance on the opening balance of cash and cash equivalents – refer note 11
- 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 – refer notes 1 and 2
- Spend including payroll and volunteers (excluding capex/GST) is $0.6 million favourable – refer notes 3 and 7
- GST is $3.0 million unfavourable
- Net capex spend (including intangibles) is $6.9 million favourable – refer notes 4 and 5.

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Leading integrated fire and emergency services for a safer New Zealand
Te Manatu o nga ratonga ohotata kia haumaru ake ai a Aotearoa

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