



Annual Report

For the year ended 30 June 2016



The year at a glance

OUR PEOPLE

As at 30 June 2016



1,713

CAREER FIREFIGHTERS



8,133

URBAN VOLUNTEERS



3,500

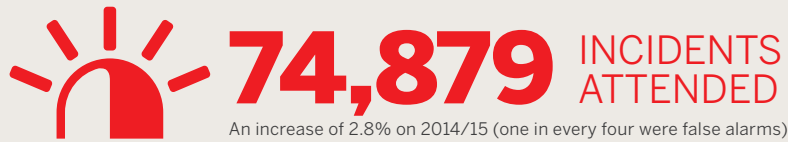
RURAL VOLUNTEERS
(APPROXIMATE)



618

MANAGEMENT AND
SUPPORT STAFF

IN 2015/16



IN 2015/16

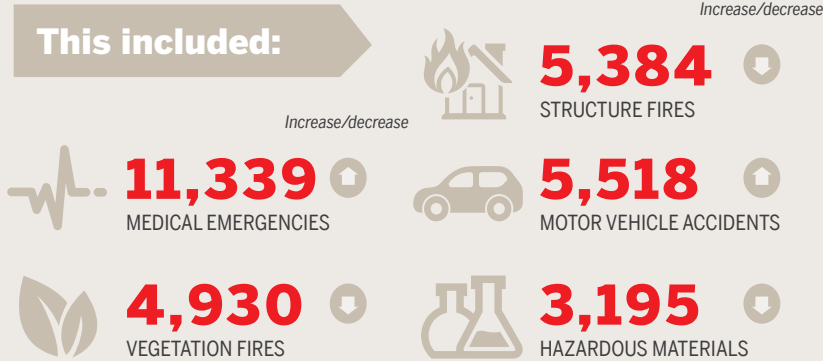


EXPENDITURE

CAPITAL
\$54.5 MILLION

OPERATING
\$388.8 MILLION

This included:



ASSET BASE
\$699.7 MILLION

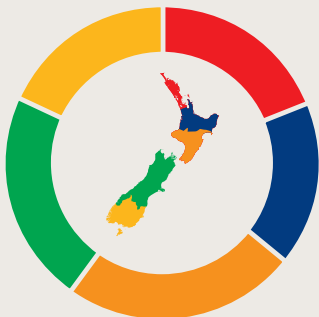


REVENUE
\$389.3 MILLION



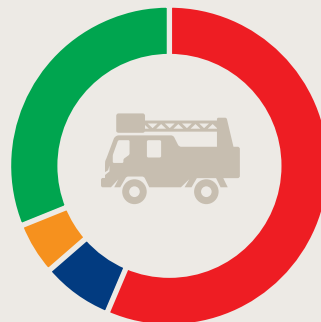
MOST TRUSTED
PUBLIC SECTOR
ORGANISATION¹

OUR NETWORK – FIVE REGIONS

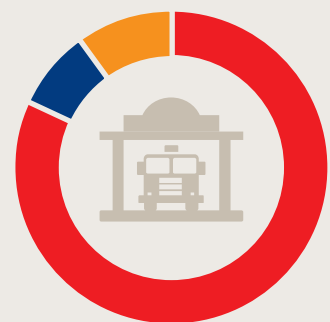


	Region 1	19%		Region 4	22%
	Region 2	17%		Region 5	18%
	Region 3	24%			

FIRE STATIONS BY TYPE



	Volunteer stations	360		Composite ² stations	33
	Career stations	46		Rural fire forces	198



	Volunteer	82%		Composite ²	8%
	Career	10%			

¹ Colmar Brunton's 2015/16 Public Sector Reputation Rankings.

² Volunteer and career.

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New Zealand Fire Service Commission

Our Vision

Leading integrated fire and emergency services for a safer New Zealand.
Te Manatū o ngā 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.

Our role

The New Zealand Fire Service 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 among the Minister, the Chair, the Board and the Chief Executive, and between the Minister and Parliament. The New Zealand Fire Service Commission has five principal roles:

- ▶ Governance and operation of the New Zealand Fire Service.
- ▶ Exercise the functions of the National Rural Fire Authority (NRFA).
- ▶ Coordination of fire safety throughout New Zealand.
- ▶ Receipt and audit of the proceeds of the Fire Service Levy.
- ▶ Preparation for Fire and Emergency New Zealand (FENZ).

The Board

Members of the New Zealand Fire Service Commission Board 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.

For the first 9 months of the 2015/16 financial year, the Commission members were:

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

The Commission's current board members (the Board) were appointed with effect from 1 April 2016 to lead the establishment of a new organisation and embed a unified approach. The Board members are:

- ▶ Hon. Paul Swain, QSO, Chair
- ▶ Dr Nicola Crauford, Deputy Chair
- ▶ Te Arohanui Cook
- ▶ Angela Hauk-Willis
- ▶ Peter Drummond MNZM.



A late night response
in Wellington.

Board member profiles



Hon. Paul Swain, QSO (Chair)

Paul has been appointed as Chair of the Board for a 3-year term. His political career spanned some 15 years, during which he held a number of ministerial portfolios, including state-owned enterprises, corrections and immigration.

Paul was made a Companion of the Queen's Service Order in 2009 and appointed as a negotiator in Treaty of Waitangi settlements. He led the independent Fire Review Panel in 2012 and currently holds a seat on the Greater Wellington Regional Council.

Declaration of interests:

- ▶ Councillor on the Greater Wellington Regional Council.
- ▶ Chair of the New Zealand Utilities Advisory Group.
- ▶ Principal of Paul Swain Consulting.
- ▶ Former Chair of the Fire Review Panel (2012).



Dr Nicola Crauford (Deputy Chair)

Nicola, who has been appointed as the Board's Deputy Chair, has an impressive wealth of governance experience, plus a sound understanding of rural fire that was gained during her time as Chair of the Wellington Rural Fire Authority.

Declaration of interests:

- ▶ Director of Watercare Services Limited.
- ▶ Director of Wellington Water Limited.
- ▶ Director of Orion New Zealand.
- ▶ Director of the Environmental Protection Agency.
- ▶ Consultant for WorleyParsons New Zealand Limited.
- ▶ Chair of GNS Science.
- ▶ Member of the Electoral Authority of the Co-operation Bank Limited.
- ▶ Director and Shareholder of Martin Crauford Limited.
- ▶ Director and Shareholder of Riposte Consulting Limited.



Te Arohanui Cook

Te Arohanui has had significant engagement with rural fire, at both an operational level and through her involvement in rural fire training.

Declaration of interests:

- ▶ Volunteer Firefighter in Waipukurau.
- ▶ Former Director and Shareholder of RFNS Training Services Limited.
- ▶ Former Principal Rural Fire Officer for Central Hawke's Bay.
- ▶ Director and Shareholder of Phoenix Ventures Waipukurau Limited.



Angela Hauk-Willis

Angela has a wide range of governance experience, including being a Board member of the New Zealand Fire Service Commission since 2011. Angela brings continuity of governance to the Board as it leads the establishment of a new organisation.

Declaration of interests:

- ▶ Chair of the Audit and Risk Committee, New Zealand Fire Service Commission.
- ▶ Member of the Performance and Risk Advisory Group, Ministry of Transport.
- ▶ Trustee, 2020 Trust and Chair of the 2020 Trust Audit and Risk Committee.
- ▶ Principal of Angela Hauk-Willis Consulting.



Peter Drummond MNZM

Peter has an extensive background in governance and leadership roles. As a former Chair of the United Fire Brigades Association, Peter has an in-depth understanding of volunteers and the role they play in fire services.

Declaration of interests:

- ▶ Chairman of Appliance Connexion Group Services Limited.
- ▶ Director of Ngāti Awa.
- ▶ Director of Score Limited.
- ▶ Director of Watercare Services Limited.
- ▶ Chairman of Variety Medical Missions South Pacific.
- ▶ Director of NARTA New Zealand Limited.
- ▶ Director of Port Marlborough New Zealand Limited.
- ▶ Director of NARTA International Pty Limited.
- ▶ Chairman of Watercare Harbour Clean-Up Trust.
- ▶ Former Member of the Fire Review Panel (2012).

Chair's foreword

It is my pleasure to present my first annual report as Board Chair of the New Zealand Fire Service Commission.

Along with the incumbent Board member Angela Hauk-Willis, I was joined by Dr Nicola Crauford, Peter Drummond and Te Arohanui Cook in April 2016. This Board brings experience in rural and urban fire services, the volunteer sector, and governance and change management at a time of significant change for New Zealand's fire services.

Public expectations have changed since the Fire Service Act and Forest and Rural Fires Act were introduced in the 1970s. Urban and rural firefighters now face an increasing array of similar challenges, including a steady rise in non-fire emergencies.

This year was no different, with notable increases recorded against the number of medical emergencies (10.0%) and motor vehicle accidents (14.6%) attended last year. In total, the number of non-fire incidents accounted for 39% of all incidents attended by firefighters in 2015/16.

In response to these trends and the 2015 Fire Services Review, the Government announced its decision this year to unify New Zealand's urban and rural fire components into a single organisation that will be known as Fire and Emergency New Zealand (FENZ).

The FENZ Bill was introduced to Parliament by the Hon. Peter Dunne, Minister of Internal Affairs, in April 2016. Provided it passes through Parliament, FENZ will come into effect on 1 July 2017.

Backed by this new legislation and funded through new levy

arrangements, FENZ will remove the legislative and organisational barriers that have traditionally separated New Zealand's urban and rural fire services. In response to community feedback, the new legislation also proposes the establishment of local committees to ensure FENZ is responsive to the risks and needs of our communities.

The Government has pledged a total of \$303 million to achieve these aims. This includes \$112 million to cover the cost of the transition, which will be repaid to the Crown over a 9-year period.

Subject to public consultation, FENZ's first year of funding in 2017/18 will be partly drawn from the first fire levy increase in 8 years.

From 2018/19, a broadening of the levy is proposed to include insurance on all material damage, not just fire, and the fire levy on motor vehicle insurance will be extended to include third party insurance.

A broader levy will recognise firefighters' expanded role in responding to motor vehicle incidents, medical emergencies, natural disasters and hazardous substance incidents. The new levy will be designed to make the rules clearer for the commercial sector, and it will also be subject to public consultation every 3 years to ensure fair and equitable funding.

From 1 July 2017, the Board's immediate focus will be on ensuring that the amalgamation of urban and rural fire services occurs without



disruption to emergency response, payroll, or operational command and control. Success here will set the foundation for further unification over the next 5 years.

In closing, I want to acknowledge the previous Commission for their work, particularly in shaping the Fire Service's Vision 2020, which has prepared us well for the next chapter in our history. I also offer my gratitude to everyone in the urban and rural fire services for unwavering service to their communities and their commitment to delivering excellent services to all New Zealanders.

A handwritten signature in black ink that reads "Paul Swain".

Hon. Paul Swain
Chair

Chief Executive's overview

This year, the Government announced the biggest changes to New Zealand's fire services in more than a generation.

From 1 July 2017, new legislation will amalgamate over 40 rural fire authorities, the National Rural Fire Authority and the New Zealand Fire Service into a single unified organisation — Fire and Emergency New Zealand (FENZ).

Significantly, the new legislation will address a number of issues. These include the need to clarify the fire services' mandate when responding to non-fire incidents and the need to address levy avoidance schemes, which undermine urban firefighters' primary source of funding.

While the outcome of the 2015 Fire Services Review has been a major focus for us, we have not let it distract us from providing high-quality emergency responses to communities. In 2015/16, the number of incidents attended (74,879) increased by 2.8% from the previous year. Notably, while the rate of structure fires has remained static, the number of non-fire emergencies attended by firefighters has increased by 20% over the past 5 years.

One of the most pleasing results has been in firefighter safety, with a sustained reduction in the number of firefighter injuries requiring more than 7 days off work, from 150 to 118 this year. We also delivered a new safety programme for our people working at heights, and reviewed our safety, health and wellbeing practices against the new Health and Safety at Work Act (HSWA), which came into effect this year.

Another legislative milestone was the passing of amendments to the Residential Tenancies Act, including

a requirement for landlords to install smoke alarms in their residential properties as of 1 July 2016. This is a major step forward, given that 8 of the 11 rental property fire deaths this year occurred in homes with no working smoke alarms.

Where incidents do occur, effective incident management is critical to resolving them safely and effectively. This year we delivered new courses to upskill and refresh career and volunteer officers in tactical incident command, and executive officer strategic command courses that were designed to strengthen their ability to lead large-scale, multi-agency incidents.

It has been a very busy year nationally and internationally, with deployments for rural firefighters in Martinborough and Wairarapa, as well as Australia, Canada, and the United States. Our Urban Search and Rescue (USAR) team was also deployed to provide disaster relief in Fiji, following Cyclone Winston.

Following the signing of a Memorandum of Understanding (MOU) with the St John ambulance service last year, we also signed an equivalent agreement with Wellington Free Ambulance this year. This ensures our role in responding to medical emergencies is now consistent across the whole country, as part of greater collaboration with our emergency service partners.

Our significant capital investment programme also continues to support the seismic strengthening, and construction or full refurbishment of stations all over the



country, particularly in Christchurch, where a major rebuilding programme is underway following the 2011 earthquakes.

The complexity of bringing more than 40 separate organisations together cannot be underestimated. That said, I am confident we can meet this challenge, and build on the high level of public trust we've earned, as demonstrated in the Fire Service leading Colmar Brunton's "most trusted profession" public sector reputation rankings in 2015/16.

This year has absolutely been a team effort, and I would like to thank all our people — urban, rural, career and volunteer — for their continued hard work to lead integrated fire and emergency services for a safer New Zealand.

Paul Baxter
Chief Executive

Fire Services Review and FENZ transition

Establishing a unified fire service for the 21st century.

Significant change ahead for fire services sector

In 2015/16, the Government agreed to make the biggest changes to New Zealand's fire services in decades. These changes followed many months of consulting with and listening to the New Zealand public and its fire and emergency services sector. The feedback was clear — that New Zealand's fire services needed to be updated to meet the challenges of the 21st century. Accordingly, work is now underway to amalgamate New Zealand's existing urban and rural fire services into a single new organisation, known as Fire and Emergency New Zealand (FENZ).

The sector has told us that continuing to talk, listen and collaborate will assist in building a strong, robust organisation, and we are committed to making this happen.

The FENZ Transition Project team will continue to seek feedback from the sector and from the fire services' workforce across the country — be they urban, rural, career or volunteer.

Change prompted by a series of reviews

The current fire services' legislation dates from the 1970s, when a firefighter's role was largely to put out fires. That legislation nationalised the fire services but did not otherwise address the basic structure, which has not changed much since the 1940s.

The expectations of the fire services and the activities we perform have evolved considerably since then. The new legislation will be modern, enabling and, importantly, will ensure liability protection for everyone performing any of FENZ's mandated activities in good faith.

The reforms that are underway were initiated by the independent Fire Review Panel in 2012, which made a number of recommendations to Cabinet. In September 2013, Cabinet agreed to some next steps based on the recommendations in that report, which led to the Fire Services Review in 2015.

The Fire Services Review released a public discussion document in 2015 and feedback from consultation informed the Cabinet decision in November 2015 to create a single, unified fire service for New Zealand with local committees. There was strong feedback that local representation was essential if a unified fire service was to work effectively and collaboratively at a community level.

Review focuses on three critical areas

The review recognised that our current fire services are performing well and providing a service that the public trusts very highly. The changes proposed aim to build on that strength and to help ensure that

New Zealand has a fit-for-purpose fire and emergency service in the future.

The three areas of critical focus are:

- ▶ providing better support for volunteers
- ▶ addressing the relative inequity between some rural and urban services
- ▶ providing for a community voice in fire services through the implementation of local committees.

Better support for volunteers

While career firefighters play an indispensable role in providing services in our larger city areas, many parts of New Zealand rely solely on volunteer firefighters. Fire services have been fortunate in being able to recruit willing, competent volunteers, but the volunteer model is becoming harder to sustain in some rural communities as the local workforce shrinks and our population ages and becomes more urbanised. Therefore, FENZ will provide better support for volunteers to help ensure that the volunteer model continues to thrive into the future.

Addressing funding differences

Funding has been inconsistent in parts of the fire and emergency sector over time, resulting in a significant difference in the funding and support provided to rural and urban firefighters in some places. From a national perspective this

doesn't make sense. The Fire Services Review agreed that any firefighter doing the same job should expect to be similarly trained, equipped and supported. Consequently, FENZ will establish a unified fire service, and it has been provided with sufficient funding to ensure that common standards and levels of support can be developed for all of its workforce.

Local committees

There was consistent public feedback that the new organisation must retain strong links with communities, and must ensure that local fire and emergency services reflect community risks and needs. To achieve this, the new legislation proposes the establishment of local committees to provide advice, from a local perspective, to FENZ.

More opportunities for career firefighters

Fire and Emergency New Zealand will be larger and will have a broader mandate than the current fire services. There is likely to be a broader scope of roles available to both urban and rural staff, and this may open up new career paths and opportunities.

Structures and expertise in place to manage change

New Board members of the New Zealand Fire Service Commission were appointed with effect from 1 April 2016 to lead the establishment of FENZ and embed a unified approach over the next few years.

In May 2016, the Board established a Transition Committee with specific responsibility for governing the FENZ Transition Project. A Transition Director position was also established and an appointment was made in July 2016. This structure brings an experienced team together to lead, govern and manage the transition programme.

FENZ Transition Project team established

The FENZ Transition Project team has been initiated to establish FENZ, which is an amalgamation of the New Zealand Fire Service, the National Rural Fire Authority (NRFA) and more than 40 Rural Fire Authorities (RFAs).

The project will enable the establishment of a single, integrated organisation from 1 July 2017. Over the following 3 to 4 years, further changes will build a modern nationwide service that unifies what are currently separate urban and rural volunteer and career firefighting forces.

Under the leadership of the Transition Committee, the FENZ Transition Project team has made significant progress since its establishment. In addition to partnering with rural and Fire Service leaders to present updates on progress to the sector and our people and gather their input on proposed activities, the team has established the plan to deliver the requirements of the organisation on 1 July 2017. This comprehensive Blueprint will guide the activities of the team over the coming months.

More details are available on the project website:
www.fenzproject.co.nz.



Urban firefighters responding to a night-time call out.

Our priorities

Our 2014–2018 Statement of Intent (SOI) set an ambitious programme of work to achieve our vision for 2020 of “leading integrated fire and emergency services for a safer New Zealand”. During 2014/15, our leaders travelled the country and spoke to over 4,000 career and volunteer firefighters about our Vision 2020. We explained our direction and heard directly from them about the work they saw as important to help us achieve this. This consultation informed Vision 2020.

In 2015/16, we began to deliver Vision 2020. It involves a new way of engaging and listening, which is a core principle in the FENZ Transition Project. It focuses on our people and how we do our work, and is backed by our priorities and key programmes that will take us to 2020.

Many of the actions in this section, from better focus on psychological wellbeing to practical information, communications technology and training tools, deliver on the priorities identified by our people.

Our priorities are:

-
1. Safety of New Zealanders.

 2. Safety, health and wellbeing of our people.

 3. People.

 4. Volunteer and brigade resilience.

 5. Incident management and integration.

Thousands gathered to watch our teams in action at the Te Papa emergency expo in Wellington earlier this year.



Safety of New Zealanders

The safety of our people and the public of New Zealand remains our first principle, and is the premise that informs all our decisions and activities. We promote fire safety by raising awareness of the risk of fire and influencing positive behavioural change to reduce fire incidents. We also invest heavily in high-profile social marketing campaigns to raise the public's awareness of the risk of fire and to prevent incidents we know can be avoided.

Fire risk management

Safer New Zealand Fire Risk Reduction and Prevention Plan

In 2014/15, we developed our new Safer New Zealand Fire Risk Reduction and Prevention Plan. This unified the reduction and prevention plans for all fire agencies across New Zealand by ensuring that we have a sharper focus on at-risk groups and that our efforts are better targeted. We began to implement this plan in the 2015/16 year.

While continuing our wide range of education programmes, we improved how we evaluate our activities to gain a more accurate idea of what return on investment we are getting. We prioritise the funding of fire reduction and prevention initiatives according to the risk and the predicted value of their outcomes.

FAIP

Our Fire Awareness Intervention Programme (FAIP) is an education programme that is delivered by trained firefighters to address unhealthy fire-lighting behaviour by children and young people (5–17 year olds). During 2015/16, we delivered this programme to 409 children and young people, which was down from 524 for the previous year. Our current 5-year average is 448. The number of interventions is largely dependent on the New Zealand Police and other agencies referring young offenders to us to deliver the programme.

The programme has a 90% success rate, with only 10% of participants continuing to light fires and needing to receive further interventions. To date, more than 12,800 children and young people have completed the programme since it started in 1996.

Safer buildings

The public often associate our work with firefighters fighting fires. Behind the scenes, our specialist teams ensure that the buildings people live and work in are as safe as possible.

Evacuation schemes

Our role in processing these applications and assessing them against the Fire Safety and Evacuation of Buildings Regulations is to ensure that there are suitable safety processes in place in case of a fire emergency. During 2015/16, we processed a total of 4,673 applications for evacuation schemes — a 55% increase from the applications processed during the previous year. The enactment of the Health and Safety at Work Act (HSWA) in April 2016 and building owners becoming more aware of their safety obligations have contributed to this increase.

Fire fatality trends

There were 19 avoidable³ residential fire fatalities in 2015/16 compared with 12 in 2014/15 (a record low). This equates to 0.41 fatalities per 100,000 population, which is below the expected rate of 0.45 per 100,000. Eleven of these people died in fires in rental properties with eight of these occurring in homes with no working smoke alarms.



avoidable³ residential
fire fatalities in 2015/16



were in locations with
no working smoke alarms

³ 'Avoidable' means fire fatalities occurring in residential accommodation where effective education, engineering or enforcement initiatives if provided and/or acted upon could have prevented loss of life.

Despite the increase, all applications were processed within the legislative timeframe of 20 working days.

Building consent process — design review memoranda

Territorial authorities ask us to advise on a number of buildings that require a building consent as part of the regulatory process. Our role is to comment on specific areas of the design that can have an impact on the occupants' ability to safely escape in the event of a fire and the needs of firefighters to be able to fight a fire in a building. Our input into these design reviews ensures that specialist fire engineering advice is provided to territorial authorities in the interests of building safety in the event of a fire. We provided advice on 962 building design reviews (compared with 880 in the previous year), all within the 10-day statutory timeframe.

Fire engineering briefs

The Ministry of Business, Innovation and Employment (MBIE) has published guidance under section 175 of the Building Act recommending that a thorough fire engineering brief process be carried out in the early design phase of building development.

We have continued to participate in this process by providing advice to ensure appropriate risk informed designs are developed. During 2015/16, we were involved in 276 fire engineering briefs, which influenced building design in relation to fire safety.

Significant fire engineering projects

We have been extensively involved in the Fire Programme led by MBIE. This programme involves 15 individual projects that are looking at a range of potential improvements in building design requirements, and seeking to maintain both occupant and firefighter safety, to reduce compliance and red tape, and improve efficiency. We have representatives on eight of the nine projects that are currently underway.

We have also been involved in a number of other significant projects, including the Auckland City Rail Link, the International Convention Centre Sky City, and three proposed high-rise buildings that require significant engineering input and revised operational procedures.

Legislative change advocacy

Residential Tenancies Act

We influenced legislative changes that led to smoke alarms being required in residential tenancies. The resulting changes enacted by Parliament require at least one long-life photoelectric smoke alarm in all residential tenancies from 1 July 2016. These changes include penalties for both landlords and tenants where alarms are either not installed or are tampered with. We estimate this new requirement will save at least three lives every year.

Cigarette Lighters Regulations

We continued to advocate for the current cigarette lighters regulations to be updated following a number of fires that resulted in serious burn injuries to children in recent years. This has led to MBIE agreeing to support our proposed changes to ban the importation and sale of novelty lighters, and to extend child resistance requirements to include all types of lighters (such as barbeque lighters). MBIE is now prioritising these proposed changes in its work programme. As a result of this work, we anticipate a reduction in the number of fires and injuries resulting from incidents where young children have been playing with cigarette and novelty lighters.

Flammability of Furnishings Regulations

The flammability of modern furnishings contributes to rapid fire growth, and therefore causes fire damage, injuries and fatalities. During the year, we worked with MBIE and hosted two national forums (in Auckland and Christchurch) to begin a public consultation process on a proposal to legislate against flammable furnishings.

Safety of our people and the public of New Zealand is paramount.

As the lead agency for this legislation, MBIE has commissioned research on the benefits of using fire retardants in furnishing foams. We anticipate that this work will significantly reduce serious injuries, fire fatalities and property loss in the future. This research is expected to be completed during 2016/17.

Basing interventions on evidence — Contestable Research Fund

Our Contestable Research Fund fosters independent research to inform improvements in many of the activities we undertake. This includes work in the area of Fire Risk Management.

During 2015/16, the following reports relating to fire risk management were published:

- ▶ *The Prevalence and Fire Safety Implications of Early Childhood Centres in Multi-Story Buildings.*
- ▶ *Home Fire Safety Checks Evaluation Phase 2.*
- ▶ *Describing Wildfire Prone Areas in the New Zealand Context.*
- ▶ *Evaluating Effective Methods of Engaging School-Leavers in Adopting Safety Behaviours.*
- ▶ *Micro-Simulation Model for Household Fire Risk Identifications.*

Through this fund we led research assessing the effectiveness and benefits of hand-operated firefighting equipment. The report on that research will be published in 2016/17.

Public education

Public awareness campaigns

The primary goal of our public awareness campaigns this year was for New Zealanders to check they have smoke alarms and that they are working properly. The challenge to achieving this is human denial: “fire is bad but it won’t happen to me”. Our approach is designed to take people on a journey from threat to check by showing them that fires do happen to people ‘like me’ and then to motivate them with safety solutions (e.g. working smoke alarms).

Your Only Voice

This campaign aimed to motivate audiences to be fire-safe by getting smoke alarms and checking they work. The concept is to compare the sound of a smoke alarm to your own voice. Two television commercials featuring a father and daughter and two flatmates demonstrate how working smoke alarms are, figuratively, your only voice in a fire.

The campaign was aimed to address the lack of personal action regarding checking or installing smoke alarms, despite high awareness of their

value in preventing fire deaths (based on independent research). The television commercials ran alongside targeted promotions such as digital banners, online videos, and print and radio promotions, all of which supported the national message. Our Fire Knowledge and Communications Survey showed that these advertisements had high awareness ratings and above average motivational scores.

Make Daylight Saving life saving

The beginning and end of Daylight Saving are key times when we promote our message about checking smoke alarms. Along with the advertising, we also managed to exploit television ad libs during the 6pm weather bulletin, radio, Facebook and other target channels.

Neighbourly

We have a strong partnership with Neighbourly — a community-focused social media site with an emphasis on keeping neighbourhoods safe and informed. Use of this channel by brigades is increasing alongside the number of Neighbourly users.

Neighbourly is becoming an increasingly effective tool for informing and engaging with local communities, often providing new and innovative ways to reach people. For the weekend of Daylight Saving in March 2016, Neighbourly sent out a blog about the importance of smoke alarms to all users (270,000 at the time) and pinned a post to the top of all users’ feeds reminding them to check their smoke alarms. In winter, we sent out a private email to all users about how to keep warm but safe. There was excellent feedback from users on this as a method of communicating with people, and it allowed us to reach at-risk people, including the elderly and members of the deaf community.

As part of an ongoing commitment to our partnership with Neighbourly, our “working smoke alarms save lives” image is placed throughout the site’s signup and change of details pages.





Fires are Happening

Supporting the safety solution-based check campaign 'Your Only Voice' is the 'Fires are Happening' threat campaign. This campaign targets specific moments in time in our audiences' lives (e.g. buying a house or a house fire in the neighbourhood) to deliver messages in confronting and unexpected ways.

As part of this initiative, we arranged for TV3's Story programme to broadcast a house fire live (under controlled conditions). The programme included practical information on preventing and surviving a house fire. Television coverage of this event reached 800,000 New Zealanders and hardware stores in the neighbourhood of the burned house sold out of smoke alarms the next day.



Day of Influence

In our 'Day of Influence' campaign, we used a new approach to connect New Zealanders with the devastating effects of a fire in a personal way. By mixing the ashes from local house fires into the printing ink of local newspapers, we gave people the chance to hold the remains of someone's home in their hands, whilst reading about their house fire experience. We then urged them to either check or install smoke alarms.

To measure the effect of this campaign, we partnered with a smoke alarm retailer to promote our recommended smoke alarm. Over the 5 days following the campaign, smoke alarm sales increased 1,690% from the same period last year and remained 300% higher in the following month. In addition, 78% of those surveyed who recalled the campaign said that they had checked or intended to check their smoke alarms.



Education programmes

Get Firewise/Māui-Tinei-Ahi

To provide basic fire safety knowledge for young children, we rolled out the Māori preschool kit 'E Puta, E Noho, Ki Waho' throughout the country. The mainstream 'Get Out Stay Out' programme for pre-schools also remained popular.

We are seeing good results from the 'Get Firewise' education programme for Year 1 and 2 students, and the 'Māui-Tinei-Ahi' programme for Māori children in kura kaupapa. For example, in our recent Fire Knowledge and Communications Survey, three of

four school children were able to recall that they had taken part in a 'Get Firewise' programme. We maintained our activities in getting these programmes into schools and supporting the education delivered by the teachers with firefighter visits — which are always a highlight.

Our trainers have continued to deliver an overview and introduction of our school programmes to all career recruit courses, and a specific training programme has been developed to support the delivery of school programmes across New Zealand.



Stakeholder and community engagement

National Volunteer Week

National Volunteer Week has become an annual event for us to recognise the contribution that urban and rural volunteers make to keep our communities safe. The 2016 campaign was designed to show members of the public and the Chief Executive thanking volunteers for their contribution. Along with featured print media nationwide, specific messages recognising our range of audiences and employers of volunteers were developed for online and radio channels.

Polyfest

The Auckland Secondary Schools Māori and Pacific Islands Cultural Festival, more commonly known as Polyfest, is the largest Polynesian festival in the world. Every year we make a significant investment in Polyfest. As many of our activities here are indicative of what we offer at other community events, we also use Polyfest to carry out a community engagement benchmark survey to understand the impact of our presence at such events.

At Polyfest, the research company TNS conducted 327 surveys across 4 days. These surveys showed that awareness of the Fire Service at Polyfest was high for over half of the visitors, which translates to an estimated 45,000 people over the event. While awareness is a start, the most important finding of the survey was that 85% of those who had a close look at the displays reported a change in their behaviour or attitude towards fire safety. This tells us that there are positive results from the investment made.





Cleaning contaminated gear quickly after an incident can help reduce the risk of developing cancers associated with firefighting.

Safety, health and wellbeing of our people

The nature of fire and emergency services means that we need to be the very best we can in safety management both on and off the incident ground. To maintain the highest standards requires us to build a strong culture where everyone takes responsibility for their own and their colleagues' safety, health and wellbeing. A strong safety, health and wellbeing culture is critical for supporting both the management of our risks and the overall wellbeing of our people and the public of New Zealand.

The enactment of the new Health and Safety at Work Act (HSWA) in April 2016 reinforced our priority to keep our people and communities safe. Over the last 12 months, we have focused on aspects of the new law, which states that “workers should be given the highest level of protection against harm to their health, safety and welfare”⁴. The new law has reinforced the significant value we place on our volunteers. By using the term ‘workers’ to cover a wide variety of roles, the new law guides our focus and responsibilities for the safety, health and wellbeing of all personnel — employees and volunteers.

Safety, health and wellbeing informs all organisational discussions and decisions. This is reflected in our safety, health and wellbeing engagement framework with key stakeholders, and in the effective collaborative relationships we have with unions and associations — the New Zealand Professional Firefighters Union (NZPFU), the United Fire Brigades Association (UFBA), the Fire and Rescue Commanders Association (FRCA) and the Public Service Association (PSA).

We have strengthened existing programmes of work and implemented new ones with a focus on physical, work-related health and

psychological aspects. We continue to work collaboratively with our rural fire stakeholders to plan and implement the effective transition of our core safety, health and wellbeing management systems across more than 40 entities into Fire and Emergency New Zealand (FENZ) from 1 July 2017.

Physical safety focus

Health and Safety at Work Act 2015

Preparation for the enactment of the HSWA from 4 April 2016 provided us with an opportunity to review the components of our overall safety, health and wellbeing management systems against the new legislation.

We established a specific Health and Safety Reform programme that focused on the main changes and impacts these could have on the Fire Service. The main areas of change included:

- ▶ greater organisational governance and leadership accountability for health and safety
- ▶ increased focus on engagement, participation and representation of workers

- ▶ closer collaborations with other organisations and agencies to manage overlapping duties of Persons Conducting a Business or Undertaking (PCBUs)
- ▶ effective management of risks for all our workers, workplaces and work activities, including where these influence the safety, health and wellbeing of others in our workplaces and communities
- ▶ new reporting requirements to WorkSafe New Zealand.

Many parts of our safety, health and wellbeing management systems have been independently assessed by the Accident Compensation Corporation as demonstrating good practice and as such have not required change. Areas that will require change include risk management practices and overlapping duties of PCBUs, which will need ongoing review and improvement to remain aligned with the principles and expectations of the new law.

To help communicate these changes, we developed and delivered more than 72 presentations and workshops, online learning modules and conference sessions across the Fire Service. We informed our people about the changes and affirmed the need to continue current good practice.

⁴ Health and Safety at Work Act 2015. Section 3: Purpose.

Operational safety improvements

We trained a further 12 investigators, adding to the team of 35 already trained to investigate accidents and incidents of a serious or potentially serious nature and of organisation-wide concern. The additional investigators ensure that we now have sufficient coverage across the country. We also have a number of UFBA investigators to represent the interests of volunteers who are involved in serious accidents or incidents.

Safe working at heights

We delivered a programme to ensure that all of our people working at heights, e.g. on roof tops during high wind, are aware of the correct way of working to stay safe. All stations now have roof kits and all personnel who work at heights are trained in doing this work safely.

Work-related health focus

Workplace Carcinogen Exposure Programme

We continued our joint initiative with the NZPFU and UFBA, responding to growing evidence and concern about cancer risks posed by exposure to products of combustion. This project has raised firefighters' awareness of changes in practices that are required to minimise the risk to their health.

The rolling out of respirators and the face-fit testing of breathing apparatus masks to all operational firefighters, together with changes in station design, emphasis on more regular showering and the laundering of contaminated gear after an incident, and participation in annual health monitoring are all essential practices being adopted to reduce the risk of developing cancers associated with firefighting.

Exhaust fume management

Another milestone has been reached in the Exhaust Fume Management Programme — a significant programme developed to reduce firefighters' exposure to carcinogens and other harmful substances that are connected to fire appliance exhaust fumes.

Of the 439 fire stations that make up our property portfolio, 153 (35%) now have exhaust fume management equipment installed. Installations will continue to take place until 2020, when the programme is expected to conclude on the basis that all stations will be equipped with exhaust fume management systems.

Hauora Health Monitoring Programme

We continued our health monitoring programme, which is available to all employees and volunteers, and is aimed particularly at our firefighters. The programme covers a wide range of health assessments and tests.

The Hauora Health Monitoring Programme enables us to:

- ▶ evaluate the health of our people through specific tests designed to provide personal health information and early detection of possible health issues
- ▶ meet our duties under the HSWA to monitor the health of our workers where they are exposed to work-related hazards that cannot be eliminated — monitoring identifies health impacts as early as possible to allow treatment support to be provided and to improve risk management
- ▶ collect statistical data about the health of our workers to help identify gaps or concerns in the controls being used to minimise health risks (e.g. personal protective equipment) and to identify particular health-related trends such as increasing cardiovascular risk among firefighters (these data also enable us to develop further beneficial health initiatives).

Psychological wellbeing focus

Staying well

During Vision 2020, a number of our people raised the need for better support around psychological wellbeing. This year we introduced an enhanced support programme — Staying Well: Critical Incident Personal Stress Support (CIPSS) — that builds on the good work that teams of peer supporters have provided to their colleagues for more than 25 years. The CIPSS programme uses the psychological first aid model, which is aligned with good international practice and has been endorsed by the Phoenix Australia Centre for Posttraumatic Mental Health. CIPSS focuses on supporting our people, recognising that at times personal stress can have as much impact as critical incidents can on our people and their ability to respond when needed.

We will incrementally deploy the CIPSS programme to a number of career stations and volunteer brigades in each of our five regions. We expect to complete the implementation phase by the end of 2016. Ongoing education will be available through publications aimed at promoting wellbeing and resilience, as well as specific training and online learning.

In addition to CIPSS, our people are supported by options including self-referral to peer supporters, employee assistance programmes, and referral to further support such as the Fire Service Injury and Illness Management Unit. Our people are supported through referrals to a network of contracted professional providers, including clinical psychologists, psychotherapists and consultant psychiatrists where required.

Keeping safety at the forefront

Safety culture survey

In 2015, we commissioned an independent Safety Culture Indicator Survey across the Fire Service. In total, 3,400 people (including career and volunteer operational personnel, Communication Centre staff, Business Support in areas and regions, and staff based at National Headquarters) shared their views. The comprehensive Survey Report provided a benchmark for how we see ourselves and provides an ongoing base for improvements.

Key findings

- ▶ The overall organisational rating was 8.1 on a scale of 1 to 10 (where 10 represents excellent), with areas for further improvement also being noted.
- ▶ Of the seven safety culture dimensions assessed, “Leading safety” received the highest rating from people who acknowledged the strong safety leadership, messages and focus from the top of the organisation.
- ▶ “Communicating about safety” rated well, with people also noting this was a challenge for our diverse and geographically spread workforce.
- ▶ The dimension “Dealing fairly with safety” rated the lowest and related to how we both positively acknowledge safe behaviour and deal consistently with unsafe behaviour.

We have used these findings to target the behavioural changes needed to improve our safety culture, and will continue to use this information to shape future work.

Safety Summit — a mature and effective safety culture doesn't happen by chance

In August 2015, we held our first Safety Summit, co-hosted with the NZPFU and UFBA. The aim was to inspire, inform and support our ‘first off the truck’ operational firefighters — career and volunteer — to become safety leaders. The 2-day summit was well attended by managers from around the country, and included representatives from the RFAs, New Zealand Police, St John, New Zealand Defence Force, and the Ministry of Civil Defence and Emergency Management.

The summit focused on personal responsibility for safety, health and wellbeing. Keynote speakers and workshops covered themes including what safety leadership looks like, engaging with people creates safer systems and behaviour, recognising psychological stress and supporting wellbeing, and an update on what the new HSWA means for firefighters.

The take home message was “the standard I walk past is the standard I accept”. Our managers took up that challenge by reporting back to their stations and brigades.



FIRE RESCUE

CALL 111

Sizing up the situation.



People

Building the capability of our people through training, development and leadership is essential to achieving a unified fire and emergency service. As a service organisation, the skills of our people are fundamental to ensuring that services continue to be delivered to protect our communities and the wider New Zealand public. Every day, New Zealanders rely on more than 11,600 volunteer and 1,710 career firefighters to protect their lives and property in urban and rural environments.

Training

Training is critical to developing the capabilities of our people and the Fire Service. During 2015/16, more than 1,700 practical training courses were delivered to our firefighters and officers. This specific training is in addition to the on-the-job training, online learning and distance learning that takes place every day in stations across the country. Our operational training is essential for teaching and reinforcing the safety standards we have, ensuring that we keep our people and the public safe.

Training our diverse workforce means that it is important to continuously improve our training delivery methods so that they meet the needs of our people — both career and volunteer. During Vision 2020, our people told us that they need training that is practical, relevant and flexible. This year we have worked hard to address these needs by developing new programmes, improving accessibility, and providing more capability and support. In October 2015, we launched our new learning management system (Learning Station), which is now used for all training administration, reporting and the delivery of online learning. We developed more than 30 new online modules and a number of case studies, most of which were completed in-house. Most career exams now are delivered online.

Leadership

Our people have told us that good leadership is the foundation to everything we do. Great leaders improve safety and create effective teams that work hard and look after each other. Research with our volunteer brigades tells us that leadership is the critical factor in creating strong and resilient brigades. We have therefore prioritised work in developing our career and volunteer leaders.

Leadership Blueprint

We have developed a Leadership Blueprint that details a pathway and work programme for developing and sustaining the leadership culture we are seeking to create for the future. This blueprint was developed based on Vision 2020 feedback by our people and is aligned with international best-practice.

The blueprint will help prioritise future work with the FENZ Transition Project team to develop our leaders and the future organisation. The work identified in the blueprint is based on a solid foundation of incident and operational leadership. The skills of our leaders and their leadership through the period of transition into FENZ will require a high level of skill in change management, and the training and support to our leaders will be the first action to deliver on

the blueprint. This work will build on other leadership development initiatives delivered in 2015/16 as described below.

Leader succession

We maintain a strong focus on attracting, retaining and promoting good leaders. Our data indicate that we face succession challenges relating to the eligibility for retirement of approximately 40% of our key operational senior leaders over the next 5 years. In addition to this inevitable leadership turnover, we know that organisational change can have adverse effects on retention. Accordingly, we are actively planning for succession contingencies across critical roles as we transition to FENZ.

Building people capability through training, development and leadership is essential to achieving a unified fire and emergency service.



Critical roles

As an organisation, we assessed Tier 2 and 3 roles across the Fire Service with regard to role criticality, retention risk and ready availability of potential successors. Consequently, we now have an organisation-wide picture of potential risk in these roles.

Officer Career Board

To manage the critical role risk, our Career Board succession programme continues to develop leaders with high levels of potential for senior operational leadership positions in the Fire Service.

In the 2015 Career Board, we identified a talented pool of 50 high-potential officers who are currently undergoing development, which includes:

- ▶ mentoring
- ▶ coaching
- ▶ project-based development
- ▶ self-directed learning.

With delivery of the 2015 Officer Career Board now well advanced, we will work with the FENZ Transition Project team to consider how best to broaden future initiatives to include rural fire and non-operational specialist roles.

TAPS

Our Training and Progression System (TAPS) programmes provide the foundation for operational succession and planning, to ensure there is a sufficient base of operational career and volunteer leaders with the minimum core skills ready for future vacancies. During 2015/16, our trainers delivered new programmes within TAPS at senior firefighter, station officer and senior station officer levels. These programmes were developed in partnership with external subject matter experts and concentrate on contemporary leadership theory and, more importantly, its application within our broader workplace environments.

Volunteer Leadership Development Pilot

Strong leadership plays a significant role in enabling brigades to thrive. During Vision 2020, our volunteer leaders asked for more support in their roles, particularly planning for succession. This pilot programme has been designed to enhance volunteer Chief Fire Officers' (CFO) leadership capability, and provides succession planning techniques and approaches for their brigades. An online learning module has been developed to support CFOs with skills development, and provides additional information to ensure that the future of their brigades is maintained and they have a good understanding of what makes them effective.

In total, 66 volunteer leaders from 31 brigades in Region 2 participated in this pilot, which included targeted volunteer leadership workshops and related resources aimed at enabling brigade leaders to develop and apply their leadership knowledge. The first phase had 30 volunteer leaders

attend in April 2016. The second wave is planned for later in 2016/17. The most popular topic from the five modules available was “Developing Future Leaders”.

Career and volunteer tactical command course delivery

Tactical command courses have proven to be a valuable and successful intervention that have achieved our aim of lifting the level of leadership understanding, skills and confidence for mid-level officers. These courses are designed to upskill officers’ on-the-ground incident command and leadership skills, providing them with opportunities to learn, practise, examine and challenge their own leadership and control of operations in a safe-to-fail environment.

During 2015/16, approximately two-thirds of our 450 career officers and some 2,760 volunteer officers attended courses at our National Training Centre in Rotorua. Once completed, career officers are required to attend the course every 3 years while in service. For volunteers, we developed a delivery format that best meets their needs. This includes an online case study and simulated scenarios tailored to their respective environments. As part of the continuous improvement cycle of our training, we will review these courses during 2016/17 and integrate any necessary changes into future courses.

Executive Officer Strategic Command Course delivery

This course focuses on developing a higher level of leadership, with the aim of strengthening the capability of our executive officers to lead the command of large-scale, multi-agency, long-duration incidents. There is a high level of engagement and involvement from our Operational Leadership Team who deliver key components of the course to every manager in the country. This allows them to display and share their own command philosophies, as well as guide and steer participants in terms of our wider organisational vision and values.

During 2015/16, six courses were run with participant partner agencies, including Australasian Fire and Emergency Service Authorities Council (AFAC) leaders from South Australia, New South Wales, Victoria and Queensland.

Progressing diversity

The communities we serve are diverse and so we want to become an organisation that reflects this diversity. This means that we need to work to change perceptions of the firefighter role as being masculine, both within the Fire Service and the society we serve.

We know we have a way to go to have a fire and emergency service that represents the communities we serve. Only 3% of our career firefighters and 15% of volunteers are female. This is why we have made a deliberate

choice to focus our efforts on the recruitment and retention of women.

Supporting career and volunteer women in fire and emergency services

In the past, we have had a variety of programmes and policies that promoted diversity. We have conducted research and looked at what other agencies are doing. These activities have had some benefits, but have not yet seen a sustained improvement in the proportion of women joining, staying and progressing in the Fire Service.

To address this, we have changed our approach to working with our female career and volunteer staff to develop solutions that we believe will make a difference. We know that recruitment activities need to be complemented by an inclusive environment that is conducive to retaining,



supporting and progressing female firefighters. This work complements comparative organisational activity to promote diversity, such as targeted recruitment campaigns and leadership development.

During 2015/16, we have:

- ▶ developed a range of marketing material for volunteer and career recruitment that features female firefighters
- ▶ used social media and forums to target female audiences
- ▶ profiled female firefighters and firefighting as a career in women's magazines
- ▶ revitalised the Fire Service women's network by establishing national and regional committees, holding national forums, and refreshing the women's network website
- ▶ provided development opportunities for female firefighters through the Career Board
- ▶ actively participated in the AFAC Diversity Working Group, whose focus is on improving the attraction, recruitment and inclusion of diverse workforces in fire and emergency services across Australasia.

Our recruitment activities have continued to increase the number of female firefighters recruited. As at 30 June 2016, approximately 17% of career recruits were female — a significant and positive change from recent years.



'Good employer' obligations

We are committed to being a good employer, meeting our obligations under section 18 of the Crown Entities Act 2004 and embedding the principles of equal employment opportunities within our policies and practices. Seven elements of a 'good employer' based on the Equal Employment Opportunity Commission's guidance to Crown entities 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 as a good employer is outlined in priority sections of the Annual Report, most notably under "Safety, health and wellbeing of our people", "People", and "Volunteer and brigade resilience".

Workplace profile

as at 30 June 2016

Table 1 Our ethnicity

	Career	Volunteer	Non-operational
New Zealand European	71%	45%	71%
NZ Māori	11%	5%	9%
Pacific peoples	4%	0%	1%
Other (includes ethnicity not recorded)	14%	50%	19%

Note: Volunteer ethnicity statistics represent only 50% of our volunteers. The rest do not have a declared ethnicity recorded in our Human Resource Information System.

Table 2 Our age and length of service profile

	Average age	Average length of service
Career	46 years	18 years
Volunteer	43 years	11 years
Non-operational	48 years	11 years

Table 3 Our gender profile

	Career	Volunteer	Non-operational
Female	3%	15%	34%
Male	97%	85%	66%

Disabilities

Our workplace profile does not include disabilities because this information is not currently recorded. However, we do make reasonable accommodation for those who have physical or psychological disabilities wherever possible.

Employee representative relationships

Building on the foundations that were laid over the last 3 to 4 years, we maintained sound and productive relationships with the UFBA, the NZPFU, the FRCA and the PSA. During this time, we continued to have positive and productive engagement throughout the uncertainty created by the Fire Services Review.

This high level of engagement and contribution by all parties reinforces the benefits of building stronger relationships with our key stakeholders. This includes early involvement at a national level, as well as with our frontline staff, where regional and area management are working more collaboratively and regularly with workforce representatives. The robust levels of engagement and collaboration in respect of the Fire Services Review have positioned us well over the past year to respond to the pending challenges of transitioning to FENZ.

We already have strong employee representative involvement in safety, health and wellbeing. Our existing frameworks and systems have proven to be sound and robust, and sufficient to meet the new provisions of the HSWA introduced in April 2016.

Continued development of key relationships with staff representatives across the sector.





A debriefing session, held soon after an incident.

New Zealand
FIRE
RESCUE
hakaratonga Iwi

Volunteer and brigade resilience

The dedication, hard work and community spirit of our volunteers make a major contribution towards creating a safer New Zealand. Without a resilient volunteer workforce, New Zealanders would not receive the high level of service they have come to trust and expect.

Volunteering is linked to connected, inclusive and resilient communities. We are committed to supporting our volunteers and community-based volunteerism into the future.

The number of willing, competent people who are volunteering with the Fire Service has never been greater. However, we are seeing that the current volunteer model is becoming harder to sustain in some rural communities as the local workforce shrinks and New Zealand's population ages and becomes more urbanised. Over the last year, we have put significant effort into better supporting our volunteers and the community-based volunteer model the service relies on.

Volunteer resilience approach

During 2015/16, we continued an ambitious programme of work that we refer to as 'volunteer resilience'. This work recognises that

supporting volunteers is everyone's responsibility, and also recognises that just focusing on better support for volunteers is not enough — we also need to focus on supporting the community-based volunteer model to withstand both current and future workforce and population changes.

Three key focus areas for volunteer resilience are:

- ▶ delivering better cross-organisation support for volunteers and volunteerism
- ▶ delivering more tailored support to brigades
- ▶ delivering improved volunteer experience.

The volunteer resilience programme of work is well aligned with the work of the FENZ Transition Project team.

Better cross-organisation support for volunteers and community-based volunteerism

This area of focus ensures that the range of volunteer support activities is tracked, coordinated, strengthened and delivered in a way that works for volunteers. This work included:

- ▶ developing a Volunteerism Road Map and Volunteerism Principles
- ▶ establishing organisational volunteer support structures.

Volunteerism Road Map and Principles Draft

Approximately 200 Fire Service and rural fire sector staff from across New Zealand participated in a series of workshops in mid-2016. As a result, we developed a draft Fire Services Volunteerism Road Map that shows how we will better support volunteers in practical and tangible ways.

Volunteers and staff also developed draft volunteerism principles (e.g. fairness and equity, openness and transparency, and making it easier to volunteer). The resulting road map and principles will be finalised for application and implementation in 2016/17.

Cross-organisational volunteer connection

Fire Service and Rural Fire Volunteer Work Group

This group enables volunteer perspectives to be at the centre of volunteer resilience work and for volunteer voices to be directly involved in organisational decisions.

Senior Leader Volunteer Resilience Steering Group

This group enables the Fire Service, NRFA and UFBA leaders to directly guide, monitor and drive volunteer resilience work across the organisations.

Continued and strengthened focus on supporting our volunteers and community-based volunteerism.



More tailored support to brigades

The Strategic Leadership Team and Board members engaged directly with brigades during the year to ensure the diversity of volunteer voices were heard and understood. This enables strategic decisions to better reflect our understanding that the organisation needs to be adaptable to the brigades' uniqueness, membership and community needs.

Key activities for 2015/16 included:

- ▶ developing new brigade assessment tools to better detect potential brigade vulnerabilities
- ▶ providing brigade training capability assistance
- ▶ providing operational efficiency and readiness support
- ▶ conducting a Volunteer Leadership Development Pilot, as described in the "People — Leader succession" priority section.

Brigade assessment tools

Area managers who monitor the health of each brigade use a Volunteer Dashboard. This dashboard and their relationships with CFOs provide us with an early view of where our brigades may need extra support. Targeted support is then put in place where required.

In 2015/16, two new brigade assessment tools were developed and are being trialled. Both tools are designed to provide a more sensitive assessment of factors (e.g. aging demographic, urban drift and commuter towns) that have an impact on brigade performance and development. This will assist the organisation to provide more timely and targeted support to brigades.

Brigade training capability support

A pilot programme provided nine additional trainers across the regions with a clear focus on assisting volunteer brigades that were in need of additional support. This assistance included improving brigade

operational capability, assisting brigade members in preparing for formal rank progression training, meeting training requirements for driving appliances, pump operating and responding to motor vehicle accidents. As a result of volunteer feedback, this pilot has been extended for a further 12 months.

Operational efficiency and readiness support

During 2015/16, the Operational Efficiency and Readiness team visited around 50 volunteer brigades across New Zealand, providing guidance for CFOs on a range of operational and corporate matters, carrying out station checks, running drills, and attending and delivering training sessions. In addition, all large-scale or unusual incidents (e.g. multiple fire appliances required, silo or cliff rescues, or a complex motor vehicle accident) received an independent operational review with a focus on learning outcomes. Ten operational reviews were carried out during the year across a range

of volunteer-attended incidents. Brigades express a lot of pride in being able to serve their communities and were very appreciative of the face-to-face support, which instilled confidence that they are operationally prepared and ready.

Improved volunteer experience

Key activities for 2015/16 included:

- ▶ volunteer recruitment improvements
- ▶ volunteer Employer Recognition Programme (ERP)
- ▶ research into supporting families of volunteers.

Volunteer recruitment improvements

Through Vision 2020, our people told us that our recruitment process was a source of frustration.

During the year, we undertook a substantial recruitment process review and redesign project, and developed a new volunteer candidate care specialist role.

This new role has markedly improved the volunteer candidate and CFO recruitment experience, and led to a 33% reduction in the new recruit processing time. The Volunteer Candidate Care Specialist has met with brigade leaders from around the country to provide practical support to brigades so they can navigate the recruitment process until such time as the recruitment redesign is complete.

Volunteer ERP

The volunteer ERP recognises the role employers play in enabling volunteers to perform their fire service role. A total of 191 brigades participated in the programme during 2015/16, with 20 new brigades signing up. The programme was streamlined with continual incremental improvements being made.

The ERP provides brigades with:

- ▶ signage displaying employers' business names both on their fire trucks and outside their stations

- ▶ an annual advertising supplement in their local paper thanking employers
- ▶ a financial contribution towards an employer recognition event
- ▶ the ability to offer employers the use of the Fire Service ERP brand in advertising and promotions
- ▶ acknowledgement of the important contribution of employers in supporting volunteers.

A review of the ERP highlighted the need for the programme to do more to cater for the needs of our self-employed volunteers. As a result, we are working to design a recognition programme that meets their needs.

Supporting families of volunteers

The families of volunteers play an important role in whether or not people volunteer. In early 2016, we commissioned research on how we can better support families of volunteers. Results will be available in 2016/17, and will inform future decisions and support programmes.





Together with other emergency services, the Fire Service carries out regular exercises to prepare for a range of emergencies.

Incident management and integration

For many years now our firefighters have done far more than just fight fires. The public now calls on us to respond to a variety of incidents, such as motor vehicle accidents, medical emergencies, hazardous materials spills and natural disasters. As our frontline staff face increasing challenges with greater complexity, we need to ensure that our focus remains on safety and leadership. Being integrated with emergency service partners means that everyone involved must understand their role and work well together.

During 2015/16, we attended 74,879 incidents — an increase of 2.8% from the previous year. In line with long-term trends, the number of structure fires remained largely static in contrast to a rise in non-fire emergencies. Responses to medical emergencies increased by 10.0% and motor vehicle accidents increased by 14.6%.

Operations

We are acutely aware that the demands on our emergency services will be significantly different in the future. These demands will continue to be driven by demographic changes, pressure on resources, climate change impacts, and a need for people to play a greater role in their own protection and safety. In response, we must become smarter and more flexible in our service delivery arrangements and resource allocation. We must work more collaboratively with other rescue and emergency services, and help individuals and communities to become more prepared and self-sufficient in the face of emergencies and disasters.

Strengthening incident management

Incident management is a structured response to managing an emergency situation. This enables us to meet the dual priorities of efficiently managing the incident and keeping our firefighters safe.

Following a series of operational reviews, including a substantial review of our response to the 2011 Canterbury earthquakes, it became clear that decision-making at tactical command level was putting our firefighters at heightened levels of risk. Therefore, we have increased our focus on safety and leadership at emergency incidents. We designed an Incident Command Programme (ICP) that addressed review recommendations and combined leadership development with refreshed incident management training and tools. We know that enhanced leadership on and off the incident ground is the biggest contributor to firefighter safety and therefore this is a central tenet of the ICP.

We completed the ICP in June 2016, and the individual projects within the programme are now business as usual streams of work as described below.

Coordination centres and Incident Management Team procedures and protocols

During 2015/16, we established a National Coordination Centre



**WE ATTENDED
74,879**

INCIDENTS DURING 2015/16



2.8%
increase from the
previous year

in Wellington to provide a fit for purpose emergency operation as well as allowing business as usual operations to continue. In total, we now have 20 coordination centres across New Zealand. Our five regional centres are located in Auckland, Tauranga, Wellington, Christchurch and Dunedin, in addition to 14 other

local centres. These have significantly improved our capability to plan and manage large-scale incidents. They assist our teams on the frontline by coordinating local, regional and national resources, providing back-end reporting, and facilitating much better coordination with other service organisations and partners.

We've standardised the team structures, processes and tools used in the centres, and are building the capability of trained personnel that can be deployed at any time. We've also provided further training for the operators of our 17 command vehicles to ensure they're used to their full potential.

Incident management resources

Several new resources were delivered to all fire stations to improve the management at incidents. These included:

- ▶ safety officer packs and hazard boards — these tools assist safety officers to take a structured risk-based approach and to operate more effectively
- ▶ officer notebooks — these improve record keeping at incidents, and guide incident managers on priorities, hazards, safety guidelines and control measures for 25 different types of incidents
- ▶ tactical command boards — these support the first arriving officer to set up and structure the incident.

These tools are already improving incident ground management and safety, and help us to review and learn.

Line rescue

During 2015/16, we delivered access and stabilisation line rescue training to 70 stations located across our five regions. More than 1,200 of our firefighters are now trained and qualified to perform this type of rescue.

Medical response

All our brigades undertake the medical response role under Memorandums of Understanding (MOUs) with St John and Wellington Free Ambulance. Most are classified as Co-Responders, turning out to life-threatening calls only. However, more than 50 brigades are now classified as First Responders, meaning they turn out to a wide range of medical events.

A new Medical First Responder course equips our first responders with a greater level of medical skills than we have ever had before. In conjunction with this, St John is running Continuous Clinical Education courses, which are required for our First Responder stations in accordance with the MOU.

Strengthening emergency services collaboration

Agreements with St John and Wellington Free Ambulance

During 2015/16, we signed an MOU with Wellington Free Ambulance that is similar to that with St John. The MOUs with these ambulance services clearly define our roles in First Response and Co-Response, each of which has its own set of incident type dispatch protocols, as well as distinct training regimes and Operational Skills Maintenance (OSM) monitoring requirements for ongoing clinical education.

Stakeholder engagement survey

The second annual stakeholder engagement survey was conducted in October 2015. This survey monitors stakeholder expectations and interactions with the Fire Service, and looks at how well we are performing and how well we are demonstrating strategic and proactive engagement. The 41 stakeholders surveyed involved a range of emergency partners, suppliers, public sector organisations and strategic alliances (including rural and major infrastructure organisations).

The 2015 survey result was high and remained almost unchanged from last year: 7.8 out of 10, compared to 7.9 in 2014. A score of 8 or 9 out of 10 is regarded as excellent. Overall perceptions of the relationship and engagement that we have with our stakeholders remain very positive and continue to be effective in most cases.

We engage in a number of locally based partnerships and have close working relationships with various organisations across the country. Just a few of those we work with are the Department of Corrections, Age Concern, the Blind Foundation, Deaf Aotearoa, Plunket, The Salvation Army, New Zealand Police, St John and Wellington Free Ambulance. Activities as part of these partnerships include joint events, fire safety advice, home visits and FAIP referrals. We also play a significant role in the Safer Communities Network at both a local and national level.



Emergency medical response branding

During 2015/16, we developed emergency medical branding that is highly visible on fire appliances to identify our frontline responsibilities as First Responders and Co-Responders. Qualified First Responders are recognised by the medical first responder patch worn on the right shirt sleeve of their uniforms or coveralls.

The emergency medical branding is distinctive and recognises the enhanced skill sets of our firefighters. We will be including medical response branding in media campaigns to raise public awareness and interest.

Urban Search and Rescue

Our Urban Search and Rescue (USAR) capability is an integral part of the Ministry of Foreign Affairs and Trade's (MFAT's) New Zealand Aid Programme which also draws on the capabilities of other New Zealand government agencies such as Ministry of Health, New Zealand Defence Force, New Zealand Police, and the Ministry of Civil Defence and Emergency Management (MCDEM).

As a member of the MCDEM National Crisis Management Centre, we are responsible for coordinating USAR operations in support of the national controllers' strategic requirements, including:

- ▶ coordinating offers of USAR assistance
- ▶ determining requirements for international USAR support
- ▶ managing USAR operations.

United Nations

In 2015/16, we fulfilled our United Nations obligations. We deployed assessors to support the International Search and Rescue Advisory Group (INSARAG) external reclassification/classification in the United Kingdom, Malaysia, Korea and the United States.

We took a lead role in developing a 5-year business and operational plan in the Asia Pacific region, which will enable our involvement and commitments to be more predictable and robust in the future.

Our USAR team members attended the Asia Pacific INSARAG exercise in Yogyakarta, Indonesia. Exercises like this provide the team with an international perspective and valuable opportunities to share knowledge and to learn from others.

NZMAT

We continued to support New Zealand Medical Assistance Team (NZMAT) operations with an increasing commitment required as the team prepares for World Health Organisation

certification. We provided logistical support and an increasing commitment around the wider command support function to enable NZMAT to focus on its primary medical role.

Building resilience and minimising risk

The USAR Wellbeing Project initiated during 2015/16 is focused on keeping our USAR team as safe, healthy and psychologically resilient as possible in preparation for deployment situations. The project builds on current psychological assessments that are undertaken with all new USAR recruits and the clinical psychologist reviews of all team members and managers returning from deployment. By the end of the project, there will be agreed procedures for all USAR team members (including non-fire service team members) to undergo regular assessments of physical fitness, physical health and psychological health to minimise the risk of injury or illness during USAR deployments and exercises.

USAR deployments

During 2015/16, USAR was busy with a number of alerts and a USAR/Disaster Assistance Response Team deployment to Fiji. We also monitored and were available to respond to earthquakes in Peru and Italy.

Tropical Cyclone Winston

By far the greatest impact on the USAR environment during the year was our deployment to support the Tropical Cyclone Winston response in Fiji, as part of New Zealand's overall response. The review of this deployment enabled us to identify specific capabilities where we can add value to future responses with our partners (Ministry of Defence, MFAT, NZMAT, Ministry of Primary Industries, and New Zealand Police) and other responders, including Red Cross and non-government organisations. Examples include broadening our skills so we can provide services such as rapid disaster assessment, infrastructure repair, temporary shelter construction and repair, water purification, hazardous materials identification, deployment of communications

systems, and a range of other search and rescue skill sets. We have subsequently partnered with MFAT to develop capability to deploy remotely piloted aircraft, otherwise known as 'drones', as well as communications systems for use in affected areas.





South Island rural firefighters taking part in the Rural Fire Challenge this year.

National Rural Fire Authority

During 2015/16, we continued to implement key initiatives to achieve our strategic goals to reduce the number and consequences of wildfires by supporting Rural Fire Authorities (RFAs) to deliver effective fire control measures on forest and rural land.

The National Rural Fire Authority (NRFA) is guided in its work by four fundamental principles:

- ▶ Protection of New Zealand's diverse rural areas.
- ▶ Respect for our customers and stakeholders.
- ▶ Commitment to a partnership approach with customers and communities.
- ▶ Appreciation of the work of RFAs, staff and volunteers.

To achieve our goals in 2015/16, we placed particular focus on the following key initiatives:

- ▶ Providing input and advice to the Fire Services Review and the transition to FENZ.
- ▶ Adopting and implementing a new grant funding model for Enlarged Rural Fire Districts (ERFDs).
- ▶ Adopting and implementing a new rural fire training model, which included leading high-level specialised training programmes that, in turn, included fire line leadership and incident leadership.
- ▶ Implementing a new national standard for the use of aircraft at wildfires.

Fire Services Review

National Rural Fire Authority staff were engaged and involved throughout the various stages of the Fire Services Review. We facilitated a number of workshops that attracted a wide and diverse representation of the rural fire sector. Rural fire sector stakeholders were also consulted during the review stages and were active participants throughout the review process.

New Grant Assistance model

Following a review of our Grant Assistance Policy during 2014/15, we gained widespread agreement for a new model for allocating grants to ERFDs in time for the 2015/16 financial year. The aim of the review was to find a streamlined, flexible and fair way of allocating funding to ERFDs that takes into account their individual characteristics and needs.

The result is a new model that is based on three types of grants for ERFDs:

- ▶ Bulk funding grant — 90% allocation.
- ▶ Innovation grant — 5% allocation.
- ▶ Development grant — 5% allocation.

The previous model was considered to be of limited effectiveness and grants only partially delivered on Fire Service and RFA objectives. This new approach provides greater flexibility for ERFDs and enables them to make

operational decisions and take local ownership of operational risk. The new grant funding supports ERFDs to achieve the minimum performance standards set.

We received and approved four innovation grant applications during the year. These were for projects relating to:

- ▶ masks for rural firefighters
- ▶ fire risk management planning and improvements to the New Zealand fire danger rating system
- ▶ planting the right tree species to reduce fire risk
- ▶ the fire permitting application platform.

There were no changes for RFAs that are not part of an ERFD model and they are able to apply for grant assistance under the old model.

Rural fire training

In August 2015, the Government Training Establishment of the Fire Service was appointed to also be the provider of rural fire training with funding through the Emergency Management Adult and Community Education (EMACE) fund. The subsequent recruitment and appointment of a dedicated Rural Fire Training Manager has enabled the rural fire sector to focus on capability planning and development.

In May 2016, we established a Rural Fire Training Advisory Group to provide advice and support on all rural fire training matters. A key

focus of the new Rural Fire Training Manager position is to increase consistency and quality of learning experiences for volunteers and paid employees across the rural sector.

In an effort to increase the depth of skilled rural fire experts nationally, we have improved the coordination of high-level training programmes including:

- ▶ leadership
- ▶ fire investigation
- ▶ fire behaviour
- ▶ safety advisor
- ▶ air attack supervisor.

At the regional and local level, our emphasis is on supporting the delivery of training programmes for volunteers funded in part by grants from the EMACE fund. The Rural Training Team is working collaboratively with the Education Services Team to review and redevelop the learning resources.

In the year ahead, we'll focus on supporting trainers and assessors with a revised learning framework that meets operational requirements, revised learning, and assessment resources and planning for the integration into FENZ.

National standard for use of aircraft at wildfires

In 2015/16, we developed a new standard for the use of aircraft at wildfires, which will come into effect on 30 September 2016. As a result, we will be able to:

- ▶ maintain a database of aircraft operators holding either interim or full certificates of compliance
- ▶ undertake an audit programme of one-third of aircraft operators involved in aerial firefighting on an annual basis
- ▶ introduce training programmes for rural fire aircraft management positions to enable compliance.

ERFD strategy

The Commission's policy to promote and encourage the merging of RFAs into ERFDs was a key strategic initiative of the NRFA since 2009. The ERFD programme was put on hold during the year pending government decisions on the Fire Services Review. As at 30 June 2016, 65% of land previously managed by RFAs is now managed by ERFDs. However, with the decision to create FENZ, the programme to encourage RFAs to amalgamate into ERFDs has ceased.

Performance monitoring and evaluation framework

It was a particularly light year with regard to audits and the performance monitoring and evaluation framework, with just two RFAs undergoing performance monitoring. We completed both performance reviews and reported the outcomes of the audits back to the RFAs.



Research

Our partnership with the Scion Rural Fire Research programme allowed us to develop a significant programme of rural fire research under the direction of the Rural Fire Research Advisory Committee. This is comprised of key rural fire sector stakeholders, including the NRFA, Fire Service, Department of Conservation, New Zealand Forest Owners Association, New Zealand Defence Force, district councils and Federated Farmers.

The Board's Contestable Research Fund also supports rural research. Recent projects that received contestable research funding include:

- ▶ understanding the role of families as key enablers of fire services volunteering
- ▶ best approaches to bridge the gap between communicating fire danger information and fire season status that will lead to a change in public behaviour
- ▶ reasons why rural fire personnel do not report near-miss or non-injury accidents.

Rural Fire Committee

This Committee was established to provide advice to the Board on matters relating to the functions of the NRFA that are referred to it by the Board. The Board uses this advice to assist it in meeting its responsibilities as the NRFA under the Fire Service Act 1975.

The Committee met three times in 2015/16 and provided advice and recommendations. This focused on the Fire Services Review and FENZ transition implications as they relate to the rural sector.

Rural Firefighting Fund⁵

The RFAs lodged 101 claims during the 2015/16 year. Sixteen of these claims were withdrawn, but several are still in the investigation stage



of direct cost recovery action as at 30 June 2016. The total cost of claims on the fund was \$3.4 million. In 2014/15, there were 80 claims that totalled \$3.7 million.

The most significant claims during the year related to fires in:

- ▶ Caroline Valley — \$0.67 million
- ▶ Hanmer Springs — \$0.40 million
- ▶ Vernon Station — \$0.18 million
- ▶ Rowallan Road — \$0.17 million.

Fire danger

Fire danger over the summer fire season was lower overall than forecast. The extreme El Niño season that was forecast did not dry out eastern regions as much as expected. However, some western regions were drier than forecast.

Despite this, there was an increased loss from fires in commercial forests this year. The most significant of

these occurred in the Waikakaho and Parsons Road forests in Marlborough and Whareama forest in the Wairarapa.

National and international deployments

It was a very busy year for both national and international deployments. Seventeen incident management personnel were deployed to Canada in July 2015, and 15 aircraft management and supervisory personnel were deployed to the USA in August 2015. We also sent 46 Task Force personnel to Victoria and 86 Task Force personnel to Tasmania. In total, 164 of our personnel were deployed internationally.

There were two National Incident Management Team deployments: one to Wairarapa and the other to Marlborough. Three New Zealand Rural Fire Response teams were also activated to the same regions.

⁵ The Rural Firefighting Fund is a fund available to cover the cost of suppression of fires within RFA jurisdiction and the Department of Conservation estate.



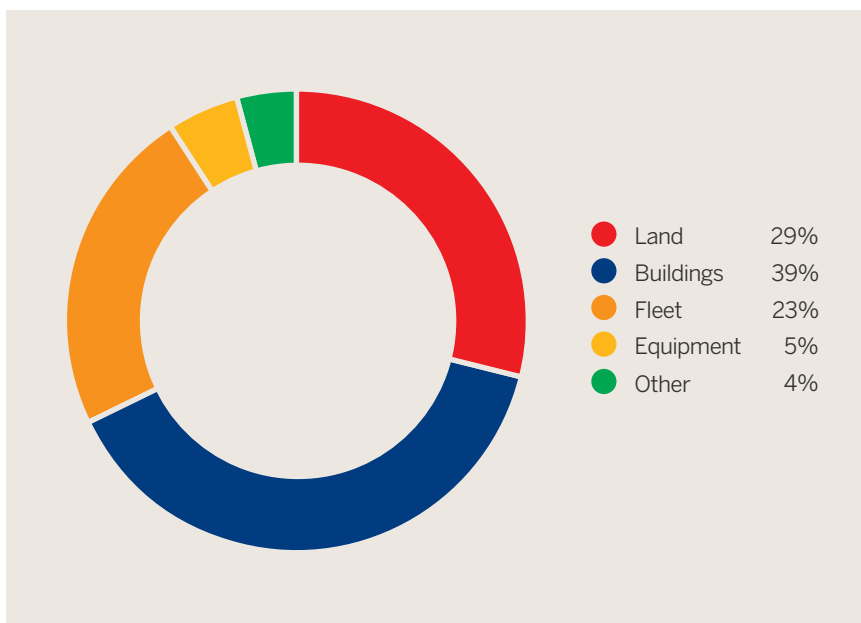
RANGIORA FIRE STATION

 **Rangiora**
Volunteer Fire Brigade
Established 1874
In an Emergency Call **111**

Part of the Christchurch rebuild project, the new Rangiora station opened in March 2016.

Capital investment

We operate a \$699.7 million asset base encompassing approximately 850 fire appliances, 439 fire stations, and the associated operational plant, equipment, and information and communications technology. The property portfolio accounts for 68% of our assets portfolio. The next largest asset class by value is fleet at 23%. While managing a tight cash reserve, all of our assets have to be maintained, upgraded and eventually replaced. Four key areas are the Christchurch property rebuild, seismic strengthening, fleet management, and information and communications technology.



Christchurch property rebuild

Our Christchurch rebuild programme has offered a unique and challenging opportunity to completely redevelop a major metropolitan city's network of fire stations. To date, the rebuild includes 13 career, volunteer and composite fire stations across greater Christchurch and surrounding areas.

The fundamental principles underpinning our approach include:

- ▶ keeping our communities safe
- ▶ ensuring our facilities match the needs of Christchurch communities
- ▶ carrying out open, honest and transparent discussions with community leaders, residents and staff
- ▶ situating stations in optimal locations.

Approval for the 10-year programme of works was granted by the Commission

in October 2013. Since then, a considerable amount of planning, consultation and background work has been undertaken by the Christchurch-based property team. Key tasks have included the identification, investigation and securing of land, the confirmation of operational resourcing, the design of facilities, obtaining consents for developments, and the procurement and commencement of on-site works.

New facilities at Southbridge and Rangiora have been completed, and the new facility at Lyttelton is well through construction. On-site works are getting underway for four more developments.

Seismic strengthening programme

Structures that have special post-disaster functions such as fire stations are designated Importance Level 4 (IL4) buildings under the Building Act 2004. Accordingly, all new fire stations are designed to 100% of the New Building Standard (NBS) IL4. The organisation decided that existing fire stations should achieve a minimum standard of greater than 67% NBS IL4 to be considered 'earthquake resilient'. The organisation adopted this resilience standard as a result

of recommendations from the Institution of Professional Engineers New Zealand Inc., the New Zealand Society for Earthquake Engineering and the Royal Commission post the Canterbury earthquakes.

Table 4 Progress in fire station earthquake strengthening

	Number	Percent (%)
Earthquake resilient, > 67% NBS IL4	357	81
Earthquake risk, 34–66% NBS IL4	22	5
Earthquake prone, 0–33% NBS IL4	60	14
Total	439	100

This programme of work is expected to be complete in 2029.

Due to upgrade and new build work during the year, a further nine fire stations are now earthquake resilient, an additional 10 are under construction, and the number of earthquake-risk fire stations

has reduced. Highlights included completion of the new Rangiora fire station, a major refurbishment at Newtown, and significant strengthening and upgrade projects at Feilding, Okaiawa, Hawera, Ohakune, Millers Flat, Oban and Waikanae.

Building (Earthquake-prone Buildings) Amendment Act 2016

The Building (Earthquake-prone Buildings) Amendment Act 2016 (the Act) came into force in May 2016.

The Act identifies earthquake risk areas across New Zealand. Buildings in these areas have been given a tiered timeline for assessment and seismic strengthening to at least 34% NBS. We have prioritised on a high, medium and low risk area basis according to the new legislation while maintaining our standard of greater than 67% IL4. The new requirements have caused us to re-prioritise sites requiring seismic upgrade under a tighter time limit of 10 years or less in the high-risk areas.

Fleet management

The fleet capital programme aims to replace existing end-of-life appliances to maintain the current fleet size. In 2015/16, we took delivery of 30 new appliances, a new four-wheel-drive prototype appliance, a medium tanker and foam tender, and various operational support vehicles.

New appliance developments are primarily focused on safety, simplicity and ease of use to maximise their reliability and minimise training demands on our volunteer firefighters. Prototype appliances are built to address an operational requirement and to trial new technologies. Successful design concepts are adopted into high-volume appliance types. Concepts trialled on the four-wheel-drive prototype appliance are now being implemented on a new appliance that will begin production during 2016/17.

We supported the RFAs with the specification and procurement of a number of appliances during the





year, and are working on developing a prototype light response vehicle for brigades where a traditional appliance is not optimal for their needs. There is currently a demand for this type of vehicle within the Fire Service, which we expect to become even greater in the future to respond to changing demands on our emergency services.

Fleet servicing continued to be improved through retendering for services in some regions and the refinement of service schedules. A programme of major services for our aerial appliances commenced for those appliances that are 10 years or older to ensure their reliability for the next 10 years.

ICT

Information and Communications Technology (ICT) is an important strategic enabler for us. We are transforming our future so that we can be more mobile and have information at our fingertips.

During 2015/16, we drew on Vision 2020 feedback to make the working lives of our people easier and more effective by:

- ▶ upgrading our ICT equipment that is used for day-to-day purposes at 358 volunteer stations and 31 composite stations, and providing a laptop and a large display screen to enhance the training facilities available
- ▶ providing easy access to the electronic training system, allowing our people to undertake online learning and review their learning records from anywhere with an internet connection
- ▶ creating the technology building blocks to operate tablets in fire appliances, which will provide crews with immediate electronic access to the information they need when attending an incident — these capabilities will be supplemented over time to provide electronic tools that will save brigades time on the administrative aspects of their work
- ▶ commencing a 2-year programme for the national replacement of all our incident ground radio equipment with new equipment. This will provide improved voice clarity in the noisy conditions faced by our people, an interface with new breathing apparatus microphones, and improved interoperability across urban and rural brigades
- ▶ providing Wi-Fi to 50% of all our volunteer stations to access our systems at any time, with the remaining stations scheduled to receive this during 2016/17
- ▶ commencing work on applications for use on smart phones that will enable easy access to information such as 'Where is my recruit' and a new communications channel, myFire, that will provide safety and other important notifications for our career and volunteer firefighters. Such applications will progressively become available during 2016/17.

Statement of Performance

for the year ended 30 June 2016

The Statement of Performance reports on the Fire Service's performance against expectations as set out in the 2015/16 Statement of Performance Expectations (SPE).

Our outcomes

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

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

We aim to prevent fires through a range of activities, including social media campaigns, home fire safety visits, the 'Get Firewise' programme for schools and arson reduction programmes for fire setters. We are also involved in reviewing building consents and approving evacuation schemes for non-residential premises.

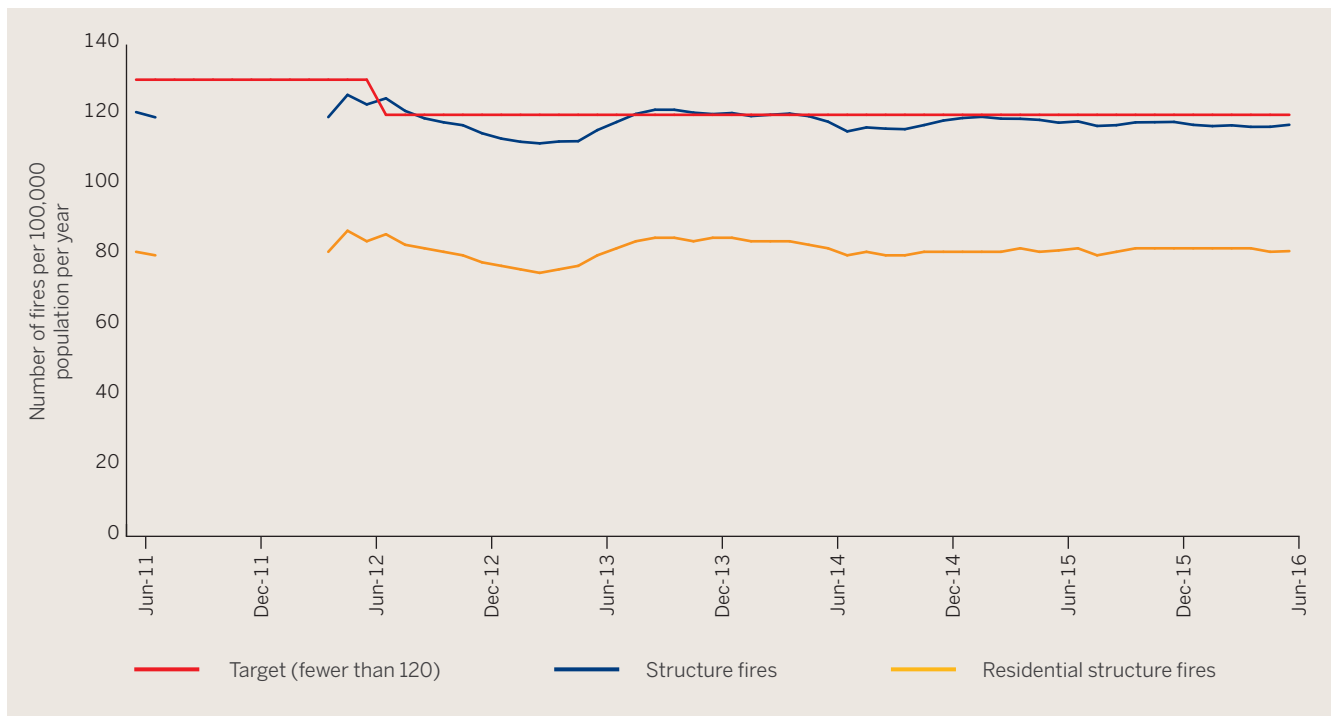
These activities are intended to improve the public's knowledge and awareness of fire safety, and make homes safer as more smoke alarms are fitted and more adequate preparation is made on what to do in the event of a fire. The outcome we seek is an improvement in fire knowledge and behaviour that will reduce the number of fires and their impact. For commercial premises, the provision of advice to ensure that fire safety standards are catered for adequately will ensure that buildings are less prone to fire 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.

Structure fires

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

Figure 1 Structure fires per 100,000 population per year



Overall, the number of structure fires per 100,000 population has remained largely static over the last 5 years. In 2015/16, there were 117 structure fires per 100,000 population (118 in 2014/15), which is within our target of 120. In the same period, there were 81 fires per 100,000 in residential structures, which is the same as for 2014/15. Figure 1 shows the results and long-term trends for structure fires.

Outcome 2: Effective response

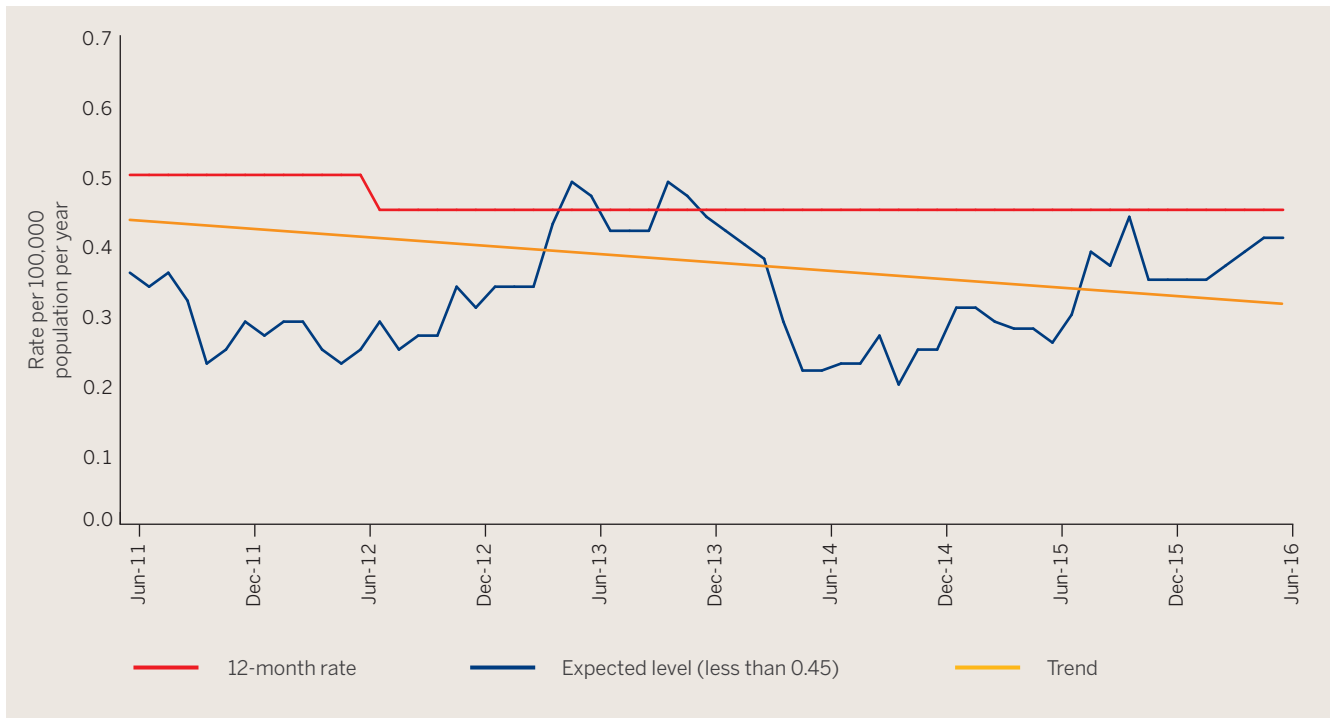
Ensuring that urban and rural firefighters are well trained and prepared for incidents will, in turn, ensure that fires are more effectively managed and injuries to firefighters and the public are reduced to a minimum. A better understanding of our emergency service partnerships will result in seamless working relationships and facilitate cooperative initiatives such as the MOUs with St John and Wellington Free Ambulance services, and the creation of ERFDs. 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 structure fire fatalities

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

Figure 2 Avoidable residential structure fire fatality rate per 100,000 population per year



The organisation monitors the number of avoidable residential fatalities from fire to assess progress against its statutory mandate to protect life. In 2015/16, there were 19 such fire fatalities compared with 12 in 2014/15⁶ (a record low). This is equivalent to 0.41 per 100,000 population which is below the expected rate of 0.45 per 100,000 population. We believe the provision of fire safety education has played a significant part in reducing fire fatalities over the last 5 to 10 years. Figure 2 shows the results and long-term downwards trend for avoidable residential structure fire fatalities.

⁶ In the 2014/15 annual report, the number of avoidable residential structure fire fatalities was reported as 13. Following the release of a Coroner's findings, this has been revised to 12.

Outputs and expected impacts

We delivered a comprehensive range of risk reduction, fire safety public education, emergency response and fire authority coordination services to protect New Zealand's 4.7 million residents, more than \$400 billion stock of buildings, and 27 million hectares of forest, tussock and grasslands from fire. We use the following results to assess the impact of our services (outputs). Our 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:

- ▶ 60% of people will believe a fire can become unsurvivable in 5 minutes or less.
- ▶ 85% of homes will have at least one smoke alarm installed.

Table 5 summarises the results of the Fire Service's quarterly fire knowledge and communications surveys.

Table 5 Fire knowledge and communication survey results

	2015/16 Actual	2014/15 Actual	2013/14 Actual	2012/13 Actual	2015/16 SPE target
Percentage of people will believe a fire can become unsurvivable in 5 minutes or less	89%	88%	88%	90%	60%
Percentage of homes will have at least one working smoke alarm installed	89%	85%	92%	92%	85%

The quarterly Fire Knowledge and Communications Effectiveness Survey monitors the effectiveness of fire safety promotions by measuring the direct impact that services (outputs) have on maintaining and improving the public level of fire safety knowledge and fire-safe behaviour. For the June 2016 quarterly survey, the percentage of people who believe a fire can become unsurvivable in 5 minutes or less (89%) is 1% higher than last year and consistent with results over recent years. The 2016/17 target has been set at 90%.

The quarterly survey for June 2016 also produced a result of 89% for homes with at least one smoke alarm installed, which is 4% above our target of 85%.

Output Class 2: Firefighting and other Fire Service operations

Incident trends

We responded to 74,879 emergency incidents during 2015/16, which is a 2.8% increase on 2014/15. The total numbers of incidents over the last 10 years is shown in Table 6, which demonstrates an increasing long-term trend.

Table 6 Incident trends

	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
Total incidents attended	74,879	72,853	73,464	70,907	66,284	76,334	67,651	71,516	74,057	71,690	66,951

The main trend in recent years has been the increasing proportion of non-fire-related incidents. In 2015/16, 39% of incidents were non-fire, compared with 31% 5 years ago (excluding incidents resulting from the Canterbury earthquakes).

Non-fire emergencies

The number of non-fire emergencies (29,263) increased in 2015/16 and will continue to trend upwards as expectations of the Fire Service continue to evolve (Figure 3). Over the past 5 years, the number of non-fire emergencies has grown by 20%.

In 2015/16, the number of hazardous substances emergencies was down by 1.5%, while medical emergencies and mobile property (including motor vehicles) accidents increased by 10.0% and 14.6%, respectively (Figure 4).

Medical emergencies are increasing and this is mostly due to our partnerships with St John and Wellington Free Ambulance, which ensure that an appliance is co-responded with an ambulance to all cardiac and respiratory arrest calls.

Figure 3 Non-fire emergencies trend

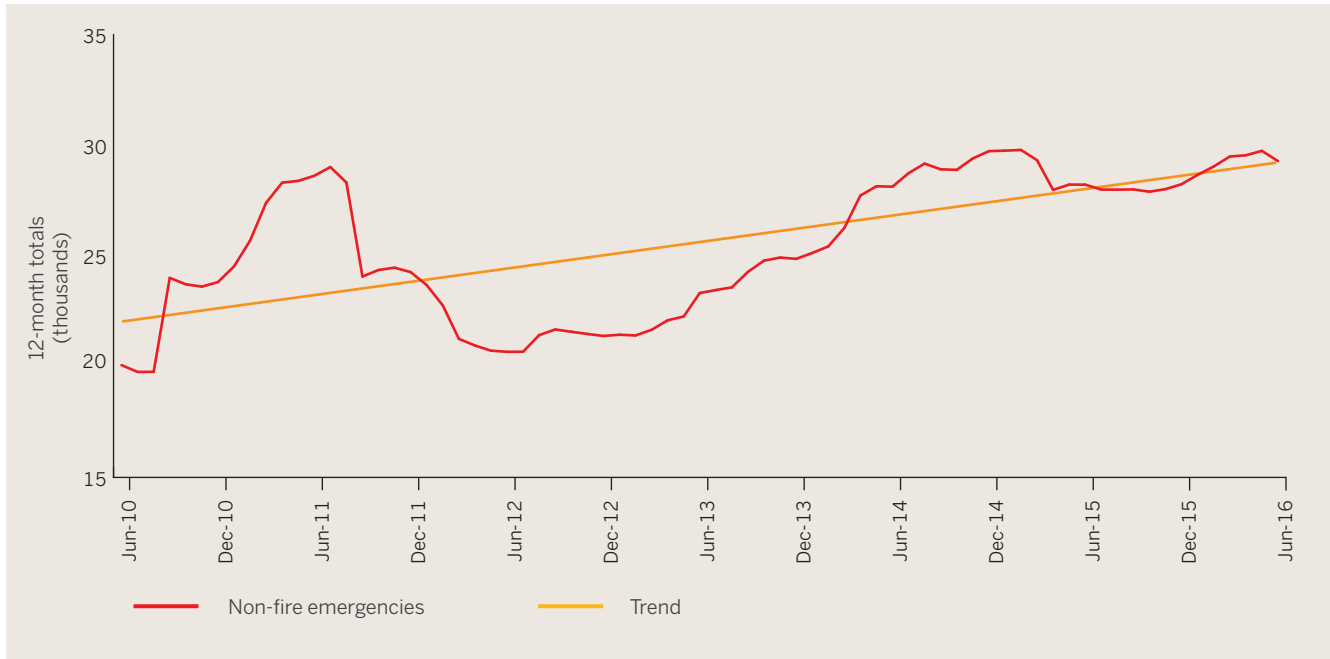
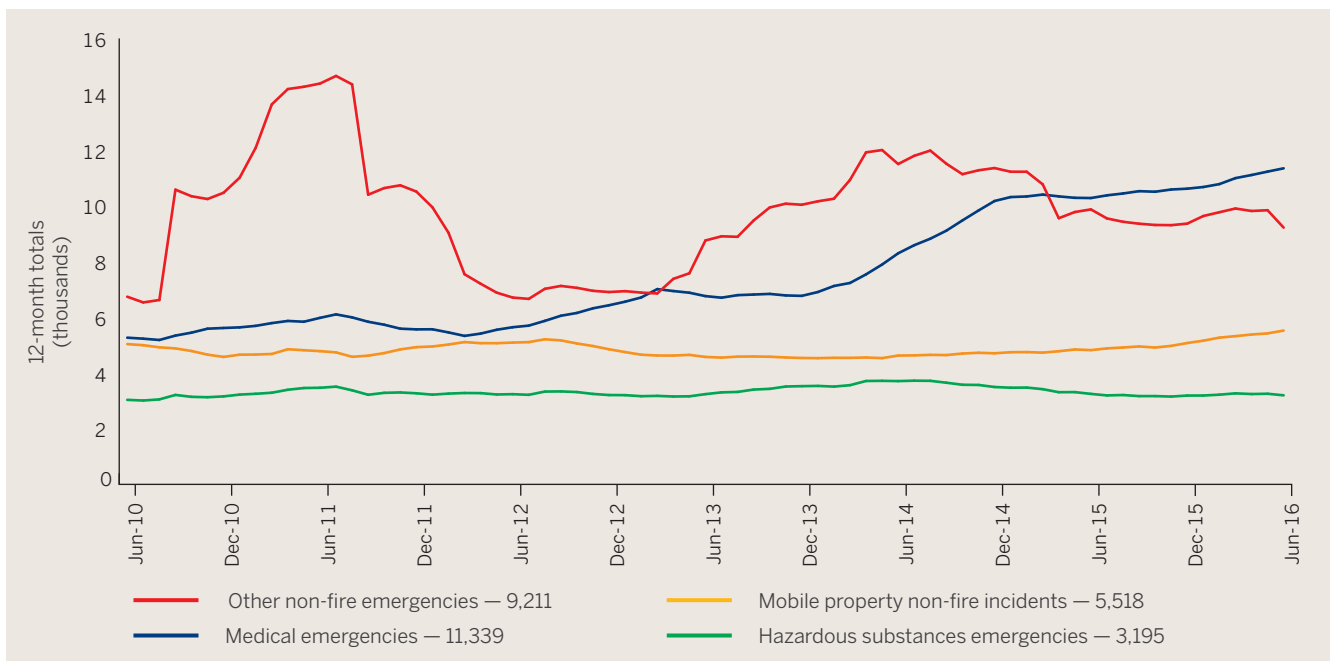


Figure 4 Non-fire emergencies attended per year



Injuries to Fire Service staff

The safety of our people remains our first principle and is the premise that informs all our decisions and activities. The "Our priorities" section of this Annual Report outlines the steps we have taken, and will continue to take, to ensure we have a culture of safety that supports both the management of operational risks as well as the overall welfare of our staff.

Monitoring the number of injuries to Fire Service staff requiring more than 7 days off work is one way of measuring how successful we are in reducing the number of injuries to frontline staff. For the period to 30 June 2016, the figure was 118 compared with 150 in the previous year.⁷

Table 7 Injuries to Fire Service staff

	2015/16 Actual	2014/15 Actual	2015/16 SPE target
Decrease in the number of Fire Service workplace injuries to staff requiring more than 7 days off work	118	150	Reduction from previous year

Output Class 3: Rural fire leadership and coordination

Table 8 Containment of vegetation fires

	2015/16 Actual	2014/15 Actual	2015/16 SPE target
Percentage of the land currently managed through RFAs is managed by ERFDs by 30 June 2017 (excludes six Defence Rural Fire Districts)	65%	64%	80%
Number of ERFDs increased	0	NA New measure 2015/16	13
Percentage of vegetation fires in rural fire districts contained within 2 hours of being reported	75%	74%	75%

Percentage of land currently managed through RFAs and number of ERFDs increased

The Cabinet decision to reform New Zealand's fire services resulted in this policy initiative being discontinued during 2015/16.

⁷ The 2014/15 figure was reported as 125 but has since been revised to 150 due to the time lag between injuries and the point at which the lost time exceeds 7 days.

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 behaviours by improving their knowledge about fire risks and what actions they can undertake to reduce those risks. It is delivered under the Safer New Zealand Fire Risk Reduction and Prevention Plan, which focuses all of our activities under three main overarching goals that are aligned with 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 NRFA) also coordinates a national campaign to promote fire-safe behaviour in rural areas. This campaign focuses on fire prevention, and making landowners and the general public aware of their legal obligations with respect to vegetation fires. It 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.

Table 9 Output 1.1 performance measures

Measure		2015/16 Actual	2014/15 Actual	2015/16 SPE target
1.1.1	'Get Firewise' programme for primary schools (Years 1 and 2):			Information measure only
	▶ Percentage of schools approached over 2 years to deliver the programme	54%	NA New measure 2015/16	100%
	▶ Percentage of schools who agree to deliver the programme	37%	NA New measure 2015/16	65%
	▶ Percentage of schools who complete delivery of the programme	22%	NA New measure 2015/16	60%
1.1.2	Number of individuals receiving the FAIP	409	524	Information measure only
1.1.3	Number of homes which have received a home fire safety check	6,956	6,065	Information measure only

'Get Firewise' programme

The 2015/16 results are for the first year of a 2-year cycle.

Fire Awareness Intervention Programme (FAIP)

The FAIP is demand-driven and largely dependent on the New Zealand Police and other agencies referring young offenders to us to deliver the programme.

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

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

We work 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 MBIE, 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 and building owners.

Table 10 Output 1.2 performance measures

Measure		2015/16 Actual	2014/15 Actual	2015/16 SPE target
1.2.1	Percentage 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%	100%	100%

Output 1.3: Fire safety legislation

This output covers the following three areas of fire safety law:

- ▶ Building consent applications covering the fire engineering design in buildings.
- ▶ Evacuation scheme approvals and monitoring.
- ▶ Advice on buildings considered dangerous because they are a fire hazard.

Table 11 Output 1.3 performance measures

Measure		2015/16 Actual	2014/15 Actual	2015/16 SPE target
1.3.1	Percentage 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	100%	98%	100%

Output Class 2: Firefighting and other Fire Service operations

(Sections 17N, 17O, 23 to 26, 27, 27A, 28, 28A, 29, 30, 32, 34, 35, 36, 36A, 40 and 41 of the Fire Service Act 1975, and the provisions of the Civil Defence Emergency Management Act 2002)

This output class includes the services we provide to prepare for and suppress fires and to respond to other emergencies. Responses to other emergencies include events such as motor vehicle accidents, hazardous substances emergencies, natural disasters and medical emergencies. Our 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 preparing for and responding 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 we maintain a constant state of operational readiness, which we achieve through comprehensive staff training, regular equipment maintenance and accurate operational incident pre-planning.

We verify our state of readiness by conducting internal operational readiness assessments. Our operational readiness is continually being improved by implementing enhancements that are identified during post-incident operations investigations. Each station carries out an audit each year against a standardised checklist.

A critical part of our comprehensive training programme is OSM, which is achieved by firefighters completing individual tasks or crew-based scenarios, and ensures that 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 we are able to take the most appropriate actions in the event of an emergency incident. We review and update risk plans on a regular basis to ensure that information remains current.

Table 12 Output 2.1 performance measures

Measure		2015/16 Actual	2014/15 Actual	2015/16 SPE target
2.1.1	Percentage of Level 2 (serious incident) investigation reports completed within the required timeframe	71%	NA New measure 2015/16	100%
2.1.2	Percentage of site reports reviewed within the required timescale	71%	76%	100%
2.1.3	Meet or exceed OSM critical and core skills requirements — Career	100%	NA New measure 2015/16	98%
2.1.4	Meet or exceed OSM critical and core skills requirements — Volunteer	98%	NA New measure 2015/16	95%

Percentage of Level 2 (serious incident) investigation reports completed

During the year, 17 of 24 reports (71%) were completed on time. Those reports not completed on time were due to technical issues, legal issues and unavailability of key staff. It is essential these reports are completed thoroughly to ensure improvements are made to address firefighter safety.

Percentage of site reports reviewed

Seventy one percent of site reports were reviewed on time. Those site reports not reviewed on time are being investigated region by region with corrective actions put in place to ensure this target is met in the future.

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 provide 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. National service guidelines for monitoring response times and results are set out below.

Table 13 Output 2.2 performance measures

Measure	2015/16 Actual	2014/15 Actual	2015/16 SPE target	
2.2.1	Number of structure fires attended (including number where Fire Service equipment required to extinguish fire e.g. one hose reel or more)	5,384	5,413	Information measure only
2.2.2	Number of non-fire emergencies attended (total): ⁸	29,263	28,199	Information measure only
	▶ Number of medical emergencies attended (including number where CPR/defibrillation carried out)	11,339	10,304	Information measure only
	▶ Number of motor vehicle accidents attended (including number where extrications performed)	5,518	4,815	Information measure only
	▶ Number of hazardous materials incidents attended (including number where Fire Service active management required)	3,195	3,245	Information measure only
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 for career stations	84%	84%	90%
	▶ 11 minutes for volunteer stations	88%	89%	90%
2.2.4	Response times for non-fire emergencies will be monitored for performance against the national service delivery guidelines of:			
	▶ 30 minutes for motor vehicle accidents	97%	97%	90%
	▶ 20 minutes for incidents requiring the specialist Hazmat within major urban areas	84%	84%	90%
	For response to medical emergencies inside urban fire districts:			
	▶ 8 minutes for career stations	89%	88%	90%
	▶ 11 minutes for volunteer stations	87%	86%	90%

Response times

Response times for structure fire incidents inside urban fire districts and non-fire emergencies were almost identical to the 2014/15 year, i.e. within 1%. The key drivers of performance are the physical location of fire stations and increased traffic congestion, particularly in highly populated areas. Consequently, the levers to improve performance response times are necessarily long term and include building new stations or providing additional staff.

⁸ The total number of non-fire emergencies attended covers a wide range of incidents, including medical emergencies, motor vehicle accidents and hazardous materials spills.

Output 2.3: Wider emergency management capability

This output covers our 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, making sure that our obligations under the National Civil Defence Emergency Management Plan can be met, and participating in multi-agency training exercises to help prepare for responses to community-scale incidents.

We have 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 INSARAG heavy-level capability and also makes available a capability for the New Zealand Government's international assistance programme.

This output also includes the annual survey of our key stakeholders, which is undertaken by an external organisation. The results of the survey are used to further improve our communication, coordination and performance in working with other emergency services (New Zealand Police, ambulance services, and Civil Defence and Emergency Management) and a range of other key organisations.

Table 14 Output 2.3 performance measures

Measure	2015/16 Actual	2014/15 Actual	2015/16 SPE target
2.3.1 Annual stakeholder engagement survey completed and progress against action plan reported	Achieved	Achieved ⁹	Survey and action plan deliverable met deadline

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 Firefighting Fund and grant assistance schemes

This output covers NRFA activities to maintain an administrative infrastructure to support firefighting 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 also 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 Firefighting Fund. The grant assistance scheme provides funding support to fire authorities to help them invest in appropriate plant and equipment which, in turn, helps ensure that they maintain an appropriate operational readiness capability. The Rural Firefighting Fund reimburses fire authorities for the majority of their expenses relating to putting out wildfires.

We are required to carry out our 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 Rural Firefighting Fund.

Table 15 Output 3.1 performance measures

Measure	2015/16 Actual	2014/15 Actual	2015/16 SPE target
3.1.1 Applications and claims to the NRFA are processed within 2 months of being received	88%	90%	100%
3.1.2 Percentage of fire authorities will meet their legal obligations for adopting and reviewing their fire plans. The readiness and response parts of the fire plan will be reviewed every 2 years and the risk reduction and recovery parts of the fire plan every 5 years.	87%	NA New measure 2015/16	100%

⁹ This measure was achieved based on the 2014/15 SPE target "Survey complete by 30 June 2015".

Applications and claims to the NRFA are processed within 2 months

Twelve claims (12%) were processed outside the 2-month timeframe. The target was not met due to delays in RFAs' decisions on cost recovery plus some processing delays due to staff changes.

Percentage of fire authorities meeting their legal obligations for adopting and reviewing their fire plans

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

- ▶ the readiness and response parts of the fire plan every 2 years
- ▶ the risk reduction and recovery parts of the fire plan every 5 years.

Five RFAs (13%) did not meet the timeframe required to complete their fire plan reviews. Three of the four RFAs were awaiting sign-off internally, one was delayed due to becoming an ERFD (Mid South Canterbury) and the other have provided no explanation. Despite best efforts to deliver on this measure, the NRFA has limited ability to enforce compliance and seeks to influence RFAs to meet their legal obligations.

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. This information helps fire managers to assess the levels of preparedness and resources needed to extinguish fires and minimise fire losses, and 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.

Table 16 Output 3.2 performance measures

Measure		2015/16 Actual	2014/15 Actual	2015/16 SPE target
3.2.1	RFAs provided with written audit reports against national minimum standards within 2 months of the audit	0% 0 of 2	78% 7 of 9	100%
3.2.2	RFAs provided with a draft performance report within 2 months of the performance evaluation	0% 0 of 2	78% 7 of 9	100%
3.2.3	Percentage of audits of RFAs meeting the required standard	55%	69%	90%

RFA audit and performance reports

The audits of the two RFAs selected (10 audits per RFA) were not completed within the required timeframe. One of the two audit reports was completed by 30 June 2016 but not moderated. The other was due to international deployment and long service leave complications.

Percentage of audits meeting the required standard

Eleven of the 20 audits (55%) completed met the required standard. Nine audits required corrective action plans that the RFAs are required to submit and action. These corrective action plans have variable time requirements for their delivery.

Financial performance measures by output class

Table 17 Main financial measures

	2015/16 Actual \$000	2015/16 SPE target \$000
Levy revenue	372,466	356,980
Total revenue	389,272	372,124
Total expenditure	388,835	373,775
Net surplus attributable to the owners of the Commission	437	(1,651)
Net capital expenditure cash flows	54,542	50,000

Table 18 Output classes levy receipts

	2015/16 Actual levy revenue \$000 GST excl.	2015/16 Budget levy revenue \$000 GST excl.	2014/15 Actual levy revenue \$000 GST excl.
Output Class 1: Fire safety education, prevention and advice	57,732	58,902	53,658
Output 1.1: Fire prevention and advice to the general public	42,461	42,838	38,928
Output 1.2: Professional and technical advice to the built environment public	13,781	13,922	12,976
Output 1.3: Fire safety legislation	1,490	2,142	1,754
Output Class 2: Firefighting and other Fire Service operations	304,678	291,295	287,578
Output 2.1: Operational readiness	240,614	229,895	226,906
Output 2.2: Operational responses to fire and other emergencies	52,145	49,620	48,748
Output 2.3: Wider emergency management capability	11,919	11,780	11,924
Output Class 3: Rural fire leadership and coordination	10,056	6,783	9,469
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Firefighting Fund and grant assistance schemes	9,311	6,069	8,417
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	745	714	1,052
Total cost of outputs	372,466	356,980	350,705

Table 19 Output classes other revenue and income

	2015/16 Actual other revenue \$000 GST excl.	2015/16 Budget other revenue \$000 GST excl.	2014/15 Actual other revenue \$000 GST excl.
Output Class 1: Fire safety education, prevention and advice	1,176	1,211	2,225
Output 1.1: Fire prevention and advice to the general public	398	606	1,160
Output 1.2: Professional and technical advice to the built environment public	130	185	378
Output 1.3: Fire safety legislation	648	420	687
Output Class 2: Firefighting and other Fire Service operations	12,554	12,812	18,039
Output 2.1: Operational readiness	6,070	6,936	10,854
Output 2.2: Operational responses to fire and other emergencies	5,836	5,716	6,504
Output 2.3: Wider emergency management capability	648	160	681
Output Class 3: Rural fire leadership and coordination	3,076	1,121	1,059
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the rural firefighting fund and grant assistance schemes	3,069	1,111	1,038
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system	7	10	21
Total cost of outputs	16,806	15,144	21,323

Table 20 Output classes total expenditure

	2015/16 Actual total expenditure \$000 GST excl.	2015/16 Budget total expenditure \$000GST excl.	2014/15 Actual total expenditure \$000 GST excl.
Output Class 1: Fire safety education, prevention and advice	59,079	60,185	56,256
Output 1.1: Fire prevention and advice to the general public	42,823	43,646	40,591
Output 1.2: Professional and technical advice to the built environment public	14,074	14,014	13,385
Output 1.3: Fire safety legislation	2,182	2,525	2,280
Output Class 2: Firefighting and other Fire Service operations	316,730	305,631	308,626
Output 2.1: Operational readiness	246,485	237,920	240,273
Output 2.2: Operational responses to fire and other emergencies	58,032	55,613	55,628
Output 2.3: Wider emergency management capability	12,213	12,098	12,725
Output Class 3: Rural fire leadership and coordination	13,026	7,959	10,333
Output 3.1: Advice and support to fire authorities and rural fire committees, and administration of the Rural Firefighting Fund and grant assistance schemes	12,438	7,214	9,409
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance, and management of the fire weather monitoring and prediction system	588	745	924
Total cost of outputs	388,835	373,775	375,215

Statement of Responsibility

for the year ended 30 June 2016

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 controls 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 2016.

Signed on behalf of the Board:



Hon. Paul Swain
Chair
31 October 2016



Dr Nicola Crauford
Deputy Chair
31 October 2016

Independent Auditor's Report

To the readers of the New Zealand Fire Service Commission's financial statements and performance information for the year ended 30 June 2016

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 66 to 106, that comprise the statement of financial position as at 30 June 2016, 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 46 to 59.

In our opinion:

- ▶ the financial statements of the Fire Service:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - 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 Public Benefit Entity Standards.

▶ the performance information:

- presents fairly, in all material respects, the Fire Service's performance for the year ended 30 June 2016, 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 31 October 2016. 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 Board 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 Board;
- ▶ 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 Board

The Board is 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 Board's responsibilities arise from the Crown Entities Act 2004, the Public Finance Act 1989 and the Fire Service Act 1975.

The Board is responsible for such internal control as it determines 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 Board is 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

Administration of the levy provisions of the Fire Service Act 1975

The organisation receives a levy from insurance companies or their agents, which makes up 95% of its funding. The organisation holds that levy until such time as it is required to meet its net operating expenditure.

The levy-related statutory responsibilities of the organisation are largely set out in sections 48 through 53 of the Fire Service Act 1975 (the Act) and include:

- ▶ having an understanding of the levy due to the organisation
- ▶ giving consideration to and assuring itself through audits as to the calculation and timeliness of all levy received
- ▶ keeping all returns and information extracted from the same secret, except where published in aggregated form.

The organisation discharged its levy responsibilities by:

- ▶ completing six audits of insurance companies, brokers and direct levy payers either through its agents or through analysis and investigation
- ▶ issuing over 1,000 statutory declarations
- ▶ reviewing 2,000 payments and returns.

The organisation has this information going back for a number of years and is able to identify where the levy may have been under or unpaid. Each month where the organisation identifies concerns with variations in the amount of levy paid, it liaises with the broker or insurer to investigate these amounts. In a number of cases, revised payments and returns were promptly submitted. Occasionally, the result has identified an overpaid levy and a refund has been made to the broker or insurer. This work has helped brokers and insurers meet their obligations under the Act. The organisation has a number of powers under the Act to support it in these responsibilities. During the year the organisation used its powers under section 51 to conduct levy audits.

Financial Commentary

At 30 June 2016 we recorded a surplus of \$0.4 million against a budgeted loss of \$1.7 million. Operating expenditure and revenue remained consistent with expectations other than for levy received and the provision for gratuities. This modest surplus comes as a result of levy growth off the back of the Insurance Brokers Association of New Zealand (IBANZ) litigation case. Without it the organisation would have posted a significant deficit for the 2015/16 financial year.

The organisation's full year levy receipts were \$372.5 million – exceeding budgeted receipts by \$15.5 million. The result was significantly in excess of the forecast because:

- ▶ the budgeted receipts were set before the outcome of the IBANZ litigation, which accounts for more than \$10.0 million of the growth; the extent to which this growth is sustained into the 2016/17 year cannot yet be estimated as it is dependent upon whether levy payers enter into alternative schemes in order to minimise their levies payable
- ▶ the majority of the other levy income came from an increase in contract work policies. Levies from contract work policies don't always result in permanent ongoing revenue as they are dependent upon primary insurance schemes operated by the developer.

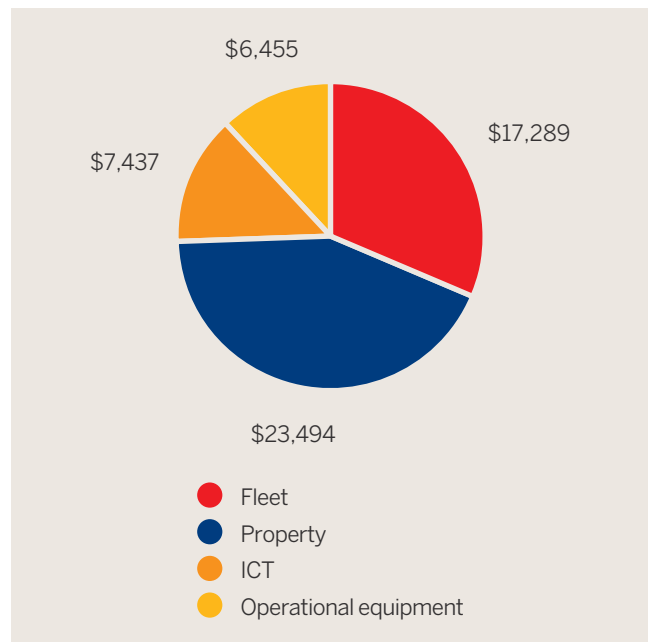
Countering the growth in levy was the growth in gratuities. When the budget for gratuities was set for the 2015/16 financial year, it was anticipated that discount rates would increase off the back of rising USD interest rates. This did not eventuate and neither did the reversal of the provision from the 2014/15 financial year, a \$4.0 million decrease. The outcome of the actuarial valuation (report dated 11 July 2016) meant an even greater provision was required.

Cash

The organisation is primarily funded from a levy on fire insurance contracts. The cash generated annually has to cover both operating and capital expenditure requirements, but levies are not received evenly throughout the year and are held on the balance sheet as cash and investments until required.

Against the budgeted \$15.7 million of net cash flowing out of the organisation, the actual net cash outflows were \$11.8 million. The organisation has projected similar sized cash deficits in 2016/17. With \$699.7 million of assets on the balance sheet, the organisation has to continually reinvest in its priority assets in order to maintain both capability and quality. In the 2015/16 financial year, \$60.0 million was spent on its capital programme (\$54.7 million in cash terms).

Figure 5 Gross capital cash spend (\$000)



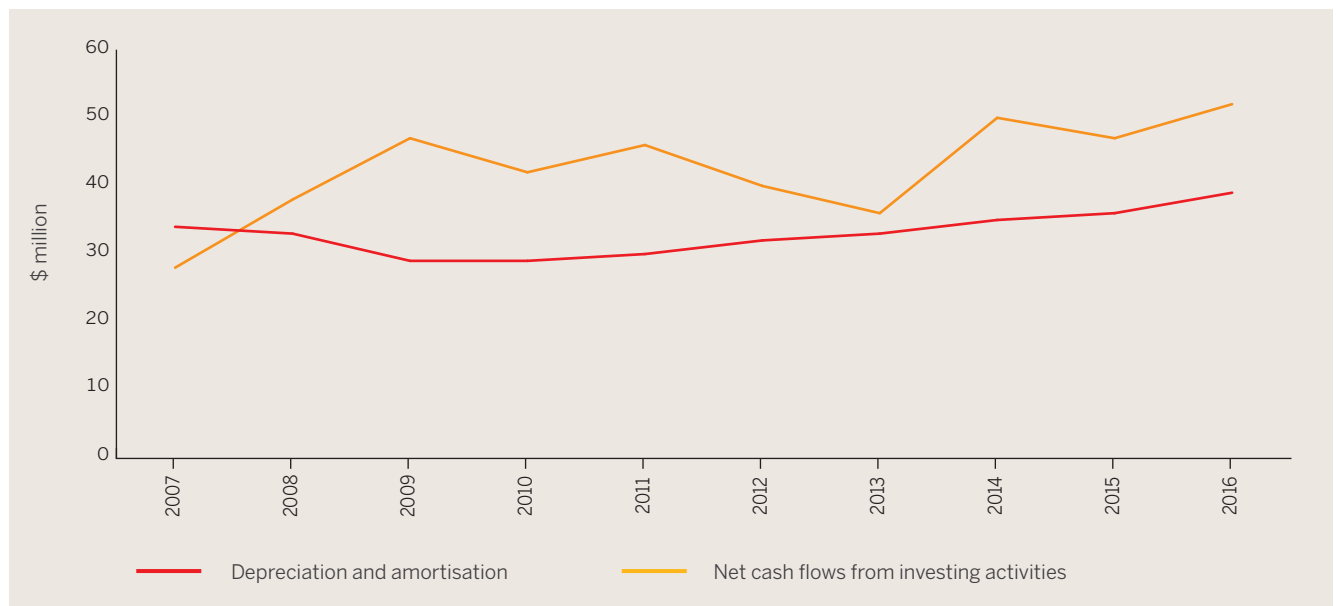
The organisation is funded from levies for its depreciation of assets and in turn this is used to fund its capital expenditure. Depreciation is insufficient to fund the organisation's critical capital programmes (Figure 6) due to:

- ▶ the fleet not being revalued as there is not a readily available market to revalue used appliances
- ▶ extraordinary capital investment required to rebuild after the Canterbury earthquakes
- ▶ seismic strengthening the organisation's properties.

The organisation was required to draw down monies from its cash and investments to support the capital programme and this requirement is expected to continue in future years.

Ongoing extraordinary demands include replacing the existing paging network (a multi-million dollar project), continuing with the seismic upgrade of stations at \$23.3 million (refer Note 11 and the "Capital investment" section), the repayment of the incident ground radios leases of \$14.0 million (being rolled out in the 2016 and 2017 calendar years), and the Christchurch rebuild with estimated costs still to be incurred of \$63.4 million. This is in addition to the ongoing asset replacement programme.

Figure 6 Investing activities versus depreciation



The gap between the depreciation (red line) and the net cash flows from investing activities (yellow line) shows the amount required to be funded from cash and investments in order to support the depreciation funding.

Statement of Financial Position

Table 21 Comparison of the Statement of Financial Position indicators

	2015/16 \$000	2014/15 \$000
Cash and cash equivalents	42,757	54,549
Debt/borrowings	2,135	3,876
Equity	722,353	687,180
Working capital	65,742	76,262
Working capital ratio	2.0	2.4

Table 21 shows a decline in the working capital ratio. This is as a result of the declining investments and is projected to continue to weaken over the next 12 months. The direct relationship between the cost base and service delivery, and the high level of fixed costs in the organisation means continual levy growth, and reliance on the cash and investments on the balance sheet are crucial. Investments have declined between years because higher levels of capital expenditure are required than the depreciation available to support it. Equity is very strong, with a negligible debt to equity ratio. Equity is driven by the fixed assets owned by the organisation.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue				
Levy	2	372,466	356,980	350,705
Interest revenue	2	1,969	2,122	2,630
Other revenue	2	14,837	13,022	18,693
Total revenue		389,272	372,124	372,028
Expenditure				
Employee and volunteer benefits expenditure	3	255,282	244,996	246,971
Depreciation	11	36,208	34,607	33,570
Amortisation	12	2,950	3,517	2,600
Finance costs	4	404	533	469
Other expenditure	5	90,470	87,322	87,663
Rural Firefighting Fund claims expenditure	6	3,521	2,800	3,942
Total expenditure		388,835	373,775	375,215
Net surplus attributable to the Commission		437	(1,651)	(3,187)
Other comprehensive revenue and expense				
Item that will not be reclassified to surplus/(deficit)				
Gains/(losses) on revaluation of land and buildings net of impairment losses	18	34,735	12,237	16,337
Total other comprehensive revenue and expense		34,735	12,237	16,337
Total comprehensive revenue and expense		35,172	10,586	13,150

The accompanying notes on pages 70 to 106 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Financial Position

as at 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Assets				
Current assets				
Cash and cash equivalents	7	42,757	31,465	54,549
Trade and other receivables	8	78,298	1,965	75,482
Prepayments	9	1,258	781	1,580
Non-current assets held for sale	10	6,510	—	—
Total current assets		128,823	34,211	131,611
Non-current assets				
Property, plant and equipment	11	693,746	656,232	646,652
Intangible assets	12	6,000	8,951	6,036
Total non-current assets		699,746	665,183	652,688
Total assets		828,569	699,394	784,299
Liabilities				
Current liabilities				
Trade and other payables	13	29,045	24,096	24,187
Employee and volunteer benefits	14	30,730	28,749	27,487
Borrowings	15	1,362	1,362	1,741
Provisions	16	1,852	1,699	1,750
Unamortised gain on sale and leaseback	17	92	—	184
Total current liabilities		63,081	55,906	55,349
Non-current liabilities				
Employee and volunteer benefits	14	39,764	32,574	37,108
Borrowings	15	773	773	2,135
Provisions	16	2,598	2,804	2,435
Unamortised gain on sale and leaseback	17	—	—	92
Total non-current liabilities		43,135	36,151	41,770
Total liabilities		106,216	92,057	97,119
Net assets		722,353	607,337	687,180
Equity				
Accumulated funds		559,208	468,139	512,135
Levy variability reserve		—	10,000	10,000
Major emergencies response reserve		—	15,000	15,000
Seismic resilience reserve		23,345	—	25,655
Seismic contingency reserve		—	5,000	5,000
Christchurch rebuild		—	—	12,226
Revaluation reserves	18	139,219	107,501	106,307
Rural Firefighting Fund	6	581	1,697	857
Total equity		722,353	607,337	687,180

The accompanying notes on pages 70 to 106 form part of these financial statements and explanations of significant variances are provided within the Notes.

Statement of Changes in Equity

as at 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Equity at beginning of year				
Accumulated funds		512,135	469,387	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	5,000	—
Christchurch insurance proceeds		12,226	—	12,226
Revaluation reserves	18	106,307	95,264	95,261
Rural Firefighting Fund		857	2,100	2,972
Total equity at beginning of year		687,180	596,751	674,031
Changes in equity during year				
Transfers from Statement of Comprehensive Revenue and Expense				
Accumulated funds		713	(1,248)	(1,071)
Revaluation reserves	18	34,735	12,237	16,337
Rural Firefighting Fund	6	(276)	(403)	(2,116)
Total comprehensive revenue		35,172	10,586	13,150
Transfers to reserves				
Accumulated funds		44,536	—	904
Levy variability reserve		(10,000)	—	—
Major emergencies response reserve		(15,000)	—	—
Seismic resilience reserve		(2,310)	—	(5,904)
Seismic contingency reserve		(5,000)	—	5,000
Christchurch insurance proceeds		(12,226)	—	—
Total transfers to reserves		—	—	—
Transfers from disposal of land and buildings				
Accumulated funds	18	1,823	—	5,291
Revaluation reserves	18	(1,823)	—	(5,291)
Total transfers from disposal of land and buildings		—	—	—
Total changes in equity during year		35,172	10,586	13,150
Equity at end of year				
Accumulated funds		559,208	468,139	512,135
Levy variability reserve		—	10,000	10,000
Major emergencies response reserve		—	15,000	15,000
Seismic resilience reserve		23,345	—	25,655
Seismic contingency reserve		—	5,000	5,000
Christchurch insurance proceeds		—	—	12,226
Revaluation reserves	18	139,219	107,501	106,307
Rural Firefighting Fund	6	581	1,697	857
Total equity at end of year		722,353	607,337	687,180

The accompanying notes on pages 70 to 106 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 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Cash flows from operating activities				
Receipts from levy		370,977	356,980	358,176
Receipts from other revenue		13,651	13,009	11,572
Interest received		2,059	2,172	2,762
Net GST received/(paid)		947	(1,603)	(193)
Payments to employees and volunteers		(251,072)	(248,393)	(240,478)
Payments to suppliers for goods and services		(91,748)	(85,667)	(88,960)
Net cash flows from operating activities	19	44,814	36,498	42,879
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	11	133	5,500	14,410
Purchase of intangible assets		(2,914)	(5,418)	(1,871)
Purchase of property, plant and equipment		(51,761)	(50,082)	(59,072)
Net cash flows from investing activities	11	(54,542)	(50,000)	(46,533)
Cash flows from financing activities				
Interest paid		(323)	(437)	(389)
Payments on finance leases		(1,741)	(1,741)	(1,764)
Net cash flows from financing activities		(2,064)	(2,178)	(2,153)
Net increase/(decrease) in cash and cash equivalents		(11,792)	(15,680)	(5,807)
Cash and cash equivalents at the beginning of the year		54,549	47,145	60,356
Cash and cash equivalents at the end of the year	7	42,757	31,465	54,549

The accompanying notes on pages 70 to 106 form part of these financial statements and explanations of significant variances are provided within the Notes.

Notes to the Financial Statements

1. 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 2016 and were authorised for issue by the Board on 31 October 2016.

These financial statements for the Commission will be its penultimate set of statements. The Minister of Internal Affairs announced on 13 November 2015 that the Government had agreed to bring urban and rural fire services together into one unified fire services organisation. The new organisation will have local committees that will ensure the particular interests of the local communities are taken into account. Under new legislation that is still to be passed, from 1 July 2017 the New Zealand Fire Service Commission, as a body constituted under section 4(1) of the Fire Service Act 1975, will become Fire and Emergency New Zealand (FENZ). The new organisation will be an amalgamation of the New Zealand Fire Service, the National Rural Fire Authority (which are both part of the New Zealand Fire Service Commission) and more than 40 rural fire authorities.

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.

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 2015, the External Reporting Board (XRB) issued the Disclosure Initiative (Amendments to PBE IPSAS 1), the 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The Commission will apply these amendments in preparing its 30 June 2017 financial statements. The Commission expects there will be no effect in applying these amendments.

Changes in accounting policies

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

Comparative information

When the 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.

Summary of significant accounting policies

Significant accounting policies are included in the note to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Volunteer services

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

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (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.

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.

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 Firefighting Fund. The property revaluation reserve relates to the revaluation of property, plant and equipment to fair value.

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.

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 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 as part of the 2015/16 Statement of Performance Expectations 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 of 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 Firefighting 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 outputs based on the percentage of that output to total direct expenditure (excluding the Rural Firefighting Fund).
- ▶ The Rural Firefighting 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 less revenue.

- ▶ Levy revenue is allocated to each output based on the proportion of net expenditure allocated to the outputs.
- ▶ 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.

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, and 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- ▶ property, plant and equipment, and intangible assets' useful lives and residual values — refer to Notes 11 and 12
- ▶ long service leave and gratuities — refer to Note 14.

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 2016:

- ▶ Lease classification — refer to Note 15.

2. Revenue

Accounting policy

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

The Commission recognises levy revenue on an accrual basis as per the requirement 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.

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.

Breakdown of revenue and further information

i) Levy

	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Levy contributions	372,182	355,860	349,177
Penalty interest	173	810	1,007
Penalty surcharge	111	310	521
Total levy revenue	372,466	356,980	350,705

Levy contributions

Levy revenue was 4.6% (\$16.3 million) ahead of budget for the year. The settlement of the IBANZ litigation resulted in more than \$10.0 million of growth in levy. The remaining variance is predominantly 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 \$0.5 million (2015: \$0.4 million).

Penalty interest and surcharge

Penalty interest and surcharge receipts were \$0.3 million (2015: \$1.5 million), which was below budget but is determined by the number of levy payers who contravene the levy provisions.

Levy receipts — Rural Firefighting Fund

The Minister of Internal Affairs determines each year the amount of levy to be paid to the Rural Firefighting Fund — refer note 6 Net surplus/(deficit) attributable to the Rural Firefighting Fund.

ii) Interest revenue

Interest revenue was below budget by \$0.2 million. This was primarily due to lower than anticipated cash and cash equivalent balances, as well as lower interest rates throughout the year.

iii) Breakdown of other revenue and further information

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
False alarms		4,356	4,070	4,109
Good corporate citizen contributions		1,883	1,965	2,280
Monitoring private fire alarms		1,889	1,779	1,792
Sponsorship		—	20	27
Commercial services		632	385	677
Rural Firefighting Fund		970	1,040	876
Gain on disposal of property, plant and equipment		133	2,000	6,534
Rental revenue		481	401	458
Amortisation of gain on sale and leaseback	17	184	184	187
Donations		507	—	387
Net foreign exchange gains		2	—	1
Miscellaneous revenue		3,800	1,178	1,365
Total other revenue		14,837	13,022	18,693

False alarms

The favourable variance against budget is reflective of the number of false alarm activations. A false alarm charge is automatically generated if more than two callouts occur in a 12-month period for an individual premises. This places the onus on building owners to address the cause of the false alarms. This year, the number of false alarms has increased in comparison to the previous year. 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 10 years.

Good corporate citizen contributions

There was an unfavourable variance against budget this year due to an anticipated contribution from the New Zealand Police not eventuating.

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

Commercial services

Revenue in this category is predominantly generated from building advisory services, which is based on the number of building evacuation plans submitted for review. Given the growth in the building industry, the number of plans being submitted has increased.

Gain on disposal of property, plant and equipment

The Ponsonby fire station, which has been identified as surplus to the Commission's requirements, was forecasted to be sold during the year. This sale did not occur and is the main cause for the negative variance. The site will now be sold in the year ending June 2017. Fire appliances and motor vehicles that had reached the end of their operational life were disposed of. The gain on fire appliance and motor vehicle disposals was \$0.1 million.

Rural Firefighting Fund

Included above are other receipts paid to the Rural Firefighting Fund. For an overview of these receipts, refer note 6 Net surplus/(deficit) attributable to the Rural Firefighting Fund.

Donations

The favourable variance against budget in this category was as a consequence of non-cash capital expenditure donations and contributions of \$0.5 million from brigades toward capital expenditure.

Miscellaneous revenue

A \$2.0 million contribution from the Department of Conservation to top up its share of the Rural Firefighting Fund is the main contributor to the variance in this category.

3. Employee and volunteer benefits expenditure

Accounting policy

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.

Breakdown of personnel costs and further information

	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Salaries and wages	212,040	208,087	202,268
Employer contributions to defined contribution plans	17,582	17,556	16,817
ACC levies	813	2,480	2,546
Other employee and volunteer benefits expenditure	24,847	16,873	25,340
Total employee and volunteer benefits expenditure	255,282	244,996	246,971

Salaries and wages

Salaries and wages were 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 and to cover staff seconded to the Fire Services Review. Additionally, the revaluing of leave for firefighters to an agreed collective increase and the provision of holiday pay underpayments have also impacted the outcome of this category. The increase against last year is primarily due to firefighter contract settlements, including step movements and agreed annual salary increases.

Employer contributions to defined contribution plans

Contributions were favourable 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 favourable against budget due to the Accident Compensation Corporation ceasing to collect the residual levy portion of its annual charge.

Other employee and volunteer benefits expenditure

Other employee and volunteer benefits costs were over budget. The actuarial valuation of long service leave, gratuities and volunteer gratuities provisions increasing due to lower Treasury discount rates accounted for \$6.0 million of the overspend. Other significant areas where spend exceeded budget were training \$0.6 million, recruitment \$0.3 million and health and welfare \$0.1 million.

Remuneration of employees

Total remuneration paid or payable

	Actual 2016	Actual 2015
\$100,000—\$109,999	301	247
\$110,000—\$119,999	192	180
\$120,000—\$129,999	166	152
\$130,000—\$139,999	100	60
\$140,000—\$149,999	41	31
\$150,000—\$159,999	23	17
\$160,000—\$169,999	15	2
\$170,000—\$179,999	9	6
\$180,000—\$189,999	4	4
\$190,000—\$199,999	4	6
\$200,000—\$209,999	3	3
\$210,000—\$219,999	4	1
\$220,000—\$229,999	1	2
\$240,000—\$249,999	1	—
\$250,000—\$259,999	—	1
\$260,000—\$269,999	1	1
\$270,000—\$279,999	2	—
\$280,000—\$289,999	2	2
\$300,000—\$309,999	—	1
\$360,000—\$369,999	1	—
\$400,000—\$409,999 (Chief Executive and National Commander)	1	1
Total employees	871	717

Of the 154 count increase, there were 41 employees from National Headquarters or Region management and a further 113 from regional operations. There were 19 employees in management roles who commenced part way through 2014/15 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 firefighters 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 \$100,000 banding.

Cessation payments

Gratuities were paid out in accordance with the Fire Service Act 1975 to employees who ceased employment with the Fire Service following a minimum of 10 years service. There were 77 employees (2015: 56 employees) who received gratuities costing \$2.3 million (2015: total cost \$1.7 million).

In addition, there were three severance payments (2015: one severance payment) costing \$0.08 million during the year (2015: \$0.02 million).

Remuneration of the Board and Committee members

		Actual 2016 \$000	Actual 2015 \$000
Hon. Paul Swain (from 1 April 2016)	Chair	13	—
Rt Hon. Wyatt Creech (to 31 March 2016)	Chair	41	53
Dr Nicola Crauford (from 1 April 2016)	Deputy Chair	6	—
David McFarlane (to 31 March 2016)	Deputy Chair	20	26
Te Arohanui Cook (from 1 April 2016)	Member	5	—
Peter Drummond (from 1 April 2016)	Member	5	—
Angela Hauk-Willis	Member	23	23
Vicki Caisley (to 31 March 2016)	Member	16	21
Rangi Wills (to 31 March 2016)	Member	17	21
Total remuneration of the Board		146	144
Alan Isaac (Audit and Risk Committee)	Chair	—	1
Peter Taylor (Audit and Risk Committee from 13 June 2016)	Member	1	—
Total for year		147	145

On 31 March 2016, the terms of Rt Hon. Wyatt Creech, Vicki Caisley, Angela Hauk-Willis, David McFarlane and Rangi Wills as Commission members came to a conclusion. Along with the incumbent Board member Angela Hauk-Willis, Hon. Paul Swain, Dr Nicola Crauford, Te Arohanui Cook and Peter Drummond were appointed as the new Board members and commenced their 3-year term on 1 April 2016.

During the year, no transactions were entered into with any member of the Board 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 (2015: \$nil).

Alan Isaac retired as the Chair of the Audit and Risk Committee in the financial year ended June 2015 and was replaced by existing Board member Angela Hauk-Willis. In addition, Peter Taylor was appointed as an independent member to the Audit and Risk Committee in June 2016.

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

4. Finance costs

Accounting policy

Borrowing costs are expensed in the financial year in which they are incurred.

	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Finance charge on finance lease	246	246	389
Other	158	287	80
Total finance costs	404	533	469

5. Other expenditure

Breakdown of other expenses and further information

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Auditors — Audit NZ fees for statutory audit		195	199	191
Auditors — Audit NZ fees for other services		—	44	1
Other audit fees for other services		47	50	50
Remuneration of Commission and Committee Members	3	147	153	145
Fleet		13,889	14,290	13,602
Occupancy		17,230	16,168	16,977
Clothing and other consumables		8,968	8,646	8,802
Communications		6,643	6,709	6,468
Publicity and advertising		4,927	4,788	4,327
Grants		1,018	932	873
Impairment of receivables		349	—	114
Loss on disposal of property, plant and equipment	19	2,240	400	1,416
Other expenditure		34,817	34,943	34,697
Total other expenditure		90,470	87,322	87,663

Fleet

Fleet costs are \$0.4 million favourable to budget due to \$0.8 million savings made on fuel due to prices falling, which was partly offset by increased repairs and maintenance and servicing costs. The increased repairs and maintenance and servicing account for the increase from last year. Of the total fleet costs, \$2.2 million (2015: \$2.1 million) relates to operating leases on motor vehicles.

Occupancy

Occupancy costs are \$1.0 million unfavourable to budget mainly due to responsive maintenance work to the Commission's properties identified that were not part of the annual programmed maintenance. Occupancy operating lease costs for the year were \$3.2 million (2015 \$3.1 million).

Clothing and other consumables

This category had an unfavourable variance of \$0.3 million against budget. \$0.1 million of this related to higher maintenance/laundry charges due to new carcinogen guidelines, \$0.1 million related to providing volunteers with wet weather gear and a further \$0.1 million was as a result of replacing firefighters' gloves that had reached end of life.

Loss on disposal of property, plant and equipment

Property write offs were \$1.9 million over budget. The sites identified for capital works during 2015/16 were based on a prioritisation exercise that took into consideration both risks and operational requirements. Based on these considerations, these sites are to be either refurbished or rebuilt. Additionally, the buildings on the Ponsonby site were written off as the site has been designated as being held for sale and any purchaser of the property would demolish the buildings to maximise their potential returns from the site.

Impairment of receivables

The increase over last year is mainly due to the inclusion of debts relating to schools that are older than 3 months as there are indications that the Ministry of Education will not support these and might instead make approaches to the Commission seeking to write off the whole amounts if they put forward proposals for major structural change in schools.

6. Rural Firefighting Fund

Accounting policy

The Rural Firefighting Fund (RFFF) 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.

Net surplus/(deficit) attributable to the Rural Firefighting Fund

	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue			
Levy	240	1,357	950
Department of Conservation	2,035	—	—
Other revenue	970	1,040	876
Total revenue	3,245	2,397	1,826
Deduct claims expenditure	(3,521)	(2,800)	(3,942)
Net surplus/(deficit) attributable to the Rural Firefighting Fund	(276)	(403)	(2,116)

The RFFF reserve closing balance at year end was \$0.6 million (2015: \$0.9 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

As a result of major fires at Tangitiki and Flock Hill last financial year, the Department of Conservation's RFFF balance fell below the minimum balance as required by legislation. Therefore, the Department of Conservation contributed \$2.0 million to the RFFF this financial year. The Department of Conservation RFFF closing balance was \$0.8 million. In addition to the major claim fires last year, large claim fires at Caroline Valley, Saddle Hill and Lake Lyndon this year have pushed up their average claims for the last 5 years to \$1.0 million (2015: \$0.9 million). The Department of Conservation will be contributing to the RFFF in the 2016/17 year to ensure that they maintain their minimum balance as provided for in legislation, forecast to be \$0.1 million.

Other revenue

Recoveries of \$0.9 million (2015: \$0.6 million) were received from parties responsible for fires. Major fire costs recovered were for Flock Hill in Canterbury (\$0.7 million) and Lake Lyndon in Central Canterbury (\$0.1 million).

Claims expenditure

Weather conditions experienced in some regions during the year were warmer and drier than anticipated, which resulted in larger and more complex fires in the reporting period with increased overall costs. As a result, the level of claims this year was above the 5-year running average of \$3.1 million (2015: \$3.0 million).

7. Cash and cash equivalents

Accounting policy

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 3 months or less.

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.

i) Total cash and cash equivalents

	Actual 2016 \$000	Actual 2015 \$000
Cash on hand and at bank	20,853	22,607
Short-term deposits	21,904	31,942
Total cash and cash equivalents	42,757	54,549

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 (2015: \$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 2016 is 3.00% (2015: 3.94%). As at 30 June 2016, if the interest rates increased/decreased by 1%, the interest revenue for the year and accumulated funds would increase/decrease by \$0.4 million (2015: \$0.5 million).

ii) Restricted assets

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

	Actual 2016 \$000	Actual 2015 \$000
Short-term deposits	1,904	3,941
Total short-term deposits	1,904	3,941

iii) Reserves supported by cash and cash equivalents

	Actual 2016 \$000	Actual 2015 \$000
Major emergencies response reserve	—	15,000
Levy variability reserve	—	10,000
Seismic contingency reserve	—	5,000
Christchurch insurance proceeds reserve	—	12,226
Total reserves supported by cash and cash equivalents	—	42,226

The reserves above had funds that were ring-fenced for these purposes within cash and cash equivalents. The reserves were created to assist in mitigating the various risks that the Commission assessed as being critical and requiring immediate action were they to eventuate. The Commission has determined that these risks would now be managed within the overall day-to-day risk management practices of the organisation thus removing the need for these reserves. Accordingly, these reserves were disestablished this year.

Other reserves

	Actual 2016 \$000	Actual 2015 \$000
Seismic resilience reserve	23,345	25,655
Total seismic resilience reserve	23,345	25,655

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.

8. Trade and other receivables

Accounting policy

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.

Breakdown of trade and other receivables and further information

	Actual 2016 \$000	Actual 2015 \$000
Levy receivables	75,651	73,356
Other receivables	4,035	3,182
Deduct provision for impairment	(1,388)	(1,056)
Total receivables	78,298	75,482
Total receivables comprises:		
Recoverables from non exchange transactions (levy)	75,651	73,356
Receivables from exchange transactions (sale of goods and services)	4,035	3,182

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 (2015: \$nil) that would otherwise be past due, but not impaired, whose terms have been renegotiated.

Trade and other receivables were significantly higher than budget. The variance is due to the change in accounting policy of recognising Levy revenue from a cash basis to an accrual basis in the last financial year. The accrual for levy revenue at 30 June was \$75.7 million. The budget for the 2015/16 year was compiled on a cash basis and had already been approved by the Minister prior to the accounting policy change.

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 have been applied as summarised below.

	Actual 2016			Actual 2015		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	75,983	—	75,983	73,741	—	73,741
Past due 1–30 days	2,007	—	2,007	1,003	—	1,003
Past due 31–60 days	172	—	172	321	—	321
Past due 61–90 days	146	—	146	159	—	159
Past due > 91 days	1,378	(1,388)	(10)	1,313	(1,055)	258
Total receivables	79,686	(1,388)	78,298	76,537	(1,055)	75,482

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 2016 \$000	Actual 2015 \$000
Provision for impairment of trade and other receivables at beginning of year	1,055	972
Additional provision made during the year	333	83
Total provision for impairment of trade and other receivables	1,388	1,055

9. Prepayments

	Actual 2016 \$000	Actual 2015 \$000
Prepaid computer licenses	799	923
Prepaid travel	50	202
Prepaid other	409	455
Total prepayments	1,258	1,580

10. Non-current assets held for sale

Accounting policy

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.

	Land	Buildings	TOTAL
	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000
Balance at beginning of year	—	—	—
Transfers	6,510	—	6,510
Net book value at end of year	6,510	—	6,510

Non-current assets held for sale are valued at the lower of the carrying amount or fair value less costs to sell at the time of reclassification. Included this year is a planned disposal of property in Auckland City (Ponsonby Station)

11. Property, plant and equipment

Accounting policy

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.

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 life. Estimated useful lives and associated depreciation rates for asset classes are:

Buildings	10–70 years	1–10%
Fire appliances	10–30 years	3–10%
Motor vehicles	4–20 years	5–25%
Communications equipment	5 years	20%
Computer equipment	4–10 years	10–25%
Operational equipment	4–12 years	8–25%
Non-operational equipment	5–15 years	7–20%
Leasehold improvements	3–10 years	10–33%

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful life of the improvements. Assets recognised under a finance lease are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Impairment of non-financial assets

The carrying amounts for property, plant and equipment 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 are recognised in the Statement of Comprehensive Revenue and Expense.

Critical accounting estimates and assumptions

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 on 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.

Breakdown of property, plant and equipment, and further information

	Note	Land	Buildings	Fire appliances	Motor vehicles
		Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000
30 June 2016					
Cost at beginning of year		—	—	271,560	2,766
Valuation at beginning of year		184,990	242,998	—	—
Net book value leased assets at beginning of year		—	—	—	—
Accumulated depreciation		—	—	(135,643)	(1,914)
Impairment losses		—	—	—	—
Work in progress		84	13,705	12,347	—
Total at beginning of year		185,074	256,703	148,264	852
Acquisitions		1,637	22,915	15,731	372
Disposals		—	(1,971)	(2)	—
Transfers		—	—	—	—
Depreciation		—	(14,015)	(9,955)	(155)
Impairment losses to Statement of Comprehensive Revenue and Expense		—	—	—	—
Transfer to non-current assets held for sale		(6,510)	—	—	—
Revaluation movement	18	22,842	11,893	—	—
Work in progress		—	(977)	2,626	62
Net book value at end of year		203,043	274,548	156,664	1,131
Cost at end of year		—	—	282,229	3,053
Valuation at end of year		202,959	261,820	—	—
Net book value leased assets at end of year		—	—	—	—
Accumulated depreciation		—	—	(140,538)	(1,984)
Impairment losses		—	—	—	—
Work in progress		84	12,728	14,973	62
Net book value at end of year		203,043	274,548	156,664	1,131

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	Work in progress	TOTAL
Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000
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)	—
3,791	37,566	7,662	4,943	1,798	—	646,652
843	6,275	930	3,209	525	4,813	57,250
(40)	(160)	(1)	—	—	—	(2,174)
—	66	(66)	—	—	—	—
(1,613)	(6,446)	(1,517)	(1,833)	(674)	—	(36,208)
—	—	—	—	—	—	—
—	—	—	—	—	—	(6,510)
—	—	—	—	—	—	34,735
2,556	756	135	(384)	39	(4,813)	—
5,537	38,057	7,143	5,935	1,688	—	693,746
22,992	70,475	19,618	10,983	6,129	33,042	448,521
—	—	—	—	—	—	464,779
—	5,568	—	—	—	—	5,568
(20,053)	(39,324)	(12,610)	(6,133)	(4,480)	—	(225,122)
—	—	—	—	—	—	—
2,598	1,338	135	1,085	39	(33,042)	—
5,537	38,057	7,143	5,935	1,688	—	693,746

Fair value of property

	Note	Land	Buildings	TOTAL
		Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000
30 June 2016				
Independent valuation		209,469	261,820	471,289
Total fair value at end of year		209,469	261,820	471,289
<i>The above is represented by:</i>				
Net book value at end of year	11	203,043	274,548	477,591
Work in progress	11	(84)	(12,728)	(12,812)
Non-current assets held for sale		6,510	—	6,510
Total fair value at end of year		209,469	261,820	471,289

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 2016 was determined by independent registered valuers Jones Lang LaSalle (JLL) at \$471.3 million (2015: \$428.0 million), from which impairments to buildings planned to be demolished are deducted, if any.

JLL, 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 (2015: 465) properties in the Commission property portfolio at year end, of which 170 were inspected during the year (representing 37% of the portfolio).

To ensure that high value and properties with 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 \$23.3 million at year end (2015: \$25.7 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. JLL factor into their valuation the Commission's programme of seismic strengthening works, which is supplied to them at year end.

Other

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

Capital cash spend

	Actual Cash flow 2016 \$000	Budget Cash flow 2016 \$000	Actual Cash flow 2015 \$000
30 June 2016			
Fleet	17,289	20,000	14,765
Property	23,494	19,700	32,024
Information and communications technology ¹⁰	7,437	7,595	6,787
Operational equipment	6,455	8,205	7,367
Total property, plant and equipment	54,675	55,500	60,943
Cash proceeds from disposals	(133)	(5,500)	(14,410)
Net spend	54,542	50,000	46,533

Capital expenditure for the year was significantly lower at \$55.0 million than for the previous year (2015: \$61.0 million). On a net basis, the \$4.5 million of over spend during the year when compared to budget was a result of:

- ▶ proceeds from the disposal of assets being postponed until future years
- ▶ increased spending on our property portfolio in order to cater for new buildings in Wanaka, Rangiora, Grey Lynn, Lyttleton and Hikurangi, major refurbishments included Newtown and Onehunga, while Sockburn and Addington were new land purchases
- ▶ operational equipment witnessing a lower than expected spend due to specific projects being postponed to future years; these included Working Near Water, Radiation Detection, Wet Weather Gear and Bomber Jackets.

¹⁰ Information and communications technology actual and budget includes capex for intangible assets.

Breakdown of property, plant and equipment, and further information

	Note	Land	Buildings	Fire appliances	Motor vehicles
		Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000
30 June 2015					
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	—
Total at beginning of year		176,435	241,224	143,448	907
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	—
Net book value at end of year		185,074	256,703	148,264	852
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	—
Net book value at end of year		185,074	256,703	148,264	852

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	Work in progress	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)	—
3,586	36,239	7,411	3,199	2,231	—	614,680
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)	—
3,791	37,566	7,662	4,943	1,798	—	646,652
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)	—
3,791	37,566	7,662	4,943	1,798	—	646,652

Fair value of property

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

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.

12. Intangible assets

Accounting policy

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. The asset represents the Commission's proportional ownership of SITE located at communication centres shared with the New Zealand Police (Auckland, Wellington and Christchurch). These SITE assets include computer-aided dispatch software, a land mobile radio network and associated telecommunications structures. 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 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 intangible assets are recognised in the Statement of Comprehensive Revenue and Expense.

Critical accounting estimates and assumptions

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.

Breakdown of intangibles and further information

	Computer software (internally generated)	Computer software (purchased)	Shared Information Technology Environment (SITE)	Work in progress	TOTAL
	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000	Actual 2016 \$000
30 June 2016					
Cost at beginning 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)	—
Total at beginning of year	3,192	2,844	—	—	6,036
Acquisitions	863	2,557	—	(506)	2,914
Transfers	—	—	—	—	—
Work in progress	(147)	(359)	—	506	—
Amortisation	(1,474)	(1,476)	—	—	(2,950)
Net book value at end of year	2,434	3,566	—	—	6,000
Cost at end of year	11,699	16,058	18,292	166	46,215
Accumulated amortisation	(9,362)	(12,561)	(18,292)	—	(40,215)
Work in progress	97	69	—	(166)	—
Net book value at end of year	2,434	3,566	—	—	6,000

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 2015	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000	Actual 2015 \$000
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)	—
Total at beginning of year	3,755	2,975	36	—	6,766
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)
Net book value at end of year	3,192	2,844	—	—	6,036
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)	—
Net book value at end of year	3,192	2,844	—	—	6,036

13. Trade and other payables

Accounting policy

Trade payables

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

	Actual 2016 \$000	Actual 2015 \$000
Payables under exchange transactions		
Trade payables	8,975	10,656
Revenue in advance	806	33
Accrued expenses	13,301	8,624
Total payables under exchange transactions	23,082	19,313
Payables under non-exchange transactions		
Taxation payables (GST, PAYE, FBT)	5,963	4,874
Total payables under non-exchange transactions	5,963	4,874
Total payables	29,045	24,187

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

Accounting policy

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 firefighters 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.

Critical accounting estimates and assumptions

Long service leave and gratuities

Entitlements that are payable beyond 12 months (such as long service leave and gratuities) have been calculated on an actuarial basis. The calculations are based on:

- ▶ likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- ▶ 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.

Breakdown of employee and volunteer benefits, and further information

	Actual 2016 \$000	Actual 2015 \$000
Current employee and volunteer benefits		
Accrued salaries and wages	6,778	5,117
Annual leave	18,594	17,278
Long service leave and gratuities	5,358	5,092
Total current employee and volunteer benefits	30,730	27,487
Non-current employee and volunteer benefits		
Long service leave and gratuities	39,764	37,108
Total non-current employee and volunteer benefits	39,764	37,108
Total employee and volunteer benefits	70,494	64,595

Expenditure on personnel represents 66% of total operating costs for the Commission and consequently 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 previous year. The last payroll payment this year was 21 June versus 23 June in the previous year, resulting in an additional 2 days 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 2016 (2015: 30 June 2015).
- ▶ Implied risk-free rates over the period of cash outflows ranged from 2.12% to 4.75% (2015: 2.93% to 5.50%).
- ▶ Salary inflation factor has been determined (at a minimum) at 2.50% (2015: 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 (\$3.9 million)/\$3.1 million (2015: (\$2.6 million)/\$3.1 million) thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

15. Borrowings

Accounting policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless the Commission has an unconditional right to defer settlement of the liability at least 12 months after balance date.

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.

Critical judgements in applying the Commission's accounting policies

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.

Breakdown of borrowings and further information

	2016 \$000	2015 \$000
Current borrowings		
Finance leases	1,362	1,741
Non-current borrowings		
Finance leases	773	2,135
Total borrowings	2,135	3,876
Analysis of minimum finance lease payments due		
Not later than 1 year	1,470	1,988
Later than 1 year and not later than 2 years	293	1,470
Later than 2 years and not later than 5 years	415	577
Later than 5 years and not later than 10 years	247	377
Later than 10 years	—	—
Total minimum lease payments due	2,425	4,412
Future finance charges	(290)	(536)
Present value of lease payments due	2,135	3,876
Analysis of present value of lease payments due		
Not later than 1 year	1,362	1,741
Later than 1 year and not later than 2 years	238	1,362
Later than 2 years and not later than 5 years	310	444
Later than 5 years and not later than 10 years	225	329
Later than 10 years	—	—
Present value of lease payments due	2,135	3,876

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 included in note 11.

16. Provisions

Accounting policy

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 4 years. At the end of 4 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.

Breakdown of provisions and further information

	Actual 2016 \$000	Actual 2015 \$000
Current provisions		
Loss of medical scheme	166	165
ACC Partnership Programme	1,686	1,585
Total current provisions	1,852	1,750
Non-current provisions		
Lease make-good	1,014	921
ACC Partnership Programme	1,584	1,514
Total non-current provisions	2,598	2,435
Total provisions	4,450	4,185

Major movements for each provision are summarised below.

i) Loss of medical scheme

	Actual 2016 \$000	Actual 2015 \$000
Loss of medical scheme at beginning of year	165	163
Contributions made to the scheme	1	2
Total loss of medical scheme provision	166	165

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.

ii) Lease make-good

	Actual 2016 \$000	Actual 2015 \$000
Lease make-good at beginning of year	921	879
Additional provisions made	93	42
Total lease make-good	1014	921

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.

iii) ACC Partnership Programme

Liability valuation

The Commission has participated in the ACC Partnership Programme (ACCPP) since 1 October 2000. The Commission uses an external independent actuarial valuer, Melville Jessup Weaver (the Actuaries), to calculate the liability at year end. Claims are managed by the Commission for a period of 48 months (2015: 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 on spot rates published by the Treasury for valuations at year end.
- ▶ Included is a risk margin of 12.8% (2015: 12.8%) to allow for the inherent uncertainties in the central estimate of the claims liability.
- ▶ A provision for future claim handling costs of 9.9% (2015: 10.8%) of the expected future claim cost has also been allowed for.
- ▶ There is an assumption 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

	2016 Current \$000	2016 Non-current \$000	2016 TOTAL \$000	2015 TOTAL \$000
Undiscounted estimated future claims costs	1,400	1,314	2,714	2,580
Discounting	(40)	(36)	(76)	(101)
Discounted estimated future claims costs	1,360	1,278	2,638	2,479
Claims handling expenses	135	126	261	268
Total discounted outstanding claims liabilities	1,495	1,404	2,899	2,747
Risk margin (12.8%)	191	180	371	352
ACCPP provision at end of year	1,686	1,584	3,270	3,099
Claim handling cost %	9.9%	9.9%	9.9%	10.8%
Risk margin %	12.8%	12.8%	12.8%	12.8%

The estimated AEP liability as at 30 June 2016 was \$2.9 million (2015: \$2.8 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 \$3.3 million.

ACCPP provision movement summary

	Actual 2016 \$000	Actual 2015 \$000
ACC Partnership Programme provision at beginning of year	3,099	2,998
Net increase to provision during the year	171	101
Total ACC partnership programme	3,270	3,099

Objectives for managing risks

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

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

Sensitivity analysis

The assumed loss ratio of 1.00% of liable earnings was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs since the Fire Service entered the ACCPP. The table sets out the discounted provision (central estimate) with loss ratios of 0.90% and 1.10%.	Loss ratio 2016 %	Liability 2016 \$000	Loss ratio 2015 %	Liability 2015 \$000
	0.90	2,744	0.90	2,772
	1.00	2,899	1.00	2,747
	1.10	3,055	1.10	2,722

As stated above, the discount rates used were derived from rates specified by the Treasury. The table sets out the discounted provision (central estimate), when the discount rates are set 1.0% higher and lower than the bond rates.	Loss ratio 2016 %	Liability 2016 \$000	Loss ratio 2015 %	Liability 2015 \$000
	(1.00)	2,939	(1.00)	2,784
	0.00	2,899	0.00	2,747
	1.00	2,861	1.00	2,711

17. Unamortised gain on sale and leaseback

	Actual 2016	Actual 2015
	\$000	\$000
Current liabilities		
Finance leases	92	184
Non-current liabilities		
Finance leases	—	92
Total unamortised gain on sale and leaseback	92	276

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 2016 \$000	Buildings Actual 2016 \$000	TOTAL Actual 2016 \$000
Balance at beginning of year		40,997	65,310	106,307
Revaluation movement	11	22,842	11,893	34,735
Total revaluation gains/(losses)		63,839	77,203	141,042
Deduct transfer to accumulated funds on disposal		—	(1,823)	(1,823)
Total revaluation reserve		63,839	75,380	139,219

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

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 2016 \$000	Actual 2015 \$000
Net surplus attributable to the owners of the Commission		437	(3,187)
Add/(subtract) non-cash items			
Amortisation of (gain) on sale and leaseback	17	(184)	(187)
(Gain) unrealised foreign exchange	2	(2)	—
Property, plant and equipment write-offs	5	2,240	1,416
Amortisation	12	2,950	2,600
Depreciation	11	36,208	33,570
Total non-cash items		41,212	37,399
(Subtract)/add movements in statement of financial position items			
Increase/(decrease) in trade and other payables including GST		(694)	1,665
(Increase)/decrease in prepayments	9	322	(799)
(Increase)/decrease in receivables	8	(2,816)	7,668
Increase/(decrease) in provisions	16	265	145
Increase/(decrease) in employee and volunteer benefits	14	5,899	6,134
Total net movements		2,976	14,813
Add/(subtract) investing activities			
(Gain) on disposal of fixed assets	2	(133)	(6,534)
Interest paid	2	322	389
Total investing activity items		189	(6,145)
Net cash flows from operating activities		44,814	42,880

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

Accounting policy

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.

Capital commitments

The aggregate amount of capital expenditure contracted for, but not recognised as paid or provided for, at balance date.

Future minimum asset payments due under non-cancellable contracts

	Actual 2016 \$000	Actual 2015 \$000
Buildings	2,122	9,031
Fleet	5,515	7,365
ICT	6,907	40
Plant and equipment	7	10
Intangibles	246	—
Total capital commitments	14,797	16,446
Buildings	2,122	9,031
Fleet	5,515	7,210
ICT	3,567	40
Plant and equipment	7	10
Intangibles	246	—
Not later than 1 year	11,457	16,291
Fleet	—	155
ICT	3,340	—
Later than 1 year and not later than 5 years	3,340	155
Total capital commitments	14,797	16,446

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

Accounting policy

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.

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.

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

	Actual 2016 \$000	Actual 2015 \$000
Not later than 1 year	4,899	4,984
Later than 1 year and not later than 5 years	9,415	11,500
Later than 5 years	428	301
Total operating lease commitments as lessee	14,742	16,785

The Commission has operating lease commitments for office and fire station premises, motor vehicles, and office equipment. Significant leases include the five 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 that the premises must be used as commercial premises. Lease payments recognised as expense in the period amounted to \$5.4 million (2015: \$5.1 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 2016 \$000	Actual 2015 \$000
Not later than 1 year	144	140
Later than 1 year and not later than 5 years	98	104
Later than 5 years	94	118
Total operating lease commitments as lessor	336	362

The Commission leases out some property under operating leases. The majority of these leases have a non-cancellable term of 1 month. No contingent rents have been recognised in the Statement of Comprehensive Revenue and Expense during the year (2015: \$nil).

23. Contingencies

Accounting policy

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.

Contingent liabilities

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 \$24.1 million at year end (2015: \$25.7 million).

Levy

A levy payer is currently requesting a refund of \$1.0 million for overpaid levies from previous years. This application is pending the outcome of a levy audit and legal advice on whether the claim is valid.

Contingent assets

RFFF claims for cost recovery

In accordance with section 43 of the Forest and Rural Fires Act 1977, there are a number of RFFF claims with legal advisors for cost recovery and at year end. Possible recoveries have been estimated to be \$0.9 million (2015: \$0.9 million).

24. Financial instruments

Accounting policy

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 3 months or less from the date of acquisition.

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Commission provides goods or services directly to a debtor with no intention of selling the receivable asset. Trade and other receivables are recognised initially at fair value plus transaction costs. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance date for assets of a similar maturity and credit risk. Trade and other receivables issued with a duration less than 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 a duration of less than 12 months are recognised at their nominal value. Financial liabilities with a 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.

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 2016 \$000	Actual 2015 \$000
Loans and receivables			
Cash and cash equivalents	8	42,757	54,549
Trade and other receivables	9	78,298	75,482
Total loans and receivables		121,055	130,031
Financial liabilities measured at amortised cost			
Trade and other payables	13	29,045	24,187
Finance leases	15	2,135	3,876
Total financial liabilities measured at amortised cost		31,180	28,063

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 (2015: 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 2016			Actual 2015		
		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	29,045	—	—	24,187	—	—

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, 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 2016 \$000	Actual 2015 \$000
Board members		
Remuneration	147	145
Full-time equivalent members	1.0	1.0
Strategic Leadership Team		
Remuneration	2,664	2,541
Full-time equivalent members	9.0	9.0
Operational Leadership Team		
Remuneration	1,672	1,592
Full-time equivalent members	11.0	11.0
Total key management personnel remuneration	4,483	4,278
Total full time equivalent personnel	18.0	18.0

Key management personnel include Commission Members, the Chair of the Audit and Risk Committee, the Chief Executive and National Commander, and the 16 members (2015: 16 members) of the Organisational Leadership Team. The increase in costs for key management personnel is mainly due to additional costs incurred for personnel who acted up when positions were vacant or while the incumbents were on leave. Other than the Commission, the Fire Service has three key management teams, the Strategic Leadership Team, the Operational Leadership Team, and the two combined together, making the Organisational Leadership Team. The role of each team is outlined below.

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 and National Commander, and the Board. The Chief Executive and National Commander, Deputy National Commander and National Rural Fire Officer are also part of the Operational Leadership team. For the purposes of the table above, for remuneration, they have only been reported as being part of the SLT.

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. An analysis of Board member remuneration is provided in Note 3.

Other related party disclosures

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

Board members, staff and volunteers of the 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. Post balance date events

There were no significant events after the balance date.

28. Explanation of significant variances against budget

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

30 June 2016 — Statement of Cash Flows and Financial Position

The most significant variance was cash and cash equivalents, which was \$11.3 million higher than budget at year end with the following major variances:

- ▶ There was a \$7.4 million favourable variance on the opening balance of cash and cash equivalents — refer Note 7.
- ▶ Revenue (including levy receipts) is \$14.5 million favourable — refer Note 2.
- ▶ Spend, including payroll and volunteers (excluding capex/GST), is \$8.8 million unfavourable — refer Notes 3 and 5.
- ▶ GST is \$2.6 million favourable.
- ▶ Net capex spend (including intangibles) is \$4.5 million unfavourable — refer Notes 11 and 12.

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 the following major variances:

- ▶ There was a \$9.8 million favourable variance on the opening balance of cash and cash equivalents — refer Note 7.
 - ▶ Revenue (including levy receipts and excluding capex/insurance) is \$3.2 million favourable — refer Note 2.
 - ▶ Spend, including payroll and volunteers (excluding capex/GST), is \$5.4 million unfavourable — refer Notes 3 and 5.
 - ▶ GST is \$1.4 million unfavourable.
 - ▶ Net capex spend (including intangibles) is \$3.3 million unfavourable — refer Notes 11 and 12.
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Glossary

AFAC	Australasian Fire and Emergency Services Authorities Council	MOU	Memorandum of Understanding
CFO	Chief Fire Officer	NARTA	The National Associated Retail Traders of Australia
CIPSS	Critical Incident Personal Stress Support	NRFA	National Rural Fire Authority
EMACE	Emergency Management Adult and Community Education	NZ GAAP	New Zealand Generally Accepted Accounting Practice
ERFD	Enlarged Rural Fire District	NZMAT	New Zealand Medical Assistance Team
ERP	Employer Recognition Programme	NZPFU	New Zealand Professional Firefighters Union
FAIP	Fire Awareness Intervention Programme	OSM	Operational Skills Maintenance
FENZ	Fire and Emergency New Zealand	PBE	Public Benefit Entity
FRCA	Fire and Rescue Commanders Association	PCBU	Person Conducting a Business or Undertaking
HSWA	Health and Safety at Work Act	PSA	Public Service Association
IBANZ	Insurance Brokers Association of New Zealand	QSO	Queen's Service Order
ICP	Incident Command Programme	RFA	Rural Fire Authority
ICT	Information and Communications Technology	SOI	2014–2018 Statement of Intent
INSARAG	International Search and Rescue Advisory Group	SPE	2015/16 Statement of Performance Expectations
IPSAS	International Public Sector Accounting Standard	TAPS	Training and Progression System
MBIE	Ministry of Business, Innovation and Employment	UFBA	United Fire Brigades Association
MNZM	Member of the New Zealand Order of Merit	USAR	Urban Search and Rescue
		XRB	External Reporting Board



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