



# Annual Report

For the year ended 30 June 2015



## OUR PEOPLE



**1,730**

Career Firefighters



**8,100**

Urban Volunteers



**3,500**

Rural Volunteers



**600**

Management and Support Staff

## OUR NETWORK—FIVE REGIONS



**360**

Volunteer stations

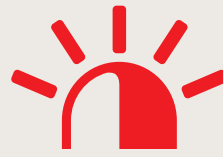
**79**

Career stations

**187**

Rural fire forces

## IN 2014/15



**72,853**

Incidents attended in 2014/15  
A decrease of 0.8% on 2013/14

This included

Increase/  
decrease



**5,413**

Structure fires



**10,304**

Medical emergencies



**5,102**

Vegetation fires



**4,815**

Motor vehicle accidents



**3,245**

Hazardous materials



Trust and confidence  
rating in the public sector

**97%**

# Contents

New Zealand Fire Service Commission	4
Chairperson's Foreword	6
Chief Executive and National Commander's Overview	8
Our Priorities	10
Safety	12
People	14
Incident management	22
Risk reduction and prevention	24
Integration	28
Medical Response	30
Volunteer and brigade resilience	32
National Rural Fire Authority	34
Statement of Performance	38
Statement of Responsibility	53
Independent Audit report	54
Fire Service Levy	56
Financial Commentary	58
Statement of Comprehensive Revenue and Expense	61
Statement of Financial Position	62
Statement of Changes in Equity	63
Statement of Cash Flows	64
Statement of Accounting Policies	65
Notes to the Financial Statements	73
Glossary	101

# New Zealand Fire Service Commission

## Our Vision:

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

### Our mission

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

### 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 values

- ▶ Service
- ▶ Integrity
- ▶ Adaptability
- ▶ Skill
- ▶ Comradeship.

### 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
- ▶ Exercise of the functions of the National Rural Fire Authority
- ▶ Co-ordination of fire safety throughout New Zealand
- ▶ Receipt and audit of the proceeds of the Fire Service levy.

### 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 (as amended in 2013) and the Fire Service Act 1975. In 2014/2015, the Board members were:

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





### Our mission

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

# Chairperson's Foreword

In our 2014-18 Statement of Intent we set out a range of ambitious goals backed by an extensive programme of work to achieve our vision of "Leading integrated fire and emergency services for a safer New Zealand" by 2020.

In this annual report we outline the progress made in 2014/15 towards the achievement of that vision and, in particular, the key programmes and priorities of safety, people, volunteer and brigade resilience, risk reduction and prevention, incident management, integration and medical response. Although a considerable amount of work remains to be done over the next few years, I am pleased to report the good progress that has been made in the last year and that the foundation has been laid for the achievement of our vision by 2020.

The Fire Service is living in an era of major change for emergency services all around the world. While fire losses still happen, structural fires as a cause of call-outs for the Fire Service continues to decline. But emergency responses to every conceivable type of incident grow; medicals, car accidents, storms, floods, to name but a small selection. The question of how best to deliver services to

answer our changing community needs had to be asked. At the end of May the Minister of Internal Affairs, Hon Peter Dunne, launched the Fire Services Review. The Review considers all the major issues facing our emergency services as we move ahead. A key issue is assuring that the service has the funding it needs to meet community expectations. Other equally important considerations are improved support for the workforce, especially the volunteers upon whose dedication we rely to assure a nationwide 24/7 capability; the optimum structure of rural fire services, and effective coordination with other emergency services. A widely supported public consultation programme saw deep stakeholder participation in this review process. Options advanced for discussion ranged from minor changes to the status quo, greater coordination of urban and rural services, and full integration of urban and rural services. The Minister advises that he expects a Cabinet decision before the end of 2015 and modernising legislation to be introduced to Parliament in early 2016.

The need to assure secure and adequate funding is mentioned above as a key consideration in the Fire Services Review. In 2012 the insurance industry, in legal proceedings, challenged the Commission's interpretation of fire service levy rules. Those proceedings finally came to an end in May this year when the Supreme Court found in favour of the Commission. This

was a very important decision; had it gone against the Commission it would have seriously undermined the Commission's levy base. The Fire Services Review needs to address remaining gaps in the levy law.

Workplace safety has been a high profile issue of late. Firefighting is inherently risky work; the nature of the job cannot be avoided. But in that context the Commission has strongly endorsed the effort being made in the Fire Service to make sure that our training, procedures and culture support a 'safe workplace' approach.

The United Nations International Search and Rescue Advisory Group's assessment of our Urban Search and Rescue (USAR) capability took place in March. We were successful in achieving accreditation and the team's performance drew significant praise from the UN team leader. This was a significant achievement in 2014/15.

During 2014 a stakeholder engagement strategy was approved and a project was initiated to enhance engagement with external stakeholders. A stakeholder survey was carried out in late 2014 to better understand expectations of the relationship with the Fire Service and to set a baseline so performance can be tracked in the future. Overall, stakeholders rated their relationship with us at 7.9 out of 10.

The National Rural Fire Authority had success during 2014/15. The Otago Enlarged Rural Fire District (ERFD) was established on 1 July 2014 and with the Pumicelands ERFD due to be

**" I am pleased to report the good progress that has been made in the last year and that the foundation has been laid for the achievement of our vision by 2020."**



established on 1 July 2015, sixty-four percent of land previously managed by small rural fire authorities (RFA) will be managed by ERFDs. This will be 80 percent by 30 June 2016.

While we appreciate the contributions of all firefighters, volunteers make up more than 80 percent of our service. Volunteer sustainability continues to be a key issue for the Commission. Changes in society increase the challenges of recruiting and retaining volunteers in the modern age, particularly in smaller and often remote rural areas. Greater effort is being made to understand the needs of these communities and what we can do better to support them. Greater efforts are also being made to be sure our modern fire service reflects the diversity and needs of the broader community. Our volunteer and brigade resilience programmes are wide-ranging. They are specifically designed to support vulnerable volunteer brigades. The Commission strongly supports volunteer sustainability work. Help ranges from support with recruitment drives to providing additional support to at-risk brigades.

Financial sustainability remains a major concern of the Commission with deficits now being forecast in out-years. In addition to ongoing operational cost pressures there are significant demands for capital to pay for the Christchurch rebuild and the national seismic strengthening programme. We rely on the Review to address the essential funding requirements.

In conclusion, on behalf of the Commission, I would like to most sincerely thank all staff and volunteers for their continued hard work and dedication. Without your commitment we could not offer the public of New Zealand an emergency service second to none.



**Rt Hon Wyatt Creech**  
Chairperson



# Chief Executive and National Commander's Overview

Following the launch of our new vision in February 2014, we embarked on a challenging programme of workshops all over the country, between April and December last year, to talk to staff about the new vision and get their feedback. More than 4,000 career and volunteer staff attended one of the 234 workshops.

I was heartened by the way that staff engaged with us and the wealth of feedback we received. There were some excellent ideas for how the Fire Service could lift its performance through working better together and with our partners. Some of these ideas can be implemented quite quickly and easily while other which will take longer will be fitted into our multi-year programme.

I set six short term priorities – Safety, People, Integration, Risk reduction and prevention, Incident management and Medical response – for the Fire Service as part of the programme of work designed to achieve our vision of leading integrated fire and emergency services for a safer New Zealand, by 2020. Together with our three key programmes – Leadership development, Incident management and Volunteer and brigade resilience – this represents a significant body of work. I am pleased with the progress we made in 2014/15 and which is

outlined in some detail in the 'Our Priorities' section of this report.

The Fire Services Review is now underway and represents a once in a generation opportunity to modernise our fire services. The discussion document released by the Minister set out three options to improve support for firefighters, better meet community needs and bring governance arrangements up to date. It is important that we have a Fire Service that is flexible and adaptable, coordinated with strong leadership, able to provide a consistent service, and is efficient and able to become more so over time. We have, and will continue to, devote considerable resources to the Fire Services Review.

A major highlight of the year was New Zealand's urban search and rescue team (USAR) receiving United Nations accreditation. Preparation for UN accreditation involved a huge amount of work by a dedicated group over a long a period of time. The team did not simply pass; it earned a distinction. The head of the UN team described the team's efforts as amounting almost to a new gold standard. Within weeks the team undertook their first international deployment when they went to Vanuatu to assist the NZ Medical Assistance Team following devastating tropical cyclone Pam.

In September 2014 I attended the United Nations International Search and Rescue Advisory Group (INSARAG) Asia-Pacific region annual

meeting in Seoul, South Korea.

New Zealand was elected Chair of the INSARAG Asia-Pacific region at the meeting. This was significant for two reasons. First, because we were still to be awarded our USAR classification and, second, normally the Chair of the group would be an accredited member nation. Our election is acknowledgement of the high standing we have internationally. As Chair for twelve months the Fire Service with its partner in USAR the Ministry of Foreign Affairs and Trade had responsibility for managing implementation of a work programme to improve the Asia-Pacific USAR capability in general.

The 2014 Australasian Fire and Emergency Services Authorities Council (AFAC) conference held in Wellington from 2-5 September was a success. It was the first time we had hosted this annual conference since 2005. The theme for the conference was "After Disaster Strikes, Learning from Adversity". Natural and man-made disasters strike all countries, but particularly in our region. Examining how emergency management services, land managers and communities prepare, respond to and assist with recovery is vital to developing evidence-based policy and practice for the future.

The Chief Executives of the Ministry of Health, New Zealand Police, New Zealand Fire Service, Ministry of Civil Defence and Emergency Services, St John Ambulance and Wellington Free Ambulance have

**“The Fire Services Review is now underway and represents a once in a generation opportunity to modernise our fire services.”**



established an Emergency Services Coordination Group (ESCG). While New Zealand already has a highly collaborative emergency services sector and agencies are working to identify opportunities for further collaboration within the sector and across sectors this group will look to identify additional opportunities. Their focus is on the strategic effectiveness of the emergency sector, looking at 'big picture' challenges and opportunities and they will report periodically to Ministers.

A good example of the increased collaboration between emergency services was the signing last December of an MOU between the Fire Service and the St John Ambulance Service and also the Wellington Free Ambulance. Fire and ambulance services are working together to better support critical medical interventions, particularly cardiac and respiratory arrest. This is a significant improvement in operational capability and we have a committed training programme to achieve it.

We were very pleased when the government announced that amendments to the Residential Tenancies Act will make it mandatory to install smoke alarms in all residential properties. The Fire Service had been pushing this for some time. The majority of residential fires are in rental properties and a high proportion of at-risk groups live in rental properties. Steps such as this should help reduce the number of avoidable residential fire fatalities.

Risk reduction is at the heart of the Fire Service and during 2014/15 we completed a comprehensive review of fire risk management activities to identify strategies to provide best value for money in influencing behavioural change. This culminated in the development of a new fire risk and reduction plan. As we implement this plan we will be looking to see further reductions in both fires in structures and fire fatalities. In 2014/15 the number of fires in structures was unchanged



from a year earlier and the number of avoidable fire fatalities was 13, up from the record low of 10 in the year to 30 June 2014. The long term trend for fire fatalities has been downwards which is very pleasing.

Non-fire emergencies increased slightly in 2014/15 with the bulk of the increase being the result of more medical calls and motor vehicle accidents. As a percentage of all incidents non-fire emergencies continue to grow. In the last five years they have increased from 31 percent to 38 percent of all incidents.

Volunteer resilience continues to be a major challenge for the Fire Service. For the most part volunteer brigades are well staffed and our volunteer numbers are strong overall. However, some communities have difficulties attracting and retaining enough volunteers. This both makes it hard for the brigade to meet the demands of its community and places a very high burden on those firefighters who are volunteering. The Fire Service has put a programme in place to support volunteerism and in particular those brigades that need assistance. The programme is wide-ranging to reflect the varying reasons why a community may need support to maintain its volunteer brigade, through a range of activities including improvements to the content and delivery of training, volunteer Chief Fire Officer leadership development and annual performance reviews, an

employer recognition programme and assistance with recruitment campaigns. We will continue to monitor volunteer brigades and take action as early as possible to support at-risk brigades.

The next few years will be an exciting and challenging time for the Fire Service. The Fire Services Review is looking at some of the big issues facing fire services, and asking how best to address these issues so our fire services can be most effective and efficient for New Zealand's communities. The outcome is expected to be modernisation of our legislation and major changes to the Fire Service. Implementing those changes and ongoing concerns about financial sustainability, especially the demand for capital to fund the seismic strengthening programme, fleet replacement and information technology systems will be major challenges for us going forward.

This has been a challenging and demanding year for the Fire Service. I would like to thank my senior management team, and all staff and volunteers for their hard work and commitment.

**Paul Baxter**  
Chief Executive and National  
Commander



## Our Priorities

The Fire Service has an ambitious programme of work to achieve its vision for 2020 of “Leading integrated fire and emergency services for a safer New Zealand”. This section provides an overview of our key priority areas and key programmes of work during 2014/2015.





Dräg  
300 BAR



# Safety

Safety is the Commission and Fire Service's highest priority and it is the core thread woven through all our decision making. The tragedy of events such as the Pike River Coal Mine explosion show what can happen when effective safety management is undermined. Given the nature of the job and the risk it entails, the Fire Service needs to be the very best it can be in safety management. Safety is about more than systems and processes. It is also about building a strong safety culture where everyone takes responsibility for their own, and their colleagues' safety, health and wellbeing. A culture of safety supports both the management of operational risks and the overall welfare of the Fire Service's people.

In recent years, we have evolved an approach that reflects emerging global good-practice. Our focus and our language are now more oriented to critical risk areas – things that can cause death or serious harm – rather than just on the frequency of injuries or events, which has been our focus in the past. We seek to prevent and anticipate issues, rather than merely monitor and fix.

We have translated our aspirational zero harm goal into 'everybody home safely, every time'. We have given greater prominence to the equal importance of physiological and psychological health and the promotion of wellbeing, alongside our key safety focus.

## Health monitoring

We are enhancing the scope and depth of our Hauora Health Monitoring Programme to help manage the risks associated with workplace carcinogen exposure and the cardiovascular disease risk that is present within our core staff demographic. We have started the Workplace Carcinogens Exposure Project, in collaboration with the New Zealand Professional Firefighters Union (NZPFU) and the United Fire Brigades Association (UFBA), that focuses on reducing the risk

of respirable and skin absorption exposure to known carcinogens when undertaking fire fighting work.

The Fire Service records and reports on a number of safety, health and wellbeing lag indicators, predominantly, but not exclusively, focusing on total injury frequency rates, lost time injury frequency rates, and numbers of injuries with more than seven days lost time (see Table 7 on page 43).

More active management of absences has had a positive impact on long term sick leave absences in many areas, with the rolling average for the period May 2014 to May 2015 achieving the agreed milestone of less than 6.25 shifts per person.

## Engagement with key stakeholders

We have a robust safety, health and wellbeing engagement framework with key stakeholders, evidenced through the strong collaborative relationships the Fire Service has with NZPFU, the UFBA, the Fire and Rescue Commanders Association (formerly known as the Executive Fire Officers Society) and the Public Service Association (PSA). This works effectively at a national level through a variety of meetings,

discussions, project groups and informal interaction. The same collaborative approach is being further enhanced at a region and area level.

## Aiming for best practice

We have updated our peer and professional support model for critical and personal stress, which has been reviewed and approved by the Australian Centre for Posttraumatic Mental Health. The changes acknowledge the impact of personal pressure and stress on the wellbeing of our people, as well as work-related concerns. They also acknowledge the importance of work colleagues, families and friends to working through responses to stress and building psychological resilience. We plan to introduce the changes incrementally from later in 2015, to create greater visibility and understanding of the support available through a series of training modules developed for peer supporters, coordinators, frontline officers, and all managers.

## Safety leadership

The Chief Executive and National Commander initiated workshops on safety leadership from the

strategic and operational leadership teams down, concentrating on understanding human factors in safety, health and wellbeing, and on positively influencing our safety culture. There have now been more than 200 attendees across 14 workshops covering leadership positions and key influencers, and including workforce representatives (unions and associations). In 2015 operational managers have been actively encouraged by the Operational Leadership Team to “go, look and see”, to learn as much as possible from injury and near miss incidents that occur.

### Virtual safety learning

We have also developed virtual safety learning journeys, a concept led by the Training and Operational Efficiency teams with collaborative input from safety, health and wellbeing. We have introduced **Safety Two** thinking that seeks to learn from the estimated 98% of incidents

where things go well, often in the face of very difficult circumstances. This is in addition to the important **Safety One** learning that continues from the estimated 2% of incidents where things don't go well, resulting in injuries or significant near misses that are investigated.

### Health and Safety Reform Bill

Our Health and Safety at Work project is preparing the organisation for the introduction of new health and safety legislation which is due to come into effect on 4 April 2016. Our focus is on informing and supporting our leaders about their extended responsibilities, and incrementally informing our people about the impact of key changes, while maintaining or building confidence in our ability to meet the new requirements and to continue to do the good things we are already doing.

### Safety culture survey

In 2015 we undertook an independent safety culture survey across the organisation and organisational leaders have had a first look at the results. The full report and improvement plan will be available by November 2015, and it will be shared with the organisation, and particularly with the groups who participated in the months following. The survey will provide broad and detailed feedback on the way we think about, do, and deal with things within the Fire Service, and will provide a benchmark to measure our future performance against. The information from the report will help support, inform and refresh many aspects of organisational development and resilience including leadership development, safety, health and wellbeing initiatives, and management of harassment and bullying concerns. Policy in regard to the latter is being reviewed as part of the Corporate Information Framework project.



# People

People are the heart of our ability to achieve the Fire Service's mission and vision. As a service organisation everything we do is delivered by, and through our people. The goals set out in the Statement of Intent of developing a sustainable and integrated workforce, credible and effective leadership, and a skilled and committed workforce are essential to ensure that we can meet the expectations New Zealanders have of us.

The prioritisation of people initiatives for 2014/15 has been underpinned both by these goals, and the Vision 2020 programme and feedback. These priorities include:

- ▶ Succession strategies to mitigate the impending retirement of a number of our senior leaders
- ▶ Executive Officer effectiveness: supporting enhanced operational middle management capability and capacity
- ▶ Ongoing development of our people and aligning the development of their technical, command and leadership capabilities to the changing requirements of our role and purpose as a fire and emergency management service
- ▶ Ongoing support, and strengthening, of diversity – especially in our recruitment practices
- ▶ Strengthened focus on developing and supporting our volunteers through the recruitment process
- ▶ Taking a whole of workforce perspective when designing, implementing, and refreshing organisation development initiatives.

## Succession: Career Board review and planned enhancements

Since 2011 Career Boards have been used as a talent management and succession planning tool to develop future leaders for senior leader roles. To date Career Boards have primarily been delivered in the operational arm of our organisation, where we "grow our own" leaders. We recognise that we face a number of position succession risks in the lead up to 2020.

In 2014/15 we asked PricewaterhouseCoopers (PWC) to review our Career Boards to 'benchmark' our talent and succession management practice, and to gain an informed and objective perspective on how to build on the success of the Boards to date, and better meet critical succession needs of an ageing leadership group.

They confirmed the Career Boards have been a positive initiative with early successes including:

- ▶ the Career Board acting as a catalyst encouraging increased breadth of thinking among senior staff about succession planning and talent management
- ▶ a significant step forward in long term capability building
- ▶ the Career Board contributing to an environment where it is more acceptable to invest in talent.

At an individual level the Career Board process was the first time a number of our frontline leaders had been exposed to feedback from peers and their manager on their leadership style and approach, and had a development plan put in place.

PWC recommended a number of next steps which are being implemented in a refreshed round for officers in 2015 to ensure the programme is more effective, user-centric, and sustainable as we build on our successes to date. In 2016 and beyond, the Career Board will broaden its horizons beyond Operations to critical roles across the Fire Service, as part of a wider Fire Service talent and succession management approach.

## Developmental highlights

To date 130 officers and 35 Executive Officers have participated in the Career Board process and all have targeted individual development plans. Development plans include a spectrum of experiential learning, including secondments and stretch assignments nationally, to regionally-led development and opportunities to 'act up' in more senior roles.

Nine high potential officers from the Career Board 2013/14 group were placed into developmental secondments and two of these seconded officers have now been appointed to permanent Assistant Area Management positions. In





In addition to the more formal courses run at the National Training Centre in Rotorua, there is ongoing learning and assessment through distance learning, regional courses, exams and on the job consolidation.

addition to this eight officers have participated in national strategic projects providing both operational expertise and developmental experience of organisational processes, systems and policies. We anticipate more successful permanent appointments in future as the benefits of the Career Board process are tracked and measured over time.

Each secondment also has a flow on developmental affect where junior officers are provided with opportunities to act into more senior roles or roles at stations with different cultures and leadership expectations, thus enhancing their ability to develop towards more permanent senior roles.

In 2014 a new internal mentoring programme was offered and 44 participants are currently matched to developmental mentors. The setup of this programme involved training for 41 internal mentors, who are the first steps towards a “leader-led” development approach to growing leadership capability.

Mentoring for our highest potential officers and Executive Officers (18 participants) is currently provided by a pool of external mentors. This provides them with the additional benefit of broader and independent (non-Fire Service) perspectives on leadership and management practices.

### **Executive Officer effectiveness – Strengthening middle management capability and capacity**

A fundamental part of having a skilled and committed workforce and credible and effective leadership is understanding the ‘system’ that our leaders operate in, and the enablers that allow them to make a leadership impact.

In 2014 joint research was undertaken by the Fire Service and Fire and Rescue Commanders Association to better understand the



‘busyness’ that Executive Officers had been reporting. Consultants were commissioned to analyse the dynamics, drivers and causes of the challenge. This research was complemented by Vision 2020 workshops that sought feedback on the 2012 regional realignment and how effectively it has embedded.

Through the consultants’ report the ‘busyness’ challenge is now better understood.

The report identified that Executive Officers would benefit from skills development in personal workload and workflow management. Many Executive Officers had had the shared experience of transitioning from a station environment to a managerial role without having a well-supported induction.

To address this, a pilot was undertaken using a one-on-one coaching approach with three Executive Officers nationally to introduce them to a personal efficiency programme. The programme targeted skills in planning, prioritising, time management and delegation. As a result this programme will now be rolled out nationally in 2015/16.

### **Ongoing development of our people for their current and future roles**

We continue to offer relevant industry specific leadership development to our officers through a mixture of targeted attendance on Australian Institute of Police Management development programmes and supporting their higher education aspirations.

Continuous improvement of our development offerings has stimulated a redesign of the leadership components of the career Training and Progression System (TAPS) programme. This interim (18 month) programme will trial new concepts in leadership development, and is intended to test the development approach and objectives identified in the review of Career TAPS.

## Ongoing support for diversity

With an extremely low turnover in our workforce, progress in becoming more diverse is projected to be slow and incremental. Diversity initiatives in 2014/15 focused primarily on building our understanding of how we can attract and support a more diverse and representative career and volunteer workforce. Initiatives included:

- ▶ Commissioning community research to better understand the Fire Service diversity challenge entitled "Diversity in the Community versus Diversity in the Fire Service: Who is missing and why?"
- ▶ 2014/15 Scholarship awarded to two firefighters to research "How the Fire Service can best support and maximise the potential of female and minority operational staff (career and volunteer)"
- ▶ Reinvigorated Women's Network developing a new charter and purpose in 2015
- ▶ Ongoing awards of language grants to support Māori and Pacific Island capability in our people.

### Diversity in recruitment

Women make up 12.5% of all firefighters (career and volunteer) overall which is well above the 5.5% target. While there has been a small increase in the number of Māori, Pacific Island and female career firefighters we still have some way to go before we will achieve our targets for these three groups.

We have deliberately targeted a number of ethnic groups nationwide through print, online and radio advertising media. We believe this is having the desired effect as recent recruitment rounds have seen an increase in the number of applications from women, Māori and Pacific Island people.

The career firefighter turnover rate has declined to just 1.0 percent. The continuing low turnover rate impacts on our ability to increase our diversity. The Fire Service has

**Table 1 Diversity**

Career firefighter diversity	2014/15 SPE target	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Māori	11.0%	10.6%	10.4%	10.0%	10.3%	10.1%
Pacific People	4.3%	3.9%	3.8%	3.5%	3.6%	3.6%
Female	5.5%	3.0%	2.8%	3.9%	3.1%	3.2%

Volunteer firefighter diversity	2014/15 SPE target	2014/2015	2013/2014
Māori	11.0%	3.6%	2.8%
Pacific People	4.3%	0.3%	0.2%
Female	5.5%	14.5%	14.1%

Volunteer and Career firefighter diversity	2014/15 SPE target	2014/2015	2013/2014
Māori	11.0%	4.7%	4.2%
Pacific People	4.3%	0.9%	0.8%
Female	5.5%	12.5%	12.1%

NOTE: Volunteer diversity statistics represent only 50% of our volunteers, the rest do not have a declared ethnicity recorded by the Fire Service Human Resource Information System.

**Table 2 Employee turnover rate**

	2014/15 SPE target	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Management and support	15%	7.1%	5.5%	9.6%	9.5%	7.8%
Communications centre staff	15%	4.1%	6.7%	8.6%	9.3%	5.1%
Career firefighters	6%	1.0%	1.5%	1.9%	3.5%	1.5%

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](http://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.

## Strengthened focus on developing and supporting our volunteers, especially through the recruitment process

### Volunteer leadership development and resources

During the 2014/15 year, with the recognition that there was scope for providing better support to develop Fire Service volunteer leaders, a range of resources was created to assist the ongoing development of volunteer leaders. The implementation of these resources was piloted in Region 2.

While the overall Fire Service approach for leader development contains common and consistent elements, different regions have different pressures, development needs, strengths and weaknesses when it comes to leader performance.





The volunteer leadership resources were designed to be flexible enough so that they can be tailored to fit the local need. The pilot is currently being evaluated and recommendations emerging from it will inform any future regional implementation and in this way support continual improvement of the Fire Service development of leaders.

**Candidate Care specialist**

Vision 2020 feedback highlighted the need for better support of volunteer candidates through the recruitment process. We also noted through an internal audit of the volunteer recruitment system that delays in Police and medical checks were causing significant concern to our volunteer Chief Fire Officers. As a result we have recruited a Candidate Care specialist to support new applicants through the recruitment process especially regarding medical checks which are a significant external cause of delays, and have agreed an escalation process with the manager of security checks in the Police.

**Taking a whole of workforce perspective when designing, implementing, or refreshing organisation development initiatives**

A trial of a whole-of-organisation approach to leadership development was initiated this year. The current cohort of our Executive Officer development programme consists of a 50/50 split of operational and non-uniform leaders. Early anecdotal feedback from participants and facilitators indicates this two-year programme is enhancing cross organisational understanding and improving relationships between NHQ and operational leaders.

**People and capability – a rural perspective**


New Zealand’s rural fire services are largely decentralised across a number of rural fire authorities (RFA), including a growing number of Enlarged Rural Fire Districts (ERFD), and organisations such as the Department of Conservation. This means a largely devolved workforce where rural fire services personnel, both paid and volunteer,

operate under a number of different structures and models across the country.

As the National Rural Fire Authority (NRFA), the Commission has limited direct influence over the people and capability aspects of rural fire services personnel other than the small number directly within the NRFA organisation itself. It does, however, provide leadership, support, standards and guidance to those rural fire authorities who directly manage rural fire service personnel, particularly volunteer rural fire forces (VRFF). This includes providing high quality and consistent advice, guidance, tools and support around important people and capability matters such as volunteer sustainability, health and safety, training, national standards, change management, and leadership.

This aligns with the ERFD strategy that aims to bring about improved operations and services through amalgamation, including bringing improvements to people and capability through a more professional leadership approach, clearer region-wide policies and practices, and better coordination and training of firefighters.

Effective stakeholder engagement is also critical to the success of this approach and, supported by the Fire Service, the NRFA places significant emphasis on this area. In particular, there is a shared desire by the Fire Service and NRFA to support and progress a more integrated service model, especially regarding more effective incident and emergency response, and increased health and safety for firefighters and their communities.



There are up to four career recruitment courses each year, and successful completion of one of these courses is the first requirement for all new career firefighters.



## Training

More than 1,500 practical training courses were delivered to 18,000 firefighters during 2014/15, as well as ongoing learning and assessment through distance learning, exams and on the job consolidation.

### Learning Management System

The Training Management System (TMS) was upgraded to a contemporary Learning Management System (LMS) that will become the future learning hub for all staff and provide more reliable and efficient administration, reporting and analysis of training.

Training was made available online to career and volunteer firefighters through an external website. In the future, this will be delivered through the new upgraded LMS, and managed in-house. Online has become the default method for providing new knowledge-based training. The first online exam was successfully delivered for qualified firefighters in May 2015.

The Fire Service also undertook initial design work and consultation for

the review of the rank progression programmes for the career staff Training and Progression System (TAPS). Further development will occur in 2015/16 with the new programmes implemented in 2016/17. Changes will include new online learning modules, online exams, workplace assessment programmes and new role induction programmes that will apply new learning for those in a new role.

Training, with People and Capability, have established a development cycle model that is now being used to ensure that opportunities are planned for all staff moving to new roles and within each rank or role.

### New Industry Training Organisation

The previous Industry Training Organisation (ITO) for the Fire Service, EMQUAL (Emergency Management Qualifications) ceased operations in March 2015. A new working relationship with the new ITO, the Skills Organisation, has been developing. The shift in assessment away from a full reliance on unit standards and external qualifications

towards greater use of Fire Service outcomes will allow for better fit-for-purpose future training in a number of areas.

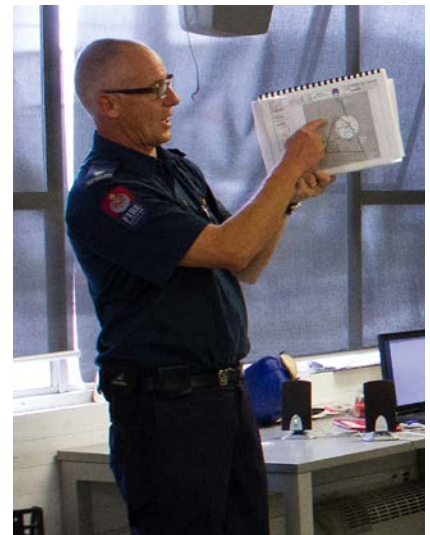
A trial of a new evaluation approach has led to its full implementation, in conjunction with an increased focus on strengthening quality assurance within Training.

### Online case studies

Three online real situation case studies were developed and delivered to all operational staff and also for specific courses, along with a further online module for teaching and reinforcing some key breathing apparatus skills. These case studies introduced a new approach that has proven to be highly effective for learning. More online modules are planned.

### South Island Training Centre

We have purchased land in Rolleston for a South Island Training Centre, and while dates for building on the site are not yet confirmed, design and other preliminary work are underway.



More than **1,500**   
practical training courses



## Employee representative relationships

Over the last 12 months we have continued to invest significantly in developing constructive and productive working relationships with key workforce stakeholders including the United Fire Brigades Association (UFBA), New Zealand Professional Firefighters Union (NZPFU), the Fire and Rescue Commanders Association (FRCA), and the New Zealand Public Service Association (PSA).

NZPFU, FRCA and PSA have all been in bargaining for renewal of their collective agreements with bargaining either concluding in the 2014/15 year having commenced earlier, or taking place over the period. A revised framework for engaging with our workforce representatives has been implemented across the country, building on existing approaches and meeting structures.

The improved relationship with NZPFU in particular has resulted in far better engagement in workplace related projects and initiatives, with the result that more robust and sustainable outcomes are being achieved, and projects are progressing more rapidly than would be the case if we were in conflict. The durability of joint solutions is proving far superior to directions or solutions mandated by policy or proclamation.

We also continue to work closely with all our workplace representatives in relation to improving workplace safety, health and wellbeing. The Vision 2020 workshops and roadshows involving Executive and Senior Management attending region offices and stations has signalled a commitment to working more collaboratively and listening more to the issues and concerns of the workforce. The action plan arising from the Vision 2020 feedback is now underway, with early successes and achievements being targeted for the first 12 months in a plan that spans five years and beyond.



### 'Good employer' obligations

The seven elements of a 'good employer' set out in section 118 of the Crown Entities Act 2004 are:

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

Information on compliance with our obligations to be a good employer has been outlined in this section of the annual report most notably under the People, Safety and Volunteer and brigade resilience priorities

# Incident management

Effective incident management is an essential part of making sure that safety is well managed during emergencies. Recent events, including the Christchurch earthquakes, have highlighted some areas where the Fire Service could improve its management of emergency incidents.

Effective incident management ensures firefighters safely and effectively resolve incidents. As part of a major programme to improve incident management and leadership at all levels of the organisation, training and development are being delivered to officers to refresh and develop their skills.

The key objective has been to ensure officers receive refresher training and that all operational procedures are consistent with that training. This is principally achieved through delivery of command and control training to Executive Officers and frontline career and volunteer firefighters.

During 2014/15, a range of activities has resulted in a number of significant achievements.

- ▶ We created and successfully piloted a Safety Officer tool that allows officers to identify and manage hazards on the incident ground. It will be delivered to all fire appliances during September 2015
- ▶ Fire Service Coordination Centres are in place with national processes, and all operational Executive Officers have received training
- ▶ A career officer tactical command course was developed and handed over to Training to deliver
- ▶ An Officer notebook that gives guidelines on incident ground safety and structure was piloted, with excellent feedback, and it will be rolled out September 2015
- ▶ Officer and Executive Officer command revalidation is currently under trial for implementation in 2015/16
- ▶ User requirements for the software trial for Fire Service command units have been developed and piloting of the new version of an electronic Incident Action Plan (eIAP) is underway
- ▶ Agreement has been reached on Operational Skills Management (OSM) for commanders as part of maintaining ongoing competency
- ▶ All operational Executive Officers have completed the strategic command course – a blend of leadership and command experiences involving international speakers
- ▶ The Executive Officer command packs have been finalised. The pack is designed to ensure Executive Officers can manage an incident until a command unit arrives
- ▶ Command boards have been developed and trialled on the tactical command course, with favourable feedback
- ▶ An online learning resource that aims to significantly increase how we manage incidents where breathing apparatus is involved has been designed and delivered
- ▶ We have supplied 50 incident ground radios that provide improved voice clarity in the noisy conditions faced by our people, to Waikato brigades. These units also interface with the new breathing apparatus microphones, and bring improved interoperability with rural brigades and emergency services partners.

To date with the completed roll-out of the tactical command and the strategic command courses there has been very good feedback from both our officers and commanders. These courses were not only about improving our leaders' knowledge and capabilities but also improving our incident command practices and getting consistency in incident command across the country. Phase two of the incident command programme will bring in a revalidation process for all our officers and commanders.



We have supplied 50 incident ground radios that provide improved voice clarity in the noisy conditions faced by our people, to Waikato brigades. These units also interface with the new breathing apparatus microphones, and bring improved interoperability with rural brigades and emergency services partners.



# Risk reduction and prevention

Risk reduction is at the heart of the Fire Service's legislation. The organisation invests heavily in high profile social marketing campaigns that have successfully raised the public's awareness of the risk of fire.

## Fire risk management

### Safer New Zealand Fire Risk Reduction and Prevention Plan

During 2014/15 we completed a comprehensive review of fire risk management activities to identify which strategies provide the best value for money in influencing positive behavioural change, and which strategies should be discontinued. This culminated in the development of a new fire risk and reduction plan.

The review also provided the opportunity to integrate fire risk management activities across urban and rural communities and align them with Vision 2020.

During the development of the new plan we consulted with internal and external stakeholders and reviewed research and strategies from other safety orientated organisations and fire services around the world.

The plan focuses all of our activities under three main overarching strategies which are aligned to goals within Vision 2020:

- ▶ Risk Reduction: Raise the awareness of fire risk and influence behavioural change
- ▶ Safer Homes and Workplaces: Deliver targeted programmes to promote a fire prevention culture
- ▶ Community-based: Encourage community engagement in the interests of promoting fire safety.

### Fire Awareness Intervention Programme (FAIP) – Children who light fires

More than 530 interventions were completed in 2014/15, the highest in five years. The most recent research indicates that 94% of children who complete FAIP stop lighting fires. Increasingly our practitioners are coming across instances of young people at extreme risk from abuse, crime or other non-fire related factors and are referring these to appropriate agencies. Training is being delivered to continue our focus on strengthening cross agency links to improve this process and further enhance the benefits of FAIP.

### Building consent process

The Building Act 2004 requires certain applications for building consents to be copied to the Fire Service, giving us an opportunity to provide the authority that is processing the building consent applications with advice on provisions for means of escape from fire, and details about the needs of persons authorised by law to enter a building to undertake fire-fighting. Any related memorandum from the Fire Service must be provided within 10 working days of receipt of a copy of a building consent application.

This continues to be an important role for the Fire Service as options to provide independent professional fire engineering advice for building consent authorities are very limited in New Zealand. The importance

of this role to the safety of building occupants and fire and rescue personnel is emphasised by statistics that demonstrate only 5% of submitted applications do not attract compliance advice recommendations from the Fire Service.

During the period 1 July 2014 to 30 June 2015 a total of 880 consents applications were submitted for Fire Service advice and all memoranda were provided within the 10 day timeline.

The Fire Service has seen a marked increase in building consent designs submitted for review and this year's total represents the highest number of consents ever processed. This is largely due to the Christchurch rebuild. Looking ahead, building consent designs submitted for review are expected to remain high as a result of increased building activity in Auckland and the current level of seismic upgrading of buildings across the country.

### Fire Engineering Briefs (FEB)

To improve fire engineering practice and consistency the Ministry of Business, Innovation and Employment has promoted the International Fire Engineering Guidelines as best practice. The Fire Service has continued to support the Guidelines and the methodology for fire engineering design.

The first major step in the process is to conduct a fire engineering brief (FEB) to gather input from all stakeholders at the pre-design

stage. We have provided input into 275 FEBs during the year. The Fire Service recognises the value of the FEB process in ensuring a joined-up approach to building design and continues to advocate for broad industry engagement.

### Significant fire engineering projects

Fire Service fire engineers and staff have provided considerable input and support for a number of major infrastructure projects including:

- ▶ the Waterview tunnel project
- ▶ the City Rail project
- ▶ the Victoria Park tunnel
- ▶ Christchurch rebuild projects.

### Evacuation schemes

Over the past year the processing of evacuation schemes has further improved towards the target of meeting the legislative timeframe of having 100 percent processed within 20 days, with a 10 day extension allowed in some circumstances.

Some 3,024 applications were processed during the year with 97.5 percent of these being processed within the 20 legislative days. This is up from 89 percent on the previous year.

### Contestable Research Fund

Since its inception in 1998 the Contestable Research Fund has generated a significant body of research that advances our knowledge of fire prevention, fire risk management and operational readiness and response for our frontline. Research also has been used to inform best practice and process at National Headquarters (NHQ) in order to best support our frontline people. Once published the research reports are available to be used by our wider emergency partners both in New Zealand and internationally.

The following reports were published or are awaiting publishing:

- ▶ Diversity in the Community versus at New Zealand Fire Service
- ▶ Evaluating effective methods of engaging school-leavers in adopting fire safety messages
- ▶ The prevalence and fire safety implications of early childhood centres in multi-storey buildings
- ▶ The value of fire stations and the management of relocations from a community perspective

- ▶ Home security versus fire safety for the elderly
- ▶ Risk-Based Resource Allocation across Rural Fire Districts.
- ▶ A further two from this round are continuing into this current financial year, these are:
  - Evaluation of the effectiveness of the Home Fire Safety Check Programme (HFSC)
  - The HFSC evaluation is a trial of a multi-year approach; the final report from this is expected in September 2015. The multi-year approach will check if the behaviour change has remained in place. The HFSCs have changed behaviour in target groups, and are recognised by those delivering and receiving them to be valuable for highlighting risk and changing behaviours.
- ▶ Building strong volunteer brigades – understanding what differentiates volunteer brigades that are strong from those that are 'at risk'. Building strong brigades has had extensive surveying of operational firefighters and is due to be completed in December 2015.

## Fire fatality trends

There were 13 preventable residential fire deaths recorded in 2014/15.

This is three more than the record low number of 10 the previous year. However, at 0.28 per 100,000 population it remains well below the expected level of 0.45 per 100,000 population per year. There has been a significant reduction in avoidable fire fatalities over the last 10 years and we believe that fire safety education has played a significant part in that.

The most noticeable trend in fire deaths has been in the middle to older age bracket and several common factors have been observed. Victims were usually living alone, commonly in rental accommodation and there were no working smoke alarms. Working smoke alarms which aid in the early detection of fire will reduce fire fatalities. Of the 13 fire fatalities, 12 were in locations with no working smoke alarms.



preventable  
residential  
fire deaths



were in locations  
with no working  
smoke alarms

## Promotions and public education

### Public education

A key thrust of the public education strategy is the achievement of sustained developmental change through raising awareness, and promoting and maintaining changes in people's views and behaviour. Social marketing provides an optimal method for delivering fire safety education to New Zealanders, and specifically to people identified as being most at risk from fire.

The development of social marketing programmes to at-risk groups is informed by independent research blended with the data collected from fire incidents, and also knowledge of key behavioural and societal trends. This approach guides our understanding of specific aspects of human behaviour and the key factors involved, 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. Regular evaluation of our safety education programmes helps us to assess their effectiveness in reducing the incidence and consequences of fire.



### Television campaigns

A television commercial was broadcast, showing the rapid progression of a real house fire, to demonstrate the speed at which such a fire can be fatal – within five minutes. Placement in high-rating programmes ensured maximum exposure for the commercial with the aim of raising public awareness. Our research shows that television provides an effective means of communicating messages that promote a fire-safe lifestyle which is an important strategy for the Commission.

Unfortunately, alcohol continues to be a major factor contributing to the cause of house fires and fire fatalities. The Fire Service continued to use an earlier developed television campaign which models the positive behaviour of people who had too much to drink, eating something before they headed home. Research indicates that the Commission's television campaigns continue to track well in raising awareness, and motivating changes in behaviour.

To provide a fresh message and further emphasise the value of working smoke alarms, a new campaign is being developed.

### 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. To complement the learning outcomes in the education programmes, digital games have been developed, designed for different age groups, focusing on escaping a house fire quickly. The

games teach children the correct action to take if there is a fire in their house.

In partnership with the National Kōhanga Reo Trust and Ministry of Education, the Māori preschool kit E Puta, E Noho, Ki Waho is being rolled out throughout the more than 460 kōhanga reo throughout the country and there is overwhelming support for this resource. Kōhanga reo are adopting the programme as soon as they are introduced to it.





## Social media

The Fire Service is one of the most active government organisations in this area. We have been successfully using social media as a communication tool since July 2010. It helps us to participate, share, network, and above all, interact with New Zealanders.

We have three Facebook pages. The Fire Service, NRFA and Urban Search and Rescue have 44,000, 1,600 and 2,100 followers respectively.

In the past 12 months the three sites had a combined audience reach of over five and a half million people. The Fire Service has 2,900 followers (and reached over 2.2 million people) on Twitter in the last year, and had 202,000 YouTube views.

Social media provides a vital means for raising awareness, communicating fire safety campaigns, promoting Fire Service activity, and highlighting product recalls and risks. More than 100 local fire brigades operate active Facebook pages and many volunteer brigades use social media effectively for both local fire safety initiatives and volunteer recruitment.

Across all platforms there has been an increase of cross-promotion with other agencies and messages, and this increases the reach of vital information across the spectrum.

## Using television programmes to raise awareness

A television programme featuring the supervised burning of a house screened in May 2015 as part of a science-based series. Like the television commercial referred to on the preceding page, its focus was the speed of fire's escalation, and with more than 409,000 viewers it rated twice as highly as the next most popular programme on that evening. Following the broadcast many fire stations around the country received requests for assistance to install smoke alarms. The programme is available through TVNZ On-Demand and will be screened again on other TVNZ channels at various times throughout the day increasing the reach of this messaging.

The Fire Service's corporate advertising contract was awarded to a new company this year and key team members of that company attended a day at the National Training Centre in Rotorua to watch several live fire demonstrations and presentations about the speed and ferocity of fire. The day included an address from a burn injury victim which left a powerful message about the ongoing trauma and pain that these injuries cause. This understanding of the severity of fire will help the advertising agency as they develop new TV commercials to advocate for the installation of smoke alarms and promote other fire safe practices.



## New Zealand Fire Service social media presence



**44,000**  
Followers on facebook



**2,900**  
Followers on twitter



**202,000**  
Views on YouTube



# Integration

Being integrated means that everyone involved in successfully managing an emergency understands their role and works well together.

Externally, this includes ensuring that we have the right relationships and processes in place with emergency service partners. Internally, it means ensuring we have seamless working practices between rural and urban services and career and volunteer firefighters. The NRFA is leading the process of amalgamating individual rural fire authorities into enlarged rural fire districts. To date the number of administrative bodies involved in rural fire has more than halved. Although there is still some way to go, this work is steadily making collaboration easier and lowering the administrative burden in the rural fire sector.

The past year has seen the Incident Management Reference Group (IMRG) strengthening and focusing on the role of providing an information sharing forum for central government agencies that have, in emergency events, an Incident Management Team (IMT) operating at a national level. The group consists of central government agencies that have a role to play in developing an IMT operating at national level with the purpose of sharing initiatives and working smarter together. This has been achieved this year by:

- ▶ sharing training and development opportunities for National Controllers or other IMT positions, including facilitating the coordination of exercises
- ▶ assisting agencies by providing ideas and advice on agreed issues, such as the establishment of a national IMT cadre or ways in which best practice planning and intelligence could be developed and promulgated.

The IMRG is a sub group and reports into the Department of Prime Minister and Cabinet governed National Exercise Programme. Key government agencies are invited to sit across this programme of work and agree to a series of exercises that will provide opportunity to practice strategic and operational response as well as potential tactical deployment opportunities.

The programme of exercises such as Exercise Resolution and Guardian 14 are key to building resilience amongst responding agencies. The activities ensure that relevant officials are aware of the National Security System and supporting processes, and have an understanding of their role in support of an incident response. These opportunities allow the Fire Service to practice and expose all staff members allowing them to understand their part in a response environment.

## USAR deployment to Vanuatu

On 25 March a USAR team of 10 personnel were deployed to Vanuatu with a specific focus on the island of Epi in Shefa Province. The NZ USAR team were in Vanuatu to provide humanitarian support; establish a water treatment function, assist with hazardous substance identification, and logistical support. An additional four USAR logistics personnel deployed to support the NZ Medical Assistance Team (NZMAT). The teams returned to New Zealand in early April.

## Urban Search and Rescue – UN accreditation

The United Nations International Search and Rescue Advisory Group's (INSARAG) assessment of our Urban Search and Rescue (USAR) capability took place in early March. New Zealand's USAR team passed the assessment with distinction.

The head of the UN team here to monitor the 36-hour assessment exercise was full of praise for the team's efforts. Teams seeking what is technically called INSARAG External Classification (IEC) are graded in 136 categories. The final result was 129 green (pass) marks and seven yellow (pass with recommendations). This marks New Zealand as having the seventh heavy-level classified team in the Asia Pacific Region and the first in the world to have been classified using the 2015 revised UN guidelines.







The United Nations International Search and Rescue Advisory Group's (INSARAG) assessment of our Urban Search and Rescue (USAR) capability took place in early March. New Zealand's USAR team passed the assessment with distinction.



# Medical Response

An MOU with St John was signed by the Chief Executives of the Fire Service and St John Ambulance in December 2014. The MOU clearly defines the incident types, the Fire Service's role, and the minimum training and equipment requirements for delivering a medical response.

The number of medical calls attended by the Fire Service continues to grow. The number of medical incidents responded to has increased by 57 percent in the last five years and by 24 percent in 2014/15 alone. It is therefore essential that crews are appropriately trained, equipped and prepared to deal with these incidents. This priority includes the provision of more specialist training where needed as well as equipping every frontline appliance with defibrillators. Fire and ambulance services are working together to better support critical medical interventions, particularly cardiac and respiratory arrest. This is a significant improvement in operational capability which international evidence suggests will lead to more lives saved.

We have worked with our people and the ambulance sector to agree a more clearly defined role for firefighters responding to medical emergencies, supported by clear procedures that are aligned to the ambulance service.

## Memoranda of Understanding (MOU) with ambulance sector

An MOU with St John was signed by the Chief Executives of the Fire Service and St John Ambulance in December 2014. The MOU clearly defines the incident types, the Fire Service's role, and the minimum training and equipment requirements for delivering a medical response. A similar MOU

with Wellington Free Ambulance is being finalised and expected to be signed in the near future.

Both of these MOUs clearly define our involvement in two distinct categories of medical response; co-response, and first response. Each response has its own dispatch protocols, as well as distinct training regimes.

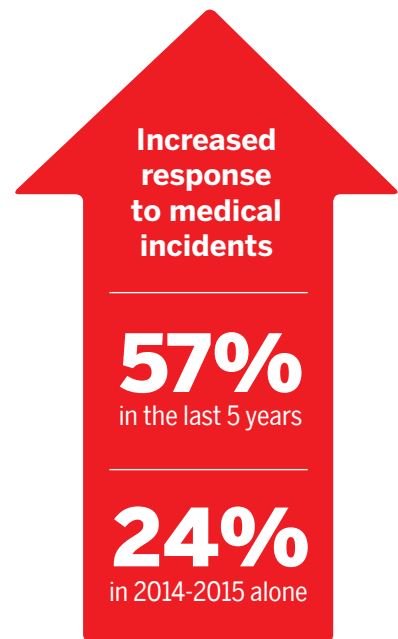
Strong links have been formed with the St John Clinical Development Team and jointly we have identified how we will improve our medical capability and have committed a training programme to achieve it.

We have worked closely with St John to enhance the delivery of co-response training (First Aid refresher training) to more accurately reflect the co-response role. A joint project with St John to deliver first response training to brigades over a two year period has begun with 15 courses scheduled out to October 2015. The new first responder course developed by St John will equip our people with a far greater level of skill than previously.

## Rollout of Automatic External Defibrillators

The Enhanced Medical Response Capability Programme identified a requirement to supply a standard model Automatic External Defibrillator (AED) for all Fire Service frontline appliances.

An estimated 70 percent of appliances did not carry an AED and there was a large variation in



the models used in the remaining appliances. During 2014/15 a single model defibrillator and a training and information package were delivered to all of the frontline appliances.

## Fire Medical Vehicle trial

We have been undertaking a 'proof-of-concept' of a joint fire and medical first response vehicle with St John. The Fire Medical Vehicle proof-of-concept trial began with the Diamond Harbour, Little River, and Tolaga Bay brigades. Once the trial is finished the assessment data will be collated and assessment meetings will be held with each of those brigades before a report and recommendations are completed. Initial feedback from the three brigades has been positive.



During 2014/15 a single model defibrillator and a training and information package were delivered to all of the frontline appliances.

# Volunteer and brigade resilience

New Zealanders depend on volunteers to provide fire and emergency cover across much of the country. For the most part, volunteer brigades are well staffed. However, some communities have had difficulties attracting enough volunteers. This makes it hard for the brigade to meet the demands of its community and places a very high burden on those firefighters who are volunteering.

The volunteer and brigade resilience (formerly volunteer sustainability) programme is a holistic programme intended to support volunteerism throughout the Fire Service and in particular those brigades that need assistance.

The programme is wide-ranging to reflect the varying reasons why a community may need support. It may range from helping a recruitment drive to providing additional support to serving brigade members.

There are around 8,100 urban and 3,500 rural fire service volunteers providing fire and emergency services in New Zealand. A strong fire service volunteer base is essential to New Zealand's ability to provide effective and affordable fire services. It is therefore critical that our volunteers are well supported so that they can continue to do the work they do.

Over the last three years, the Fire Service has been working to support its volunteers with a range of initiatives at the national, regional and local levels. The volunteer and brigade resilience programme has encompassed a range of volunteer-related projects designed to improve the Fire Service's ability to attract and retain volunteers. Significant effort went into research, development of materials, and into a number of pilots and proof-of-concepts relating to volunteer sustainability.

In late 2014, the Senior Leadership Team supported the development

of a cross-organisational approach to volunteer resilience, and delivery of coordinated volunteer resilience programmes that took the local context into account. Key actions included the establishment of:

- ▶ the Strategic Volunteer Oversight Group (SVOG)
- ▶ dedicated two person Volunteer Resilience Teams
- ▶ a dedicated Volunteer Safety and Wellbeing role.

## Strategic Volunteer Oversight Group (SVOG)

The SVOG is chaired by the Deputy National Commander and provides strategic oversight of all projects in the organisation that touch volunteers. It aims to ensure a joined-up approach to the various volunteer-related projects and initiatives, and confirm their positive impact on supporting a strong, resilient volunteer workforce.

## Volunteer Resilience team and safety and wellbeing role

In June 2015 a dedicated Volunteer Resilience team, consisting of two positions was established. The primary responsibility of this new team is to lead the development of a cross-organisation approach to volunteer resilience which

incorporates the importance of local community and context.

In taking the next step towards better supporting volunteers, the Fire Service has recognised that supporting volunteers is a whole-of-organisation responsibility. This is in line with the current approach to safety, a key priority for the organisation – it is not the sole responsibility of a few individuals who design our safety systems, monitor compliance and work on improving skills and knowledge. The Fire Service is committed to taking the same approach to all work with volunteers – namely that supporting volunteers is the work of all staff – with specific design and development of initiatives done by specialist staff.

In addition to the organisation equipping itself to being better able to support volunteers, there have been a number of successful initiatives and other activities during 2014/15 which support volunteers and volunteer brigades. They include:

- ▶ Supporting vulnerable volunteer brigades

It is important to recognise that each brigade and local community is unique and that any support must address the specific needs of that brigade and community. During 2014/15 twenty at risk brigades were identified and individual support plans were developed that targeted their specific needs. These are now in place and are being actively supported.



- ▶ An improved system of monitoring and supporting vulnerable volunteer brigades

An enhanced system for monitoring brigade staffing levels has been put in place to serve as an early warning system to the organisation that a volunteer brigade may be at-risk and require support. If brigade membership becomes low, a holistic assessment of the brigade (including local community context) is conducted which explores multiple factors that might affect a brigade's membership. A plan is then put in place to support the brigade so effective and targeted support can be provided.

- ▶ Improvements to the volunteer dashboard

The volunteer dashboard is a tool which provides simple performance information to make it easier for volunteer officers to manage their brigades. Because volunteer brigades can monitor and improve their performance in a range of areas, support can be better targeted. In 2014/15, the dashboard was reviewed and as a result a set of improvements were made to it to better enable brigades to make informed performance related decisions and ensure better targeted support.

- ▶ Volunteer leadership development and resources

During 2014/15, a range of resources were created to assist the ongoing development of volunteer leaders. Details have been outlined above under the People priority heading.

- ▶ Chief Fire Officer annual performance and development reviews

To develop our volunteer leaders we need to provide opportunities for regular constructive feedback on performance and support goal setting. The volunteer Chief Fire Officer annual performance and development review templates and accompanying guides were developed to enable these opportunities. Tools have been



piloted and are currently undergoing evaluation before a decision on a nation-wide deployment is made.

- ▶ Improvements to the content and delivery of volunteer training

In response to Vision 2020 feedback, the Volunteer Qualified Firefighter programme underwent significant change that involved moving from large workbooks to online test modules and introducing a scenario focus to the practical course at the National Training Centre in Rotorua. These shifts will now be reflected in other volunteer programmes.

Four Brigade Training Officer (BTO) courses were delivered with excellent feedback in relation to how they supported the BTOs for improving volunteer learning at brigade level.

A new Volunteer Training Liaison Group was established that meets twice a year and that includes representation from across the volunteer sector. This allows Training to listen and hear from volunteers about their current and future needs so that Training can be more responsive.

Additional training support staff were employed as a pilot in two regions of greatest need to strengthen volunteer capability. Due to this success, the model is now being adopted in a number of other areas and regions.

- ▶ Employer Recognition Programme evaluation and research

The current Employer Recognition Programme aims to recognise the contribution employers of volunteers make by supporting their staff to volunteer. During 2014/15, the Employer Recognition Programme was evaluated and research was commissioned to better understand the perspective of the employers of Fire Service and Rural Fire volunteers. Data was analysed from 188 quantitative surveys and 57 qualitative interviews with employers of volunteers and self-employed volunteers.

The findings of the research are being used to make enhancements to the current programme and are informing the development of a broader Community Partners Recognition Framework.

- ▶ Recognising volunteers, families and employers

It is very important that we continue to recognise the contribution our volunteers, their families and employers make. One way to very publicly acknowledge this was to place "thank you" advertisements in all major and provincial newspapers as part of the National Volunteer Week. This generated significant social and other media coverage, and considerable positive comment and feedback.

# National Rural Fire Authority

In September 2014, the National Rural Fire Authority (NRFA) welcomed Kevin O'Connor as the new National Rural Fire Officer after long-serving Murray Dudfield retired earlier that year.

The focus for the NRFA over 2014/15 continued to be on its key strategic goals of implementing initiatives to enhance the protection of New Zealand's forest and rural lands and communities, and promoting better leadership to rural fire authorities (RFA).

## To help achieve these goals, the key initiatives and areas of focus for the NRFA over 2014/15 were:

- ▶ continued promotion and leadership of the Enlarged Rural Fire Districts (ERFD) strategy
- ▶ embedding the NRFA's Performance Monitoring and Evaluation Framework (PMEF)
- ▶ reviewing the Grant Assistance Policy to determine an appropriate basis for allocating grants so that:
  - the allocation basis is equitable and transparent
  - the right incentives exist to encourage the formation of new ERFDs and the consolidation of existing ones
  - existing ERFDs are sustainable and appropriately resourced to fulfil their statutory responsibilities.
- ▶ providing strategic input and assistance to the sector-wide, government-led Fire Services Review

- ▶ developing a new Standard for use of Aircraft at Wildfires to:
  - set technical requirements for aircraft operators offering services at wildfires; and
  - introduce an auditing regime to determine compliance in relation to aircraft use, related equipment and coordination with rural fire authorities.
- ▶ reviewing Rural Fire Training to:
  - investigate options for rural fire training in the future
  - consider possible options to align and integrate with the Fire Service's Education Training arm.
- ▶ engaging with Operational Reviewers and updating the operational review processes.

Effective stakeholder engagement and research also received significant attention, as did the work of the Volunteer Rural Fire Forces across the country.

Alongside this work there was also increased emphasis on aligning the NRFA with the Commission's new vision to 2020 of leading integrated fire and emergency services for a safer New Zealand.

## Enlarged Rural Fire Districts (ERFD)

The Commission's policy to promote and encourage the merging of rural fire authorities (RFA) into ERFDs has continued under the NRFA over 2014/15. The objectives of this policy are to:

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

These objectives were identified as part of an NRFA-commissioned review from Martin Jenkins, culminating in a recommended national ERFD template outlining critical features that should be consistent for all ERFDs. (Refer to Table 4 on page 36)

The scope of the review was to:

- ▶ develop a picture of current practice and the range of approaches to the governance and management of existing ERFDs
- ▶ analyse the trade-offs between the centralised, devolved and hybrid models in terms of costs and benefits

- ▶ identify an ideal human resources structure which provides a sustainable, effective, and efficient management model
- ▶ consider other factors that may bear on the sustainability and effectiveness of the ERFD model, such as asset ownership and funding arrangements
- ▶ review of the suitability of the current NRFA ERFD Administration Grant model.

### Key outcomes for 2014/15

This was the seventh year of the ERFD strategy being in place. Following an extensive programme of engagement with forest and rural stakeholders, the year has shown an increase in interest from these groups, with significant gains being made across some districts to leverage benefits from amalgamation.

For example, the Otago rural fire authority was gazetted, commencing on 1 July 2014 and performing very well in its first year of operations. Transitional planning and arrangements have also taken place with Central North Island stakeholders resulting in the extension of Pumicelands rural fire authority effective from 1 July 2015. The Pumicelands rural fire authority extension will see the amalgamation of ten smaller rural fire authorities, covering 2,353,861 ha.

Discussions are continuing in the North Canterbury and Waikato-Thames Valley areas about the establishment of new ERFDs in each location. These discussions will be ongoing and we are optimistic that collective efforts will result in a transition to the ERFD model in the coming year.

Additionally, the NRFA has identified individual rural fire authorities that would benefit from amalgamating with already established ERFDs. Discussions with these rural fire authorities are progressing well and business cases are at various stages of development.



**Table 3 Enlarged Rural Fire Districts**

	30 June 2014	30 June 2015	30 June 2017
Existing and forecast number of ERFDs	11 <sup>1</sup>	12	18
% area of New Zealand under administration of ERFDs	59%	64%	100%

<sup>1</sup>One new ERFD; Otago with effect from 1 July 2014

### Performance Monitoring and Evaluation Framework (PMEF)

The primary purpose of the rural fire authority (RFA) Performance Monitoring and Evaluation Framework (PMEF) is to enable the Commission as the National rural fire authority to:

- ▶ understand the effectiveness of current policy
- ▶ 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:

- ▶ engaging stakeholders and ensuring RFA ownership
- ▶ communicating meaningful results to diverse RFA stakeholders
- ▶ comparing rural fire management practices across RFAs and determining what does and does not work to advance practice.

The NRFA minimum standards audits for the 2014/15 year have concluded with 89% of the scheduled audits being completed. A decision was made to defer the Kaipara District Council audit due to their involvement in ERFD merger discussions, and this has been the difference in achieving 100% for the year.

The NRFA 2014/15 PMEF programme also concluded with eight of the nine scheduled PMEF for the year being completed. Again Kaipara District Council's deferment prevented completion of 100% of the scheduled PMEFs.

Additionally, the NRFA undertook operational reviews of the Onamalutu and Tangitiki fires by Operational Review teams. Completion of these reviews is planned in the next business year.

### Rural Fire Fighting Fund (RFFF)

For the 2014/15 RFFF year a total of 119 claims were lodged by fire authorities. There were 29 claims from within areas of Department of Conservation responsibility and



90 claims originated within areas of other fire authorities' responsibility. Of the 119 claims received, 36 were withdrawn or declined.

The total area of New Zealand burnt and for which a claim was made on the RFFF was 815 hectares or 0.003% of the country's land surface.

Of these fires, three were of significance:

- ▶ Tangitiki \$1.5m
- ▶ Flock Hill \$0.537m
- ▶ Onamalutu \$1.294m (this occurred in a commercial exotic forest and was therefore ineligible for grants under the Rural Fire Fighting Fund).

## National and international deployments

Although during the 2014/15 financial year there were no international deployments, there were three National Incident Management Team deployments throughout New Zealand. They were Flock Hill in January, Onamalutu in February, and Poutu in March. The teams were very well prepared and the deployments were seamless.

During the month of February, at the time of the Onamalutu Fire, the NRFA activated operation of the National Command Centre at the Fire Service's National Headquarters

in Wellington to deal with numerous large, complex and active fires around the country at that time.

This was the first time that the NRFA had activated the National Command Centre for a rural fire event, and the centre had not previously been activated since the 2011 Christchurch earthquake.

New Zealand Rural Fire Response Teams were also deployed to the Onamalutu, Flock Hill and Poutu fires where they served with distinction.

**Table 4 Essential and desirable elements of an ERFD operating model**

		Must Have	Should Have	Could Have
<b>Direction</b> Set the Vision	Governance	<b>Board structure</b> <ul style="list-style-type: none"> <li>• Stakeholder appointed board agreements</li> <li>• Clear constitution and board agreements</li> </ul>	<b>Board structure +</b> <ul style="list-style-type: none"> <li>• Independent member with business acumen and connections</li> </ul> <b>Boundaries</b> <ul style="list-style-type: none"> <li>• ERFD with sufficient scale to optimise benefits and be financially sustainable</li> </ul>	<b>Board structure +</b> <ul style="list-style-type: none"> <li>Independent chair</li> </ul>
<b>Delivery</b> Get the vision	Operations	<ul style="list-style-type: none"> <li>• Control of all equipment (not ownership)</li> <li>• Coordination of all training</li> <li>• All rural fire specific administrative duties managed by the ERFD</li> </ul>	<ul style="list-style-type: none"> <li>• Control of all equipment and ownership of all dedicated fire equipment (except forestry)</li> <li>• Coordination of all training</li> <li>• All rural fire specific administrative duties managed by the ERFD</li> </ul>	<ul style="list-style-type: none"> <li>ERFD ownership for all dedicated fire equipment (including forestry and mixed purpose equipment)</li> <li>National joined-up initiatives e.g. branding, promotions</li> </ul>
	People Management	<b>Staff structure</b> three FTE e.g. <ul style="list-style-type: none"> <li>• Full time PRFO</li> <li>• Two DPRFOs</li> <li>• PT Administrator</li> </ul>	<b>Staff Structure</b> <ul style="list-style-type: none"> <li>• No in-kind staff</li> <li>• Training coordinator</li> <li>• Additional employees if required to fully meet its statutory responsibilities</li> </ul>	
<b>Diesel</b> Fuel the vision	Funding	<ul style="list-style-type: none"> <li>• At least \$350k per annum</li> <li>• Stable funding agreements three years</li> <li>• Predominantly cash contributions</li> <li>• Clear SLAs established for all in-kind contributions</li> </ul>	<b>Stakeholder Funding</b> <ul style="list-style-type: none"> <li>• In-kind contributions by exception</li> <li>• Transparent funding agreements</li> <li>• Funding agreements five years</li> </ul> <b>NRFA Funding</b> <ul style="list-style-type: none"> <li>• Well understood funding process</li> <li>• Less variable – more base funding</li> </ul>	<b>Stakeholder Funding</b> <ul style="list-style-type: none"> <li>Funding agreements for longer than five years</li> <li>External revenues (Forestry levies) applied consistently</li> </ul>



### **2014/15 Fire season**

The cost of claims for 2014/15 year was more than forecast. Weather conditions, and subsequently the fire danger, in many regions were more intense and prolonged than expected, resulting in larger, more complex fires in the reporting period, and increasing overall costs.

Many parts of New Zealand experienced prolonged drought conditions well into the autumn season, and the number of days of very-high-to-extreme fire danger levels were above fire season averages.

# Statement of Performance

for the year ended 30 June 2015

The Statement of Performance reports on the Fire Service's performance against expectations as set out in the 2014/15 Statement of Performance Expectations.

## Statistical reporting

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.

## Our Outcomes

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

- 1. Prepared citizens** – New Zealanders are more aware of the risks of fire and take more effective steps to lower their personal risk.
- 2. Effective response** – By delivering an effective response, the Fire Service and rural fire authorities reduce the loss from fire and other emergencies.



## Outcome 1: Prepared citizens – New Zealanders are more aware of the risks of fire and take more effective steps to lower their personal risk

Through a range of activities including social media campaigns, home fire safety visits, the Firewise programme for schools, and arson reduction programmes for fire setters, we aim to prevent fires. Additionally, in the case of non-residential premises, we are involved in reviewing building consents and approving evacuation schemes. These activities are intended to improve the public's knowledge and awareness of fire safety, and make homes safer as more smoke alarms are fitted and more adequate preparation is made on what to do in the event of a fire. The outcome we seek is improvements in fire knowledge and behaviour that will reduce the number of fires. Increases in the number of smoke alarms and improvements in knowledge about what to do after a fire starts will help reduce the impact of fires. For commercial premises, the provision of advice to ensure that fire safety standards are adequately catered for will ensure that buildings are less prone to, and safer in the event of fire.

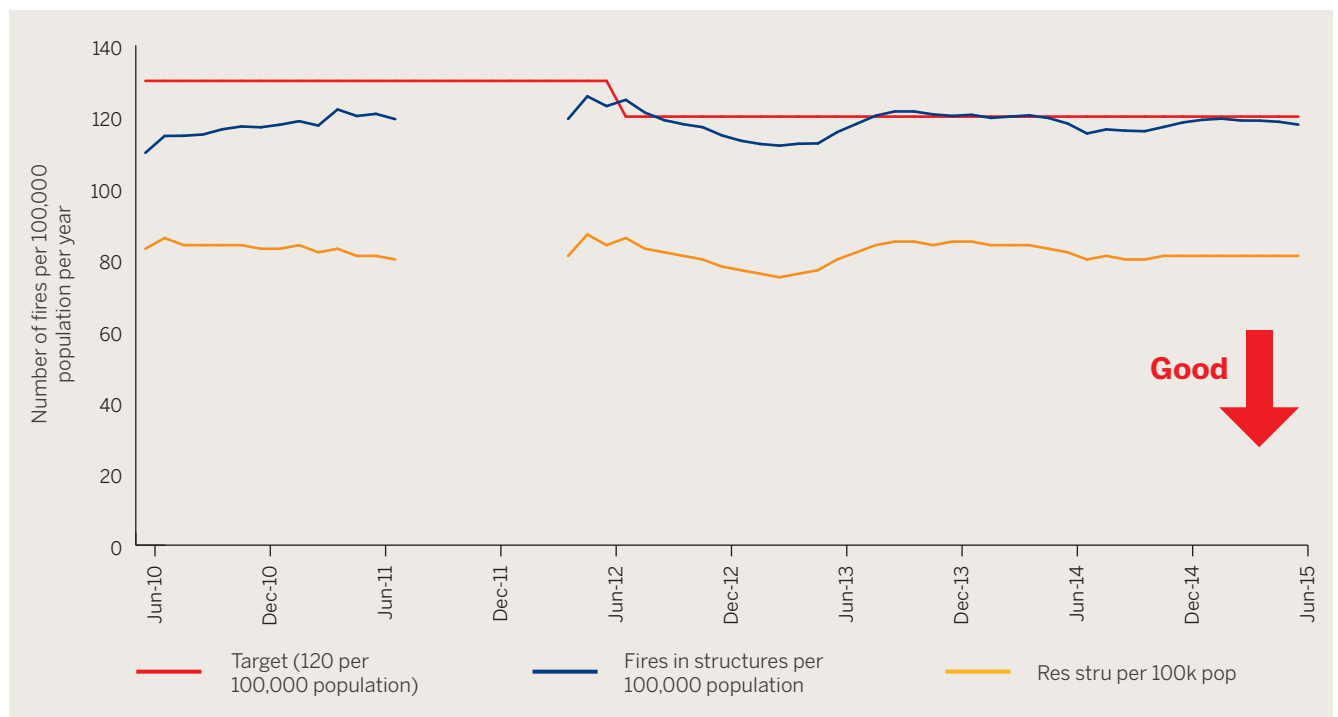
The structure fire rate is a key outcome measure of New Zealanders awareness of the risks of fire and their preparedness to take steps to lower the risk to themselves and their property.

### Fires in structures

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

Overall, the number of fires in all structures per 100,000 population has reduced by 10 percent over the last ten years but has remained largely static over the last five. In 2014/15 there were 118 fires in structures per 100,000 population (118 in 2013/14), which was slightly better than our target of 120. In the same period there were 81 fires per 100,000 in residential structures, down one from 82 in 2013/14. Figure 1 shows the results and long term trends for fires in structures.

**Figure 1 Fires in structures per 100,000 population per year**



Note: In the previous annual report, the number of fires in structures per 100,000 population in 2013/14 was reported as 116, 77 per 100,000 population of which were in residential structures. Those figures later increased to 118 and 82 respectively as a result of late reporting.

## Outcome 2: Effective response – by delivering an effective response, the Fire Service and rural fire forces reduce the loss from fire and other emergencies

Ensuring urban and rural firefighters are well trained and prepared for incidents will ensure fires are more effectively managed and injuries to firefighters are reduced to an absolute minimum. More effective understanding of our partnerships will result in more seamless working relationships and facilitate cooperative initiatives such as the Memorandum of Understanding with the St John ambulance service and the creation of Enlarged Rural Fire Districts. A more effective response to fire and non-fire emergencies will contain the physical loss from fire.

The fire fatality rate is a key outcome measure of both prevention measures and the operational response.

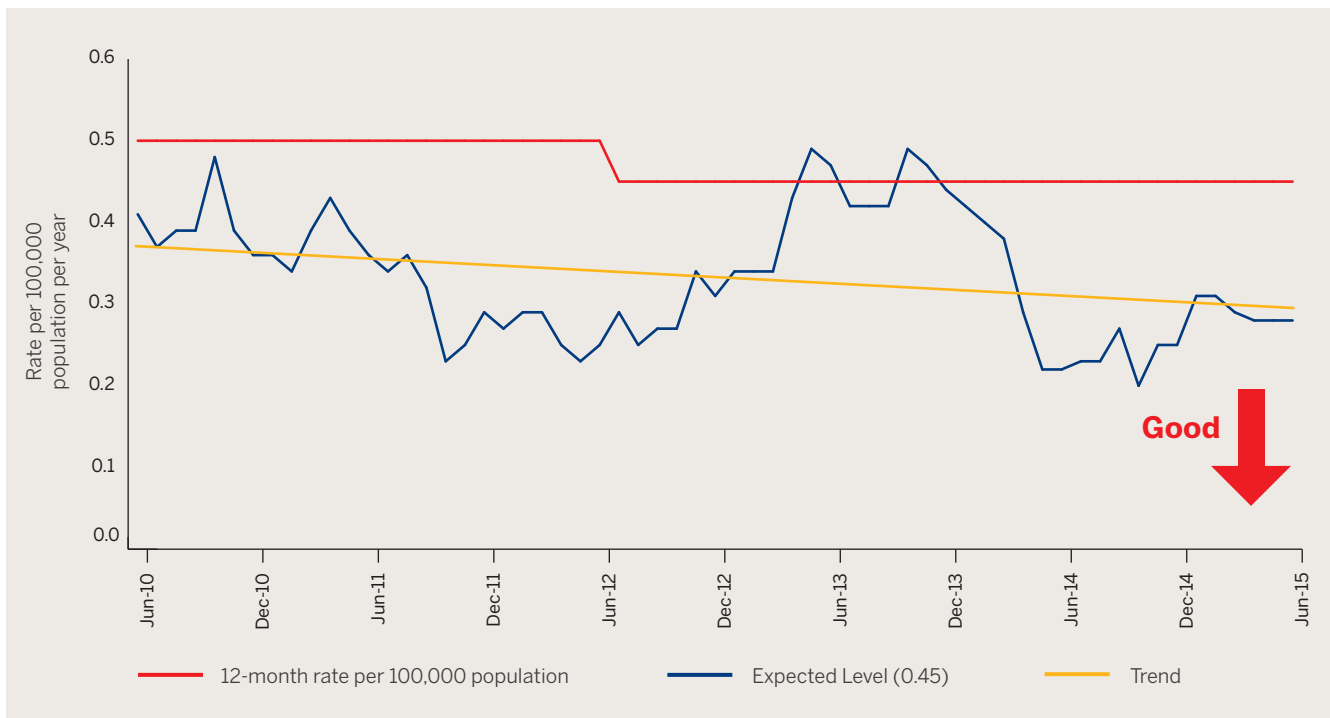
### Avoidable residential fire fatalities

**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 2014/2015 there were 13 such fire fatalities. Translated, this equals 0.28 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. We believe that the provision of fire safety education has played a significant part in the reduction in fire fatalities. The avoidable residential fire fatalities rate per 100,000 population has reduced significantly over the last ten years, from 0.44 in June 2005 to 0.28 in June 2015. Figure 2 shows the results and long-term trends for avoidable residential structure fire fatalities.

Key fire safety messages delivered during 2014/15 focused on the importance of smoke alarms through the 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 2 Avoidable residential structure fire fatality rate per 100,000 population per year**



## 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 4.5 million residents and visitors, more than \$400 billion stock of buildings, and 27 million hectares of forest, tussock and grasslands from fire. The Commission uses the following results to assess the impact of its services (outputs). The Commission's outputs have been classified as follows:

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

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

#### Improve the fire safety knowledge and behaviour of the public:

- ▶ 95 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 5 summarises the results of the Commission's quarterly fire knowledge and communications surveys.

**Table 5 Fire knowledge and communication survey results**

	2014/2015	2013/2014	2012/2013	2011/2012	Target
People will believe a fire can become unsurvivable in five minutes or less	88%	88%	90%	89%	95%
Homes will have at least one smoke alarm installed (by 2017)	85%	92%	92%	92%	96%

In 2014 the annual fire knowledge and communications effectiveness surveys were combined into a new quarterly fire knowledge and communications survey. The new format has a number of advantages including a larger sample size, and is conducted more frequently, moving from a telephone interview survey to an online survey with improved representativeness in the sample. Importantly, too, the online survey results are generally considered to be more reliable than telephone survey results.

The purpose of the quarterly survey is to monitor 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 percentage of people who believe a fire can become unsurvivable in five minutes or less (88 percent), is the same as last year and consistent with results over recent years but still below our target of 95 percent.

The most recent quarterly survey produced a result of 85 percent for homes with at least one smoke alarm installed. (The average of the three surveys in 2014/15 was 83 percent). This is less than the result in recent annual fire knowledge surveys. This is attributable to the change in methodology and is probably more accurate and consistent with external research.

### Output class 2: Firefighting and other Fire Service operations

#### Incident trends

The Fire Service responded to 72,853 emergency incidents during 2014/15 which is slightly down (by 0.8 percent) on 2013/14. The total numbers of incidents over the last ten years is shown in Table 6 and as can be seen the long term trend has been upwards.

**Table 6 Incident trends**

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Total incidents attended	72,853	73,464	70,907	66,284	76,334	67,651	71,516	74,057	71,690	66,951	65,461

The main trend in recent years has been the increasing proportion of non-fire related incidents. In 2014/2015, 38 percent of incidents were non-fire, compared to 31 percent five years ago.



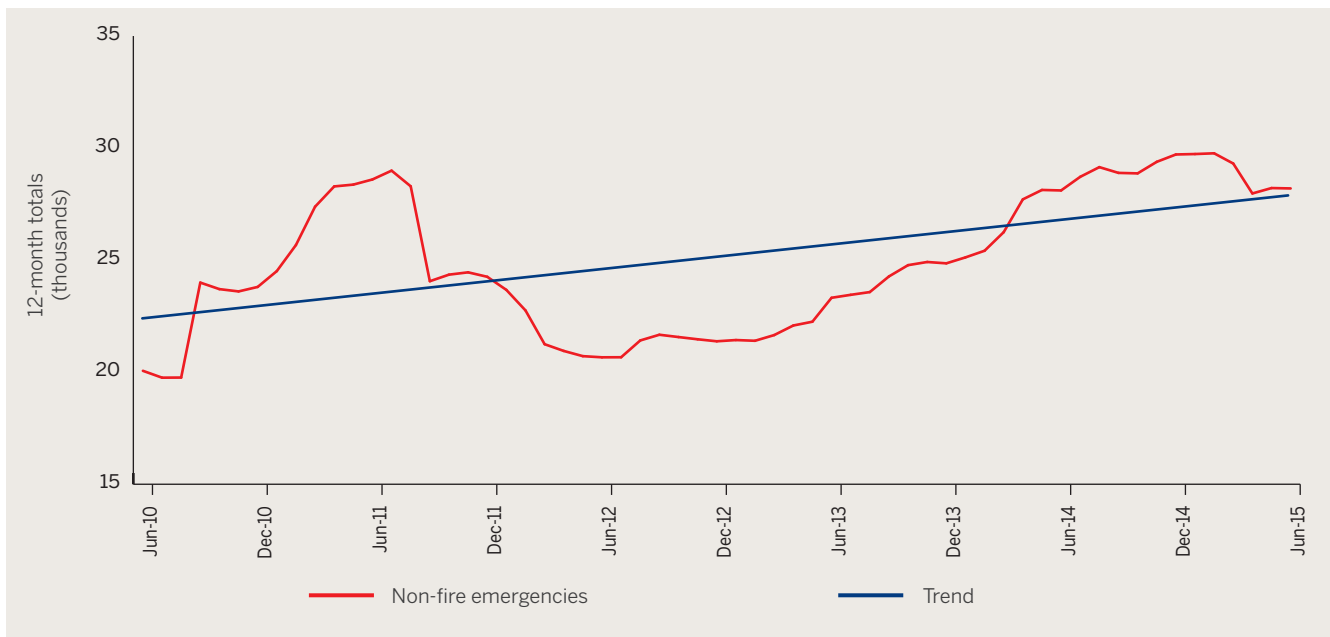
### Non-fire emergencies

The number of non-fire emergencies (28,199) increased slightly in 2014/15 and will continue to grow as expectations of the Fire Service continue to evolve. Over the past five years, the number of non-fire emergencies has grown by almost a third.

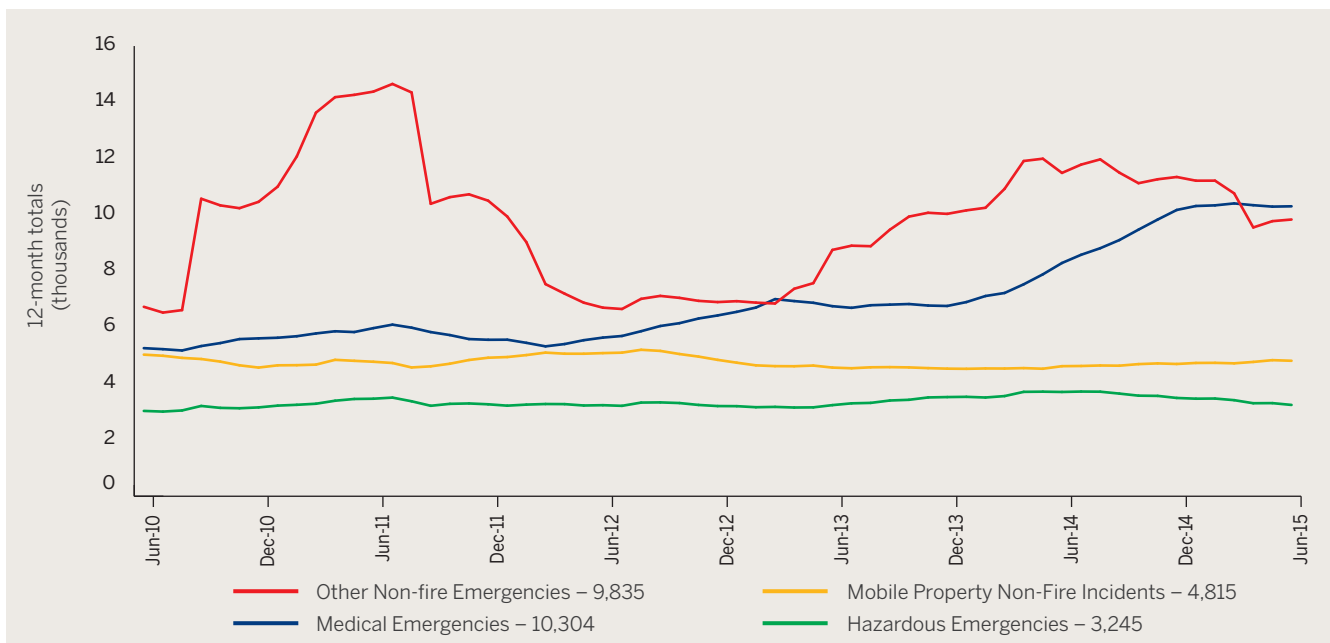
In 2014/15 the number of hazardous substances emergencies was down while medical emergencies and mobile property (including motor vehicles) accidents increased, the former by 24 percent. The number of other non-fire emergencies, such as civil defence emergencies, was down as a result of fewer and less severe weather and other nature-related incidents. See Figures 3 and 4.

Medical calls are increasing and this is mostly due to the partnership with ambulance services, for an appliance to be co-responded with an ambulance to all cardiac and respiratory arrest calls. Career stations, as well as brigades, are responding to these calls as a matter of course. Previously, only some brigades and Wellington career appliances were routinely despatched to these calls.

**Figure 3 Non-fire emergencies attended by the New Zealand Fire Service**



**Figure 4 Non-fire emergencies attended by the New Zealand Fire Service per year**



**Table 7 Injuries to Fire Service staff**

	2014/2015	2013/2014	Target
Decrease in the number of injuries to Fire Service staff requiring more than 7 days off work	125	–	Reduction from current baseline

Safety is our number one priority and in the 'Our Priorities' section of the report we have outlined in detail the steps that are being taken to ensure we have a culture of safety that supports both the management of operational risks as well as the overall welfare of all Fire Service staff.

Monitoring the number of injuries to Fire Service staff requiring more than seven days off work is one way of measuring how successful we are in reducing the number of injuries to frontline staff. As at 30 June the figure was 125, compared with 136 a year earlier and a high of 158 at the end of 2014.

### Output class 3: Rural fire leadership and coordination

**Table 8 Containment of vegetation fires**

	2014/2015	2013/2014	Target
Percentage of land currently managed through rural fire authorities is managed by Enlarged Rural Fire Districts by 30 June 2017 (excludes Defence Rural Fire Districts)	64%	–	59%
Percentage of vegetation fires in rural fire districts contained within 2 hours of being reported	74%	75%	75%

As at 30 June 2015, the number of rural fire authorities has been reduced from 121 to 46 and exceeded the target for the percentage of land managed by enlarged rural fire districts (ERFD). The uptake of ERFDs is making significant improvements to the coordination of the rural fire sector. The rate of progress reflects the voluntary nature of the amalgamation process and the reluctance of a small number of rural fire authorities to engage in the process. The good progress made in 2014/15 is shown with the establishment of the Otago ERFD and the number of other areas now actively engaged in discussions with the NRFA about creating new or expanding existing ERFDs. Further information about ERFDs is outlined in the NRFA section of this report.

The focus of the Rural Fire Committee of the Commission has been on setting the strategic direction and policy for rural fire with the priority to approve options to accelerate the enlarged Rural Fire Districts strategy. During 2014/15 it approved a number of new and revised policies including a review of aircraft at wildfires, the national uniform policy, a grant funding model review and the ERFD strategy.

## 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 relevant provisions 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 Safer New Zealand Fire Risk Reduction and Prevention Plan. The plan focuses all of our activities under three main overarching strategies which are aligned to goals within Vision 2020:

- ▶ **Goal 1** – Risk Reduction: Raise the awareness of fire risk and influence behavioural change
- ▶ **Goal 2** – Safer Homes and Workplaces: Deliver targeted programmes to promote a fire prevention culture
- ▶ **Goal 3** – Community-Based: Encourage community engagement in the interests of promoting fire safety.

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		2014/2015 Actual	2013/2014 Actual	2014/2015 SPE target
1.1.1	50 percent of primary schools receive the Year 1 and 2 Firewise fire safety education programme (i.e. to ensure that all students receive the programme during their first two years at primary school)	823 40%	802 –	Information measure only – number of schools who agree to deliver the programme
1.1.2	Number of individuals receiving the Fire Awareness Intervention Programme (FAIP)	524	439	Information measure only
1.1.3	Number of homes which have received a home fire safety check	6,065	6,089	Information measure only
1.1.4	\$45 million invested in fire safety campaigns and activity	\$53m	–	\$45 million
1.1.5	Percentage of campaigns assessed as 'motivating' maintained or improved	50%	–	66%

The percentage of primary schools receiving the Year 1 and 2 Firewise safety education programme fell short of the 50 percent target in 2014/15. Through improved reporting of Firewise delivery, better targeting of resources by regions and areas, and increased direct engagement with schools we are expecting to be closer to the target in 2015/16.

The number of individuals receiving the FAIP programme increased by approximately 20 percent reflecting an increase in the number of people referred to the Fire Service for this programme. It also appears to be a result of efforts to make other government agencies more aware of the availability and benefits of this programme.

The target of \$45m (performance measure 1.1.4) was based on expenditure on fire safety campaigns and activity in 2012/13. By 2014/15 expenditure had reached \$53m. However, as a percentage of total operating expenditure, expenditure on fire safety campaigns and activity has remained unchanged since 2012/13, at around 14 percent.

The percentage of Fire Service advertising campaigns assessed as motivating people (performance measure 1.1.5) was calculated using the most recent information available which was the July 2014 annual communications effectiveness survey. (This survey has since been discontinued). Of the campaigns run during the period surveyed one exceeded the public service benchmark of 46 percent and the other was two percent under that benchmark.



## 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		2014/2015 Actual	2013/2014 Actual	2014/2015 SPE target
1.2.1	100 percent of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of all required information being correctly received	100%	99%	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		2014/2015 Actual	2013/2014 Actual	2014/2015 SPE target
1.3.1	100 percent of evacuation schemes submitted to the Fire Service processed within the statutory timeframe (20 working days with provision for a further 10 days, if required) once all required information has been correctly received	98%	89%	100%

The result shows the considerable performance improvement that has been made over the last two years. In that time, the number of evacuations schemes completed within 20 working days has risen from 46 to 98 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 enhancements identified as a result of post-incident operations investigations. Each station carries out an audit each year against a standardised checklist.

Operational skills maintenance (OSM) is a critical part of our comprehensive training programme. It is achieved by firefighters completing individual tasks or crew-based scenarios. It ensures firefighters are operationally current in core skills. Each core skill has a regular review period and OSM requirements are monitored closely.

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	2014/2015 Actual	2013/2014 Actual	SPE target 2014/2015
2.1.1 Percentage of stations that complete annual audits	100%	100%	100%
2.1.2 Percentage of Corrective Action Plans that are completed within the required timescale. (number of CAPs also recorded for informational purposes)	60%	58%	100%
2.1.3 Percentage of Site Reports reviewed within the required timescale	76%	53%	100%
2.1.4 Percentage of OSM requirements complete	97%	–	100%
2.1.5 Area audits meet "Satisfactory" standard	7 of 8 achieved pass mark	–	8 audits complete Pass mark 2.5/3

The issue with the low number of CAPs completed within the required timescale is largely one of timing. Many are complex issues that take longer than the standard timeframes. While only 60 percent of the 3,558 CAPs due for completion this financial year were completed on time, the number completed was much higher at 92 percent. The number that remained incomplete as at 30 June was 292, which is approximately 8 percent of all CAPs due for completion in 2014/15. Steps are being taken to improve our performance in this area.

Site Reports are required to be reviewed within five years of being developed. Over the last year the percentage of Site Reports reviewed within the required timeframe increased from 53 to 76 percent but was still short of our target of 100 percent. The improvement in our performance in this area is a result of the system now providing brigades with advance warning of when plans need to be reviewed and more active management of the issue by regional and area management teams. Further improvement in our performance in this area can be expected once other issues are investigated and remedied.

As planned, eight area audits were completed in 2014/15. All but one achieved a score of 2.5 or higher. One area audit received a score of 2.48 which was just fractionally below the pass mark.

## 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 and results are set out below.

### Performance measures

Measure		2014/2015 Actual	2013/2014 Actual	2014/2015 SPE target
2.2.1	Number of structure fires attended (including number where NZFS equipment required to extinguish fire e.g. one hose reel or more)	5,413	–	n/a
2.2.2	Number of non-fire emergencies attended (total)	28,199	28,131	n/a
	Number of medical emergencies attended (including number where CPR/defibrillation carried out)	10,304	8,295	n/a
	Number of motor vehicle accidents attended (including number where extrications performed)	4,815	4,627	n/a
	Number of hazardous materials incidents attended (including number where Fire Service active management required)	3,245	3,709	n/a
2.2.3	Response times for structure fire incidents inside fire districts will be monitored for performance against the national service delivery guidelines of:			
	8 minutes 90% of the time for career stations 11 minutes 90% of the time for volunteer stations	84% 89%	87% 90%	90% 90%
2.2.4	Meet or exceed national service delivery guidelines for non-fire emergencies:			
	30 minutes for motor vehicle accidents 90% of the time	97%	96%	90%
	20 minutes for incidents requiring the specialist Hazmat unit 90% of the time within major urban areas	84%	90%	90%
	60 minutes for incidents requiring the specialist Hazmat unit 90% of the time for the rest of New Zealand	77%	74%	90%
	For response to medical emergencies inside urban fire districts:			
8 minutes 90% of the time for career stations 11 minutes 90% of the time for volunteer stations	88% 86%	86% 85%	90% 90%	

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

Service response times which are based on our national service delivery guidelines are continually investigated. The primary driver of performance is the physical location of fire stations. Consequently, the Fire Service's levers to improve performance response times are necessarily long-term.

In 2014/15 the response time of 84 percent for structure fire incidents inside fire districts for career stations has fallen short of the target of 90 percent within eight minutes. The response time for hazmat incidents unit responses within main urban areas also dropped, from 90 percent to 84 percent. The main reason for failing to meet these targets is the longer travel time to some incidents. Other contributing factors are being investigated to determine what steps can be taken to improve these response times.

While there has been an improvement in the response time for hazmat incidents outside major urban areas it is still short of the expected target. This is largely due to the longer travel times by many of these units.

Medical response results have improved slightly on last year and are just short of the target.



### 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 United Nations (UN) International Search and Rescue Advisory Group (INSARAG) heavy-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.

### Performance measures

Measure		2014/2015 Actual	2013/2014 Actual	2014/2015 SPE target
2.3.1	USAR accreditation achieved	Achieved	–	Accreditation achieved by 30 June 2015
2.3.2	Actions developed from annual stakeholder survey	Achieved	–	Survey complete by 30 June 2015

The UN International Search and Research Advisory Group's (INSARAG) assessment of our USAR capability took place in March 2015. New Zealand's urban search and rescue team passed with distinction. It received the highest grading in all but seven of the 136 categories in the heavy-level capability.

In mid-2014 a project was initiated to enhance engagement with external stakeholders. The aim was to place more emphasis on strategic relationships and to ensure there was consistency in message and approach to the Fire Service stakeholders throughout the country.

A benchmark survey of 50 key stakeholders was carried out in November and December 2014 to assess expectations of the relationship with the Fire Service and to set a baseline so performance can be tracked in the future. The key questions asked in the survey were 'How well are we doing?' and 'What can we do better?'. Overall, stakeholders rated their relationship with the Fire Service at 7.9 out of 10. An Action Plan has been prepared to respond to comments from stakeholders.

### 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	2014/2015 Actual	2013/2014 Actual	SPE target 2014/2015
3.1.1 Rural stakeholder survey completed	See comments below	–	Survey complete by 30 June 2015
3.1.2 Applications and claims to the NRFA are processed within two months	90%	97%	100% of applications and claims processed within 2 months
3.1.3 NRFA has received and registered fire plans from rural fire authorities	100%	100%	95%

The Fire Service and National Rural Fire Authority have discontinued the annual NRFA Stakeholder Satisfaction Survey. The decision was made following the first annual Fire Service Stakeholder Engagement survey which includes surveying of rural stakeholders.

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

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

**Table 9 Fire authorities' fire plans**

	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	Target
Number of fire authorities	46	52	71	76	78	86	–
Number of fire authorities with an adopted fire plan and a copy provided to the NRFA	46	52	69	76	78	86	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	100%	100%	97%	100%	100%	97%	–
Percentage of fire authorities that have reviewed the readiness and response component of their fire plan	96%	91%	99%	99%	99%	98%	–

### 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	2014/2015 Actual	2013/2014 Actual	2014/2015 SPE target
3.2.1 Rural Fire Authorities provided with written audit reports against national minimum standards within two months of the audit	78% 7 of 9	100%	100% within 2 months
3.2.2 Rural Fire Authorities provided with a draft performance report within two months of the performance evaluation	78% 7 of 9	100%	100% within 2 months
3.2.3 Percentage of audits of RFAs meeting the required standard	69%	–	90%

The National Rural Fire Authority (NRFA) minimum standards audits for 2014/15 have concluded with 78 percent of the scheduled audits being completed. The decision to defer the Kaipara District Council audits, due to their involvement in ERFD merger discussions, and delays in completing the Central Hawkes Bay audit report, have been the difference in achieving 100 percent for the year.

For the same reasons, the National Rural Fire Authority (NRFA) 2014/15 Performance Monitoring and Evaluation Framework (PMEF) programme also concluded with seven of the nine scheduled PMEFS for the year being completed.

The percentage of audits of RFAs meeting the required standard was 69% which is lower than was expected. It should be noted that the NRFA has limited direct control over the performance of individual RFAs and there are a number of reasons why an RFA performance may be rated below the minimum standards set by the NRFA. However, where improvements are required, corrective action plans are established to address identified shortcomings.



**Main financial measures**

	2014/2015 Actual \$000	2014/2015 SPE target \$000
Levy receipts	350,705	348,424
Total revenue and income	372,028	362,776
Total expenditure	375,215	360,921
Net surplus attributable to the owners of the Commission	(3,187)	1,855
Capital expenditure cash flows	46,533	49,816

**Output classes levy receipts**

	2014/2015 Actual levy receipts \$000 GST excl.	2014/2015 Budget levy receipts \$000 GST excl.	2013/2014 Actual levy receipts \$000 GST excl.
<b>Output Class 1: Fire safety education, prevention and advice</b>	<b>53,658</b>	<b>55,748</b>	<b>53,641</b>
Output 1.1: Fire prevention and advice to the general public	38,928	40,417	39,106
Output 1.2: Professional and technical advice to the built environment public	12,976	13,240	12,805
Output 1.3: Fire safety legislation	1,754	2,091	1,730
<b>Output Class 2: Firefighting and other Fire Service operations</b>	<b>287,578</b>	<b>285,359</b>	<b>286,203</b>
Output 2.1: Operational readiness	226,906	225,082	227,025
Output 2.2: Operational responses to fire and other emergencies	48,748	48,431	48,450
Output 2.3: Wider emergency management capability	11,924	11,846	10,728
<b>Output Class 3: Rural fire leadership and coordination</b>	<b>9,469</b>	<b>7,317</b>	<b>6,229</b>
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes	8,417	6,620	5,537
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	1,052	697	692
<b>Total levy receipts assigned to outputs</b>	<b>350,705</b>	<b>348,424</b>	<b>346,073</b>

## Output classes other revenue and income

	2014/2015 Actual other revenue and income \$000 GST excl.	2014/2015 Budget other revenue and income \$000 GST excl.	2013/2014 Actual other revenue and income \$000 GST excl.
<b>Output Class 1: Fire safety education, prevention and advice</b>	<b>2,225</b>	<b>1,058</b>	<b>1,146</b>
Output 1.1: Fire prevention and advice to the general public	1,160	490	497
Output 1.2: Professional and technical advice to the built environment public	378	154	162
Output 1.3: Fire safety legislation	687	414	487
<b>Output Class 2: Firefighting and other Fire Service operations</b>	<b>18,039</b>	<b>12,178</b>	<b>13,260</b>
Output 2.1: Operational readiness	10,854	6,451	7,061
Output 2.2: Operational responses to fire and other emergencies	6,504	5,590	5,915
Output 2.3: Wider emergency management capability	681	137	284
<b>Output Class 3: Rural fire leadership and coordination</b>	<b>1,059</b>	<b>1,116</b>	<b>701</b>
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes	1,038	1,108	692
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	21	8	9
<b>Total other revenue and income assigned to outputs</b>	<b>21,323</b>	<b>14,352</b>	<b>15,107</b>

## Output classes total expenditure

	2014/2015 Actual total expenditure \$000 GST excl.	2014/2015 Budget total expenditure \$000 GST excl.	2013/2014 Actual total expenditure \$000 GST excl.
<b>Output Class 1: Fire safety education, prevention and advice</b>	<b>56,256</b>	<b>56,435</b>	<b>52,988</b>
Output 1.1: Fire prevention and advice to the general public	40,591	40,633	38,339
Output 1.2: Professional and technical advice to the built environment public	13,385	13,374	12,470
Output 1.3: Fire safety legislation	2,280	2,428	2,179
<b>Output Class 2: Firefighting and other Fire Service operations</b>	<b>308,626</b>	<b>295,914</b>	<b>289,945</b>
Output 2.1: Operational readiness	240,273	230,199	226,662
Output 2.2: Operational responses to fire and other emergencies	55,628	53,708	52,753
Output 2.3: Wider emergency management capability	12,725	12,007	10,530
<b>Output Class 3: Rural fire leadership and coordination</b>	<b>10,333</b>	<b>8,572</b>	<b>6,853</b>
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Fire Fighting Fund and grant assistance schemes	9,409	7,796	6,121
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	924	776	732
<b>Total expenditure assigned to outputs</b>	<b>375,215</b>	<b>360,921</b>	<b>349,786</b>

---

# Statement of Responsibility

for the year ended 30 June 2015

We are responsible for the preparation of the New Zealand Fire Service Commission's financial statements and statement of performance, and for the judgments made in them.

We are also responsible for any end-of-year performance information provided by the New Zealand Fire Service Commission under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operation of the New Zealand Fire Service Commission for the year ended 30 June 2015.

Signed on behalf of the board:



Rt Hon Wyatt Creech  
Chair  
30 October 2015



Angela Hauk-Willis  
Member of Commission  
30 October 2015



# Independent Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

To the readers of the New Zealand Fire Service Commission's financial statements and performance information for the year ended 30 June 2015

The Auditor General is the auditor of the New Zealand Fire Service Commission (the Fire Service). 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 the performance information of the Fire Service on her behalf.

## Opinion on the financial statements and the performance information

We have audited:

- ▶ the financial statements of the Fire Service on pages 61 to 100, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- ▶ the performance information of the Fire Service on pages 38 to 52.

In our opinion:

- ▶ the Fire Service's financial statements:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015;
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Standards.
- ▶ the performance information:
  - presents fairly, in all material respects, the Fire Service's performance for the year ended 30 June 2015, including for each class of reportable outputs:
    - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
    - its actual revenue and output expenses as compared with the forecasts included in the

statement of performance expectations for the financial year; and

- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 October 2015. 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 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 the 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 the 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 the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Fire Service's financial statements and performance information 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 Fire Service'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 performance information within the Fire Service's framework for reporting performance;
- ▶ the adequacy of the disclosures in the financial statements and the performance information; and
- ▶ the overall presentation of the financial statements and the performance information.

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

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 performance information that:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ present fairly the Fire Service's financial position, financial performance and cash flows; and
- ▶ present fairly the Fire Service's performance.

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

The Members of the Commission are responsible for such internal control as they determine is necessary to enable the preparation of financial statements and 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 the performance information, whether in printed or electronic form.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### 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 Fire Service.



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

# Fire Service Levy

The most significant development in the administration of levy over the last decade occurred on 13 May 2015, when the Supreme Court handed down their judgement in favour of the Commission. The Commission has had to incur significant legal costs defending the action taken by Insurance Brokers Association of New Zealand (IBANZ) and Vero in respect of their levy minimisation arrangements for the Ports Collective but, on all counts, the Supreme Court's decision supported the Commission's position. Of particular importance were their comments at paragraph 24 of their judgment.

*"... we think the nature of the levy as a charge for a universally available service is an important feature of s48. The interpretation of the words of the section must be undertaken having regard to the fact that this section imposes a levy, in the nature of a tax, for the purpose of funding a public service. This is a strong indication that to the extent s48 can be interpreted to enhance the universality of the levy, that interpretation should be adopted."*

The Commission honoured an undertaking that the application of the judgment would not be retrospective.

At this stage, it is unknown whether or not the judgment will result in any additional levy income. The judgment of the Supreme Court will hopefully put an end to the promotion of schemes whereby parties have full insurance

but seek to pay levy on a lesser basis, and therefore give the Commission greater certainty and stability over future levy receipts.

Historically, the Fire Service has been able to give limited assurance to the Commission as to whether or not levy payers were meeting their obligations. The size and scope of the levy base, and the limited powers under the Act, means that the Fire Service "received" income from brokers and insurers – often with little or no understanding as to what was or was not included in the payment.

Over the last few years, insurers and brokers have worked closely with the Fire Service to improve its knowledge and understanding of the levy population, and through the effective use of this information, provide greater assurance than ever to the Commission.

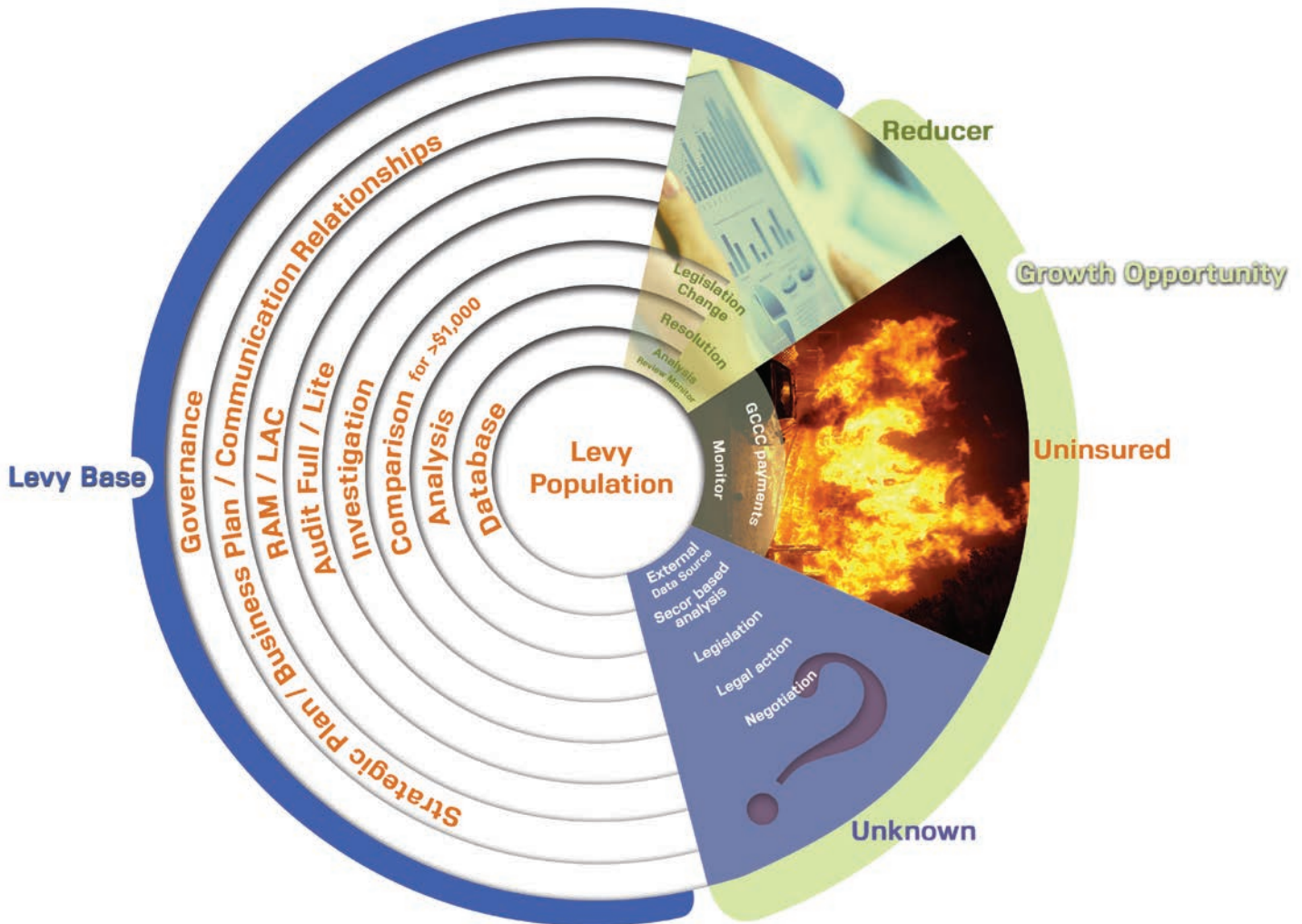
## There are four areas where the Fire Service focuses its efforts:

1. Audit – audit has long been the primary tool for verification of compliance, but audits take time and are very labour intensive. Through innovation and work with brokers and insurers, we now cover a wider range of contracts and take less time at their premises, thereby providing a greater level of assurance
2. Analysis – thanks largely to this closer work with insurers and brokers, the Fire Service is now able to review information voluntarily provided by the sector, and deal with issues closer to the time of payment. This is a better outcome for all parties, and reduces the risk of long term problems not being found (and thereby the amount of potential interest and surcharge)
3. Statutory declarations – use of statutory declarations on newly registered companies from overseas, or those that have changed insurance arrangements, means that we can ensure that they are aware of and meet their obligations
4. Sector reviews – a review of levy payments to uncover common issues within a sector

These four areas of focus provide the Commission with assurance around all parts of the levy model shown below.



## Levy Assurance Model



### Over the last 12 months, the Fire Service has achieved the following outcomes in respect of these efforts:

- ▶ Conducted 19 audits of insurers, brokers and direct payers
- ▶ Analysed 4,103 payments from insurers, brokers and direct payers
- ▶ Issued 655 statutory declarations, and received \$150k
- ▶ Conducted three sector reviews leading to the possibility of more levy via the audit, analysis and statutory declaration processes.

# Financial Commentary

for the year ended 30 June 2015

The 2014/15 year saw a number of significant changes for the New Zealand Fire Service that has influenced not only the financial results for the year under review, but also has the potential to significantly impact on out years. At the time the budget for the 2014/15 year was set, the financial effects of the following had not been contemplated or included in the forecasts:

- ▶ Vision 2020, the two way conversation with the organisation which culminated in a five year programme designed to deliver a number of significant initiatives the vision to the organisation,
- ▶ the signalling by the Minister of Internal Affairs of an expanded review of Fire Service legislation;
- ▶ the payment in full by Willis of a \$7 million plus claim against them for underpayment of levy in prior years, and
- ▶ the Supreme Court ruling in the IBANZ case in favour of the Commission, (although this had no effect on income during the year).

In addition, the Commission has been impacted through the move to accrual accounting on levy income, which is in alignment with XRB accounting standards. The downward movement in the US 10 year Bonds has impacted the size of some of the employee and volunteer reserves on the balance sheet, as well as the overall amount of expenses for the year.

In spite of these unexpected changes, the actual financial outcome was not significantly different to the forecast, as the Commission generated a \$3.2 million loss against a \$1.9 million surplus in the SOI. This arose from the following:

	Actual	Budget	Variance
Operating income	372.0	362.8	9.2
Operating expenditure	375.2	360.9	(14.3)
Surplus / deficit	(3.2)	1.9	(5.1)

## Operating Income

The Supreme Court ruling in favour of the Commission had no effect on income during the 2014/15 financial year. The Commission did abide by its commitment to the Supreme Court that it would not apply the judgment retrospectively, only prospectively, and therefore any impact on its income will only be felt from July 2015 onwards. Levy receipts overall have lived up to and exceeded expectations in 2014/15 by \$2.8 million.

As noted above, during the year, a levy payment in excess of \$7 million was received from Willis under protest for levy previously underpaid. However, as it related to prior years the move to accrual accounting has seen it reflected in retained earnings and investments rather than as income in the current year. Receipt of this levy under protest does create a financial risk for the Commission as the monies are subject to litigation and any loss in these proceedings would involve a repayment of those levies in a future financial year.

With the completion of the \$5.5 million fire station in Takapuna the old station was disposed of in an open market tender. The sale of price of \$14.1 million generated a gain on sale of \$6.4 million.

## Operating expenditure

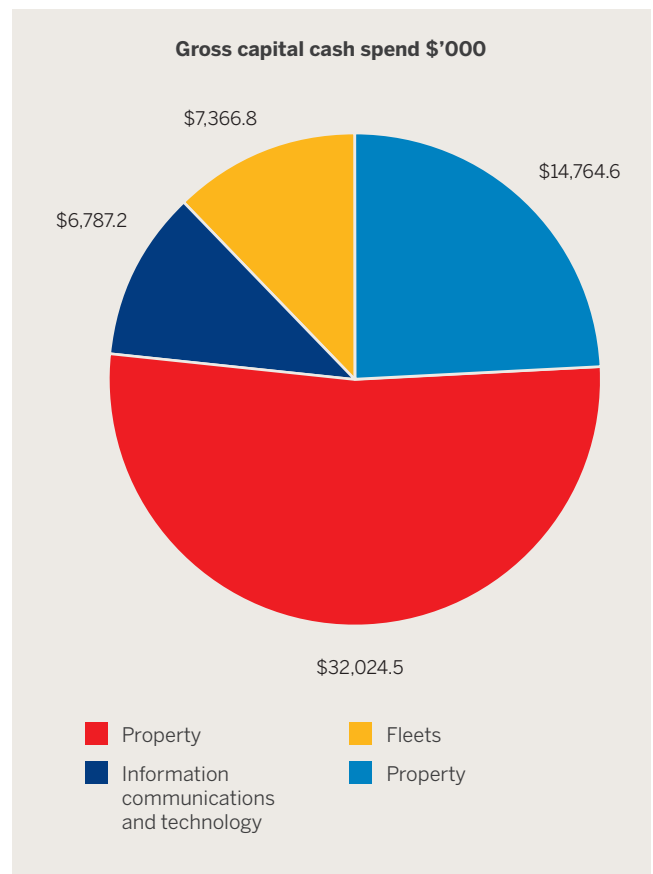
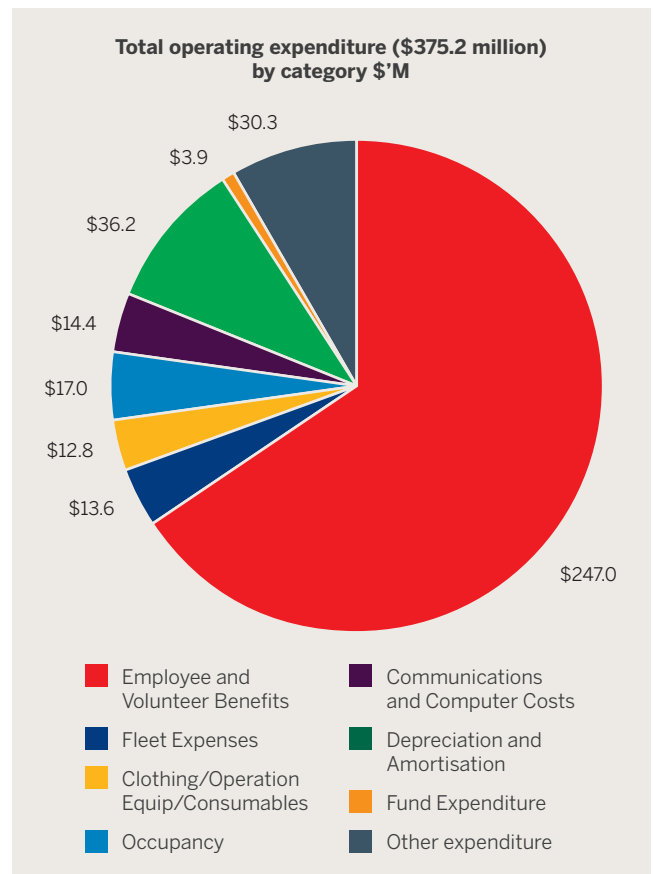
The underlying cost structure remains similar to prior years with the expense base dominated by personnel (66%) and depreciation (10%), the latter of which reflects the organisation's high fixed asset base (\$642 million). The budgeted operating costs of \$360.9 million (including \$6.4 million of strategic initiatives) were sufficient to deliver the core functions of the organisation, as well

as initiatives that included Vision2020, Command and Control training, safe working at heights for operational staff and the hosting of the AFAC conference in Wellington. The Commission also came under other financial pressures that resulted in additional financial costs, which are set out below.

- ▶ The use of specialised resources (contractors and consultants) to meet challenges around strategic programmes was considered more effective than embedding headcount. The strategic programme included legislative review, corrective action plans out of the Christchurch earthquakes, business continuity planning and the carcinogen exposure programme.
- ▶ Professional fees continued to come under considerable pressure as IBANZ progressed to the Supreme Court.
- ▶ Additional legal resources were required to backfill for the legislative review as well as the acceleration of the capital programme as discussed below.
- ▶ Actuarial increases (driven by a decrease in long term US bond rates) in balance sheet provisions for volunteer and paid gratuities and long service leave resulted in \$3.5 million of additional costs.
- ▶ Commencement of the Christchurch redevelopment leading to the acquisition and subsequent write off of improvements for the construction of Lyttelton and Addington stations amounting to \$1.0 million.
- ▶ Several initiatives related to the Vision 2020 implementation also led to an increase in expenditure during the year. These included the purchase of equipment as well as additional training to operational staff.
- ▶ The NRFA took steps to remove many hurdles for rural fire authorities to apply for rural grant assistance so these grants were in strong demand.
- ▶ The reclassification of the Urban Search and Rescue Team, which now enables it to respond internationally; and
- ▶ The allocation of additional property maintenance of \$1.6 million to help manage some of the deferred maintenance issues.

### Capital Expenditure

Gross capital expenditure cash spend amounted to \$61 million, the highest on record. Net capital expenditure cash is \$47 million, due to the \$14 million received from the sale of Takapuna. With funded depreciation at \$37 million a net cash capital spend of \$47 million requires \$10 million of investment monies in addition to the \$37 from operating to support it, helping to contribute to the net decrease in cash for the year of \$5.8 million.





With over \$600 million of assets deployed to meet operational capability across the entire length of the country, the Commission is conscious that in its ordinary course of business it must continually reinvest to keep its assets fit for purpose and effective. The additional investment in its property, fleet and services arising from extraordinary events such as the Christchurch earthquakes puts financial, capacity and capability pressures on the Commission above and beyond business as usual investment. The Commission is committed to maintaining the assets of the Fire Service as that it does not leave a problem for future Governments, Boards, and Management.

Nearly half (\$33 million) of the gross spend was on property (land acquisitions, builds and refurbishments) of which \$12 million was either seismic or Christchurch earthquake related – along with another \$4 million of refurbishments around New Zealand. The investment this year in property has resulted in a further 19 fire stations now deemed earthquake resilient. (The Commission has established that existing fire stations should achieve a minimum standard of > 67 percent new building standard – importance level 4 (NBS IL4) to be considered 'earthquake resilient') The table below shows the progress the Commission is making in bringing its stations up to meet earthquake standards and increasing the reliance of its property network. The Commission's national property strategy will require continuing heavy investment over the next six years.

	Actual 2013/14		Actual 2014/15	
Earthquake resilient, > 67 percent NBS IL 4	332	76%	351	80%
Earthquake risk, 34-66 percent NBS IL 4	93	21%	26	6%
Earthquake prone, 0-33 percent NBS IL 4	12	3%	60	14%
	437	100%	437	100%

*NB as assessments finalised properties have moved categories.*

The fleet programme ran smoothly with a \$14.8 million spend concentrating on Type 2 (medium appliances) cab/chassis and build programs \$4.7 million and \$9.4 million on Type 3 (heavy) appliances. This program has delivered 12 new type 2 appliances and 7 new type 3 appliances into the fleet during 2014/15.

## Impacts on the balance sheet

During the 2014/15 financial year, the balance sheet strengthened (net current assets were \$76.3 million) due to the change to accrual accounting. There was however a net decrease in cash for the year of \$5.8 million, which has started a forecast annual decrease in cash over the foreseeable future. The table below shows the net cash outflow which is expected to grow as a consequence of the capital investment required over the

next few years. Net long term assets also increased to \$611 million, as it does in most years due to its revaluation of property. In addition to the forecast deficits, the cost of the rebuild of Christchurch, seismic strengthening, continued replacement of appliances and fire stations as they become obsolescent cause these large forecast reductions in cash.

\$'millions	Actual 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20
Net cash (outflows)	(5.8)	(23.5)	(44.2)	(44.0)	(46.9)	(41.5)

As noted in the Statement of Performance expectations, the Commission has asked the Minister to approve a short term temporary increase in the rate of levy to deliver these plans. Without this additional funding, the Commission will require increased borrowing powers in order to ensure that it maintains its ability to deliver on its operational and capital investment strategies.

While there is an expectation following from the forecasts that the new current assets will continue to weaken as the Christchurch rebuild takes hold (estimated at \$45 million plus), the long term balance sheet position remains strong with the portfolio of assets (primarily property and fleet) contributing to an overall robust balance sheet. This is reflected in the Commission's equity of \$687 million. There remains an inherent structural weakness in the balance sheet which is that the \$65.6 million of employee and volunteer liabilities, are not specifically funded, as the cash that should have been held for this has been required to reinvest in long term assets.

# Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Revenue</b>				
Levy	1	350,705	348,424	346,073
Interest revenue	2	2,630	2,772	2,552
Other revenue	3	18,693	11,580	12,555
<b>Total revenue</b>		<b>372,028</b>	<b>362,776</b>	<b>361,180</b>
<b>Expenditure</b>				
Employee and volunteer benefits expenditure	4	246,971	239,316	227,218
Depreciation	11	33,570	33,308	32,056
Amortisation	12	2,600	3,207	2,724
Finance costs	5	469	485	613
Other expenditure	6	87,663	81,260	85,191
Rural Fire Fighting Fund claims expenditure	7	3,942	3,345	1,984
<b>Total expenditure</b>		<b>375,215</b>	<b>360,921</b>	<b>349,786</b>
<b>Net surplus attributable to the Commission</b>		<b>(3,187)</b>	<b>1,855</b>	<b>11,394</b>
<b>Other comprehensive revenue and expense</b>				
Item that will not be reclassified to surplus/(deficit)				
Gains/(losses) on revaluation of land and buildings net of impairment losses	18	16,337	7,545	31,375
<b>Total other comprehensive revenue and expense</b>		<b>16,337</b>	<b>7,545</b>	<b>31,375</b>
<b>Total comprehensive revenue and expense</b>		<b>13,150</b>	<b>9,400</b>	<b>42,769</b>

The accompanying notes on pages 65 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

# Statement of Financial Position

as at 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	8	54,549	45,205	60,356
Trade and other receivables	9	75,482	2,400	83,150
Prepayments	10	1,580	785	781
<b>Total current assets</b>		<b>131,611</b>	<b>48,390</b>	<b>144,287</b>
<b>Non-current assets</b>				
Property, plant and equipment	11	646,652	607,186	614,680
Intangible assets	12	6,036	9,518	6,766
<b>Total non-current assets</b>		<b>652,688</b>	<b>616,704</b>	<b>621,446</b>
<b>Total assets</b>		<b>784,299</b>	<b>665,094</b>	<b>765,733</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	13	24,187	21,829	23,097
Employee and volunteer benefits	14	27,487	22,821	25,887
Borrowings	15	1,741	1,741	1,764
Provisions	16	1,750	1,672	1,699
Unamortised gain on sale and leaseback	17	184	–	187
<b>Total current liabilities</b>		<b>55,349</b>	<b>48,063</b>	<b>52,634</b>
<b>Non-current Liabilities</b>				
Employee and volunteer benefits	14	37,108	32,188	32,574
Borrowings	15	2,135	2,135	3,877
Provisions	16	2,435	2,553	2,341
Unamortised gain on sale and leaseback	17	92	–	276
<b>Total non-current liabilities</b>		<b>41,770</b>	<b>36,876</b>	<b>39,068</b>
<b>Total liabilities</b>		<b>97,119</b>	<b>84,939</b>	<b>91,702</b>
<b>Net assets</b>		<b>687,180</b>	<b>580,155</b>	<b>674,031</b>
<b>Equity</b>				
Accumulated funds		512,135	473,129	507,013
Levy variability reserve		10,000	10,000	10,000
Major emergencies response reserve		15,000	15,000	15,000
Seismic resilience reserve		25,655	–	31,559
Seismic contingency reserve		5,000	–	–
Christchurch insurance proceeds		12,226	–	12,226
Revaluation reserves	18	106,307	80,478	95,261
Rural Fire Fighting Fund	7	857	1,548	2,972
<b>Total equity</b>		<b>687,180</b>	<b>580,155</b>	<b>674,031</b>

The accompanying notes on pages 65 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

# Statement of Changes in Equity

for the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Equity at beginning of year</b>				
Accumulated funds		507,013	470,455	493,826
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
Seismic contingency reserve		–	–	–
Christchurch insurance proceeds		12,226	–	12,226
Revaluation reserves	18	95,261	72,933	65,532
Rural Fire Fighting Fund		2,972	2,367	1,709
<b>Total equity at beginning of year</b>		<b>674,031</b>	<b>570,755</b>	<b>631,262</b>
<b>Changes in equity during year</b>				
<b>Transfers from Statement of Comprehensive Revenue and Expense</b>				
Accumulated funds		(1,071)	2,674	10,131
Revaluation reserves	18	16,337	7,545	31,375
Rural Fire Fighting Fund	7	(2,116)	(819)	1,263
<b>Total Comprehensive revenue</b>		<b>13,150</b>	<b>9,400</b>	<b>42,769</b>
<b>Transfers to reserves</b>				
Accumulated funds		904	–	1,410
Seismic resilience reserve		(5,904)	–	(1,410)
Seismic contingency reserve		5,000	–	–
<b>Total transfers to reserves</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Transfers from disposal of land and buildings</b>				
Accumulated funds	18	5,291	–	1,646
Revaluation reserves	18	(5,291)	–	(1,646)
<b>Total transfers from disposal of land and buildings</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Total changes in equity during year</b>		<b>13,150</b>	<b>9,400</b>	<b>42,769</b>
<b>Equity at end of year</b>				
Accumulated funds		512,135	473,129	507,013
Levy variability reserve		10,000	10,000	10,000
Major emergencies response reserve		15,000	15,000	15,000
Seismic resilience reserve		25,655	–	31,559
Seismic contingency reserve		5,000	–	–
Christchurch insurance proceeds		12,226	–	12,226
Revaluation reserves	18	106,307	80,478	95,261
Rural Fire Fighting Fund	7	857	1,548	2,972
<b>Total equity at end of year</b>		<b>687,180</b>	<b>580,155</b>	<b>674,031</b>

The accompanying notes on pages 65 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.



# Statement of Cash Flows

for the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Cash flows from operating activities</b>				
Receipts from levy		358,176	348,424	339,683
Receipts from other revenue		11,572	11,245	11,799
Interest received		2,762	2,822	2,637
Net GST received/(paid)		(193)	1,191	(158)
Payments to employees and volunteers		(240,478)	(239,329)	(224,064)
Payments to suppliers for goods and services		(88,960)	(84,731)	(87,329)
<b>Net cash flows from operating activities</b>	19	<b>42,879</b>	<b>39,622</b>	<b>42,568</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of Property Plant and Equipment	11	14,410	2,203	1,188
Proceeds from sale of Property Plant and Equipment – finance lease		–	184	–
Purchase of intangible assets		(1,871)	(3,936)	(1,908)
Purchase of Property Plant and Equipment		(59,072)	(48,267)	(49,492)
<b>Net cash flows from investing activities</b>	11	<b>(46,533)</b>	<b>(49,816)</b>	<b>(50,212)</b>
<b>Cash flows from financing activities</b>				
Interest paid		(389)	(388)	(538)
Payments on finance leases		(1,764)	(1,765)	(1,932)
<b>Net cash flows from financing activities</b>		<b>(2,153)</b>	<b>(2,153)</b>	<b>(2,470)</b>
Net increase/(decrease) in cash and cash equivalents		(5,807)	(12,347)	(10,114)
Cash and cash equivalents at the beginning of the year		60,356	57,552	70,470
<b>Cash and cash equivalents at the end of the year</b>	8	<b>54,549</b>	<b>45,205</b>	<b>60,356</b>

The accompanying notes on pages 65 to 100 form part of these financial statements and explanations of significant variances are provided within the Notes.

# Statement of Accounting Policies

## Reporting entity

The New Zealand Fire Service Commission (the Commission) is a body constituted under section 4(1) of the Fire Service Act 1975. The Commission is a Crown entity as defined by the Crown Entities Act 2004 and the ultimate parent is the New Zealand Crown. The primary objective of the Commission is to provide services in New Zealand for community benefit rather than to make a financial return. The Commission has designated itself as a public benefit entity (PBE) for financial reporting purposes. These financial statements for the Commission are for the year ended 30 June 2015 and were authorised for issue by the Commission on 31 October 2015.

## Basis of preparation

### Statement of compliance

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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 have also been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE accounting standards.

These financial statements are the first financial statements prepared in accordance with the new PBE accounting standards. The material arising out of the transition to the new PBE accounting standards are explained in note 31.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Commission has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Commission will apply these updated standards in preparing its 30 June 2016 financial statements. The Commission expects there will be minimal or no change in applying these updated accounting standards.

### Changes in accounting policies

Due to the transition to PBE standards in the current period, there has been a change to the policy relating to the recognition of Levy revenue. All other policies remain unchanged.

## 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.

## 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

Prior to the transition to PBE standards, the Commission recognised Levy revenue on a cash basis under the premise of section 48(12) of the Fire Service Act 1975 which deems the proceeds of the Fire Service levy on contracts of fire insurance to be revenue upon receipt.

PBE IPSAS 23 requires revenue to be recognised when a taxable event occurs, the inflow of that revenue is probable, and the fair value of revenue can be reliably measured. Under section 48(8) of the Fire Service Act, the Commission has a debt due to it when the insurance contract is made. Therefore the taxable event is the date on which the insurance policy commences as that event triggers the obligation to pay the levy to the Commission. The requirements of the Crown Entities Act 2004 for financial statements to comply with GAAP means that

the Commission has decided to change its policy and recognise Levy revenue on an accrual basis so as to fall within the gambit of PBE IPSAS 23.

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 fire-fighters. 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.

### Interest revenue

The Commission recognises interest revenue using the effective interest rate method which recognises interest as earned.

### Rental revenue

Rental received under operating leases is recognised as revenue on a straight-line basis over the term of the lease.

### Donated assets

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

Where a physical asset is gifted to or acquired by the Commission for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:

- ▶ For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- ▶ For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition, and age.

## Foreign currency transactions

Foreign currency transactions are translated into NZ\$ (the functional currency) using the spot exchange rates at the dates of the transactions. 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 surplus or deficit.

## Leases

### Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases where the Commission is the lessee 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 charged to the surplus or deficit 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 reasonable certainty as to whether the Commission will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and 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 Revenue and Expense. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense and expensed over the lease term as an integral part of the total lease expense.

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

## Short term Receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that the Commission will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

## Investments

### Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

## 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, adjusted, when applicable, for any loss of service potential. 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. The amount of any write-down for the loss of service potential is recognised in the surplus or deficit in the period of the write down.

## 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 Revenue and Expense.

## Property, plant and equipment

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

### 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 Revenue and Expense. Any subsequent revaluation increase is recognised in the Statement of Comprehensive Revenue and Expense and expensed to the extent that it offsets previous revaluation decreases already recognised in the Statement of Comprehensive Revenue and Expense. Otherwise, the gain is credited to the asset revaluation reserve for that class of asset.

### 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 Revenue and Expense. 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.

### 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 Revenue and Expense 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.



## Depreciation

Depreciation is charged to the Statement of Comprehensive Revenue and Expense 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 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.

## 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 Revenue and Expense, 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 Revenue and Expense.

### 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 Revenue and Expense when they occur.

## Amortisation

Amortisation is charged to the Statement of Comprehensive Revenue and Expense 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.

## 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 Revenue and Expense.

## 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. Gratuities for both paid personnel and volunteers are calculated on an actuarial basis.

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

Benefits that are payable beyond 12 months, such as long service leave, retirement leave and gratuities for both paid fire fighters and volunteers, 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 Revenue and Expense.

## **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 Revenue and Expense as they fall due.

### **Defined benefit schemes**

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

Although this is a defined benefit scheme, there is insufficient information to account for the scheme as a defined benefit scheme. Therefore, the scheme is accounted for as a defined contribution scheme.

## **Provisions**

The Commission recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will

be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are distinct from other liabilities (such as trade payables) because there is uncertainty about the timing or the amount of the future expenditure required in settlement. The Commission provides for the amount it estimates is needed to settle the obligation at its present value.

It uses a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as a finance cost. Specific accounting policies for major provisions are outlined below.

### **Lease make-good**

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

### **Loss of medical scheme**

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

### **ACC Partnership Programme**

The Commission belongs to the Accident Compensation Corporation (ACC) Partnership Programme, being a full self-cover plan with the ACC. Under this plan, the Commission accepts the management and financial responsibility for employee work-related illnesses and accidents, manages all claims, and meets all claim costs for a period of four years. At the end of four years, the liability for ongoing claims passes to ACC, with the Commission paying a premium for the value of residual claims.

The provision for the ACC Partnership Programme is calculated on an actuarial basis as the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels, and experience of employee claims and injuries. Movements in the provision are recognised in the Statement of Comprehensive Revenue and Expense. 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. The property revaluation reserve relates to the revaluation of property, plant, and equipment to fair value.

## 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.

## 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 Revenue and Expense and Statement of Financial Position. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

## Income Tax

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

## Budget figures

The budget figures were approved by the Commission on 16 April 2014 as part of the Statement of Intent 2014-2017 and were prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Commission in preparing these financial statements with the exception for levy revenue which was calculated on a cash basis.

## 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 \$0.4 million).

## Revenue allocation

Other revenue 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 revenue.

- ▶ 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 revenue)
- ▶ Revenue 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.

## 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 Revenue and Expense are comprised of derivative financial instruments.

The Commission uses derivative financial instruments (forward foreign exchange contracts) to manage its exposure to foreign exchange risk in relation to the purchases of significant items of property, plant and equipment. The Commission does not hold or issue these financial instruments for trading purposes and has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date the Commission entered into the contract and are subsequently remeasured to their fair value at each balance date. Fair value is determined as the value of entering into a forward foreign exchange contract, for the same quantity of foreign currency with the same settlement date as the original contract, on the date for which the fair value is determined. Movements in the fair value of the forward foreign exchange contracts are recognised in the Statement of Comprehensive Revenue and Expense. 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 Revenue and Expense. 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 Revenue and Expense.

### 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 Revenue and Expense.



## Critical accounting estimates and assumptions

The preparation of financial statements in conformity with PBE IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue 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 value

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

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

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 2015.

### 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.

# Notes to the Financial Statements

## 1. Levy

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Levy contributions	349,177	346,474	344,878
Penalty Interest	1,007	1,400	451
Penalty Surcharge	521	550	744
<b>Total Levy revenue</b>	<b>350,705</b>	<b>348,424</b>	<b>346,073</b>

### Levy contributions

Levy revenue was 0.8% (\$2.7 million) ahead of 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 \$0.4 million (2014: \$0.5 million).

### Penalty interest and surcharge

Penalty interest and surcharge receipts were \$1.5 million (2014: \$1.2 million) which was below budget but is determined by the number of levy payers who contravene the levy provisions.

### Levy receipts – Rural Fire Fighting Fund

The Minister of Internal Affairs determines each year the amount of levy to be paid to the Rural Fire Fighting Fund – refer note 7 Net surplus/(deficit) attributable to the Rural Fire Fighting Fund.

## 2. Interest revenue

Interest revenue was below budget by \$0.1 million in comparison to 2014 where it exceeded budget by \$0.4 million as a result of higher than expected cash and cash equivalent balances throughout the year, as well as an increase in interest rates that occurred during the second half of that period.

### 3. Other revenue

		Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
False alarms		4,109	4,070	4,357
Good corporate citizen contributions		2,280	1,965	2,303
Monitoring private fire alarms		1,792	1,779	1,774
Sponsorship		27	20	2
Commercial services		677	438	526
Insurance proceeds including Christchurch earthquakes		–	–	41
Rural Fire Fighting Fund		876	1,040	665
Gain on disposal of property, plant and equipment		6,534	500	394
Rental revenue		458	405	411
Amortisation of gain on sale and leaseback	17	187	184	269
Donations		387	–	540
Net foreign exchange gains		1	–	2
Miscellaneous revenue		1,365	1,179	1,271
<b>Total other revenue</b>		<b>18,693</b>	<b>11,580</b>	<b>12,555</b>

#### False alarms

Receipts for this year were slightly lower than the amount recovered in the prior year for unwanted false alarm activations. There is an initiative to reduce the amount of non-good intent false alarms through educating those causing the false alarms to improve their systems. Some charges may be waived where those responsible work with Fire Safety Officers and invest in improving their systems. There has been no increase in the rate (\$1,000 plus GST) by the Commission for more than ten years.

#### Good corporate citizen contributions

There was a favourable variance against budget this year due to Housing New Zealand increasing their contribution this year by \$0.3 million after assessing the levy payable through their insurance arrangements.

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.

#### Gain on disposal of property, plant and equipment

The old Takapuna fire station site on Killarney Street was sold in June 2015 at a gain of \$6.4 million. This site was surplus to the Commission's requirements. Part of the Te Atatu fire station site on Te Atatu Road was acquired by the Auckland City Council under Section 17 of the Public works Act 1981 for road widening purposes. This resulted in a gain of \$0.04 million. Fire appliances and motor vehicles that had reached the end of their operational life were disposed off. The gain on fire appliance and motor vehicle disposals was \$0.07 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 7 Net surplus/(deficit) attributable to the Rural Fire Fighting Fund.

#### Miscellaneous revenue

The \$0.2 million favourable variance against budget in this category was as a consequence of non-cash capital expenditure donations and contribution of \$0.4 million from Brigades toward capital expenditure.

#### 4. Employee and volunteer benefits expenditure

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Salaries and wages	202,268	199,991	191,763
Employer contributions to defined contribution plans	16,817	16,681	15,956
ACC levies	2,546	2,375	2,311
Other employee and volunteer benefits expenditure	25,340	20,269	17,188
<b>Total employee and volunteer benefits expenditure</b>	<b>246,971</b>	<b>239,316</b>	<b>227,218</b>

##### Salaries and wages

Salaries and wages are slightly ahead of budget due to additional head count requirements identified through the various function restructures including People & Capability and Communications to help achieve the Vision 2020 goals.

##### Employer contributions to defined contribution plans

Contributions were slightly unfavourable when compared to budget. The increase from the previous year is in line with the increase in base remuneration. 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 were unfavourable against budget due to a \$0.1 million increase in the provision as a result of an actuarial valuation of future claims against the ACCPP.

##### Other employee and volunteer benefits expenditure

Other employee and volunteer benefits costs were over budget. \$3.5 million of this is due to the actuarial valuation of long service leave, gratuities and volunteer gratuities provisions increasing due to lower Treasury discount rates.

Expenditure in the prior year was lower due to the deferring of the career Training and Progression System (TAPS) review until new operational policies and standard operating procedures (SOP's) 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.

#### 5. Finance costs

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Finance charge on finance lease	389	388	538
Other	80	97	75
<b>Total finance costs</b>	<b>469</b>	<b>485</b>	<b>613</b>



## 6. Other expenditure

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Auditors – Audit NZ fees for statutory audit		191	191	186
Auditors – Audit NZ fees for other services		1	44	–
Other audit fees for other services		50	60	34
Remuneration of Commission and Committee Members	27	145	152	142
Fleet		13,602	14,020	14,117
Occupancy		16,977	14,932	16,535
Clothing and other consumables		8,802	7,821	9,311
Communications		6,468	6,482	6,258
Publicity and advertising		4,327	5,211	4,822
Grants		873	909	887
Impairment of receivables		114	–	167
Loss on disposal of property, plant and equipment	19	1,416	400	1,425
Other expenditure		34,697	31,038	31,307
<b>Total other expenditure</b>		<b>87,663</b>	<b>81,260</b>	<b>85,191</b>

### Fleet

Fleet costs are \$0.4 million favourable to budget as savings were made on fuel due to prices falling and also as a consequence of increasing the life of existing vehicle leases. Of the total fleet costs, \$2.0 million (2014 \$2.2 million) relates to operating leases on motor vehicles.

### Occupancy

Occupancy costs are \$2.0 million unfavourable to budget as additional funding was allocated to property maintenance to catch up on work identified in the previous financial year by an external company commissioned to provide property condition reports. Occupancy operating lease costs for the year were \$3.1 million (2014 \$2.7 million).

### Clothing and other consumables

This category had an unfavourable variance of \$1.0 million against budget. \$0.6 million of this related to providing new volunteer recruits with extra clothing, providing clothing and equipment for 3 new stations in Region 1, ongoing purchase of USAR overalls and higher maintenance / laundry charges in part due to carcinogen guidelines. A further \$0.3 million related to acquiring supplies for USAR exercises, higher rescue equipment maintenance due to new manufacturer requirements and higher breathing apparatus servicing costs.

### Loss on disposal of property, plant and equipment

Property write offs were \$1.0 million over budget. The sites identified for capital works during 2014/15 was based on a prioritisation exercise which took into consideration both risks and operational requirements. Based on these considerations these sites are to be either refurbished or rebuilt.

### Publicity and advertising

Publicity and advertising costs were \$0.9m favourable. The Communications team underwent a restructure and during this time expenditure on existing priorities were slowed while priorities were realigned and established under the new structure. Additionally, a planned new advertisement production was not carried out and in the second half of the year advertisement placements were not to levels that had been anticipated which further added to the favourable variance.

### Other expenditure

Other expenditure costs are \$3.4 million over budget, firstly, due to higher than anticipated legal costs including the levy case with Insurance Brokers Association of New Zealand (IBANZ), and back filling for the Legal Counsel who has been seconded to the Fire Review project. Secondly, there were higher consulting and professional fee costs incurred in relation to work carried out on the Vision 2020 and Carcinogen projects as well as the restructuring of the Communications, People and Capability, Finance and ICT functions. Included in other expenditure are costs totalling \$0.03 million (2014 \$0.06 million) for operating leases on office equipment.

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

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Revenue			
Levy	950	1,486	2,582
Department of Conservation	–	–	–
Other revenue	876	1,040	665
<b>Total revenue</b>	<b>1,826</b>	<b>2,526</b>	<b>3,247</b>
Deduct claims expenditure	(3,942)	(3,345)	(1,984)
<b>Net surplus/(deficit) attributable to the Rural Fire Fighting Fund</b>	<b>(2,116)</b>	<b>(819)</b>	<b>1,263</b>

The Rural Fire Fighting Fund (RFFF) reserve closing balance at year end was \$0.857 million (2014: \$2.972 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 (\$1.2 million) as a consequence of claims for major fires at Tangitiki and Flock Hill this financial year which have pushed up their average claims for the last 5 years to \$0.9 million (2014: \$0.5 million). The Department of Conservation will be contributing to the RFFF in the 2015/16 year to ensure that they maintain their minimum balance as provided for in legislation.

### Other Revenue

Recoveries were below what had been anticipated hence the shortfall against budget. Recoveries of \$0.6 million (2014: \$0.6 million) were received from parties responsible for fires. Major fire costs recovered were for York Road in Eastern Southland \$0.3 million and Matukituki in the Mount Aspiring National Park \$0.1 million.

### Claims expenditure

Fire Danger conditions in many regions were a lot higher and more prolonged than expected, which resulted in larger, longer duration and more complex fires in the reporting period with increased overall costs. As a result the level of claims this year was above the five-year running average of \$3.0 million (2014: \$3.1 million).

## 8. Cash and cash equivalents

	Actual 2015 \$000	Actual 2014 \$000
Cash on hand and at bank	22,607	23,023
Short-term deposits	31,942	37,333
<b>Total cash and cash equivalents</b>	<b>54,549</b>	<b>60,356</b>

The carrying value of cash on hand and at bank and short-term deposits approximates their fair value. The maximum exposure to credit risk is limited to the amount invested at the respective banks. The risk has been reduced by diversifying the investment 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 (2014: \$0.25 million). In addition, the Commission has uncommitted borrowing facilities available to it from financial institutions. These facilities have been approved in accordance with the Crown Entities Act 2004.

### Sensitivity analysis

The weighted average effective interest rate for term deposits at 30 June 2015 is 3.94% (2014: 3.48%). As at 30 June 2015 if the interest rates increased/decreased by 1% the interest revenue for the year and accumulated funds would increase/decrease by \$0.5 million (2014: \$0.6 million).

## Restricted assets

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

	Actual 2015 \$000	Actual 2014 \$000
Short-term deposits	3,941	3,334
<b>Total short term deposits</b>	<b>3,941</b>	<b>3,334</b>

## Reserves supported by cash and cash equivalents

	Actual 2015 \$000	Actual 2014 \$000
Major emergencies response reserve	15,000	15,000
Levy variability reserve	10,000	10,000
Seismic contingency reserve	5,000	–
Christchurch insurance proceeds reserve	12,226	12,226
<b>Total reserves supported by cash and cash equivalents</b>	<b>42,226</b>	<b>37,226</b>

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

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.

Seismic contingency reserve has been established to cover any unanticipated costs in relation to the seismic resilience project.

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

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

## Other reserves

	Actual 2015 \$000	Actual 2014 \$000
Seismic resilience reserve	25,655	31,559
<b>Total seismic resilience reserve</b>	<b>25,655</b>	<b>31,559</b>

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.

## 9. Trade and other receivables

	Actual 2015 \$000	Actual 2014 \$000
Levy receivables	73,356	81,165
Other receivables	3,182	2,957
Deduct provision for impairment	(1,056)	(972)
<b>Total receivables</b>	<b>75,482</b>	<b>83,150</b>
<b>Total receivables comprises:</b>		
Recoverables from non exchange transactions (Levy)	73,356	81,165
Receivables from exchange transactions (sale of goods and services)	3,182	2,957

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 (2014: \$nil) that would otherwise be past due, but not impaired, whose terms have been renegotiated.

Trade and other receivables are significantly higher than budget. The variance is due to the change this year in accounting policy of recognising Levy revenue from a cash basis to and an accrual basis. The accrual for Levy revenue at 30 June is \$73.4 million. The approved budget as presented in the 2014-2017 Statement of Intent was prepared using a cash basis to recognise Levy revenue.

The aging profile of receivables at year end is detailed below. Any overdue receivables at year end have been assessed for impairment and appropriate provisions applied as summarised below.

	Actual 2015			Actual 2014		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	73,741	–	73,741	82,298	–	82,298
Past due 1-30 days	1,003	–	1,003	411	–	411
Past due 31-60 days	321	–	321	168	–	168
Past due 61-90 days	159	–	159	121	–	121
Past due > 91 days	1,313	(1,055)	258	1,124	(972)	152
<b>Total receivables</b>	<b>76,537</b>	<b>(1,055)</b>	<b>75,482</b>	<b>84,122</b>	<b>(972)</b>	<b>83,150</b>

All Levy receivables greater than 60 days are considered to be past due. All other receivables are considered past due after 30 days.

#### 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 2015 \$000	Actual 2014 \$000
Provision for impairment of trade and other receivables at beginning of year	972	969
Additional provision made during the year	83	3
<b>Total provision for impairment of trade and other receivables</b>	<b>1,055</b>	<b>972</b>

## 10. Prepayments

	Actual 2015 \$000	Actual 2014 \$000
Prepaid computer licenses	923	384
Prepaid travel	202	125
Prepaid other	455	272
<b>Total prepayments</b>	<b>1,580</b>	<b>781</b>



## 11. Property, plant and equipment

30 June 2015	Note	Land	Buildings	Fire appliances	Motor vehicles
		Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000
Cost at beginning of year		–	–	267,388	2,680
Valuation at beginning of year		176,427	229,944	–	–
Net book value leased assets at beginning of year		–	–	–	–
Accumulated depreciation		–	–	(130,432)	(1,773)
Impairment losses		–	–	–	–
Work in progress		8	11,280	6,492	–
<b>Total at beginning of year</b>		<b>176,435</b>	<b>241,224</b>	<b>143,448</b>	<b>907</b>
Acquisitions		3,338	23,606	8,573	92
Disposals		(7,879)	(1,154)	(87)	(4)
Transfers		–	–	–	–
Depreciation		–	(12,631)	(9,525)	(143)
Impairment losses to Statement of Comprehensive Revenue and Expense		–	–	–	–
Transfer to non-current assets held for sale		–	–	–	–
Revaluation movement	18	13,104	3,233	–	–
Work in progress		76	2,425	5,855	–
<b>Net book value at end of year</b>		<b>185,074</b>	<b>256,703</b>	<b>148,264</b>	<b>852</b>
Cost at end of year		–	–	271,560	2,766
Valuation at end of year		184,990	242,998	–	–
Net book value leased assets at end of year		–	–	–	–
Accumulated depreciation		–	–	(135,643)	(1,914)
Impairment losses		–	–	–	–
Work in progress		84	13,705	12,347	–
<b>Net book value at end of year</b>		<b>185,074</b>	<b>256,703</b>	<b>148,264</b>	<b>852</b>

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	TOTAL
Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000
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)	-
<b>3,586</b>	<b>36,239</b>	<b>7,411</b>	<b>3,199</b>	<b>2,231</b>	<b>-</b>	<b>614,680</b>
1,981	7,101	1,739	1,785	319	9,965	58,498
-	(167)	(2)	-	-	-	(9,293)
-	-	-	-	-	-	-
(1,781)	(5,882)	(1,441)	(1,416)	(751)	-	(33,570)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	16,337
5	275	(45)	1,375	(1)	(9,965)	-
<b>3,791</b>	<b>37,566</b>	<b>7,662</b>	<b>4,943</b>	<b>1,798</b>	<b>-</b>	<b>646,652</b>
22,333	64,723	18,931	9,685	5,994	28,229	424,220
-	-	-	-	-	-	427,988
-	6,699	-	-	-	-	6,699
(18,584)	(34,438)	(11,269)	(6,211)	(4,196)	-	(212,255)
-	-	-	-	-	-	-
42	582	-	1,469	-	(28,229)	-
<b>3,791</b>	<b>37,566</b>	<b>7,662</b>	<b>4,943</b>	<b>1,798</b>	<b>-</b>	<b>646,652</b>

## Fair value of property

30 June 2015	Note	Land	Buildings	TOTAL
		Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000
Independent valuation		184,990	242,998	427,988
<b>Total fair value at end of year</b>		<b>184,990</b>	<b>242,998</b>	<b>427,988</b>
<i>The above is represented by:</i>				
Net book value at end of year	11	185,074	256,703	441,777
Work in progress	11	(84)	(13,705)	(13,789)
<b>Total fair value at end of year</b>		<b>184,990</b>	<b>242,998</b>	<b>427,988</b>

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 2015 was determined by independent registered valuers Quotable Value (QV) at \$428.0 million (2014: \$406.4 million), from which impairments to buildings planned to be demolished are deducted, if any.

QV, as part of the valuation, test the market value for all properties and, where no active market exists, adopt Optimised Depreciation Replacement Cost (ODRC). 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 465 (2014: 463) properties in the Commission property portfolio at year end of which 140 were inspected during the year (representing 30% of the portfolio).

The count change is due to the purchase of land located in Pokeno, Rollerston and Addington. This was offset by the sale of the Old Takapuna fire station site.

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 \$25.7 million at year end (2014: \$31.6 million). The Commission requires a minimum standard of at least 67% 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 factor into their valuation the Commission's programme of seismic strengthening works which is supplied to them at year end.

### Other

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

## Capital cash spend

	Actual Cash Flow 2015 \$000	Budget Cash Flow 2015 \$000	Actual Cash Flow 2014 \$000
<b>30 June 2015</b>			
Fleet	14,765	13,000	12,849
Property	32,024	26,903	26,517
Information communications and technology <sup>[1]</sup>	6,787	6,989	4,207
Operational equipment	7,367	5,311	7,827
<b>Total property, plant and equipment</b>	<b>60,943</b>	<b>52,203</b>	<b>51,400</b>
Cash proceeds from disposals	(14,410)	(2,203)	(1,188)
<b>Net spend</b>	<b>46,533</b>	<b>50,000</b>	<b>50,212</b>

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

Capital expenditure for the year was significantly higher at \$61 million when compared to the prior year (2014: \$51 million). On a net basis the \$3.5 million of extra spend during the year when compared to budget was a result of:

- ▶ Proceeds from the disposal of assets – mainly the Takapuna property exceeded expectations by \$11.9 million
- ▶ Increased spending on our fleet
- ▶ Operational Equipment spending was driven by two major projects; Safe Working at Heights and Medical Response Capability which together accounted for \$2.8 million
- ▶ The property programme required further funding of \$5.1 million during the year due to a reprioritisation 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 new Christchurch build.



	Note	Cash Flow	Buildings	Fire appliances	Motor vehicles
		Actual 2014 \$000	Actual 2014 \$000	Actual 2014 \$000	Actual 2014 \$000
<b>30 June 2014</b>					
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		–	–	–	–
Work in progress		–	9,828	7,762	–
<b>Total at beginning of year</b>		<b>153,774</b>	<b>225,086</b>	<b>140,316</b>	<b>938</b>
Acquisitions		2,350	18,109	13,734	252
Disposals		(510)	(1,651)	(34)	–
Transfers		–	(877)	28	(150)
Depreciation		–	(12,272)	(9,326)	(133)
Impairment losses to Statement of Comprehensive Revenue and Expense		–	–	–	–
Transfer to non-current assets held for sale		510	305	–	–
Revaluation movement	18	20,303	11,072	–	–
Work in progress		8	1,452	(1,270)	–
<b>Net book value at end of year</b>		<b>176,435</b>	<b>241,224</b>	<b>143,448</b>	<b>907</b>
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		–	–	–	–
Work in progress		8	11,280	6,492	–
<b>Net book value at end of year</b>		<b>176,435</b>	<b>241,224</b>	<b>143,448</b>	<b>907</b>

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	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)	-
<b>4,350</b>	<b>34,494</b>	<b>4,381</b>	<b>2,709</b>	<b>1,587</b>	<b>-</b>	<b>567,635</b>
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	-
<b>3,586</b>	<b>36,239</b>	<b>7,411</b>	<b>3,199</b>	<b>2,231</b>	<b>-</b>	<b>614,680</b>
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)	-
<b>3,586</b>	<b>36,239</b>	<b>7,411</b>	<b>3,199</b>	<b>2,231</b>	<b>-</b>	<b>614,680</b>

## Fair value of property

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

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.

## 12. Intangible assets

	Computer software (internally generated)	Computer software (purchased)	Shared Information Technology Environment (SITE)	Work in progress	TOTAL
	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000
<b>30 June 2015</b>					
Cost at beginning 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)	–
<b>Total at beginning of year</b>	<b>3,755</b>	<b>2,975</b>	<b>36</b>	<b>–</b>	<b>6,766</b>
Acquisitions	1,334	701	–	(164)	1,871
Transfers	–	24	(26)	–	(2)
Work in progress	(576)	412	–	164	–
Amortisation	(1,321)	(1,268)	(10)	–	(2,600)
<b>Net book value at end of year</b>	<b>3,192</b>	<b>2,844</b>	<b>–</b>	<b>–</b>	<b>6,036</b>
Cost at end of year	11,057	13,615	18,292	672	43,636
Accumulated amortisation	(8,109)	(11,199)	(18,292)	–	(37,600)
Work in progress	244	428	–	(672)	–
<b>Net book value at end of year</b>	<b>3,192</b>	<b>2,844</b>	<b>–</b>	<b>–</b>	<b>6,036</b>

### 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.

There are no restrictions placed over the title of the Commission's intangible assets, nor are any assets pledged as security for liabilities.

	Computer software (internally generated)	Computer software (purchased)	Shared Information Technology Environment (SITE)	Work in progress	TOTAL
30 June 2014	Actual 2014 \$000	Actual 2014 \$000	Actual 2014 \$000	Actual 2014 \$000	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)	–
<b>Total at beginning of year</b>	<b>3,831</b>	<b>3,664</b>	<b>87</b>	<b>–</b>	<b>7,582</b>
Acquisitions	679	1,431	6	(208)	1,908
Work in progress	528	(736)	–	208	–
Amortisation	(1,283)	(1,384)	(57)	–	(2,724)
<b>Net book value at end of year</b>	<b>3,755</b>	<b>2,975</b>	<b>36</b>	<b>–</b>	<b>6,766</b>
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)	–
<b>Net book value at end of year</b>	<b>3,755</b>	<b>2,975</b>	<b>36</b>	<b>–</b>	<b>6,766</b>

### 13. Trade and other payables

	Actual 2015 \$000	Actual 2014 \$000
<b>Payables under exchange transactions</b>		
Trade payables	10,656	10,869
Revenue in advance	33	371
Accrued expenses	8,624	6,976
<b>Total payables under exchange transactions</b>	<b>19,313</b>	<b>18,216</b>
<b>Payables under non- exchange transactions</b>		
Taxation payables (GST, PAYE, FBT)	4,874	4,881
<b>Total Payables under non- exchange transactions</b>	<b>4,874</b>	<b>4,881</b>
<b>Total payables</b>	<b>24,187</b>	<b>23,097</b>

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.



## 14. Employee and volunteer benefits

	Actual 2015 \$000	Actual 2014 \$000
<b>Current employee and volunteer benefits</b>		
Accrued salaries and wages	5,117	4,357
Annual leave	17,278	16,145
Long service leave and gratuities	5,092	5,385
<b>Total current employee and volunteer benefits</b>	<b>27,487</b>	<b>25,887</b>
<b>Non-current employee and volunteer benefits</b>		
Long service leave and gratuities	37,108	32,574
<b>Total non-current employee and volunteer benefits</b>	<b>37,108</b>	<b>32,574</b>
<b>Total employee and volunteer benefits</b>	<b>64,595</b>	<b>58,461</b>

Expenditure on personnel represents 66% 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 to the prior year. The last payroll payment this year was 23 June versus 24 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 summarised below:

- ▶ Treasury rates calculated as at 30 June 2015 (2014: 30 June 2014)
- ▶ Implied risk-free rates over the period of cash outflows ranged from 2.93% to 5.50% (2014: 3.7% to 5.5%)
- ▶ Salary inflation factor has been determined (at a minimum) at 3.00% (2014: 3.00%) per annum.

### Sensitivity analysis

If the discount rate were to increase/(decrease) by 1% each year from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would (decrease)/increase by (\$0.3 million)/\$0.5 million (2014: (\$2.9 million)/\$3.3 million) thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

## 15. Borrowings

	Actual 2015 \$000	Actual 2014 \$000
<b>Current borrowings</b>		
Finance leases	1,741	1,764
<b>Non-current borrowings</b>		
Finance leases	2,135	3,877
<b>Total borrowings</b>	<b>3,876</b>	<b>5,641</b>
<b>Analysis of minimum finance lease payments due</b>		
Not later than one year	1,988	2,153
Later than one year and not later than two years	1,470	1,988
Later than two years and not later than five years	577	1,918
Later than five years and not later than ten years	377	507
Later than ten years	–	–
<b>Total minimum lease payments due</b>	<b>4,412</b>	<b>6,566</b>
Future finance charges	(536)	(925)
<b>Present value of lease payments due</b>	<b>3,876</b>	<b>5,641</b>
<b>Analysis of present value of lease payments due</b>		
Not later than one year	1,741	1,764
Later than one year and not later than two years	1,362	1,741
Later than two years and not later than five years	444	1,711
Later than five years and not later than ten years	329	425
Later than ten years	–	–
<b>Present value of lease payments due</b>	<b>3,876</b>	<b>5,641</b>

The Commission typically enters into finance leases for various items of plant and equipment and these are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The net carrying value of assets held under finance leases is disclosed in note 11.

## 16. Provisions

	Actual 2015 \$000	Actual 2014 \$000
<b>Current provisions</b>		
Loss of medical scheme	165	163
ACC Partnership Programme	1,585	1,536
<b>Total current provisions</b>	<b>1,750</b>	<b>1,699</b>
<b>Non-current provisions</b>		
Lease make-good	921	879
ACC Partnership Programme	1,514	1,462
<b>Total non-current provisions</b>	<b>2,435</b>	<b>2,341</b>
<b>Total provisions</b>	<b>4,185</b>	<b>4,040</b>

Major movements for each provision are summarised below.

## Loss of medical scheme

	Actual 2015 \$000	Actual 2014 \$000
<b>Loss of medical scheme at beginning of year</b>	<b>163</b>	<b>161</b>
Contributions made to the scheme	2	2
<b>Total loss of medical scheme provision</b>	<b>165</b>	<b>163</b>

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

## Lease make-good

	Actual 2015 \$000	Actual 2014 \$000
<b>Lease make-good at beginning of year</b>	<b>879</b>	<b>338</b>
Additional provisions made	42	541
<b>Total lease make-good</b>	<b>921</b>	<b>879</b>

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 use 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 (2014: 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 summarised below:

- ▶ The principal assumption is that the development pattern of claims payments is the same for all loss periods
- ▶ The assumed "loss ratio" (claims/liable earnings) was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs
- ▶ Projected future payments were discounted based spot rates published by the Treasury for valuations at year end
- ▶ Included is a risk margin of 12.8% (2014: 12.8%) to allow for the inherent uncertainties in the central estimate of the claims liability
- ▶ A provision for future claim handling costs of 10.8% (2014: 11.2%) 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

	2015 Current \$000	2015 Non-current \$000	2015 TOTAL \$000	2014 TOTAL \$000
Undiscounted estimated future claims costs	1,320	1,260	2,580	2,515
Discounting	(52)	(49)	(101)	(124)
<b>Discounted estimated future claims costs</b>	<b>1,268</b>	<b>1,211</b>	<b>2,479</b>	<b>2,391</b>
Claims handling expenses	137	131	268	267
<b>Total discounted outstanding claims liabilities</b>	<b>1,405</b>	<b>1,342</b>	<b>2,747</b>	<b>2,658</b>
Risk margin (12.8%)	180	172	352	340
<b>ACCPP provision at end of year</b>	<b>1,585</b>	<b>1,514</b>	<b>3,099</b>	<b>2,998</b>
Claim handling cost %	10.8%	10.8%	10.8%	11.2%
Risk margin %	12.8%	12.8%	12.8%	12.8%

The estimated AEP liability as at 30 June 2015 is \$2.8 million (2014: \$2.7 million). The marginal increase is due to the extra year's worth of claims. The Commission includes a risk margin in its provision and allowing for this increases the liability at 30 June to \$3.1 million.

## ACCPP provision movement summary

	Actual 2015 \$000	Actual 2014 \$000
<b>ACC Partnership Programme provision at beginning of year</b>	<b>2,998</b>	<b>2,994</b>
Net increase to provision during the year	101	4
<b>Total ACC partnership programme</b>	<b>3,099</b>	<b>2,998</b>

## Objectives for managing risks

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

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

## Sensitivity analysis

The assumed loss ratio of 1.00% of liable earnings was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs since the Fire Service entered the ACCPP. The table sets out the discounted provision (central estimate) with loss ratios of 0.90% and 1.10%	<b>Loss ratio 2015 %</b>	<b>Liability 2015 \$000</b>	<b>Loss ratio 2014 %</b>	<b>Liability 2014 \$000</b>
	0.90%	2,772	0.90%	2,416
	1.00%	2,747	1.00%	2,658
	1.10%	2,722	1.10%	2,900
As stated above, the discount rates used were derived from rates specified by the Treasury. The table sets out the discounted provision (central estimate), when the discount rates are set 1.0% higher and lower than the bond rates.	<b>Loss ratio 2015 %</b>	<b>Liability 2015 \$000</b>	<b>Loss ratio 2014 %</b>	<b>Liability 2014 \$000</b>
	(1.0%)	2,784	(1.0%)	2,693
	0.00%	2,747	0.00%	2,658
	1.00%	2,711	1.00%	2,624

## 17. Unamortised gain on sale and leaseback

	Actual 2015 \$000	Actual 2014 \$000
<b>Current liabilities</b>		
Finance leases	184	187
<b>Non-current liabilities</b>		
Finance leases	92	276
<b>Total unamortised gain on sale and leaseback</b>	<b>276</b>	<b>463</b>

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.

## 18. Revaluation reserves

	Note	Land Actual 2015 \$000	Buildings Actual 2015 \$000	TOTAL Actual 2015 \$000
<b>Balance at beginning of year</b>		<b>32,719</b>	<b>62,542</b>	<b>95,261</b>
Revaluation movement	11	13,104	3,233	16,337
<b>Total revaluation gains/(losses)</b>		<b>45,823</b>	<b>65,775</b>	<b>111,598</b>
Deduct transfer to accumulated funds on disposal		(4,826)	(465)	(5,291)
<b>Total revaluation reserve</b>		<b>40,997</b>	<b>65,310</b>	<b>106,307</b>

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

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.



## 19. Reconciliation of net surplus to the net cash flows from operating activities

	Note	Actual 2015 \$000	Actual 2014 \$000
<b>Net surplus attributable to the owners of the Commission</b>		<b>(3,187)</b>	<b>11,394</b>
<b>Add/(subtract) non-cash items</b>			
Amortisation of (gain) on sale and leaseback	17	(187)	(269)
(Gain) unrealised foreign exchange	3	–	(2)
Property, plant and equipment write-offs	6	1,416	1,425
Amortisation	12	2,600	2,724
Depreciation	11	33,570	32,056
<b>Total non-cash items</b>		<b>37,398</b>	<b>35,934</b>
<b>(Subtract)/add movements in statement of financial position items</b>			
Increase/(Decrease) in trade and other payables including GST		1,665	(1,647)
(Increase)/Decrease in prepayments	10	(799)	4
(Increase)/Decrease in receivables	9	7,668	(6,317)
Increase/(Decrease) in provisions	16	145	547
Increase/(decrease) in employee and volunteer benefits	14	6,134	2,509
<b>Total net movements</b>		<b>14,813</b>	<b>(4,904)</b>
<b>Add/(subtract) investing activities</b>			
(Gain) on disposal of fixed assets	3	(6,534)	(394)
Interest paid	5	389	538
<b>Total investing activity items</b>		<b>(6,145)</b>	<b>144</b>
<b>Net cash flows from operating activities</b>		<b>42,879</b>	<b>42,568</b>

### Cash flow net GST received (paid)

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

## 20. Capital commitments

### Future minimum asset payments due under non-cancellable contracts

	Actual 2015 \$000	Actual 2014 \$000
Buildings	9,031	9,318
Fleet	7,365	10,284
ICT	40	90
Plant & Equipment	10	230
<b>Total capital commitments</b>	<b>16,446</b>	<b>19,922</b>
Buildings	9,031	9,318
Fleet	7,210	9,782
ICT	40	90
Plant & Equipment	10	230
<b>Not later than one year</b>	<b>16,291</b>	<b>19,420</b>
Fleet	155	502
<b>Later than one year and not later than five years</b>	<b>155</b>	<b>502</b>
<b>Total capital commitments</b>	<b>16,446</b>	<b>19,922</b>

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.

## 21. Operating lease commitments as lessee

### Future minimum lease payments due under non-cancellable operating leases as lessee

	Actual 2015 \$000	Actual 2014 \$000
Not later than one year	4,984	4,424
Later than one year and not later than five years	11,500	6,456
Later than five years	301	2,753
<b>Total operating lease commitments as lessee</b>	<b>16,785</b>	<b>13,633</b>

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. Lease payments recognised as expense in the period amounted to \$5.1 million (2014 \$5.0 million). The Commission does not have any contingent rents or sublease payments.

## 22. Operating lease commitments as lessor

### Future minimum lease payments due under non-cancellable operating leases as lessor

	Actual 2015 \$000	Actual 2014 \$000
Not later than one year	140	139
Later than one year and not later than five years	104	229
Later than five years	118	115
<b>Total operating lease commitments as lessor</b>	<b>362</b>	<b>483</b>

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 Revenue and Expense during the year (2014: \$nil).

## 23. Contingencies

### Contingent liabilities

#### Claims

The Commission is in dispute with Willis New Zealand Limited with regard to their levy obligations associated with the Auckland and Canterbury Museums. At this point in time Willis New Zealand Limited have met their obligation and this has been recognised as revenue by the Commission. There is some litigation risk that the final decision may not be in the Commission's favour. If this were to occur then we estimate that possible reclaims would be in the vicinity of \$6.3 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 \$25.7 million at year end (2014: \$31.6 million).

### Contingent assets

#### Rural Fire Fighting Fund claims for cost recovery

In accordance with section 43 of the Forest and Rural Fires Act 1977, there are a number of Rural Fire Fighting Fund claims with legal advisors for cost recovery and at year end. Possible recoveries have been estimated to be \$0.9 million (2014: \$2.2 million).

## 24. 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 2015 \$000	Actual 2014 \$000
<b>Loans and receivables</b>			
Cash and cash equivalents	8	54,549	60,356
Trade and other receivables	9	75,482	83,150
<b>Total loans and receivables</b>		<b>130,031</b>	<b>143,506</b>
<b>Financial liabilities measured at amortised cost</b>			
Trade and other payables	13	24,187	23,097
Finance leases	15	3,876	5,641
<b>Total financial liabilities measured at amortised cost</b>		<b>28,063</b>	<b>28,738</b>

### 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 (2014: 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.

	Note	Actual 2015			Actual 2014		
		Less than 6 months \$0	Between 6 months and 1 year \$0	Between 1 and 5 years \$0	Less than 6 months \$0	Between 6 months and 1 year \$0	Between 1 and 5 years \$0
Creditors and other payables	13	24,187	–	–	23,097	–	–

## 25. 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 revenue, 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.

## 26. Related party disclosures

The Commission is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Commission would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

### Key management personnel compensation

	Actual 2015 \$000	Actual 2014 \$000
<b>Board Members</b>		
Remuneration	145	143
Full-time equivalent members	1.0	1.0
<b>Leadership team</b>		
Remuneration	4,133	3,701
Full-time equivalent members	17.0	16.0
<b>Total key management personnel remuneration</b>	<b>4,278</b>	<b>3,844</b>
<b>Total full time equivalent personnel</b>	<b>18.0</b>	<b>17.0</b>

Key management personnel include Commission Members, the Chair of the Audit and Risk Committee, the Chief Executive & National Commander, and the 16 members (2014: 15 members) of the organisational leadership team. The increase in costs for key management personnel is mainly due to one extra head count in comparison to last year and the payment of accrued benefits to two members of the key management personnel group who retired during the year. Other than the Commission the Fire Service has three key management teams, the strategic management team, the operational leadership team, and the two combined together, making the organisational leadership team. The role of each team being:

### Strategic leadership team (SLT)

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

### Operational leadership team (OLT)

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

### Organisational leadership team (OrgLT)

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

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

### 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.

## 27. Remuneration of the Commission and committee members

		Actual 2015 \$000	Actual 2014 \$000
Rt Hon Wyatt Creech	Chair	53	53
David McFarlane	Deputy Chair	26	25
Vicki Caisley	Member	21	20
Angela Hauk-Willis	Member	23	20
Rangi Wills	Member	21	20
<b>Total remuneration of the Commission</b>		<b>144</b>	<b>138</b>
Alan Isaac (Audit and Risk Committee)	Chair	1	5
<b>Total for year</b>		<b>145</b>	<b>143</b>

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 (2014: \$nil).

Alan Isaac retired as the Chairperson of the Audit and Risk Committee during the year and was replaced by existing Commission member Angela Hauk-Willis.

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



## 28. Remuneration of employees

### Total remuneration paid or payable

	Actual 2015	Actual 2014
\$100,000 – \$109,999	247	253
\$110,000 – \$119,999	180	159
\$120,000 – \$129,999	152	83
\$130,000 – \$139,999	60	27
\$140,000 – \$149,999	31	16
\$150,000 – \$159,999	17	10
\$160,000 – \$169,999	2	4
\$170,000 – \$179,999	6	6
\$180,000 – \$189,999	4	5
\$190,000 – \$199,999	6	2
\$200,000 – \$209,999	3	2
\$210,000 – \$219,999	1	–
\$220,000 – \$229,999	2	–
\$240,000 – \$249,999	–	2
\$250,000 – \$259,999	1	1
\$260,000 – \$269,999	1	–
\$280,000 – \$289,999	2	–
\$300,000 – \$309,999	1	–
\$340,000 – \$349,999	–	1
\$350,000 – \$359,999 (Chief Executive & National Commander)	–	1
\$400,000 – \$409,999 (Chief Executive & National Commander)	1	–
<b>Total employees</b>	<b>717</b>	<b>572</b>

Of the 145 count increase, there were 28 employees from NHQ or Region management and a further 117 from regional operations. There were 6 employees in management roles who commenced part way through 2013/2014 and have now moved into this threshold having completed a full year.

The remuneration values disclosed above include overtime payments. Consequently, events such as severe weather where fire fighters work extra hours to attend to weather related call outs over the period of the event have an impact on the number of employees that then go over the \$100k banding.

### 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 10 years service.

During the year, there was one severance (2014: 1 employee) costing \$0.02 million (2014: \$0.02 million).

There were 56 employees (2014: 55 employees) who received cessation payments including gratuities costing \$1.7 million (2014: total cost \$1.6 million).

## 29. Post balance date events

There were no significant events after the balance date.

### 30. 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 2015 – Statement of Cash Flows and Financial Position

The most significant variance was cash and cash equivalents which was \$9.3 million higher than budget at year end with major variances being:

- ▶ There was a \$9.8 million favourable variance on the opening balance of cash and cash equivalents – refer note 8
- ▶ Revenue (including levy receipts and excluding capex/insurance) is \$3.2 million favourable – refer notes 1 and 2
- ▶ Spend including payroll and volunteers (excluding capex/GST) is \$5.4 million unfavourable – refer notes 4 and 6
- ▶ GST is \$1.4 million unfavourable
- ▶ Net capex spend (including intangibles) is \$3.3 million unfavourable – refer notes 11 and 12.

#### 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 a \$8.9 million unfavourable variance on the opening balance of cash and cash equivalents – refer note 11
- ▶ 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 4 and 6
- ▶ GST is \$2.7 million unfavourable
- ▶ Net capex spend (including intangibles) was \$2.7 million unfavourable – refer notes 11 and 12.

### 31. Adjustments arising on transition to new PBE accounting standards

The significant change arising from the transition to the new PBE accounting standards is the impact of the move of recognising levy revenue from a cash basis to an accrual basis. This change in treatment has had the impact of decreasing net surplus by \$7.8 million for the year. This has been due to revenue relating to previous years that was received this year being recorded against the appropriate year. In the 2014 year the change has resulted in an increase in net surplus by \$6.6 million. The change in treatment has strengthened the Commission's balance sheet by \$73.4 million (2014: \$81.2 million) due to the recording of levy debtors. This change and other minor changes are discussed in more detail below.

#### Reclassification adjustments

The table below explains the reclassification adjustments to the 30 June 2014 comparative information on the face of the financial statements resulting from the transition to the new PBE standards.

	Note	NZ IFRS (PBE) 2014 \$000	Adjustment \$000	PBE accounting standards 2014 \$000
<b>Statement of comprehensive revenue and expense</b>				
Interest revenue	A	–	2,552	2,552
Other revenue	A	11,479	1,076	12,555
Other income	A	3,628	(3,628)	–

## Recognition and measurement adjustments

The table below explains the recognition and measurement adjustments to the 30 June 2014 comparative information resulting from the transition to the new PBE standards.

	Note	NZ IFRS (PBE) 2014 \$000	Adjustment \$000	PBE accounting standards 2014 \$000
<b>Statement of financial position</b>				
Current Assets				
Trade and other receivables	B	1,985	81,165	83,150
Equity				
Accumulated funds	B	425,848	81,165	507,013
<b>Statement of comprehensive revenue and expense</b>				
Revenue				
Levy revenue	B	339,440	6,633	346,073
<b>Statement of Changes in equity</b>				
Balance at 1 July		556,730	74,532	631,262
Total comprehensive revenue and expense	B	36,136	6,633	42,769
<b>Balance at 30 June</b>		<b>592,866</b>	<b>81,165</b>	<b>674,031</b>

## Explanatory notes

### Reclassification adjustments

A. As there is no distinct between income and revenue under PBE accounting standards, items previously disclosed as income have now been included in other revenue with the exception of Interest revenue which has been disclosed separately on the face of the financial statements.

### Recognition and measurement adjustments

B. The change in recognising Levy revenue from a cash basis to an accrual basis has resulted in increasing trade receivables and equity by \$81.2 million respectively. Revenue and consequently total comprehensive revenue and expense have also increased by \$6.6 million by this change in policy.

# Glossary

<b>AEP</b>	Accredited Employers Programme	<b>IRD</b>	Inland Revenue Department
<b>ACCPP</b>	Accident Compensation Corporation Partnership Programme	<b>ITO</b>	Industry Training Organisation
<b>AED</b>	Automatic External Defibrillator	<b>LMS</b>	Learning Management System
<b>AFAC</b>	Australasian Fire and Emergency Services Authorities Council	<b>MOU</b>	Memorandum of Understanding
<b>BTO</b>	Brigade Training Officer	<b>NBS IL</b>	National Building Standards Importance Level
<b>CAP</b>	Corrective Action Plan	<b>NHQ</b>	National Headquarters
<b>eIAP</b>	electronic Incident Action Plan	<b>NRFA</b>	National Rural Fire Authority
<b>EFOS</b>	Executive Fire Officers Society	<b>NZPFU</b>	New Zealand Professional Firefighters Union
<b>EMQUAL</b>	Emergency Management Qualifications	<b>OLT</b>	Operational Leadership Team
<b>ERFD</b>	Enlarged Rural Fire Districts	<b>OrgLT</b>	Organisational Leadership Team
<b>ESCG</b>	Emergency Services Coordination Group	<b>OSM</b>	Operational Skills Maintenance
<b>FAIP</b>	Fire Awareness and Intervention Programme	<b>PSA</b>	Public Service Association
<b>FEB</b>	Fire Engineering Brief	<b>PS PBE</b>	Public Sector Public Benefit Entities
<b>FRCA</b>	Fire and Rescue Commanders Association	<b>RFA</b>	Rural Fire Authority
<b>GAAP</b>	Generally Accepted Accounting Practice	<b>RFFF</b>	Rural Fire Fighting Fund
<b>GST</b>	Goods and Services Tax	<b>SITE</b>	Shared Information Technology Environment
<b>Hazmat</b>	Hazardous Material	<b>SLT</b>	Strategic Leadership Team
<b>HFSC</b>	Home Fire Safety Check	<b>SVOG</b>	Strategic Volunteer Oversight Group
<b>IBANZ</b>	Insurance Brokers Association of NZ	<b>TAPS</b>	Training and Progression System
<b>IMRG</b>	Incident Management Reference Group	<b>TMS</b>	Training Management System
<b>IMT</b>	Incident Management team	<b>UFBA</b>	United Fire Brigades Association
<b>INSARAG</b>	International Search and Rescue Advisory Group	<b>UN</b>	United Nations
<b>IPSAS</b>	International Public Sector Accounting Standards	<b>USAR</b>	Urban Search and Rescue
		<b>VRFF</b>	Volunteer Rural Fire Force
		<b>XRB</b>	External Reporting Board

Copyright ©. Except for the New Zealand Fire Service emblem, this copyright work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. This copyright work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the New Zealand Fire Service Commission and abide by the other licence terms. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/3.0/nz/>. Please note that the New Zealand Fire Service emblem must not be used in any way which infringes any provision of the Flags, Emblems, and Names Protection Act 1981 or would infringe such provision if the relevant use occurred within New Zealand. Attribution to the New Zealand Fire Service Commission should be in written form and not by reproduction of the New Zealand Fire Service emblem.





**Important disclaimer by the Auditor-General on audited financial statements on this website.**

Please note that the maintenance and integrity of the financial statements in this annual report on the New Zealand Fire Service website is the responsibility of the Fire Service.

The Auditor-General accept no responsibility for any changes that may have occurred or may occur to the audited financial statements in regard to the presentation of those financial statements on this website.

The auditor's report refers only to those financial statements named within the audit report. They do not provide an opinion on any other information that may have been hyperlinked to/from those audited financial statements.

If readers of this website are concerned about the inherent risks arising from electronic data communication, they should refer to the published hard copies of the audited financial statements to confirm the information.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

[www.fire.org.nz](http://www.fire.org.nz)

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

**National Headquarters**

Level 12, 80 The Terrace

Address: PO Box 2133

WELLINGTON

Phone: 04-496 3600

Fax: 04-496 3700

New Zealand Government