Annual Report

For the year ended 30 June 2008

NEW ZEALAND FIRE SERVICE COMMISSION
Whakaratonga Iwi

New Zealand Government

Our Vision

Working with communities to protect what they value.

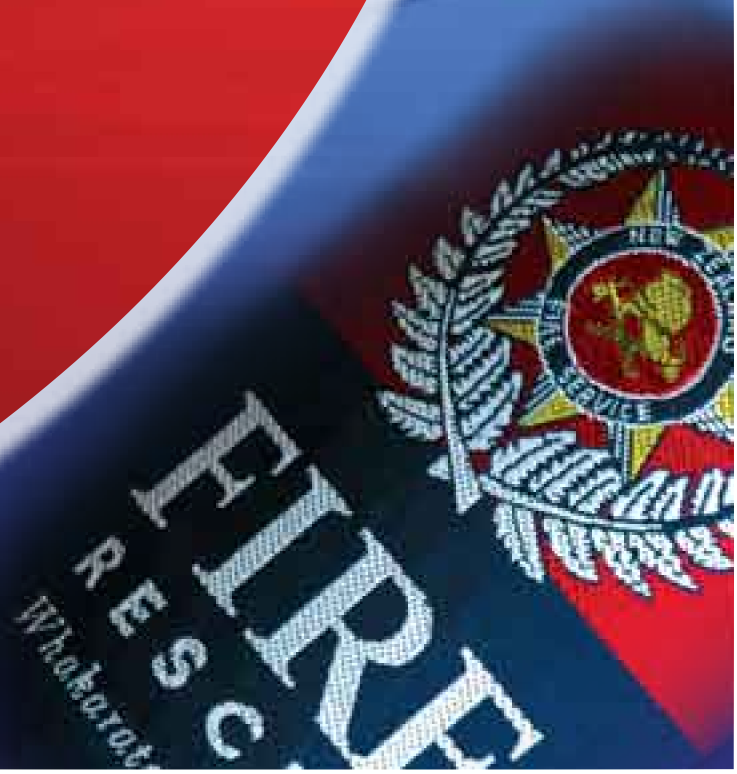
Our Mission

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

Our Values

Serving our communities.

- Integrity
- Adaptability
- Skill
- Comradeship



New Zealand Fire Service Commission
Annual Report
for the year ended 30 June 2008

31 October 2008

Hon Rick Barker
Minister of Internal Affairs
Parliament Buildings
WELLINGTON

Dear Minister

New Zealand Fire Service Commission Annual Report

Pursuant to section 150 of the Crown Entities Act 2004 I present the annual report of the New Zealand Fire Service Commission (Commission) for the year ended 30 June 2008.

The Tamahere explosion and fire

On 5 April 2008 two crews from Hamilton city fire station responded to an alarm at a cool store in Tamahere on the outskirts of the city. Shortly after the two crews gained entry to the cool store an explosion occurred. Tragically, the officer in charge, Derek Lovell, was killed in the explosion and seven of his colleagues were grievously injured. The Board has previously expressed its deepest sympathies to Derek's family but does so again here. Similarly, the Board wishes to extend again its sympathies to the injured firefighters and their families. Our goal is to have them all back at work, fit and well and serving their community to the best of their ability. We acknowledge that recovery may take time but we restate our commitment to working with them and their families through that period.

The Board recognises that it operates in a sector with an elevated set of risks. It does not accept, however, that those risks should compromise employee safety. At the time of writing this transmittal letter a comprehensive investigation into the Tamahere explosion and fire has been completed. The investigation team's terms of reference focused on the lessons to be learnt from the event and the Board is committed to ensuring that all the lessons derived will be promptly and methodically applied across all of New Zealand's fire services.

On the same theme, the Board acting in its capacity as the National Rural Fire Authority, has devoted significant effort towards ensuring that all the recommendations of the multi-agency investigation into the wildfire burnover incident at Mansfield, Victoria in December 2006 were fully implemented across New Zealand's rural fire authorities. The assurances gained from this exercise aided the Board to support the recent request from the United States National Interagency Fire Centre for New Zealand staff to assist in fighting the California wildfires.

The incidence and consequences of fire

The Commission's statutory mandate is to reduce the incidence and consequences of fire. New Zealand's fire services pursue a comprehensive mix of intervention strategies that include risk reduction, readiness and response to deliver on that mandate. We assess the difference those interventions make to the incidence and consequence of fire on people, property, communities and the environment by closely monitoring key indicators over a long time period.

For several years one key indicator, avoidable residential fire fatalities, measured our performance as close to world's best. As I have always emphasised, however, it is important not to attach too much significance to a single year's results. Short run societal factors and longer term seasonal or climatic trends have a substantial bearing on the incidence and severity of unwanted fires. The critical issue is to ensure that the longer term trend line remains positive.

The residential fire fatality statistics for 2007/2008 show a deterioration from the very impressive results of the last two to three years. The longer term trends, however, generally remain positive. In response to the short term deterioration in the residential fire fatality rate the Board has implemented an intensive media campaign involving the National Commander speaking from the charred remains of a family home with the strap line "Fire safety–it's in your hands".

The year-on-year indicators of the incidence and consequences of fire (fire outcomes) for people, property, communities, and the environment are shown below.

	2007/08 Actual	2006/07 Actual
Avoidable residential fire fatalities per 100,000 population	0.63	0.36
Moderate and life threatening fire injuries to Public per 100,000 population	4.77	4.25
Fires in structures per 100,000 population	132	134
Hectares lost to wildfire	9,021	4,287

The charts on pages 16 to 19 present the longer term trend lines. Overall, the longer term trend for each of the indicators is positive and this should give New Zealand communities confidence that the Commission is contributing to the wider Government priority of safe communities.

Acknowledgements

I thank the members of the Commission for their unfailing support during the year. On behalf of the Commission I express our appreciation of the services of the Chief Executive, Mike Hall, his senior management team and all staff and volunteers.

Yours sincerely

Dame Margaret Bazley, DNZM, Hon DLit
Chairperson

Report from the Chief Executive

It's very difficult to look back over the last year without reflecting on the tragic events of 5 April 2008 when Senior Station Officer Derek Lovell was fatally injured and seven of our firefighter colleagues severely injured in an explosion and fire at the Icepack Coolstore at Tamahere near Hamilton. One of the cornerstones of the way our Fire Service operates is the safe person concept. But, as we all know, there will always remain a fundamental risk in dealing with the unknown, and risk management under emergency circumstances is a core feature of our profession. Tamahere will, no doubt, produce its lessons for us and other agencies and we will take note, learn and improve because of them.

In other operational events over the year we have dealt with large scale incidents such as the Kinleith Mill fire, and the Patea derelict cool store fire in South Taranaki. Both incidents required a substantial multi-regional commitment from our Service over a long period and once again demonstrated the benefits of a single, national fire service. Another significant event for the year was the Gisborne earthquake immediately before Christmas which resulted in the mobilisation of Urban Search and Rescue (USAR) Task Force One from Palmerston North along with a conventional task force from Napier/Hastings to support Gisborne staff. Fortunately there were no persons trapped and no substantial fires. The engineering skills of our USAR team, however, were put to good effect and many buildings returned to normal use far earlier than they might otherwise have done.

The year also brought testing times in the rural environment with unusual drought and hot weather conditions lifting the rural fire incident rate significantly higher than normal.

Unfortunately last year New Zealand experienced a marked increase in preventable fire deaths; almost double the year before. Our statistics show that there are no new causes of fatal fires just more of the same. Fatal incidents will only be reduced by a constant drive to educate our communities on the perils of inattention to fire.

In other areas the year showed steady progress with heavy capital investment in new stations, trucks and equipment, the embedding and further development of the Training and Progression System as our standard training system, refining our business planning processes, redefining our Information and Technology structures, progressing the development of the National Resource Allocation Model and improvements across a wide spectrum of other parts of our Service under the Business Excellence model.

I would like to congratulate all members of our Service, paid, volunteer and civilian who have contributed to another year of progress and consolidation.

Mike Hall, AFSM, M.I.Fire.E, FNZIM
Chief Executive

New Zealand Fire Service Commission Overview

Structure and function

This section outlines the statutory mandate of the New Zealand Fire Service Commission (Commission) and the essential features of the fire risk management framework. It serves as an introduction to sections covering the activities and results of the New Zealand Fire Service (Fire Service) and the National Rural Fire Authority (NRFA).

The Commission is established as a Crown entity pursuant to section 4 of the Fire Service Act 1975. The Crown Entities Act 2004 establishes the accountability framework for the Commission and sets out the relationship between Board members, the chairperson and the Minister. The Commission has four principal roles:

- governance and operation of the Fire Service (section 25 of the Crown Entities Act 2004 and section 14 of the Fire Service Act 1975)
- exercise of the functions of the NRFA (sections 14A of the Fire Service Act 1975 and section 18(2) of the Forest and Rural Fires Act 1977)
- coordination of fire safety throughout New Zealand (sections 20 and 21 of the Fire Service Act 1975 and section 47 of the Building Act 2004)
- receipt and audit of the proceeds of the Fire Service levy (sections 47B and 48 to 53A of the Fire Service Act 1975).

Board membership

Members of the Board of the Commission are appointed by the Minister of Internal Affairs having regard to criteria set out in both the Crown Entities Act 2004 and the Fire Service Act 1975.

In 2007/2008 the Board members were:

Dame Margaret Bazley, DNZM, Hon DLit, Chairperson
Mr Terry Scott, Deputy Chairperson
Ms Angela Foulkes
Mr John Hercus
Mr Bob Francis

Commission governance

The Board of the Commission meets eleven times a year. Following every second Board meeting members visit a fire region to liaise and consult with Fire Service staff and volunteers, rural fire authority and voluntary rural fire force representatives and other stakeholders.

The annual governance calendar includes:

- review of the Commission's five year strategic plan
- preparation of the Statement of Intent and Annual Report

- establishment of the business plan and financial forecasts
- assessment of the Chief Executive's performance
- consideration of the suite of administrative and prudential policies that establish the overall control framework
- monthly monitoring of the service performance and financial expenditure of the Fire Service and the NRFA.

For the year under review the Board also devoted substantial governance time to:

- the financial viability of the United Fire Brigades Association, the national organisation that represents the interests of volunteer fire brigades and their members
- resolution of the dispute over application of various provisions of the Holidays Act 2004 to the annual leave and statutory holiday sections of the firefighters' collective employment agreement
- the inquiry into the Tamahere explosion and fire
- extension of the post graduate fire engineering programme at the University of Canterbury.

National Rural Fire Authority

Key roles under this function include administration of the Rural Firefighting Fund, administration of grants to fire authorities for plant and equipment and coordination of rural fire authorities.

Major issues addressed by the Board in terms of its NRFA role included:

- consideration and implementation of the recommendations arising from the multi-agency report into the Mansfield Victoria burnover in December 2006
- funding of research into wildfire modelling in New Zealand weather conditions and fuel types
- management of fuel loads on conservation lands recently retired from grazing and or burning.

Fire safety coordination

Section 20 of the Fire Service Act states that it shall be a matter of prime importance for the Commission to take an active and coordinating role in the promotion of fire safety in New Zealand.

Matters addressed by the Board in its governance capacity under this heading in 2007/2008 included:

- setting priorities for fire safety research under the Commission's contestable research fund
- awarding contestable research fund contracts
- presenting the best research reports at the Commission's annual fire safety seminar
- awarding a media and advertising contract
- liaison with the Department of Building and Housing on the fire safety provisions of the Building Code.

Financial governance

The Board maintains a comprehensive suite of administrative and financial policies intended to provide reasonable but not absolute assurance that the financial and non-financial assets of the entity will be properly protected.

In addition to the assurance provided by the external auditor appointed by the Office of the Auditor General, the Board receives additional advice on the control environment and compliance levels from an active internal audit program. The Board is advised in this area by an Audit and Risk Committee chaired by an independent member. Meetings of the Audit and Risk Committee are attended by the external auditor to ensure the internal and external audit work programmes are coordinated and complement each other.

Finally, the Board maintains a separate levy audit programme designed to provide reasonable assurance that insurance companies, brokers and other entities required to collect fire service levy on contracts of fire insurance have properly calculated the levy and remitted it to the Commission on a timely basis.

Operations of the New Zealand Fire Service

Incident trends

The Fire Service responded to 74,057 emergency incidents during 2007/2008. The main categories were:

Fires	25,008
Hazardous emergencies	3,730
Medical emergencies	4,314
Motor vehicle incidents (excluding fires)	5,662
False alarms	27,272
Other emergencies	8,071

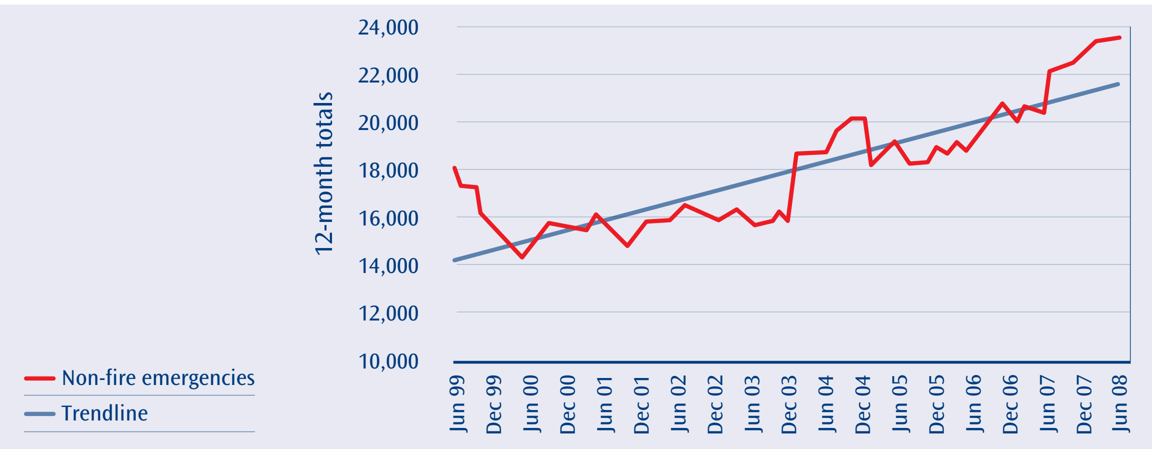
This overview covers some of our significant events and achievements in 2007/2008.

The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2007/2008, 29 percent of incidents were non-fire related emergencies compared to 24 percent in 2000/2001.

Non-fire emergencies

The Fire Service plays a crucial role in providing responses to many types of non-fire emergencies such as hazardous substances spills, motor vehicle accidents, medical emergencies, civil emergencies and responses to incidents during extreme weather.

Non-fire emergencies attended by the New Zealand Fire Service



The Fire Service works with communities through its participation in emergency management groups, emergency services coordinating committees and a range of other forums to help provide a comprehensive emergency management capability. The Fire Service in partnership with St John is playing an increasing role of providing initial response to medical emergencies in smaller rural communities.

Overview
Performance and results
Service performance
Financial statements

Fire appliances

The Fire Service took possession of 23 new fire appliances during 2007/2008. The vehicles included medium and heavy pumping appliances and specialist aerial appliances. The Fire Service is confident it and its suppliers have robust processes in place to ensure timely delivery of new appliances over the coming years to remain on track with its ongoing appliance replacement programme. In 2008/2009 the appliance build programme will include newly designed light pumping appliances, light response vehicles and specialist appliances.

The new appliances provide improved fuel efficiency and are all Euro IV compliant for exhaust emissions. The Euro IV standard ensures that levels of Green House Gas emissions are minimised.

Fire stations

The Fire Service's fire station building replacement programme aims to ensure that new fire stations are in the best location available for timely responses to emergencies and that they are fit for purpose.

Of particular focus during 2007/2008 were:

- land and consent acquisition arrangements to ensure sites are available for the construction of new stations without costly delays
- the ability of Fire Service fire stations to contribute to community resilience. This project involves the development of a resilience standard for fire stations. The resilience standard will ensure that in the event of a major civil emergency fire stations, where appropriate, can become a place of refuge and later a secure base from which the normal functions of the community can be progressively restored. The project will be completed in 2008/2009 and will be undertaken within the existing civil defence and emergency management framework
- earthquake surveys of all Fire Service buildings have been completed. Rectification work to bring buildings up to the new earthquake standard is planned over the next three to four years.

Other key activities in 2007/2008 were:

- completion of two fire stations, Ratana and Okato
- commencement of the construction of relocated fire stations at Mt Roskill in Auckland and Paraparaumu
- commencement of the refurbishment of the Tuakau fire station
- land purchases made for the relocation of the Takapuna, Whitianga and Ponsonby fire stations
- planning commenced for relocation or refurbishment of fire stations in Auckland at Silverdale, Te Atatu, St Heliers, Takapuna, Ponsonby, and Pitt Street. Planning also commenced for new fire stations at Paihia and Whitianga.

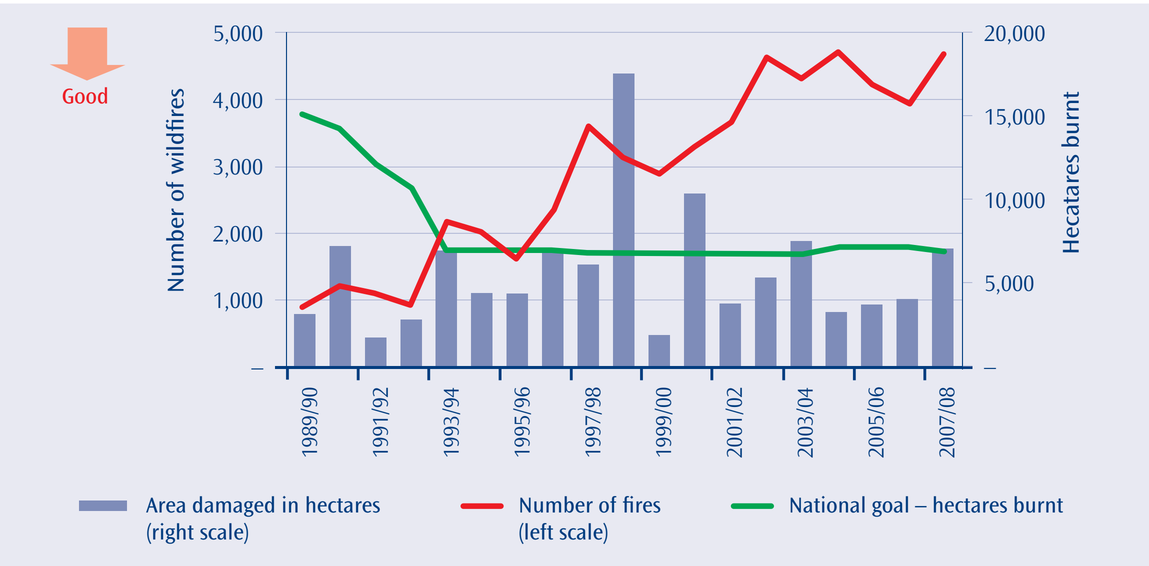
National Rural Fire Authority Overview

The annual fire season of 2007/2008 brought some very dry conditions to parts of New Zealand. Droughts extended from summer into early autumn in the King Country, South Taranaki, northern Manawatu, central Hawke's Bay, Wairarapa, Wellington, coastal Marlborough and in central Canterbury. In the King Country and Taranaki regions fire authorities are unaccustomed to such dry conditions.

Three large wildfires in January/February in the Taranaki region required extended operations over a number of weeks. The fires, fuelled by heavy native vegetation in very steep and isolated terrain, drew heavily on resources to fully contain them.

The total number of wildfires in 2007/2008 was 4,981, an increase of 25 percent from the previous year. The total area burnt was 9,021 hectares, which was over double the previous year total of 4,287 hectares.

Number of wildfires and the hectares burnt as a result

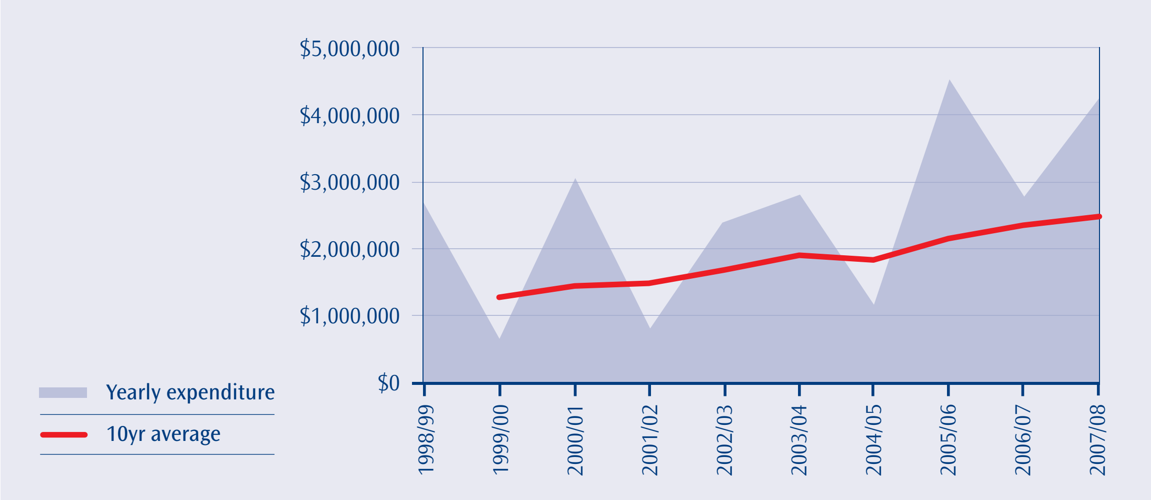


During 2007/2008 the NRFA developed and introduced minimum standards for rural fire training roles that included: crew leader; firefighter; pump operator and fire ground entry. In addition, 20 fire authorities were audited against the minimum standards established in 2006, for: portable fire equipment; personnel protective equipment and remote weather stations.

Five fire authorities satisfactorily completed the performance assessment criteria during 2007/2008. This performance assessment of fire authorities was undertaken using the performance assessment principles pioneered by the Baldridge National Quality Programme in the United States and modified for New Zealand use by the New Zealand Business Excellence Foundation.

For the 2007/2008 year, fire authorities lodged 134 claims with the Rural Fire Fighting Fund. Of these claims, 53 originated within areas of Department of Conservation responsibility and 81 claims originated within other fire authority districts.

Rural fire fighting fund expenditure



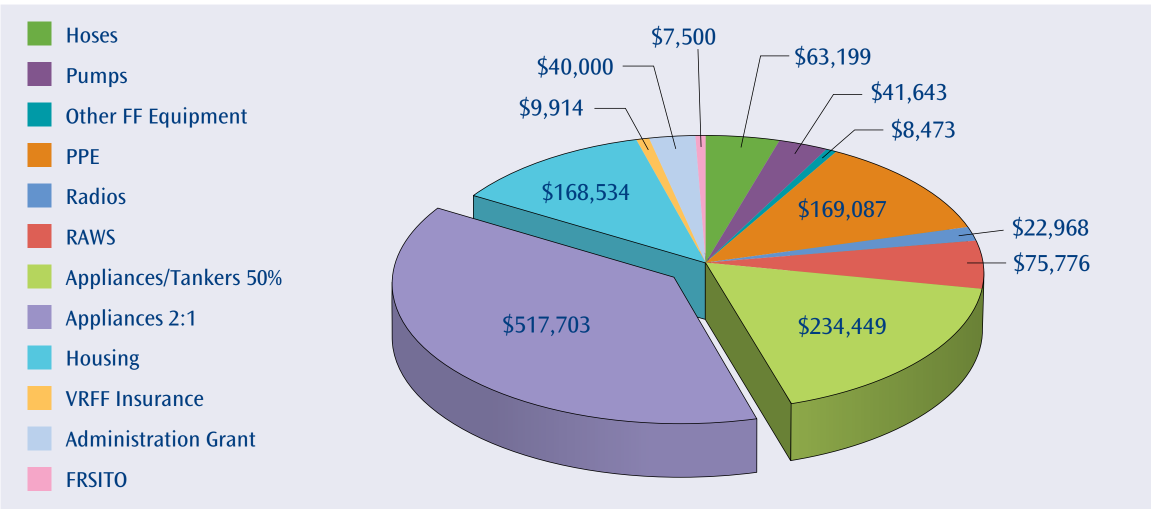
The claims lodged with the Rural Fire Fighting Fund do not provide a clear picture of the total fire suppression costs involved in wildfires in New Zealand for the 2007/2008 year. In addition to the $4.3 million of claims on the fund it is estimated that a further $2.1million was directly recovered by fire authorities from person(s) who caused the fires using the provisions of Section 43 of the Forest and Rural Fires Act 1977. A further estimate of $1.6 million covered fire suppression costs associated with wildfires, which originated inside commercial plantation forests. Under Section 46C of the Fire Service Act 1975 fire authorities do not have access to the fund where wildfires originate inside commercial forests. An estimate of a further $0.6 million was incurred from small wildfires costing up to $1,000 where no claims were made by fire authorities on the fund.

Of particular economic concern, is the estimated loss of 500 hectares of plantation forest destroyed by wildfires. One such forest fire was the Para wildfire in Marlborough in mid January. This wildfire originated from a lightening strike and involved fire suppression costs in excess of $0.6 million. The overall economic loss was significant as were the costs to a number of forest owners.

Applications from fire authorities for grants in 2007/2008 under the provisions of Section 14A(2)(i) of the Fire Service Act 1975 totaled $2.2 million, exceeding the available funding of $1.3 million.

All applications were assessed and priorities established to ensure available funding provided the best overall outcome. Grants provided to fire authorities under the Grant Assistance Scheme are only available for approved resources to ensure national consistency and standardisation across the sector. A change to the policy was made in 2002, which has seen 33 new rural fire appliances, including six in 2007/2008, delivered to the fire authorities Voluntary Rural Fire Forces, to protect small communities.

2007/2008 Grant assistance scheme breakdown



Coordination of Fire Safety

The social marketing model achieves sustained changes in social behaviour through:

- raising awareness
- changing people's views
- changing people's behaviour
- maintaining behavioural change.

The Commission uses independent research to support and guide the development of its programmes to at-risk groups. Much of this research relates to understanding human behaviour and how best to reach these groups. The Commission's fire safety education programmes are regularly formally evaluated to determine their effectiveness in reducing the incidence and consequences of fire.

Public education

The Commission uses social marketing to deliver fire safety education to the general public and individuals who have been identified as being most at-risk from fire.

Television campaign

Although the Commission maintains a relatively high level of public awareness of fire safe behaviour, a television campaign was launched in 2008 to address specific fire risks and the preventative behaviour required to reduce the risk. The television commercials present specific calls to action by serving firefighters, asking members of the public to take small but significant actions to keep themselves and their families safe from fire.

New promotion material

A new suite of collateral is under development to update the existing stock. The new resources will ensure fire safety messages continue to effectively target the at-risk groups. The new collateral includes:

- Flint and Amber and the FireWise Crew, replacing the old Brightspark character in the children's collateral
- updated brochures and promotional resources.

www.fire.org.nz

The public website was redesigned and launched in May. The new look and feel was developed to improve its aesthetic, structure and usability. Specific improvements include a more effective search engine, sophisticated graphics, downloadable resources, and intuitive navigation.

Contestable Research Fund

Over the past decade, the Commission's Contestable Research Fund has generated a significant body of research advancing our knowledge in fire prevention and management.

The following research work was published in 2007/2008:

- Impact of Climate Variability on Fire Danger, National Institute of Water and Atmospheric Research (NIWA)
- Prediction of Fire Weather and Fire Danger, NIWA
- The Adequacy of Existing House Foundations for Resisting Earthquakes: Effect on Service Reticulation and Ignitions, Victoria University of Wellington
- The Value of Statistical Life for Fire Regulatory Impact Statements, Bureau of Economic Research
- Implementation of Urban Fire Spread Model as a Fire Service Tool, Victoria University of Wellington
- Evaluation of the Firewise Programme for Year One and Two Students, Martin Jenkins and Associates
- Revision of the Cost Effectiveness Analysis of Home Sprinkler Systems including Sustainability, Building Research Association of New Zealand
- Effectiveness of Fire Safety Systems for Use in Quantitative Risk Assessments, Marsh New Zealand.

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

In the 2007/2008 financial year the Contestable Research Fund sponsored research into the following:

"the Commission's Contestable Research Fund has generated a significant body of research advancing our knowledge in fire prevention and management."

- training for rural fire volunteers
- rural firefighter exposure to fire ground gases with relevance to physiological workload and fire suppression productivity
- cost of repair to fire damaged buildings
- sustainability and carbon footprint reduction
- a review of fire safety in existing homes
- measuring the effectiveness of the United Fire Brigades Association conference and events
- capability and readiness: key elements for new performance measures
- kitchen fires promotion campaign effectiveness research
- application of intelligent data mining technologies.

Evaluations

Three evaluations of the Commission's fire safety education programmes have been completed.

Be FireWise

Be FireWise, Year One and Two (FireWise), is a level one and two fire safety education programme produced by the Commission and taught by many teachers throughout the country. It aims to teach year one and two children fire safety messages. Programme delivery is supported by local firefighters who conduct school visits to reinforce fire safety.

The evaluation of FireWise found that, in general, the programme enjoys a high level of support and results in demonstrable fire safety and prevention benefits. The research indicates that about 78 percent of primary schools have participated in the programme since it started in 2000. A project is currently underway to improve content and delivery methods based on recommendations from the evaluation.

Programmes, promotions and research for Māori

This evaluation looked at the effectiveness of the following fire safety education programmes for Māori:

- Te Kotahitanga
- Māui Tinei Ahi
- Marae Fire Safety
- other local Fire Service promotions for Māori.

In general the programmes, promotions and research were well implemented and operating effectively within Māori communities. The recommendations will be used to improve future promotions and programmes.

Fire Awareness and Intervention Programme (FAIP)

This programme seeks to modify the behaviour of juvenile firelighters and to break their cycle of fire setting. The programme is delivered by trained firefighters with the content and delivery adapted to the age and maturity of the child/adolescent concerned. FAIP creates a partnership between the child, their parents or caregiver and the firefighter to achieve a safer home environment. FAIP currently boasts a success rate of over 90 percent.

The FAIP evaluation reported that overall the children/adolescents and their families had positive experiences of the service provided by FAIP practitioners. It also provided a valuable insight into the effectiveness of the programme's delivery.

Fire Safety in the built environment

Evacuation schemes

Fire safety law relating to evacuation schemes is designed to make sure the public know how to evacuate safely from a building in the event of a fire. It also ensures the Fire Service can carry out fire fighting activities unobstructed. Although it is the responsibility of the building owner to develop an evacuation scheme, the Fire Service has developed a specific website http://evaconline.fire.org.nz to provide assistance to building owners when preparing their schemes for approval. A central processing unit has been established to process evacuation schemes within 20 working days.

Technical advice

The Commission has delivered professional and technical advice to people involved in building standard-setting, design, development, ownership and occupation. In general the purpose of this advice is to:

- increase the use of fire engineering, and sound fire safety features in building design
- ensure buildings are used safely and in accordance with their design
- ensure buildings are well managed to maintain a high level of fire safety.

The delivery of technical fire safety advice is governed by the Fire Service Act 1975 for evacuating buildings and the Building Act 2004 for providing advice to building consent authorities on the fire safety provisions included in building consent applications. These two pieces of legislation also guide technical fire safety advice to a range of people and organisations.

Receipt and audit of Fire Service levy

The Audit and Risk Committee of the Commission establishes an annual audit programme to provide the Commission with assurance that the statutory levy on contracts of fire insurance has been correctly calculated and remitted on a timely basis.

The 2007/2008 audit programme reviewed 829 policies across seven major brokers, nine smaller brokers, five corporate clients and nine insurance companies. The programme resulted in recoveries of levy arrears, penalty interest and surcharge of $0.827 million relating to 2007/2008, although $1.540 million (including current and previous years' liabilities) was recovered in the year under review.

It is of concern to the Commission that the levy programme found 37 percent of all contracts of fire insurance tested for compliance with the levy provisions of the Fire Service Act 1975 were technically non-compliant in one aspect or another. Key areas of non-compliance included omission of levy on policy extensions, lack of proper support for indemnity value and miscalculation of levy amount. The Commission proposes to increase the resources applied to education and audit of levy compliance in future years.

The audit programme also tracks changes in insurance behaviour and the up-take of policy structures that have the effect of reducing levy liability. Trends observed in 2007/2008 included:

- the common use of first loss policies by asset intense insureds
- increased use of three tier split policy structures
- group insurance schemes extending to cover loosely associated persons
- adoption of fire sub-limits within all risks material damage policies.

For the record, the Commission does not accept that any particular policy structure automatically reduces levy liability. The levy audit programme continues to test policies against the provisions of the Fire Service Act 1975 and the Levy Advisory Committee actively pursues cases it considers fall outside the Act.

During the course of 2007/2008 the Commission provided the Minister of Internal Affairs with advice on the rate of levy. In March 2008 the Minister announced his decision to increase the rate of levy from 7.3 cents per $100 of insured value to 7.6 cents with effect from 1 July 2008. The first cash effect of this increase will be received in the September 2008 levy proceeds.

Commission performance

The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2007/2008 Statement of Intent. This section covers the longer-term outcome performance against the Commission's five-year national goals.

Supporting the Government's goals

The Commission contributes to safe communities by reducing the incidence and consequences of fires and responding to other emergencies. Through the NRFA, the Commission sets standards for fire suppression in rural areas and coordinates fire authorities.

The Commission contributes to world-class infrastructure by providing a modern and effective emergency management capability and by promoting modern fire protection systems and safe evacuation processes in New Zealand buildings and homes.

The Commission contributes to environmental sustainability by coordinating vegetation fire control measures and by implementing environmentally-sound business practices.

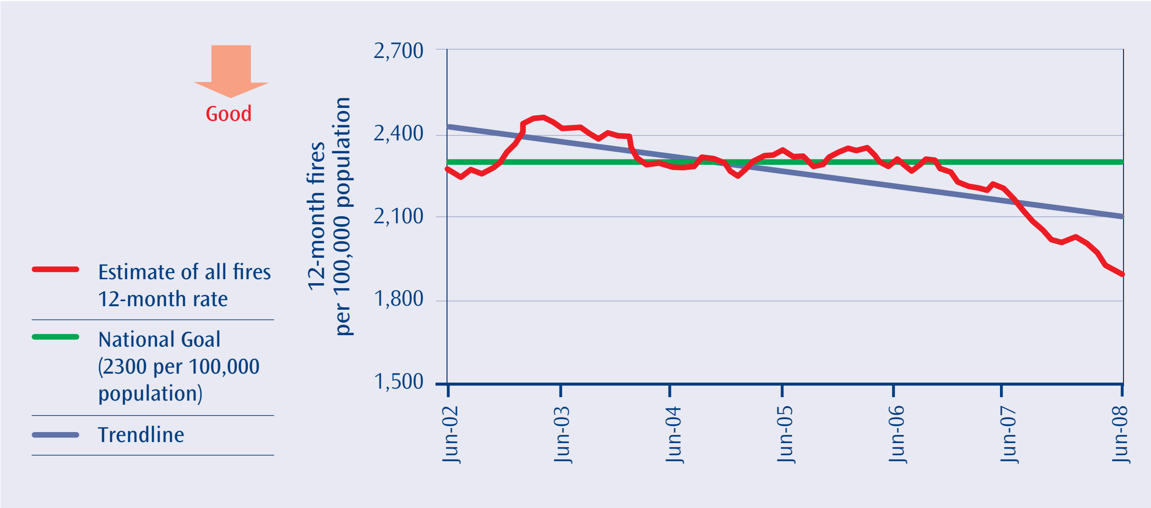
The following figure shows how the Commission contributes to the high-level government priorities.

Incidence of fire

National goals

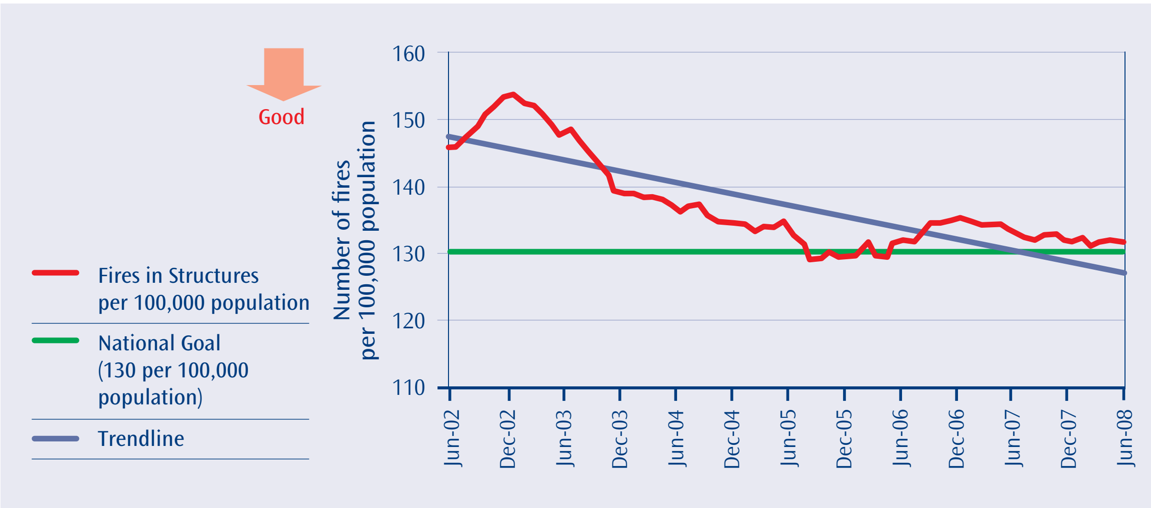
Achieve and maintain the estimated total number of fires in New Zealand to less than 2,300 per 100,000 population
Achieve and maintain the number of fires in structures to less than 130 per 100,000 population
Achieve and maintain the number of vegetation fires to less than 120 per 100,000 population

Estimate of all fires in New Zealand per 100,000 population

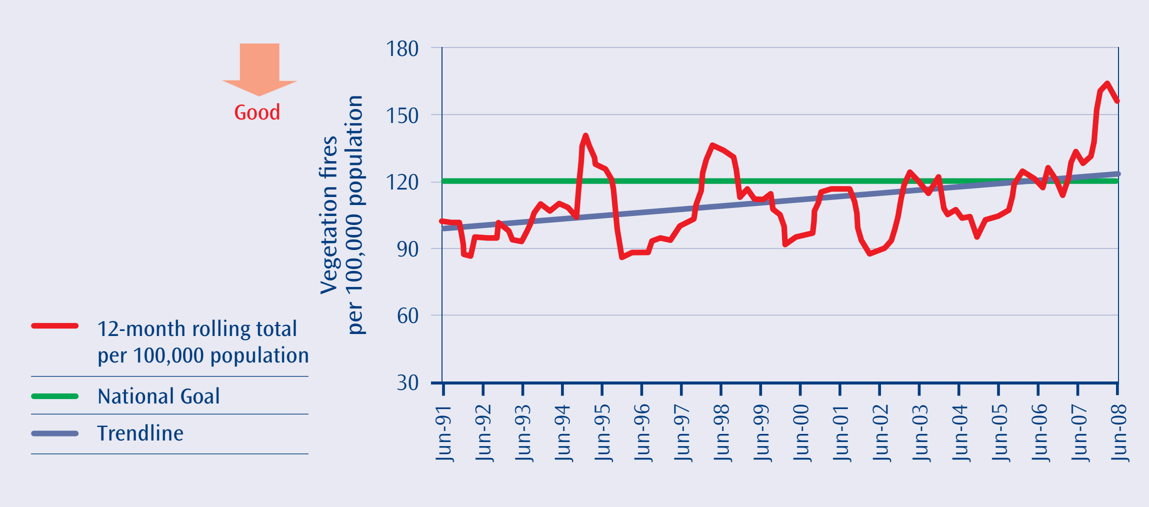


The estimated number of all fires per 100,000 population in New Zealand has reduced over the last five years (graph above). Particularly pleasing is the reducing trend in the number of fires in structures per 100,000 population (graph below). This is one of the key result areas targeted by national fire safety education. Methods of promoting fire safety include the Be FireWise school programme, national television advertising, local print media advertising and community-based promotions by firefighters such as home fire safety visits, promotions at home shows and fairs and smoke alarm advice and installations. Key fire safety messages included: the speed of fire, install and check smoke alarms, change your clock change your battery, get out stay out and call the Fire Service, develop home escape plans and install home sprinklers.

Fires in structures per 100,000 population



12-month rolling total vegetation fires per 100,000 population



The number and rate of vegetation fires per 100,000 population has been increasing over the last 15 years (graph above). Climatic conditions (trending hotter and drier) have impacted on the number and severity of vegetation fires.

Fire fatalities and injuries

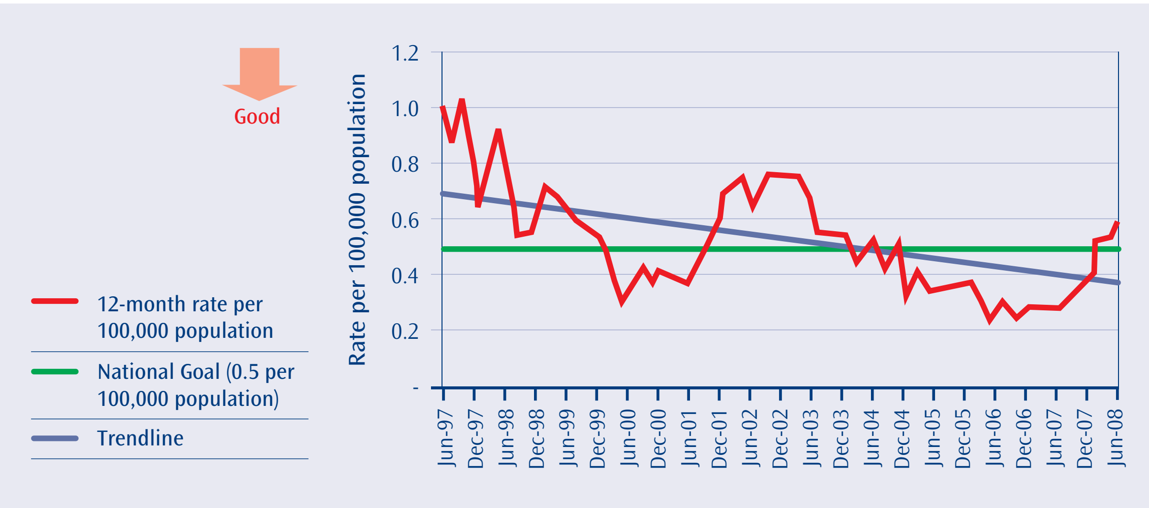
National goals

Achieve and maintain an avoidable residential structure fire fatality rate of less than 0.5 per 100,000 population

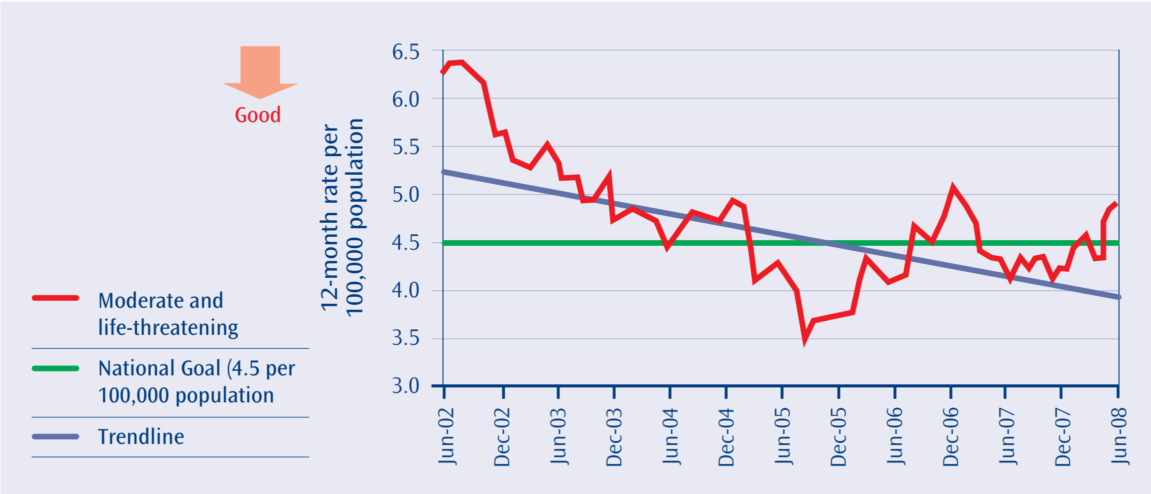
Achieve and maintain the number of life threatening and moderate injuries to the public from fire incidents to less than 4.5 per 100,000 population

The Commission monitors national goals on fatalities and injuries from fire to monitor progress against its statutory mandate for protection of life. Both of these national goals have shown significant reductions over the last five to 10 years. Based on its research and data analysis the Commission believes the main reason for the reduction is its delivery of fire safety education. Avoidable residential fire fatalities per 100,000 population have reduced by 40 percent since 1997 and injuries to the public per 100,000 population have reduced 20 percent since 2002. The graph (below) shows the results and long-term trends for avoidable residential fire fatalities and the graph (on the next page) shows results for the rate of moderate and life-threatening injuries per 100,000 population.

Avoidable residential structure fire fatality rate per 100,000 population



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



Key fire safety messages included: the speed of fire, install and check smoke alarms, change your clock change your battery, get out stay out and call the Fire Service, develop home escape plans and install home sprinklers.

Property damage

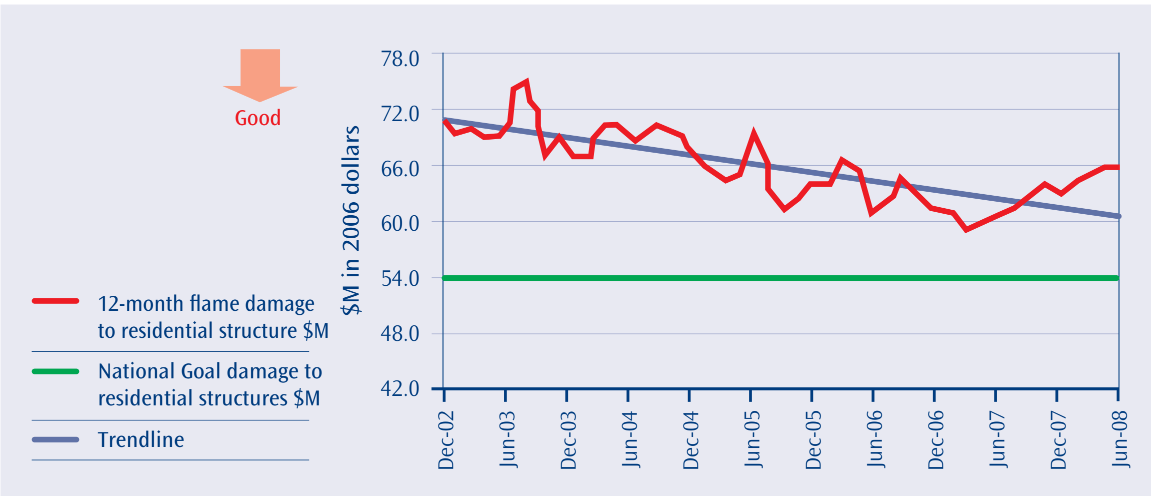
National goals – structures

Maintain the estimated dollar value of damage from fires in residential structures below $54 million per annum

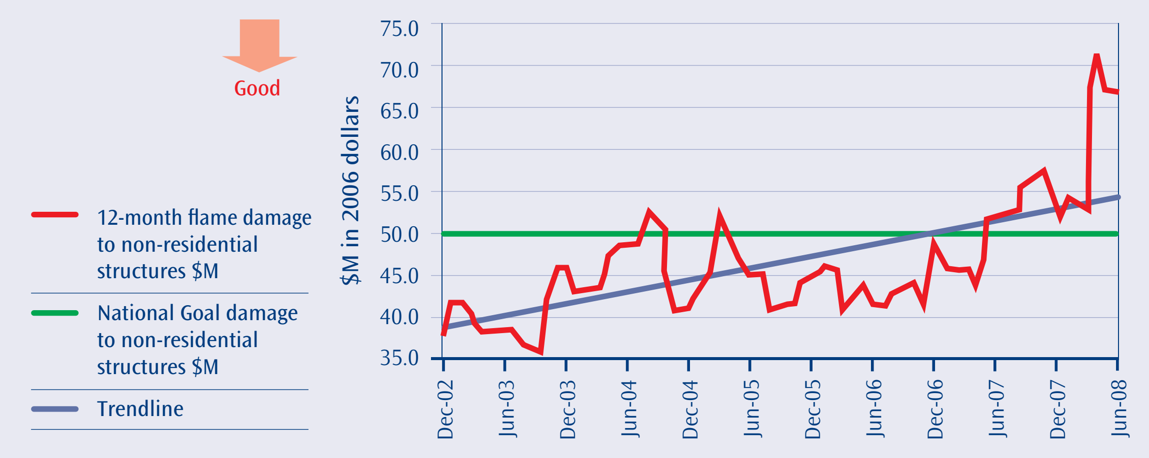
Maintain the estimated dollar value of damage from fires in non-residential structures below $50 million per annum

The Commission introduced new measures for property damage to monitor its progress against its statutory mandate for protection of property. The measures estimate the dollar value of loss from fires in residential and non-residential structures. At present the measure reflects just the loss to the structure itself and does not include contents or any downstream economic or social losses. Property damage to residential structures has decreased from 2002.
The Commission believes this is a result of its fire safety education programmes such as Home Safe Home and more recently C'mon Guys get FireWise which have focused largely on residential property damage. The following graphs show the estimated dollar value of flame damage to residential structures and non-residential structures.

Estimated flame damage to residential structures from fires



Estimated flame damage to non-residential structures from fires



Key fire safety messages influencing this area included: install and check smoke alarms for early detection of fire, clean and check smoke alarms, get out stay out and call the fire service, install automated fire detection and suppression systems in commercial buildings and install home sprinklers.

National goals – vegetation

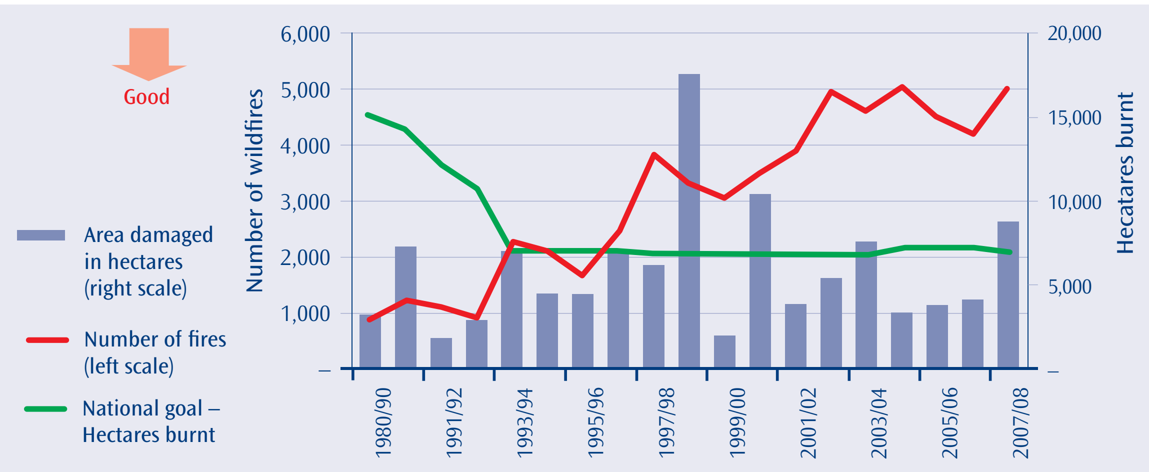
Contain 95 percent of all wildfires within two hours of being reported

Ensure annual area burnt by wildfires is five percent less than the previous 10-year average 75th percentile

The number and rate of vegetation fires per 100,000 population has been increasing over the last 15 years. Part of this increase is due to improved reporting of fires by fire authorities. In addition, climatic conditions (trending hotter and drier) have impacted on the number and severity of vegetation fires. The graph and table (below), show results from annual fire authority returns with the steep increase in fire incidents reported. The area burnt was 9,021 hectares, higher than the national goal of 6,919 hectares. The table (below) shows the percentage of vegetation fires contained within two hours of notification.

Combined fire authority and Fire Service responses	Wildfires contained within two hours of being reported
In urban areas (within fire districts)	94.0%
In rural areas (outside fire districts)	77.7%
Overall	**86.0%**

Number of wildfires and the hectares burnt as a result



Fire authority preparedness

National goal

Ensure 98 percent of fire authorities adopt a fire plan and provide a copy to the NRFA

	Target	2007/ 2008	2006/ 2007	2005/ 2006	2004/ 2005	2003/ 2004	2002/ 2003
Number of fire authorities *	–	89	90	90	91	93	101
Number of fire authorities with an adopted fire plan and copy provided to the NRFA	–	81	89	87	89	91	99
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	98%	91%	99%	97%	98%	98%	98%

** Several fire authorities merged into larger fire authorities during 2003/2004 resulting in a large decrease in the total number of fire authorities.*

Fire authorities have a legal obligation for adopting and reviewing fire plans. In additional to this they must review:

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

The Commission monitors compliance of fire authorities against these requirements with the results shown above.
In 2008/2009 the Commission will extend this monitoring to include the requirement to review the content of fire plans.

The public's fire knowledge and behaviour

This sub-section summarises the results of the Commission's annual fire knowledge survey. The telephone survey asks people aged 13 years of age and over a series of fire safety questions and is carried out between August and September each year. It monitors the effectiveness of fire safety promotions by measuring the direct impact services (outputs) have on maintaining and improving the level of public fire safety knowledge and fire safe behaviour.

National goals

Improve the fire safety knowledge and behaviour of the public – projections developed for 2011:

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

	2011 National Goal	2007/ 2008	2006/ 2007	2005/ 2006	2004/ 2005
People will believe a fire can become unsurvivable in five minutes or less	98%	91%	87%	86%	92%
People recall a fire safety message	85%	86%	54%	74%	78%
Homes will have at least one smoke alarm installed	96%	88%	87%	88%	85%

Impact on non-fire emergencies

National goals

Specify and publish national standards for response activities
Develop a plan for creating resilient fire stations to operate effectively during all phases of community-scale emergencies

New national goals were established for responses to motor vehicle accidents and hazardous substance emergencies. These national goals were included in the 2008 to 2011 Statement of Intent and will be reported against from next year.

The national goals are:

- meet or exceed national service delivery guidelines for non-fire emergencies
  - 30 minutes for motor vehicle accidents 90 percent of the time
  - 20 minutes for incidents requiring the specialist Hazmat unit 90 percent of the time within large urban areas and major transportation hubs
  - 60 minutes for incidents requiring the specialist Hazmat unit 90 percent of the time for the rest of New Zealand.
- The development of a resilience standard for fire stations was started in 2007/2008 and will be finalised next year. Part of the resilience standard includes work on earthquake strengthening of fire stations. This work is underway and the majority of work will be completed over the next two to three years.

Impact on the environment

National goals

Establish baseline data on energy consumption and a carbon footprint for the organisation
Establish targets for reducing carbon emissions and energy consumption

During the year the Commission established its annual baseline (2006/2007) Green House Gas (GHG) emissions level at 9,877 tonnes of carbon dioxide equivalents. The baseline GHG emissions level included all significant activities of the Fire Service and NRFA but did not include any emissions resulting from the emergency incident itself. Further research is planned to quantify the emissions that result from emergency incidents, particularly fires, and the quantity the Fire Service prevents from being emitted through its emergency response activities.

The table below shows a summary of the breakdown of the baseline (1 July 2006 to 30 June 2007) GHG emissions by major emission source.

Greenhouse gas emissions in tonnes of carbon dioxide equivalent (tCO_2e)

	tCO_2e	tCO_2e
Direct Emissions (Scope 1)		
Transportation emissions		
• Diesel	4,403	
• Petrol	870	
		5,273
Generation of electricity, heat or steam		
• Diesel	256	
• Gas	641	
		897
Other (training facility)		
• LPG		287
		6,457
Indirect Electricity Emissions (Scope 2)		
Purchased electricity		**2,196**
Indirect Other Emissions (Scope 3)		
Transport related activities		
• Air Travel-Domestic	516	
• Business Travel in Employees' Own Vehicles	245	
• Business Travel in Rental Cars	64	
• Business Travel in Hotel Rooms	47	
• Business Travel in Taxis	25	
		897
Electricity and heat generation related activities		
• Electricity – Line losses	243	
• Gas – Line losses	84	
		327
		1,224
Total tonnes of CO_2e emissions		**9,877**

The calculation of the baseline was for the period 1 July 2006 to 30 June 2007 and the full GHG emissions report was prepared in accordance with the following available standards and current best practices:

- ISO 14064-1: *Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals,* prepared by the International Organization for Standards (ISO)
- *The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (2004) Revised*, issued by the World Business Council for Sustainable Development and the World Resources Institute
- *Guidance for Voluntary, Corporate Greenhouse Gas Reporting – Data and Methods for the 2006 Calendar Year*, prepared by the Ministry for the Environment.

A copy of the full report is available on www.fire.org.nz

Long-term national goals for GHG emissions levels will be set during 2008/2009 and included in Commission's Statement of Intent.

Organisational health

Training and development

The Fire Service has continued to place a strong focus on the ongoing development of training materials and programmes for both career staff and volunteers. These include:

- Training and Progression System and learner support A comprehensive Training and Progression System (TAPS) was introduced in 2007 for all career firefighters. Training begins with recruit courses and progresses through a structured learning progression system with the highest level of achievement being a diploma in Frontline Management. Learning is delivered through a range of approaches, from face to face to distance learning and practical sessions. Staff are supported by a learner support role that works with individuals to ensure that they have the appropriate support to complete their learning.

- Training Management System
  This year saw the launch of the Training Management System (TMS) which is an electronic tool allowing the management, recording and reporting of all progression training within the Fire Service.

- Management conference
  In August 2007 all Fire Service managers came together to attend one of two management conferences focusing on leadership accountability and values.

- Mentoring programme pilot
  A mentoring programme pilot commenced in November 2007 that included formal training of both mentors and protégés through New Zealand Institute of Management. Key aims of this programme are to develop coaching skills of managers, enhancing their leadership capability, and to assist future leaders in the Fire Service to achieve their management career goals.

- Leadership induction for paid and volunteer firefighters
  A new initiative was implemented in 2007 providing leadership induction courses for our new managers. Three courses were run in 2007/2008 focusing on values and behaviours expected of a manager, including information around support tools.

Our people

The Fire Service is committed to the recruitment, development and retention of high-quality staff and volunteers.

Our aim, as a good employer, is to build capability and ensure satisfying careers through providing training and development programmes and flexible work practices that encourage a culture of service, performance and safety.

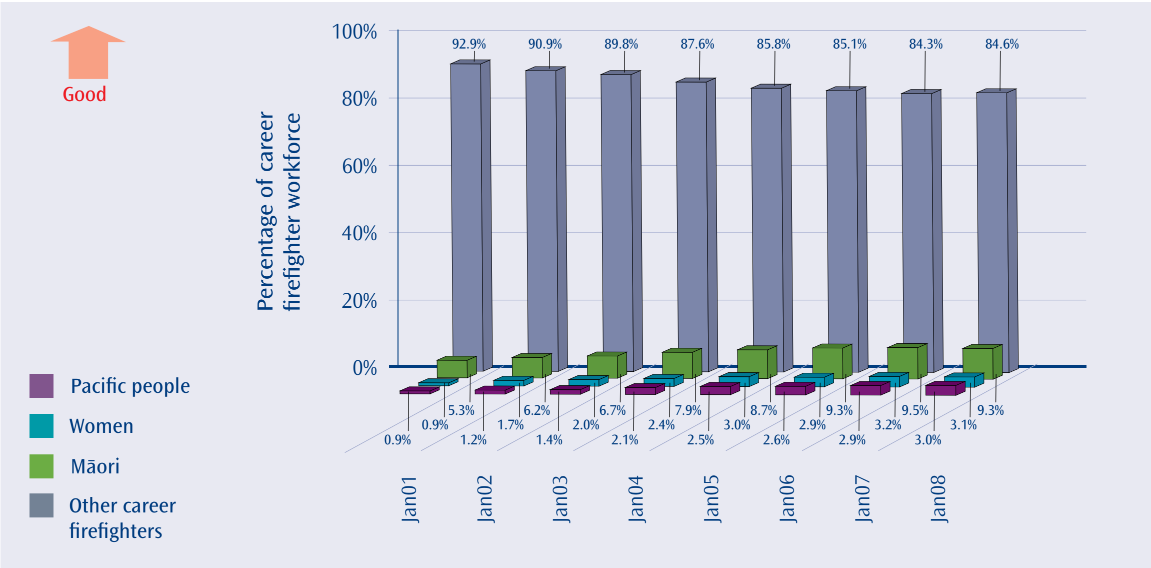
Diversity and fairness

The Fire Service continues to raise the awareness of diversity and fairness within the organisation and in 2007 received high praise from the EEO Trust Awards for its work in this area over the past five years.

The Commission's recruitment strategy utilises selective advertising opportunities such as Pacifica Career Expo, the internal Iwi Liaison Group and radio advertising to ensure the cultural and gender diversity within the Fire Service reflects the communities we serve. The following graph shows the diversity profile of career firefighters from 2001 to June 2008.

Diversity – career firefighters

Operational career firefighter diversity



Changing behaviour to support diversity

- Flexibility and work design
  The Fire Service, in partnership with the New Zealand Professional Firefighters Union, completed work on a draft policy for a Job Share Pilot within a rostered environment. Advertising is now under way for interested staff to participate in the Job Share Pilot over the next 12 months.

- Asian Communities Strategy Pilot
  An increase in fire related incidents within the Asian student population in Auckland identified the need for the Fire Service to look at how to overcome the barriers in both language and culture to educate these students in fire safety. A new role has been piloted within this region to bring together and work with the appropriate stakeholders in the community such as NZ Police and the Office of Ethnic Affairs.

Safety and wellbeing

The Fire Service recognises that a safe and well workforce is fundamental to achieving its vision and mission. In 2007/2008 the Fire Service continued to develop and implement interventions to reduce the incidence and severity of workplace injuries and illnesses. Interventions are also designed to improve the health and recovery of all personnel with a concerted effort across all of our business units. Significant achievements include:

- Fire Service Health Screening Programme Hauora
  A new and improved health screening programme was launched in July 2007. This programme is available to all members of the Fire Service and provides an opportunity for a comprehensive health screening assessment that aims for the early identification of potential health risk factors and the facilitation of appropriate treatment.

- Delivery of a National Manual Handling Programme
  Strains and sprains caused by lifting objects are a significant cause of disability and incapacity for Fire Service members. To address this, a nationally run manual handling training programme was delivered to all career watches in 2007/2008. A standard training course was delivered by health professionals and aimed to educate operational firefighters about the cause of lifting injuries and provide practical alternatives in an effort to reduce future occurrences.

Organisational risks

This sub-section provides commentary on the actual organisational risks that occurred during 2007/2008 compared to the key organisational risks identified when developing the 2007/2008 Statement of Intent.

Alerting volunteer brigades

Risk	Transmissions to alert some remote volunteer stations of emergency incidents are not received in a timely manner
Potential impact	Individuals do not receive the service they expect and require resulting in poor fire outcomes for some incidents
2007/2008 situation	The Commission continued to improve its station-alerting process. Some issues were reported during the year but they were isolated cases. The overall alerting system remains sound and provides a reliable service

Fire appliance replacement programme

Risk	The fire appliance replacement programme does not meet Fire Service needs
Potential impact	• Operating costs could increase as older appliances are maintained longer than planned • There is an increased risk of mechanical failure • The Fire Service is unable to take advantage of improvements to vehicle technology and safety
2007/2008 situation	National contracts were in place for building fire appliances and production was closely managed throughout the year. Fire appliance replacements were within the expected levels and will continue to be rolled out in 2008/2009

Levy collections

Risk	Levy income received is insufficient to cover the planned expenditure programme
Potential impact	• The organisation is forced to raise debt to cover expenditure in the short term • Over the medium and longer-term some activities would need to be stopped
2007/2008 situation	Levy collections were stronger than budgeted by $9 million

Fire-safe public

Risk	Members of the public: • do not understand fire risks • demonstrate unsafe fire behaviour • do not respond appropriately to fire or fire alarms
Potential impact	The organisation does not achieve its national goals and the impact of fire is worse than expected
2007/2008 situation	National promotions continued through 2007/2008. The majority of national goals are trending down over the longer-term and the 2008 fire knowledge survey showed continued good results on fire safe knowledge and behaviour

Incident hazards

Risk	Fire Service personnel become injured or sick because of hazards at an emergency incident, eg from hazardous substances, heat stress, or infectious diseases etc
Potential impact	An employee suffers from a long-term sickness or injury
2007/2008 situation	As discussed earlier in this report a major incident in April 2008 resulted in Senior Station Officer Derek Lovell losing his life and seven of his colleagues injured

Resource changes

Risk	The Fire Service is unable to make strategic changes to existing resources so as to better match resources to fire risk
Potential impact	Resource requirements to cover significant demographic changes require additional resources rather than relocating existing resources
2007/2008 situation	The Commission successfully implemented resource improvements to the Hutt Valley, Wellington and continues to work with stakeholders to provide effective resource allocation to New Zealand communities

Statement of responsibility

for the year ended 30 June 2008

Pursuant to the Crown Entities Act 2004, the New Zealand Fire Service Commission and management of the New Zealand Fire Service accepts responsibility for:

- the preparation of the financial statements and the statement of service performance judgements used therein
- the establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the New Zealand Fire Service Commission and management of the New Zealand Fire Service, the financial statements and the statement of service performance for the year ended 30 June 2008 set out on pages 30 to 102 fairly reflect the financial position and operations of the Commission.

Dame Margaret Bazley, DNZM, Hon DLit
Chairperson
31 October 2008

Angela Foulkes
Member of Commission
31 October 2008

Audit report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the New Zealand Fire Service Commission's financial statements and statement of service performance for the year ended 30 June 2008

The Auditor-General is the auditor of the New Zealand Fire Service Commission (the Commission). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the Commission on pages 49 to 102:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - » the Commission's financial position as at 30 June 2008; and
    - » the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 30 to 48:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - » its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - » its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 31 October 2008, and 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 Commission and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Commission;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Commission and the Auditor

The Commission is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Commission's responsibilities arise from the Crown Entities Act 2004 and the Fire Service Act 1975.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assurance reviews over the tender process regarding the purchase of Fire Appliances and an advertising agency service contract. These assignments are compatible with those independence requirements.

Also in addition to the audit, a staff member from Audit New Zealand was appointed to the position of Financial Accounting Manager in April 2008. As required by the above independence requirements, appropriate safeguards have been taken to address any threats to independence from this appointment.

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

John O'Connell

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of New Zealand Fire Service Commission for the year ended 30 June 2008 included on the New Zealand Fire Service Commission's website. The Commission is responsible for the maintenance and integrity of the New Zealand Fire Service Commission's website. We have not been engaged to report on the integrity of the New Zealand Fire Service Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 31 October 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

Statement of service performance

for the year ended 30 June 2008

This section sets out the measures of financial performance and the output performance for 2007/2008.

Statistical reporting

The number and consequences of fires shown in this annual report for earlier years may vary slightly from the same data given in previous annual reports. At the end of each year detailed information on a small percentage of incidents is not available. The incident data is proportionately increased across all incidents to address this difficulty. In the following year the detailed information becomes available and the incident statistics are revised accordingly.

Small changes in the fatality statistics are attributable to the outcomes of coronial inquests after the close of the year.

Completeness of incident statistics
The Station Management System (SMS), which contains incident information, was 98.4 percent complete in 2007/2008. The remaining 1.6 percent was proportionally spread across all incident types. This treatment is consistent with previous years. Completeness for each of the last five years was 98.1 percent, 98.5 percent, 99.3 percent, 98.6 percent and 99.3 percent.

Main financial measures

	2007/08 Actual $000	2007/08 SOI Target $000
Levy receipts	279,299	271,335
Total revenue and income	294,457	278,118
Total expenditure (excluding Rural Fire Fighting Fund)	289,703	286,325
Net surplus/(deficit) attributable to the owners of the Commission	3,886	(8,207)
Minimum liquidity level	52,369	10,000
Capital expenditure cash flows		
Purchase of intangibles assets	1,308	1,167
Purchase of property, plant and equipment	47,209	35,293

Note: Property, plant and equipment cash flows exceeded budget mainly because of pre-ordering and importing of fire appliance cab/chassis from Europe to avoid production delays and ensure a smooth appliance build programme.

Output classes – levy receipts

	2007/08 Actual levy receipts $000 GST excl.	2007/08 Budget levy receipts $000 GST excl.	2006/07 Actual levy receipts $000 GST excl.
Output Class 1: Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies.	**41,092**	**39,249**	**42,287**
Output 1.1: Fire prevention and advice to the general public	30,819	29,320	31,804
Output 1.2: Professional and technical advice to the built environment public	2,647	2,607	2,361
Output 1.3: Fire safety legislation	7,626	7,322	8,122
Output Class 2: Firefighting and other Fire Service operations.	**235,252**	**229,056**	**222,530**
Output 2.1: Operational readiness	196,422	191,176	187,893
Output 2.2: Operational responses to fire and other emergencies	38,575	37,631	34,356
Output 2.3: Wider emergency management capability	255	249	281
Output Class 3 Rural fire leadership and coordination.	**2,955**	**3,030**	**3,255**
Output 3.1: Advice and support to fire authorities and rural fire committees	1,296	1,052	1,152
Output 3.2: Administration of the Rural Fire Fighting Fund and grant assistance schemes	642	1,266	1,338
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system	546	247	267
Output 3.4: Advice to the public and to key groups in rural lands	471	465	498
Total levy receipts assigned to outputs	**279,299**	**271,335**	**268,072**

Note: In 2006/07 there were two additional outputs – output 1.4 Fire safety research and output 2.4 Fire alarm systems monitoring and the reduction in avoidable false alarms. The levy receipts allocated to these outputs in 2006/07 has been reallocated to provide information to compare to the 2007/08 output costing.

Output classes – other revenue and income

	2007/08 Actual other revenue and income $000 GST excl.	2007/08 Budget other revenue and income $000 GST excl.	2006/07 Actual other revenue and income $000 GST excl.
Output Class 1: Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies.	**655**	**737**	**1,772**
Output 1.1: Fire prevention and advice to the general public	312	437	1,014
Output 1.2: Professional and technical advice to the built environment public	343	300	758
Output 1.3: Fire safety legislation	0	0	0
Output Class 2: Firefighting and other Fire Service operations.	**17,970**	**9,566**	**13,294**
Output 2.1: Operational readiness	15,327	7,386	9,623
Output 2.2: Operational responses to fire and other emergencies	2,643	2,180	3,671
Output 2.3: Wider emergency management capability	0	0	0
Output Class 3 Rural fire leadership and coordination.	**0**	**0**	**0**
Output 3.1: Advice and support to fire authorities and rural fire committees	0	0	0
Output 3.2: Administration of the Rural Fire Fighting Fund and grant assistance schemes	0	0	0
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system	0	0	0
Output 3.4: Advice to the public and to key groups in rural lands	0	0	0
Total other revenue and income assigned to outputs	**18,625**	**10,303**	**15,066**

Note: The other revenue and income budget has been amended from the Statement of Intent forecast cost of outputs to improve the consistency of other revenue and income allocated to each output.

Output classes – total expenditure

	2007/08 Actual total expenditure $000 GST excl.	2007/08 Budget total expenditure $000 GST excl.	2006/07 Actual total expenditure $000 GST excl.
Output Class 1: Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies.	**43,259**	**41,930**	**41,879**
Output 1.1: Fire prevention and advice to the general public	32,445	31,323	31,288
Output 1.2: Professional and technical advice to the built environment public	2,786	2,785	2,859
Output 1.3: Fire safety legislation	8,028	7,822	7,732
Output Class 2: Firefighting and other Fire Service operations.	**247,670**	**244,705**	**223,371**
Output 2.1: Operational readiness	206,790	204,237	182,883
Output 2.2: Operational responses to fire and other emergencies	40,611	40,202	40,218
Output 2.3: Wider emergency management capability	269	266	270
Output Class 3 Rural fire leadership and coordination.	**3,109**	**3,237**	**2,982**
Output 3.1: Advice and support to fire authorities and rural fire committees	1,364	1,124	1,074
Output 3.2: Administration of the Rural Fire Fighting Fund and grant assistance schemes	675	1,353	1,208
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system	575	264	245
Output 3.4: Advice to the public and to key groups in rural lands	495	496	455
Total expenditure assigned to outputs	**294,038**	**289,872**	**268,232**

Note: In 2006/07 there were two additional outputs – output 1.4 Fire safety research and output 2.4 Fire alarm systems monitoring and the reduction in avoidable false alarms. The total expenditure allocated to these outputs in 2006/07 has been reallocated to provide information to compare to the 2007/08 output costing.

Output performance

Output Class 1: Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies

(Sections 20, 21, 21A and 29 of the Fire Service Act 1975 and sections 46, 47, 121, 131 and 132 of the Building Act 2004)

This output class includes the services the Commission provides to educate the public, to give technical advice on building fire safety and administer fire safety legislation. The objectives of this output class are to reduce the incidence and consequences of fires by educating the public on fire safe behaviour and by improving the fire safety characteristics of buildings.

Output 1.1 Fire prevention and advice to the general public

This output includes the delivery of fire prevention services to the public. Fire prevention aims to change behaviour by improving knowledge about fire risks and by improving knowledge of what actions to take to reduce those risks. It is delivered under the direction of the five-year national promotion plan. This plan:

- identifies the key groups who are at-risk in terms of fire risk
- identifies the partnership groups who can work with the Fire Service to help deliver fire prevention and fire safety advice targeted at those who need it most
- helps to ensure fire prevention and advice is delivered appropriately to each of the target groups.

The delivery of fire safety education to at-risk groups uses standard national material complemented by locally-developed initiatives. National material has been developed using a standard approach. The approach involves five steps: research, consult, develop, test and promote. Examples of the programmes developed include the FireWise schools programme, the elderly kit, the fire safety tip sheet, the marae fire safety programme and the Te Kotahitanga programme.

This output includes fire safety research carried out, primarily under the contestable research fund. The purpose of the fund is to advance knowledge in fire prevention and fire management.

How this output contributes to our national goals

The aim of this output is to change people's knowledge, attitude and behaviour towards fire safety to:

- reduce the risk of a fire starting
- increase the installation of smoke alarms
- ensure smoke alarms are maintained adequately
- increase the installation of residential sprinkler systems
- detect and suppress fires early through the use of smoke alarms and residential sprinkler systems and to give early notification to the Fire Service
- better prepare people to take the right actions in the event of a fire.

Changing the public's attitudes and behaviours will reduce the number of fires and the consequences of fires.

Performance Measures

1.1.1 Delivery of fire safety education messages was planned targeting at-risk groups under the national promotion plan.

Programmes were delivered to:	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Children using FireWise	906	1,043	900-1,200
Young people using the Fire Awareness Intervention programme	1,081	889	700-1,000
Visits to households	13,164	13,361	10,000-13,000

1.1.2 Quality of programmes were planned to be maintained through using the standard national promotion material for delivery of national programmes.

National programmes and promotions were delivered using nationally consistent material coordinated through a central electronic ordering system. Material covered general fire safety education, the FireWise schools programme, advice to at-risk groups and advice given during home visits.

A standard process was also used for delivering the FAIP programme.

1.1.3 Smoke alarms were planned to be installed and checked.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Smoke alarms installed	21,586	24,665	20,000-25,000
Batteries replaced or installed	10,790	13,994	12,000-15,000
Smoke alarms cleaned and checked	18,133	24,461	20,000-25,000
Smoke alarms relocated	1,985	4,611	4,000-6,000

Comment: Installation and maintenance of smoke alarms is an important part of home fire safety. Ideally all homes should have a smoke alarm installed in the correct location and have it maintained. Fire Service activity to support this part of home fire safety should reduce over the longer term as people take responsibility themselves for maintaining and correctly positioning their own smoke alarms.

1.1.4 Fire safety education programme partners' level of satisfaction with overall service quality of the services provided by the Fire Service.*

1.1.5 Fire safety education programme partners' level of overall expectations met. *

Performance measures 1.1.4 & 1.1.5	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Satisfaction of recipients of fire safety education	95%	91%	80%
Level of expectations met for recipients of fire safety education	95%	88%	80%

* In 2008 programme partners were not surveyed. The Commission instead widened its measure to overall customer satisfaction with fire safety education services. The independent survey asked a sample of the general public, who had received fire safety education, to rate their levels of satisfaction and whether their expectations were met.

Output 1.2 Professional and technical advice to the built environment public

This output includes the delivery of professional and technical advice to people involved in building standard-setting, design, development, ownership and occupation. The aim of the advice is to:

- Increase the use of fire engineering and sound fire safety features in building design
- Make sure buildings are used safely and in accordance with their design
- Make sure buildings are well managed in terms of maintaining a high level of fire safety.

The Fire Service works in partnership with key industry representatives to make sure they have consistent national fire safety standards within their respective businesses. The primary focus is on standards for automated fire safety systems and evacuation processes. The representative groups include the Ministry of Education, rest home associations, Housing New Zealand, the Department of Corrections, BRANZ, the Society of Fire Protection Engineers, the Building Officials Institute of New Zealand, the Department of Building and Housing and building owners.

How this output contributes to our national goals

This output aims to increase the use of fire safety measures in buildings and improve the fire safety design of buildings. Simply this means:

- the risk of a fire starting is reduced
- fires are detected earlier allowing for the early containment of a fire and for the safer evacuation of people in the building
- the spread of a fire is limited by better building design
- people are able to safely evacuate from buildings in the event of a fire
- fire damage is limited by the use of sprinkler systems.

By achieving these aims there will be less loss of property, greater protection for heritage buildings, improved business continuity in the event of a fire and less potential for the loss of life.

Performance measures

1.2.1 Technical fire safety advice was planned to be delivered.

Technical fire safety advice provided:	2007/08 Actual	2006/07 Actual	2007/08 SOI target
On sound fire safety features in building design	2,887	2,322	–
On making sure buildings are used safely and according to their design	2,459	1,690	–
On making sure buildings are well managed in terms of maintaining a high level of fire safety	4,228	3,350	–
To organisations or individuals	186	170	–
Total	**9,760**	**7,532**	**6,000-8,000**

1.2.2 Building owners satisfaction with the overall level of services provided by the Fire Service was planned to be at least 90%.

1.2.3 Building owners overall expectations with the overall level of services provided by the Fire Service was planned to be at least 90%.

Performance measures 1.2.2 & 1.2.3

This measure was used to assess building owner satisfaction and level of expectations met with evacuation scheme advice and approval services. Legislation covering this area changed during last year resulting in a major change in the type of service provided by the Fire Service. As a result the survey was no longer the appropriate measurement tool and was not conducted in 2007/2008. The Commission is exploring how best to measure this output in 2008/2009.

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
- buildings considered dangerous because they are a fire hazard.

Building consents. Section 46 of the Building Act 2004 requires building consent authorities to send to the Fire Service copies of consent applications for certain classes of buildings. Under section 47 of the Act, the Commission may provide the building consent authority with a memorandum setting out advice on the building consent application relating to:

- provisions for means of escape from fire
- the needs of persons authorised by law to enter the building to undertake firefighting.

Evacuation schemes. Fire safety law relating to evacuation schemes is designed to make sure the public knows how to and can evacuate safely from a building in the event of a fire. It also ensures the Fire Service can carry out firefighting activities unobstructed. It is the responsibility of the building owner to develop an evacuation scheme for approval by the Fire Service. The Fire Service is required to process evacuation schemes within 20 working days of them being submitted.

Dangerous buildings. This output also includes applying the fire safety law to buildings considered dangerous under the Building Act 2004. The law is designed to ensure the public is not exposed to unacceptable fire risk in buildings. The Fire Service and territorial authorities administer fire safety law. The Fire Service gives advice to territorial authorities to help it determine whether a building is dangerous. Territorial authorities have the jurisdiction to enforce the legislation.

How this output contributes to our national goals

The principal aim of this output is to make sure members of the public know how to and can safely evacuate a building in the event of a fire or other emergency. This reduces the potential for a large loss of life in the event of a major building fire. The output also aims to make sure buildings are evacuated to enable the Fire Service to concentrate on firefighting activities. This helps to reduce property damage and to minimise business down time due to fires.

This output also aims to minimise any property damage and the potential for loss of life in the event of a fire. This is achieved by reducing the number of non-complying buildings and making sure any buildings considered dangerous are either closed or made safe. The Fire Service also uses the information collected about buildings to update and improve firefighting tactics.

Performance measures

1.3.1 Fire Service Memoranda were planned to be provided to territorial authorities on building consent applications.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Fire Service Memoranda provided	620	564	500-1,500

1.3.2 The quality of Fire Service Memoranda was planned to be reviewed during the year.

The Commission implemented a quality assurance process during 2007/2008. The process involves the Manager Engineering reviewing the quality of memoranda and the Director Fire Risk Management selectively reviewing memoranda quality. A full external review of quality is planned for 2008/2009.

1.3.3 Advice to territorial authorities on building consent applications was planned to be made within 10 working days from receipt.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Memoranda provided within 10 days	94.2%	100%	100%
Average time to respond	8.6 days	7.7 days	–

Comment: Capacity issues affected the performance of the Design Review Unit during 2007/2008. These issues are being addressed but have not been fully resolved, therefore some minor time delays could be experienced in 2008/2009.

1.3.4 Evacuation schemes submitted to the Fire Service were planned to be processed within 20 working days of being received.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage processed within 20 days	90.3%	n/a	100%

Comment: During 2007/2008 the Fire Service implemented a centralised system for processing evacuation schemes that will help the Fire Service meet the 100% target in 2008/2009.

1.3.5 Non-compliance with the Building Act 2004 identified during building inspections were planned to be notified to the relevant territorial authority in accordance with section 29(5) of the Fire Service Act 1975.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Faults notified to territorial authorities	176	218	–

1.3.6 All identified dangerous buildings were planned to be notified to the relevant territorial authority together with sufficient information to enable them to act.

1.3.7 All buildings notified to the territorial authority (under 1.3.6) were planned to be monitored to ensure they were either closed, made safe or have legal action being taken.

Performance measures 1.3.6 & 1.3.7	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Dangerous buildings notified to territorial authorities	19	37	-
Dangerous buildings made safe, closed or legal action pending	19	28	-
Work continuing in conjunction with territorial authorities	0	9	-

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) and the provisions of the Civil Defence Act.

This output class includes the services the Commission provides to prepare for and suppress fires and to respond to other emergencies. Other emergencies include motor vehicle accidents, hazardous substance emergencies, natural disasters and medical emergencies. The Fire Service's role in helping communities to be prepared for emergencies is also included in this output class. Examples of these types of services are maintaining the urban search and rescue capability, working with territorial authorities to be prepared for civil defence emergencies and providing members on a range of local committees and groups tasked with preparing and responding to non-fire emergency incidents. The purpose of this output class is to minimise the consequences from fires for people, property, communities and the environment. The Fire Service will also contribute to other agencies outcome results by providing a professional response to other emergencies.

Output 2.1 Operational readiness

This output includes the activities that make sure the Fire Service is maintained in a state of operational readiness 24 hours of every day. Critical to this is staff training, equipment maintenance and operational pre-planning activities.

Readiness. The Fire Service verifies its own state of readiness by conducting operational readiness audits. The Fire Service's operational readiness is continually being improved by research into better fire responses and by putting in place improvements identified in post-incident operations investigations.

Pre-planning. This output includes the pre-planning the Fire Service does to ensure it takes the most appropriate actions in the event of an emergency incident. Tactical plans provide information for managing tactics and resources for incidents involving a significant specific risk (typically large industrial complexes or hospitals). Risk plans provide detailed fire risk information about individual properties to ensure the Fire Service is familiar with a property's layout and facilities.

The Fire Service reviews and updates these tactical and risk plans to make sure the information remains current.

How this output contributes to our national goals

This output makes sure the Fire Service is well trained and prepared to respond effectively to a wide range of emergency incidents. This means the Fire Service is able to respond to an emergency incident in a way that reduces the consequence of the incident.

This output also makes sure that when fires occur decisions can be made about appropriate fire fighting tactics based on current information. Valuable time is not wasted in gathering information on the building design, location of fire hydrants and the types of activities carried out in the building. In most cases property damage, and the risk of the fire spreading beyond the building it started in, will be reduced.

Performance measures

2.1.1 Stations audited will meet the minimum standard for operational readiness, as judged by operational readiness audits, either at the time of or within three months of the audit taking place. All stations will be audited on a three-year rolling basis.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Audits conducted	91	125	–
Percentage meeting the minimum standard	n/a	n/a	100%

Comment: A revised audit process planned for implementation in late 2007/2008 has been rescheduled for late 2008/2009. The new process will incorporate a three-year rolling audit programme and the development of a new minimum standard for operational readiness. Audits against this new process will begin in 2009/2010. In the interim, the existing audit process is being maintained. The existing process, although in need of updating, still provides an acceptable level of assurance that the Fire Service is maintaining its operational readiness.

2.1.2 Operational plans were planned to be reviewed or developed in accordance with the National Commander's operational instructions.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Operational plans developed	509	580	500-700
Operational plans reviewed	1,065	875	700-900

2.1.3 A training assessment for effectiveness was planned through an:

- effectiveness review of training needs against the training program
- effectiveness of national training programs as applied operationally
- effectiveness of organisational input into national training programs.

A new Training and Progression System (TAPS) was implemented for career firefighters in 2007/2008. As part of the rollout of TAPS all firefighter training courses are being internally reviewed after the first running of the course. A review of the recruit firefighter course was underway in late 2007/2008. Other courses will be reviewed in 2008/2009 as they are delivered.

Output 2.2 Operational responses to fire and other emergencies

This output includes the timely and tactically-appropriate operational responses to fire and other emergencies. This includes:

- Suppressing fires to ensure the safety of people and property endangered by fire
- Stabilising, containing and minimising the impact of emergencies involving hazardous substances
- Attending incidents involving motor vehicles, for suppressing fire, for extricating people from motor vehicles, for reducing the impact of injuries or otherwise assisting them, and for helping to stabilise and make safe the accident location
- Working to protect life and property through extrications, rescues and other special services at a range of other emergency incidents.

Also included in this output are post-incident operations investigations. The investigations are carried out following major incidents the Fire Service has attended, to review its performance. The investigations are used to:

- Highlight examples of good operational practice that can be shared throughout the organisation
- Identify opportunities for improvement.

How this output contributes to our national goals

The principal focus of this output is to provide an effective operational response to a range of emergency incidents. Achieving this minimises the consequences of those incidents in terms of loss of life and injury, property damage, damage to the environment and loss to the wider community including business capacity.

This output also includes activities that review current performance to identify and put in place improvements to the way the Fire Service carries out its response activities. These improvements will result in better responses and tactics in future emergency incidents.

The output involves a post-incident investigation and follow-up to determine the cause of fire and the factors that have led to the fire starting and spreading. It also includes the sharing of knowledge and information gained from fire investigations to improve the management of fire risk. Fire investigations results are used to:

- Inform relevant organisations or individuals of fire risks, to encourage them to take the correct actions to ensure similar incidents either do not happen in the future or the consequences from them are minimised
- Provide a basis from which to target fire safety advice and prevention programmes.

Performance measures

2.2.1 The Fire Service aimed to respond and take the appropriate action for all alarms of fire in fire districts.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Responses to alarms of fire in fire districts	18,986	19,968	–

2.2.2 Response times for fires in structures within fire districts were planned to be monitored for performance against the national targets.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
7 minutes 30 seconds 90% of the time for career stations	83%	84%	90%
10 minutes 30 seconds 90% of the time for volunteer stations	86%	89%	90%

Comment: The targets for response times are used to guide resource deployment such as fire station location and process improvement such as call processing times. Significant changes in achievement levels require major capital investment or process change and are therefore achieved over a longer-term timeframe. They also depend on the pattern of fire incidents.

2.2.3 The Fire Service aimed to respond and take the appropriate action for alarms of other emergency incidents inside fire districts where assistance could be rendered.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Responses to alarms of other emergency incidents inside fire districts	39,879	38,655	–

2.2.4 The Fire Service aimed to respond and take the appropriate action for alarms of fire outside fire districts where effective protection to life and property could be rendered.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Responses to alarms of fire outside fire districts	6,023	5,319	–

2.2.5 The Fire Service aimed to respond and take the appropriate action for alarms of other emergency incidents outside fire districts where effective protection to life and property could be rendered.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Responses to alarms of other emergency incidents outside fire districts	9,170	7,978	–

2.2.6 Post incident operational reviews were planned to be carried out for all incidents meeting the National Commander's criteria and in accordance with the National Commander's operational instructions.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Operational reviews carried out	11	24	–

2.2.7 Specialist fire investigations were planned to be completed for all incidents meeting the National Commander's criteria and were required to be carried out in accordance with the National Commander's operational instructions.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Fire investigations conducted and reports produced	222	282	–

2.2.8 Response partners and recipients of response services satisfaction with the overall services provided by the Fire Service.*

2.2.9 Response partners and recipients of response services level of overall expectations met.*

Performance measures 2.2.8 & 2.2.9 *	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Overall satisfaction with response services	88%	92%	90%
Level of overall expectations met for response services	89%	88%	90%

* In 2008 response partners were not surveyed. The independent survey asked a sample of the general public, who had received emergency response services, to rate the service on their levels of satisfaction and how well their expectations were met.

Output 2.3 Wider emergency management capability

This output covers the work the Fire Service does in the wider emergency management field. It includes planning and research work relating to low frequency but high impact events such as major earthquakes. It also includes working with and supporting the operation of emergency management groups and making sure Fire Service obligations under the National Civil Defence Plan can be met in the event of a major national emergency.

This output also includes work to better understand and reduce the risk of fires following a major earthquake. Work includes understanding the capabilities of the Fire Service to provide services if the transport infrastructure and water supply network is damaged and understanding the level of self-sufficiency of individual communities.

The Commission has made a large investment in urban search and rescue capability over the last three years. It has established three teams, one each in Auckland, Palmerston North and Christchurch. Each team was upgraded to International Search and Rescue Advisory Group (INSARAG) medium level during 2006/07. This initiative in partnership with a range of other government agencies represents a significant investment in capability.

This output also covers the Fire Service's participation in multi-agency training exercises for the response to community-scale incidents. Included in this activity is the co-ordination of fire services through formal co-ordination schemes.

How this output contributes to our national goals

The aim of this output is to make sure both the community and the Fire Service are well prepared to respond to a major emergency. The improved state of preparedness will help to minimise damage from an emergency and any resulting fire. The measure of the effectiveness of this output is difficult to gauge and will only be tested in the event of a real major emergency event.

Performance measures

2.3.1 The Fire Service aimed to meet its legal obligations relating to the participation on emergency management groups (EMG)/committees.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
EMG meetings attended	38	34	35-50

2.3.2 The Fire Service planned to maintain its urban search and rescue capability to INSRAG medium level in three locations.

Achieved in the first quarter with equipment upgrades to meet the medium level standard. This standard was in draft last year and significantly amended during 2005/06 following the review of several major incidents. The final standard required further investment in equipment. The level was maintained in 2007/2008.

2.3.3 The Fire Service planned to contribute to the management of other emergencies through partnerships with, and participation in other emergency management organisations or committees.

Attendance at:	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Coordinating Executive Group meetings	61	83	70-90
Emergency Service Coordinating Committee meetings	58	69	60-80
Hazardous Substance Technical Liaison Committee meetings	41	43	40-50
Regional Rural Fire Committee meetings	25	33	30-50

2.3.4 Exercises were planed to be carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Airport exercises	56	45	40-70
Civil defence exercises	35	31	20-40
Hazardous substance exercise	11	9	5-20
Multiple agency exercises	148	199	150-250
Rural fire exercises	27	21	10-30
Seaport exercises	17	15	10-20

Output Class 3: Rural fire leadership and coordination

(Sections 14A, 17X and 46A to 46L of the Fire Service Act and Section 18 of the Forest and Rural Fires Act)

This output class includes the services the Commission provides to lead and co-ordinate rural fire management. The services include 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 co-ordinated national view on rural fire issues. The objectives of this output class are to reduce the number and consequence of wildfires by providing leadership and co-ordinating the rural fire industry.

Output 3.1 Advice and support to fire authorities and rural fire committees

This output covers National Rural Fire Authority (NRFA) activities to maintain an administrative infrastructure to support fire fighting services in rural areas.

The NRFA provides advice, including interpretations of the legal requirements of fire authorities, and assistance to fire authorities and regional rural fire committees so they can carry out their roles.

The NRFA also provides support to rural fire committees through the rural fire managers and the national rural fire officer.

How this output contributes to our national goals

The aim of this output is to provide sound advice and assistance to fire authorities. Over the long term, this makes sure that sound, researched approaches to rural fire management are being applied within the industry. By applying modern approaches the number of unplanned fires occurring is minimised and the consequences of fires are managed in the appropriate way. It is important to note that, in rural fire management, extinguishing a fire may not always be the best approach. The approach will depend on the circumstances involved.

Performance Measures

3.1.1 Regional rural fire committees were planned to be maintained by the national rural fire officer in accordance with Section 17X(1)(d) of the Fire Service Act 1975.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Regional rural fire committees in place	11	11	-

3.1.2 Members of regional rural fire committees satisfaction with administrative support and meeting facilitation as determined by independent survey.

Percentage satisfied with:	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Administrative support	84%	89%	95%
Meeting facilitation	87%	89%	95%

Output 3.2 Administration of the Rural Fire Fighting Fund and grant assistance schemes

This output covers the administration of the grant assistance scheme and the rural fire fighting fund. The grant assistance scheme helps fire authorities achieve the required level of operational readiness. The rural fire fighting fund reimburses fire authorities for the majority of their expenses relating to putting out wildfires.

Included in this output is the requirement for the Commission to carry out its activities in a transparent way. It also provides for a mediation process if fire authorities have any issues with the decision process.

How this output contributes to our national goals

This output is wholly concerned with administering funding mechanisms to fire authorities in the two areas outlined above. Administering these funding mechanisms enables fire authorities to carry out their roles in rural fire management. Ultimately, this will help to minimise the number of rural fires and the consequences of them.

Performance Measures

3.2.1 Rural fire authority applications for grant assistance were planned to be actioned during the year.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Number of applications for grant assistance actioned	59	60	45

3.2.2 The NRFA planned to advise fire authorities of the results of their grant applications within two months of the application cut-off date.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage advised within two months	0	100% by August 2006	100%

Comment: Applications closed on 30 June 2007 and exceeded funding by $800,000. Timeframes for providing results of the grant applications where:

New Rural Fire Appliances	Successful applications advised on 14 and 28 August
New Rural Fire Appliances	Unsuccessful applications advised on 12 September
Appliances and Housing	All applications notified on 6 September
All other items	All applications notified on 6 September

3.2.3 Grant assistance applications were planned to be processed in accordance with Commission policy as verified by internal audit.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Approvals in accordance with the policy	100%	100%	100%

3.2.4 Claims under the rural fire fighting fund were planned to be actioned during the year.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Number of Rural Fire Fighting Fund claims actioned	134	94	100

3.2.5 The NRFA planned to be advise fire authorities of the results of their applications within two months of their applications being lodged with the NRFA.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage advised within two months	95%	54%	90%

3.2.6 Claim decisions accepted without recourse to mediation.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage accepted	100%	100%	95%

Output 3.3 Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.

This output has changed from previous years due to changes in the legislation. The NRFA is now required to:

- establish a schedule of rural fire standards and audit fire authority compliance against those standards
- evaluate the performance of fire authorities under the Forest and Rural Fires Act 1977.

This output includes the development and implementation of:

- a schedule of rural fire standards and the auditing of fire authorities compliance against those standards.
- a process to evaluate fire authority performance under the Forest and Rural Fires Act 1977.

This output also includes fire weather monitoring and information. Weather monitoring is an important tool for managing fire risk in rural areas. Information gathered enables fire managers to assess the levels of preparedness and the resources needed to put the fires out and to keep fire losses to a minimum. The fire danger rating system measures the variable elements that cause day-to-day changes in fire risk.

The information is used to:

- define the fire season
- determine the appropriate fire prevention measures
- assess the likelihood of fire occurring
- determine the fire fighting response and resources

- inform the public
- make decisions to close areas at high risk
- issue or cancel burn permits
- plan and conduct controlled burns.

The NRFA provides fire weather information to all fire authorities, so they can maintain the fire danger rating system. In addition, the NRFA issues fire danger notifications to the news media during the fire season when the fire danger is very high or extreme.

How this output contributes to our national goals

This output aims to improve fire outcomes in two ways by:

- Making sure a schedule of rural fire standards is in place for fire authorities for rural fire management
- Providing information for fire authorities to assess the level of fire risk throughout the year.

This will achieve a better level of operational readiness, resulting in improved responses to rural fire incidents.

Performance Measures

3.3.1 Fire and equipment and weather station standards audits and training standards audits were planned to be completed by 30 June 2008.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Fire and equipment, protective clothing and weather station standards audits	13	15	25
Training standards audits	-	-	5

3.3.2 Fire authorities provided with written audit reports within two months of the audit.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage advised within two months	80%	93%	100%

3.3.3 Assessments of Fire Authorities performance under the Forest and Rural Fires Act were planned to be completed.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Assessments of Fire Authorities	4	4	5

3.3.4 The NRFA planned to provided fire authorities with a written draft performance evaluation report within two months of the evaluation taking place

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage completed within two months	50%	25%	100%

3.3.5 Fire authority acceptance of performance evaluation reports without recourse to mediation.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Percentage accepted	100%	100%	95%

3.3.6 Fire weather information was planned to be available to all fire authorities on a daily basis during the fire season and at least monthly at other times.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Days available during the fire season	156	180*	-
Percentage availability	85%	99%*	100%
Total days available during the year	335	361*	-
Percentage availability	92%	99%*	100%

* A significant upgrade to the fire weather monitoring system and an improved performance reporting module were being implemented in 2006/2007 and into 2007/2008 which resulted in estimated results for system availability.

3.3.7 Fire weather information was planned to be updated daily by 3pm on 95% of days during the fire season.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Updated by 3pm during the fire season	91%	90%*	95%

* A significant upgrade to the fire weather monitoring system and an improved performance reporting module were being implemented in 2006/2007 and into 2007/2008 which resulted in estimated results.

Output 3.4 Advice to the public and to key groups in rural lands

This output includes advice to the public and to key groups about:

- mitigation and hazard reduction to reduce the consequences of wildfires on forest and rural lands
- fire safety behaviour appropriate to the use and enjoyment of forest and rural land
- the liability landowners and members of the public have for fires they cause.

The NRFA co-ordinates a national campaign to promote fire-safe behaviour in rural areas. The national campaign is run in conjunction with the New Zealand Forest Owners Association and the Department of Conservation.

The campaign focuses on fire prevention and making landowners and the general public aware of their legal obligations with respect to wildfires. Fire authorities also carry out local campaigns within their jurisdictions during the year.

The output also includes the training and education of people involved in preventing and suppressing rural fires.

The NRFA also promotes and encourages research in matters relating to rural fire control. The key component of this is the wildfire threat analysis. It provides a framework for systematically identifying the level of threat a particular area faces from wildfire. The level of wildfire threat is related to a combination of:

- ignition potential
- potential fire behaviour
- value of the property threatened.

How this output contributes to our national goals

This output aims to change the behaviour of people using rural lands so they act in a fire-safe manner. Changing behaviour will reduce the number of fires starting and therefore reduce the consequences of fire.

Also included is the training of people who carry out rural fire management activities. Improving the skills of these people will result in improved understanding of the risk of fire and improved response skills. This will lead to better fire outcome results.

Research improves the level of knowledge and understanding of rural fire control. This results in well targeted and improved service delivery and produces better fire outcomes in rural areas.

Performance Measures

3.4.1 Coordinate an education and promotion campaign during the fire season, in partnership with rural stakeholders, to raise public awareness of the hazards associated with fire in forest and rural areas.

Achieved - Promotions were carried out in the summer using radio and television. National promotions on fire danger awareness and actions to take to prevent wildfires were carried out over January to March on television and radio. Other initiatives included Farm Fire Safe and FarmSmart Home owners' manual, which promotes fire safety in the farm environment.

3.4.2 In conjunction with fire authorities, advice to landowners was planned to ensure they:

- were aware of their legal obligations
- had the knowledge to make fire safe decisions concerning the management of their own property and the safeguarding of neighbouring properties.

Promotions and printed material distributed included highlighting to landowners their responsibilities and obligations.

3.4.3 The NRFA planned to train people using the rural fire tutorial packages.

	2007/08 Actual	2006/07 Actual	2007/08 SOI target
Number of people trained	-	49	40

Comment: The National Rural Fire Authority (NRFA) no longer directly delivers training. All training is provided by accredited training providers under the NZQA framework. The NRFA ensures that the unit standards and training material are kept current.

3.4.4 Rural fire course content aimed to provide the knowledge requirements of the relevant New Zealand Qualifications Authority unit standard.

The course content meets the requirements of the NZQA standard.

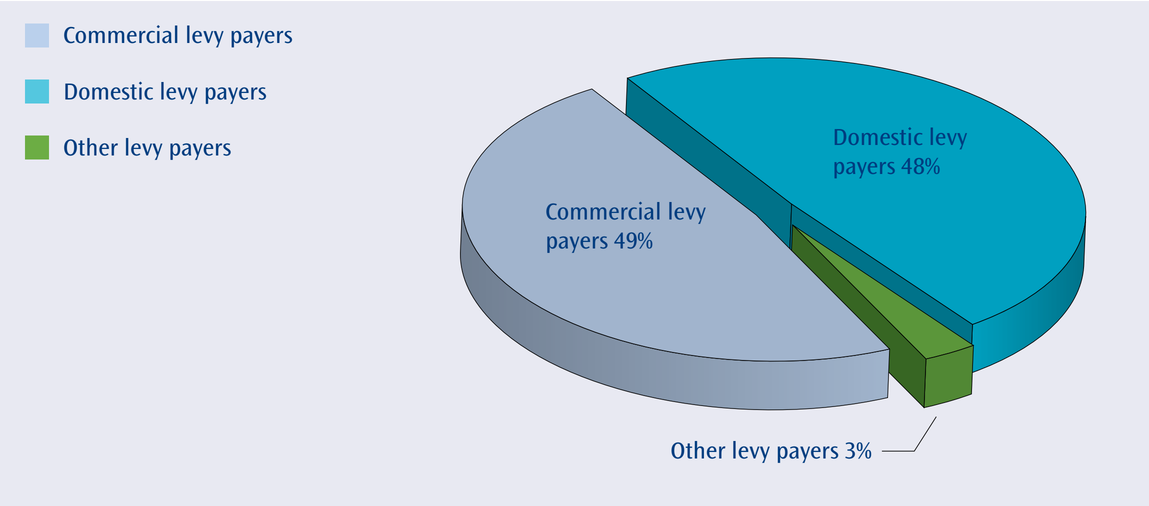
Financial commentary

for the year ended 30 June 2008

Levy receipts

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Levy	278,249	269,665	264,622
Levy attributable to the Rural Fire Fighting Fund	1,050	1,670	3,450
Total receipts from levy	**279,299**	**271,335**	**268,072**

Levy income by source 2007/08



Total levy receipts for 2007/08 exceeded budget and the prior year principally because of the growth in the levy base of fire insurance contracts.

In addition, the New Zealand Fire Service identified and negotiated settlements of levy arrears, penalty interest and penalty surcharges in excess of budget.

The levy rate remained constant throughout the year at 7.3 cents per $100 insured value.

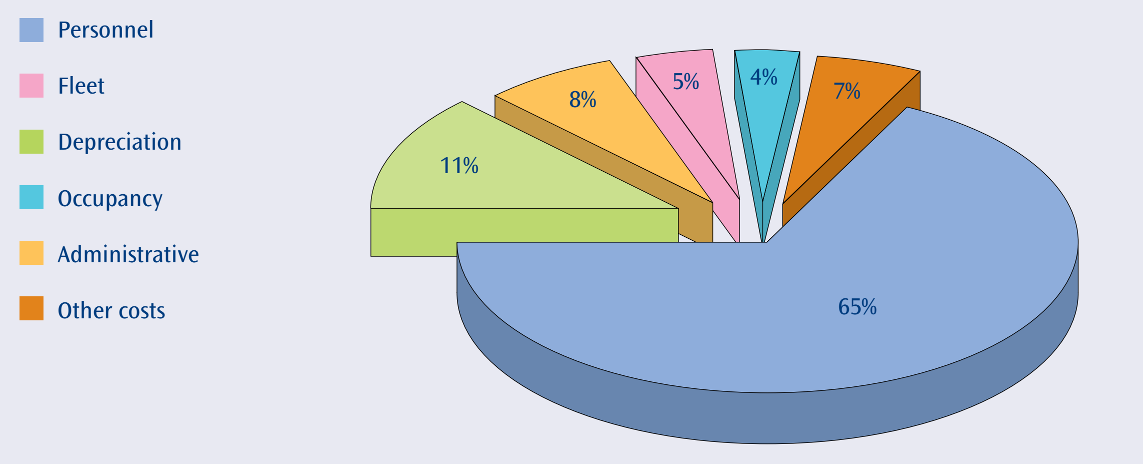
Total expenditure (excluding Rural Fire Fighting Fund)

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Total expenditure (excluding Rural Fire Fighting Fund)	**289,703**	**286,325**	**265,446**

Total expenditure exceeded budget by $3,378,000. A significant portion of this overspend is the result of the following:

- the Icepak Coolstore fire at Tamahere was a major incident that resulted in one firefighter fatality and injuries to seven firefighters. The Commission incurred additional personnel and operational expenditure in responding to the incident. The Commission was also required to increase the provision for the Accident Compensation Corporation Partnership Programme by $1,122,000 to fund future payments made in respect of employee injuries up to 30 June 2008
- the actuarial revaluation of the provision for gratuities resulted in unbudgeted expenditure of $3,369,000
- the ACC residual rates increased, resulting in expenditure exceeding budget by $530,000
- fuel costs and road user charges increased, resulting in expenditure exceeding budget by $419,000
- the Commission provided an additional grant of $400,000 to the United Fire Brigades Association of New Zealand (UFBA)
- depreciation was under budget by $1,459,000 due to three factors:
  - capital expenditure projects were delayed during the year, reducing depreciation as this commenced later than budgeted
  - the impact of the 2006/07 building revaluations
  - some finance leases expired during the year which were budgeted to be continued, however, these were bought out with the low value items being expensed resulting in lower depreciation.

2007/08 Total expenditure



Purchases of property, plant and equipment

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Fleet	23,700	13,681	12,439
Property	14,026	12,575	8,890
Other	9,483	9,037	10,042
Total purchases of property, plant and equipment	**47,209**	**35,293**	**31,371**

In prior years the capital expenditure budget for fleet was under spent due to delays in shipping appliance cab/chassis from Europe. To compensate for this, cab/chassis were imported ahead of planned production schedules. In the current year, fleet purchases exceeded budget because cab/chassis budgeted and committed in 2006/07 were received and paid in 2007/08.

Two major fire station builds at St Heliers and Mt Roskill were delayed during the year because of resource consent issues. During the year, land for planned fire stations was purchased in Takapuna and Ponsonby.

The purchase of other property, plant and equipment is over budget principally because of the purchase of operational and communications equipment. Some of this equipment was planned and committed in 2006/07, but received and paid in 2007/08.

Rural Fire Fighting Fund expenditure

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Rural Fire Fighting Fund	**4,335**	**3,547**	**2,786**

The Rural Fire Fighting Fund, was established pursuant to Section 46 of the Fire Service Act 1975, is funded from a contribution from the Fire Service levy and from a grant provided from the Minister of Conservation.

The expenditure from the fund is dependent upon the claims made on the fund in any one year. In 2007/08 there were 134 eligible claims (2006/07 94 claims) against the fund. The most significant fires in terms of claims (greater than $200,000) on the fund were: Wye Creek, Aotuhia, Rangihau Range, Pipiriki and Green Swamp.

Financial statements
Statement of comprehensive income

for the year ended 30 June 2008

	Note	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Revenue				
Levy		278,249	269,665	264,622
Other revenue	1	7,681	6,556	7,608
Total revenue		**285,930**	**276,221**	**272,230**
Income	2	8,527	1,897	6,021
Total revenue and income		**294,457**	**278,118**	**278,251**
Expenditure				
Employee and volunteer benefits expenditure	3	188,633	183,723	168,009
Depreciation	13	29,469	30,928	30,187
Amortisation	14	3,666	3,337	3,550
Finance costs	4	675	837	809
Other expenditure	5	67,260	67,500	62,891
Total expenditure		**289,703**	**286,325**	**265,446**
Net surplus/(deficit) attributable to the Commission		**4,754**	**(8,207)**	**12,805**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	6	**(868)**	**(27)**	**2,101**
Net surplus/(deficit) attributable to the owners of the Commission		**3,886**	**(8,234)**	**14,906**
Other comprehensive income				
Gains on revaluation of land and buildings net of impairment	19	20,943	10,824	29,308
Total comprehensive income attributable to the owners of the Commission		**24,829**	**2,590**	**44,214**

Explanation of total comprehensive income

The Commission concluded the financial year ended 30 June 2008 with total comprehensive income of $24,829,000 against a budgeted total comprehensive income of $2,590,000.

The reported total comprehensive income results primarily from the Commission's decision to adopt early the revised NZ IAS 1 *Presentation of Financial Statements*. This required the Commission to include unrealised gains of $20,943,000 from the revaluation of land and buildings as part of comprehensive income. Previously revaluation movements were only recognised within the Statement of Financial Position.

The accompanying notes on pages 56 to 102 form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2008

	Note	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Equity at beginning of year				
Accumulated funds		416,757	413,598	403,952
Revaluation reserves	19	29,308	22,020	-
Rural Fire Fighting Fund		1,782	1,344	(319)
Total equity at beginning of year		**447,847**	**436,962**	**403,633**
Changes in equity during year				
Transfers from statement of comprehensive income				
Accumulated funds		4,754	(8,207)	12,805
Revaluation reserves	19	20,943	10,824	29,308
Rural Fire Fighting Fund	6	(868)	(27)	2,101
Total comprehensive income		**24,829**	**2,590**	**44,214**
Transfers from disposal of land and buildings				
Accumulated funds	19	(171)	-	-
Revaluation reserves	19	171	-	-
Total transfers from disposal of land and buildings		-	-	-
Total changes in equity during year		**24,829**	**2,590**	**44,214**
Equity at end of year				
Accumulated funds		421,340	405,391	416,757
Revaluation reserves	19	50,422	32,844	29,308
Rural Fire Fighting Fund	6	914	1,317	1,782
Total equity at end of year		**472,676**	**439,552**	**447,847**

The accompanying notes on pages 56 to 102 form part of these financial statements.

Statement of financial position

as at 30 June 2008

	Note	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Assets				
Current assets				
Cash and cash equivalents	7	52,369	31,949	58,221
Trade and other receivables	8	6,354	6,383	2,555
Prepayments		534	-	599
Inventories	9	212	-	89
Investments	10	-	-	825
Derivative financial instruments	11	16	-	-
Non-current assets held for sale	12	-	-	1,560
Total current assets		**59,485**	**38,332**	**63,849**
Non-current assets				
Property, plant and equipment	13	490,750	463,831	455,200
Intangible assets	14	8,281	8,018	10,690
Total non-current assets		**499,031**	**471,849**	**465,890**
Total assets		**558,516**	**510,181**	**529,739**
Liabilities				
Current liabilities				
Trade and other payables	15	26,481	23,898	18,006
Employee and volunteer benefits	16	23,946	3,806	24,946
Borrowings	17	2,581	4,194	2,585
Provisions	18	2,661	-	1,859
Unamortised gain on sale and leaseback		355	-	355
Derivative financial instruments	11	15	-	-
Total current liabilities		**56,039**	**31,898**	**47,751**
Non-current liabilities				
Employee and volunteer benefits	16	24,142	34,538	25,976
Borrowings	17	4,274	4,193	6,854
Provisions	18	852	-	423
Unamortised gain on sale and leaseback		533	-	888
Total non-current liabilities		**29,801**	**38,731**	**34,141**
Total liabilities		**85,840**	**70,629**	**81,892**
Net assets		**472,676**	**439,552**	**447,847**
Equity				
Accumulated funds		421,340	405,391	416,757
Revaluation reserves	19	50,422	32,844	29,308
Rural Fire Fighting Fund		914	1,317	1,782
Total equity		**472,676**	**439,552**	**447,847**

The accompanying notes on pages 56 to 102 form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2008

	Note	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Cash flows from operating activities				
Receipts from levy		279,299	271,335	268,072
Receipts from other revenue		9,957	8,844	10,278
Net GST received/(paid)[1]		1,224	69	(574)
Payments to employees and volunteers		(195,921)	(183,435)	(169,321)
Payments to suppliers for goods and services		(58,903)	(71,049)	(57,415)
Net cash flows from operating activities	20	**35,656**	**25,764**	**51,040**
Cash flows from investing activities				
Interest received		5,753	1,459	3,936
Proceeds from sale of investments		825	3	-
Proceeds from sale of property plant and equipment		3,631	6,243	1,665
Acquisition of investments		-	-	(825)
Purchase of intangible assets		(1,308)	(1,167)	(1,796)
Purchase of property, plant and equipment[2]		(47,209)	(35,293)	(31,371)
Net cash flows from investing activities		**(38,308)**	**(28,755)**	**(28,391)**
Cash flows from financing activities				
Payment of finance leases		(2,584)	(3,131)	(3,029)
Interest paid		(616)	(837)	(859)
Net cash flows from financing activities		**(3,200)**	**(3,968)**	**(3,888)**
Net increase/(decrease) in cash and cash equivalents		(5,852)	(6,959)	18,761
Cash and cash equivalents at beginning of year		58,221	38,908	39,460
Cash and cash equivalents at end of year	7	**52,369**	**31,949**	**58,221**

The accompanying notes on pages 56 to 102 form part of these financial statements.

1 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.

2 During the period, the Commission did not acquire property, plant and equipment by means of a finance lease (2007 $1,913,000).

Notes to the financial statements

Statement of accounting policies for the year ended 30 June 2008

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. The Commission's ultimate parent is the New Zealand Crown.

The Commission's primary objective is to provide services in New Zealand for community benefit rather than to make a financial return. Accordingly, the Commission has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

These financial statements for the Commission are for the year ended 30 June 2008, and were authorised for issue by the Commission on 31 October 2008.

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements comply with NZ IFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

First year of preparation under NZ IFRS

These financial statements are the Commission's first financial statements to comply with NZ IFRS, and therefore NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied.

The Commission's financial statements until 30 June 2007 were prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). When preparing the 30 June 2008 financial statements, certain accounting and valuation methods applied in the NZ FRS financial statements were amended to comply with NZ IFRS. The comparatives for the year ended 30 June 2007 have accordingly been restated to NZ IFRS.

An explanation of how the transition to NZ IFRS has affected the Commission's reported financial position, performance and cash flows is provided in note 30.

The accounting policies set out in this note have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

Statement of accounting policies for the year ended 30 June 2008 (continued)

Budget figures

The budget figures are those approved by the Commission on 30 June 2007 as part of the Statement of Intent 2007/2010. The budget figures have been prepared in accordance with NZ IFRS and are consistent with the accounting policies adopted by the Commission for the preparation of these financial statements.

Measurement base

These financial statements have been prepared on a historical cost basis modified by the revaluation of the following:

- financial assets and liabilities at fair value
- derivative financial instruments at fair value
- certain classes of property, plant and equipment at methods appropriate to the class of asset.

The methods used to measure fair value are discussed in the specific accounting policies.

Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Commission's functional currency.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

There are no standards, amendments and interpretations issued that are not yet effective and have not been early adopted that have a significant impact on these financial statements if adopted. NZ IAS 1 *Presentation of Financial Statements (revised)* effective for reporting periods beginning on or after 1 January 2009 has been early adopted and applied in these financial statements.

Significant accounting policies

Revenue

The Commission measures revenue at the fair value of consideration received or receivable. Specific accounting policies for major categories of revenue are outlined below.

Levy

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

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

Provision of services

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

Volunteer services

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

Statement of accounting policies for the year ended 30 June 2008 (continued)

Income

Interest income

The Commission recognises interest income using the effective interest method.

Rental income

Lease rental received under operating leases are recognised as income on a straight-line basis over the lease term.

Donated assets

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

Depreciation

Depreciation is charged to the statement of comprehensive income on all property, plant and equipment other than land and work in progress. Depreciation is calculated on a straight-line basis at rates estimated to write off the cost (or valuation) of an asset, less any residual value, over its useful life.

The estimated useful lives and associated depreciation rates of the asset classes are as follows:

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

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful life of the improvements.

Assets recognised under a finance lease are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis at rates estimated to write off the cost of an asset, less any residual value, over its useful life.

The estimated useful lives and associated amortisation rates of the asset classes are as follows:

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

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

Interest expense

Interest expense is recognised using the effective interest rate method.

Statement of accounting policies for the year ended 30 June 2008 (continued)

Goods and services tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables which are presented with GST included. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The statement of cash flows has been prepared on a net GST basis, with cash receipts and payments presented exclusive of GST. A net GST presentation has been chosen to be consistent with the presentation of the statement of comprehensive income and statement of financial position. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Income tax

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

Foreign currency transactions

Transactions in foreign currency are converted at the date of the transaction. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Financial instruments

The Commission is party to financial instruments as part of its normal operations. Financial instruments include financial assets and financial liabilities. Financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the Commission at initial recognition.

Financial instruments are classified into the following categories based upon the purpose for which they were acquired.

Financial assets

The Commission classifies its financial assets in the following categories:

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

   The Commission uses derivative financial instruments (forward foreign exchange contracts) to manage its exposure to foreign exchange risk in relation to the purchases of significant items of property, plant and equipment. The Commission does not hold or issue these financial instruments for trading purposes, and has not adopted hedge accounting.

   Forward foreign exchange contracts are initially recognised at fair value on the date the Commission entered into the contract and are subsequently remeasured to their fair value at each balance date. Fair value is determined as the value of entering into a forward foreign exchange contract, for the same quantity of foreign currency with the same settlement date as the original contract, on the date for which the fair value is determined. Movements in the fair value of the forward foreign exchange contracts are recognised in the statement of comprehensive income.

   Derivative financial instruments can also be classified as financial liabilities depending upon the fair value at balance date.

Statement of accounting policies for the year ended 30 June 2008 (continued)

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

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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 twelve months are recognised at their nominal value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due in accordance with the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amounts and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income.

When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment of receivables in the statement of comprehensive income.

Financial liabilities

Financial liabilities comprise trade and other payables. 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 twelve months are recognised at their nominal value.

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

Inventories

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

Inventories include material for level one uniforms and replacement gear boxes for fire appliances.

Non-current assets held for sale

Non-current assets held for sale are assets where their carrying amount will be recovered through a sale transaction rather than through continuing use. Non-current assets held for sale are assets available for immediate sale and where the sale is 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.

Statement of accounting policies for the year ended 30 June 2008 (continued)

Leases

Finance leases

Leases that transfer to the Commission substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is recognised in the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty that the Commission will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Where a sale and leaseback transaction results in a finance lease, the gain on sale is amortised over the lease term. The gain on sale is calculated as the excess of sale proceeds over the carrying amount of the asset.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Leasehold improvements are capitalised as property, plant and equipment.

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

Property, plant and equipment

Property, plant and equipment assets are classed as land, buildings, leasehold improvements, fire appliances, motor vehicles, communications, computer, operational and non-operational equipment.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

Costs are capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset. This includes all costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. For existing assets, subsequent expenditure that extends or expands the asset's service potential is capitalised.

Costs that do not meet the criteria for capitalisation, including costs of day-to-day servicing of property, plant and equipment, are recognised in the statement of comprehensive income.

Where an asset is acquired at no cost or nominal cost (for example, donated assets) and it is controlled by the Commission, the asset is recognised at fair value at the date when control of the asset is obtained.

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 assets not complete are recognised in work in progress. When the asset is complete the costs are transferred to the relevant asset class and depreciated in accordance with that class.

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.

Statement of accounting policies for the year ended 30 June 2008 (continued)

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 charged to the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve for a class of asset, this balance is expensed in the statement of comprehensive income. Any subsequent revaluation increase is firstly charged to the statement of comprehensive income to the extent that it offsets a previous revaluation decrease recognised in the statement of comprehensive income, and then secondly credited to the revaluation reserve for that class of asset.

Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset less any disposal costs. Gains and losses on disposal are recognised in the statement of comprehensive income when they occur.

When assets are disposed of, any related amount in the asset revaluation reserve is transferred to accumulated funds.

Intangible assets

Intangible assets comprise computer software and the Shared Information Technology Environment (SITE) assets and are shown at cost, less accumulated amortisation and impairment losses.

Computer software

Costs are capitalised as computer software when it creates a new asset or increases the future economic benefits of an existing asset.

Costs capitalised for acquired computer software licences include the costs incurred to acquire and bring the software into use.

Costs capitalised for internally developed computer software include the costs incurred in the development phase only.

Expenditure incurred on research is recognised in the statement of comprehensive income.

Costs that do not meet the criteria for capitalisation, including staff training and software maintenance, are recognised in the statement of comprehensive income.

Shared Information Technology Environment (SITE)

SITE is a systems and technology platform that supports receiving calls and dispatching resources to emergency incidents. These SITE assets include computer aided dispatch software, land mobile radio network and associated telecommunications structures.

SITE is primarily housed in the communication centres shared with the New Zealand Police. The value capitalised reflects the Commission's proportional ownership. New Zealand Police maintain SITE and proportionally charge the Commission; this charge is recognised in the statement of comprehensive income.

Disposals

Gains and losses on disposals of intangible assets are determined by comparing the proceeds with the carrying amount of the asset, less any disposal costs. Gains and losses on disposal are recognised in the statement of comprehensive income when they occur.

Impairment of non-financial assets

The carrying amounts for property, plant and equipment and intangible assets are reviewed annually to determine if there is any impairment. Impairment is where events or changes in circumstances occur that result in the carrying amount of an asset not being recoverable.

Statement of accounting policies for the year ended 30 June 2008 (continued)

An impairment loss is the amount by which the asset's net carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses on revalued land and buildings are treated as a revaluation decrease. Impairment losses on other property, plant and equipment and intangible assets are recognised in the statement of comprehensive income.

Employee and volunteer benefits

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

Current employee and volunteer benefits

Benefits to be settled within 12 months of balance date are calculated at undiscounted current rates of pay according to the amount of the accrued entitlements. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and retiring and long service leave entitlements expected to be settled within 12 months.

Non-accumulating absences such as maternity leave are compensated when the absences occur and therefore no accrual is necessary. Sick leave is paid when taken under the Commission's wellness policy and therefore no accrual is necessary.

Non-current employee and volunteer benefits

Benefits that are payable beyond 12 months, such as long service leave, retirement leave and gratuities, are calculated on an actuarial basis.

The actuarial calculation takes into account the future entitlements accruing to staff, based on years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, contractual entitlements information and the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Movements in the actuarial valuations are recognised in the statement of comprehensive income.

Superannuation schemes

Defined contribution schemes

Contributions to Kiwi Saver, State Sector Retirement Savings Scheme and National Provident Fund are accounted for as defined contribution superannuation schemes and are expensed in the statement of comprehensive income as they fall due.

Defined benefit schemes

The Commission makes contributions to the National Provident Fund Defined Benefit Plan (DBP) 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. Therefore, the scheme is accounted for as a defined contribution scheme. Although this is a defined benefit scheme, there is insufficient information to account for the scheme as a defined benefit scheme.

Provisions

The Commission recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are distinct from other liabilities, such as trade payables, because there is uncertainty about the timing or the amount of the future expenditure required in settlement.

Statement of accounting policies for the year ended 30 June 2008 (continued)

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:

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, 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 claims' costs for a period of four years. At the end of four years, the liability for ongoing claims passes to ACC, with the Commission paying a premium for the value of residual claims.

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

Equity

Equity is the public's interest in the Commission and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the Commission. The components of equity are accumulated funds, revaluation reserves and the Rural Fire Fighting Fund.

The Rural Fire Fighting Fund was established under section 46A of the Fire Service Act 1975. The fund is financed by a first right to the proceeds of the levy and an annual Crown grant paid on behalf of the Minister of Conservation. Money from the fund is applied towards meeting costs of Fire Authorities in the control, restriction, suppression or extinction of fires.

Statement of cash flows

The makeup of cash and cash equivalents for the purposes of the statement of cash flows is the same as cash and cash equivalents in the statement of financial position. The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows.

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are disclosed in the notes to the financial statements at the point at which the contingency is evident. Contingent assets are disclosed if it is probable that the benefits will be realised. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Statement of accounting policies for the year ended 30 June 2008 (continued)

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.

Commitments are classified as:

a. Capital commitments – the aggregate amount of capital expenditure contracted for, but not recognised as paid or provided for, at balance date.

b. Non-cancellable operating leases – the future payments due under the lease contract. Operating leases are principally for property and motor vehicles.

c. Other non-cancellable commitments – the future payments due under the contract. Other commitments include consulting contracts and cleaning contracts.

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

Cost allocation

The Commission derives the cost of outputs using the following cost allocation system.

a. Direct costs are costs, including the Rural Fire Fighting Fund, directly attributable to an output, and are charged directly to outputs.

b. Indirect costs are all costs other than direct costs. All indirect costs are allocated to operational readiness.

c. 85% of the total indirect costs in operational readiness costs are allocated to operational response with the remaining costs allocated equally amongst outputs 1.2, 1.3, and 2.1.

Revenue allocation

The Commission allocates levy revenue to each output based on the proportions of gross expenditure allocated to the outputs.

Other revenue that is directly related to outputs is credited to those outputs. Other revenue that cannot be directly related to outputs is allocated to outputs based on the gross expenditure allocated to the outputs.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they were revised. Any revision affecting future periods is recognised in the periods affected.

Judgements that have a significant affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements when they occur.

Statement of accounting policies for the year ended 30 June 2008 (continued)

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

The residual value and useful life of property, plant and equipment and intangible assets are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires the Commission to consider a number of factors such as the physical condition, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation or amortisation expense recognised in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position. The Commission minimises the risk of this estimation by:

- performing asset verifications
- revaluing land and buildings
- impairment testing
- asset replacement programs.

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

Critical judgements in applying the Commission's accounting policies

Management has exercised the following critical judgments in applying the Commission's accounting policies for the period ended 30 June 2008:

Lease classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission.

The Commission classifies leases as finance leases under the following situations:

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

Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no asset is recognised.

The Commission has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease agreements are finance leases.

Investment properties

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

1 Other revenue

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
False alarms	2,464	1,921	2,014
Good corporate citizen contributions[3]	2,103	2,028	2,073
Monitoring private fire alarms revenue	1,835	1,500	1,833
Sponsorship	312	437	694
Commercial services	389	345	380
Other revenue	578	325	614
Total other revenue	**7,681**	**6,556**	**7,608**

2 Income

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Interest income[4]	5,753	1,459	3,936
Gain on disposal of property, plant and equipment[5]	1,423	-	600
Rental income	463	438	469
Amortisation of gain on sale and leaseback	355	-	653
Net gain on derivative financial instruments	1	-	-
Other income[6]	532	-	363
Total income	**8,527**	**1,897**	**6,021**

3 Good corporate citizen contributions are received from some entities that do not insure their property portfolios against fire and therefore have no obligation to pay Fire Service levy.

4 Interest income exceeded budget as a result of higher than expected cash and cash equivalent balances throughout the year predominately due to deferrals in the 2006/07 capital expenditure program resulting in cash and cash equivalents balances at the beginning of the year being $19,313,000 more than budget and also actual levy receipts being higher than budget.

5 Gain on disposal of property plant and equipment includes a gain of $1,383,000 from the sale of assets classified as non-current assets held for sale as at 30 June 2007. Refer to note 12 for further details.

6 Other income includes proceeds from insurance claims and donations made to the Commission.

3 Employee and volunteer benefits expenditure

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Salaries and wages[7]	153,381	152,336	141,164
Employer contributions to defined contribution plan[8]	13,439	13,979	13,034
ACC levies	2,437	1,887	1,682
ACC Partnership Programme	1,122	-	730
Other employee and volunteer benefits expenditure	18,254	15,521	11,399
Total employee and volunteer benefits expenditure	**188,633**	**183,723**	**168,009**

4 Finance costs

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Finance charge on finance lease[9]	581	692	771
Discount unwinding on provision (Note 18)	58	120	32
Interest expense	36	25	6
Total finance costs	**675**	**837**	**809**

7 Salaries and wages increased from 2006/07 due to a four percent salary and wage review across the organisation totalling $6,389,000, the ongoing implications of the Holidays Act 2003 settlement in regards to additional statutory holiday entitlements of 7.19 shifts per fire fighter totalling $4,985,000 and additional crews in Tauranga and Hamilton totalling $813,000.

8 Employer contribution to defined contribution plans includes contributions to KiwiSaver, State Sector Retirement Savings Scheme, New Zealand Fire Service Superannuation scheme and National Provident Fund Defined Benefit Plan Scheme.

9 Finance costs for 2007/08 are less than budgeted and 2006/07 as the budget was based on the assumption that the finance leases would be rolled. However, the finance leases for operational equipment were bought out when they expired on 1 July 2007.

5 Other expenditure

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Auditors – audit fees for statutory audit	178	237	164
Auditors – audit fees for NZ IFRS audit	20	22	20
Auditors – fees for other services[10]	16	20	24
Remuneration of Commission and committee members (Note 26)	149	140	134
Fleet[11]	13,310	12,374	12,494
Occupancy[12]	10,374	10,504	10,107
Supplies and consumables[13]	6,488	7,168	6,389
Communications	6,134	6,140	5,783
Publicity and advertising[14]	3,724	4,261	4,073
Grants[15]	4,396	3,793	3,822
Impairment of receivables (Note 8)	208	-	(21)
Loss on disposal of property, plant and equipment	399	450	945
Net foreign exchange loss	40	-	360
Impairment of property plant and equipment	-	1,209	-
Other expenditure	21,824	21,182	18,597
Total other expenditure	**67,260**	**67,500**	**62,891**

10 Auditor's fees for other services relates to a probity assurance review of an advertising agency service contract and a probity assurance review over a tender for fire appliances.

11 In the annual report for the year ended 30 June 2007, vehicle leases were disclosed within the category rental expense on operating leases. In the Statement of Intent for the year ended 30 June 2008 these were included within fleet expenses. The comparative year figures are changed to reflect this new classification.

12 As in the above footnote, a similar reclassification has occurred in regards to car park and property rentals where the comparative year has been changed from rental expense on operating leases to occupancy to align with the Statement of Intent classification.

13 Supplier and consumables are less than budget in 2007/08 because $700,000 planned to be spent on disposable level three splash suits were deferred to 2008/09 as the tender process was not completed by 30 June 2008.

14 Publicity and advertising expenditure was less than budget in 2007/08 as the production of the television advertising campaign was completed later than planned, resulting in the television advertisements being run less than planned in 2007/08.

15 These are grant payments made to the United Fire Brigades of New Zealand, volunteer brigades and social grants to paid brigades.

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

	Actual 2008 $000	Budget 2008 $000	Actual 2007 $000
Revenue			
Levy	1,050	1,670	3,450
Department of Conservation[16]	1,100	1,650	886
Other revenue	1,317	200	551
Total revenue	**3,467**	**3,520**	**4,887**
Claims expenditure	**(4,335)**	**(3,547)**	**(2,786)**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	**(868)**	**(27)**	**2,101**

The closing balance of the Rural Fire Fighting Fund as at 30 June 2008 was $914,000 (2007 $1,782,000).

16 An annual grant paid on behalf of the Minister of Conservation in accordance with section 46H of the Fire Service Act 1975.

7 Cash and cash equivalents

	Actual 2008 $000	Actual 2007 $000
Cash on hand and at bank	9,274	18,197
Short term deposits	43,095	40,024
Total cash and cash equivalents	**52,369**	**58,221**

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 investment of cash in any given bank in line with the Commission's investment policies. Investments are held in financial institutions with AA and AAA 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 $250,000 (2007 $250,000). 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 is 8.74% (2007 7.96%). As at 30 June 2008 if the interest rates increased/decreased by 1 percent the interest income for the year and retained earnings would increase/decrease by $93,000 (2007 $182,000).

Restricted assets

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

	Actual 2008 $000	Actual 2007 $000
Cash on hand and at bank	2	16
Short term deposits	3,095	2,910
Total restricted cash and cash equivalents	**3,097**	**2,926**

8 Trade and other receivables

	Actual 2008 $000	Actual 2007 $000
Trade and other receivables	6,952	3,050
Less provision for impairment	(598)	(495)
Total trade and other receivables	**6,354**	**2,555**

The carrying value of trade and other receivables approximates their fair value. Trade and other receivables mainly arise from the Commission's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The Commission does not have any significant concentration of credit risk in relation to trade and other receivables. No collaterals are held as security for any trade and other receivables. The Commission's credit exposures are limited to the individual trade and other receivable balances.

The Commission does not have any receivables as at 30 June 2008 (2007 $nil) that would otherwise be past due, but not impaired, whose terms have been renegotiated.

At year end, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Actual 2008			Actual 2007		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	3,776	(1)	3,775	1,925	-	1,925
Past due 1-30 days	1,586	-	1,586	229	-	229
Past due 31-60 days	453	(6)	447	299	(5)	294
Past due 61-90 days	144	(78)	66	100	(50)	50
Past due > 91 days	993	(513)	480	497	(440)	57
Total trade and other receivables	**6,952**	**(598)**	**6,354**	**3,050**	**(495)**	**2,555**

The provision for impairment has been calculated on an individual assessment of the likelihood of recovery based on historical payments, losses in previous periods and a review of specific trade and other receivables.

	Actual 2008 $000	Actual 2007 $000
Provision for impairment of trade receivables at beginning of year	**495**	**575**
Additional provision made during the year (Note 5)	208	(21)
Receivables written-off during the period	(105)	(59)
Provision for impairment of trade receivables at end of year	**598**	**495**

9 Inventories

	Actual 2008 $000	Actual 2007 $000
Inventories held for the use in the provision of services	212	89
Total inventories	**212**	**89**

All of the Commission's inventories are held for distribution and are items to be consumed in the rendering of services at no consideration.

The carrying amount of inventories held for distribution carried at current replacement cost as at 30 June 2008 amounted to $212,000 (2007 $89,000).

There has been no write-down of inventories held for distribution or reversals of previous write-downs in either 2007 or 2008.

No inventories are pledged as security for liabilities.

10 Investments

	Actual 2008 $000	Actual 2007 $000
Current investments are represented by:		
Term deposits	-	825
Total current portion	**-**	**825**
Total investments	**-**	**825**

The Commission purchases forward foreign exchange contracts (forward contracts) for all purchases over $50,000 to be paid for in a foreign currency. These are predominately purchases of fire appliances. When production delays occur past the maturity date of the Commission's forward contract, the Commission then invests the foreign currency as foreign term deposits with maturities determined based on the new estimated delivery date.

Term deposits were held in United States dollars, Australian dollars and British pounds as at 30 June 2007.
All balances were translated into New Zealand dollars using the closing rates as at 30 June 2007. There are no foreign term investments as at 30 June 2008 as forward contracts were in place.

All term deposits held as at 30 June 2007 had maturities of 140 days. Carrying amounts of term deposits approximates their fair value.

Sensitivity analysis

Short-term foreign currency deposits are invested at fixed rates ranging from 5.14%-6.25% with a weighted average effective interest rate of 5.39%. As these deposits are at a fixed interest rate, an increase or decrease in the market interest rates during the period would not impact the measurement of the investments and hence there would be no impact on the net surplus/(deficit) or equity.

A change in the foreign exchange rates would have an immaterial impact on the financial statements.

11 Derivative financial instruments

Actual 2008	Carrying value in gain NZ $000	Notional value in gain NZ $000	Carrying value in loss NZ $000	Notional value in loss NZ $000	Net Carrying value NZ $000
Australian Dollars	7	290	-	-	7
US Dollars	-	-	15	1,106	(15)
British Pounds	4	231	-	-	4
Euro	5	905	-	-	5
Total derivative financial instruments	**16**	**1,426**	**15**	**1,106**	**1**

The notional principal amounts of outstanding forward foreign exchange contracts at 30 June 2008 were AUS$ 228,000; US$ 815,000; GB £87,000 and EURO 426,000.

The Commission did not hold any derivative financial instruments as at 30 June 2007.

The Commission has entered into the forward foreign exchange contracts to limit the exposure to foreign exchange risk relating to the purchase of locker doors, pump and foam systems, ladder gantries and aerial water tower system for fire appliances. The forward contracts are due to mature in January and February 2009.

The fair value of forward contracts has been determined using a discounted cash flow valuation technique based on quoted market rates at 30 June 2008.

A change in the exchange rate of the respective currency will have minimal impact on the financial statements as these forward contracts were entered into in May 2008 and therefore the change in rate from the date they were entered into and balance date is minimal.

12 Non-current assets held for sale

	Actual 2008 $000	Actual 2007 $000
Non-current assets held for sale at beginning of year	1,560	2,308
Disposals during the year	(1,560)	(842)
Transfers from property, plant and equipment	-	94
Non-current assets held for sale at end of year	**-**	**1,560**

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at time of reclassification.

The disposals in 2008 relate to surplus land and buildings as a result of relocating fire stations at Manakau and Woodend. These sales were completed in September 2007 and December 2007 and made a gain of $1,383,000, which is included in income in the statement of comprehensive income.

13 Property, plant and equipment

	Actual 2008 $000	Actual 2007 $000
Property, plant and equipment		
Property, plant and equipment at cost at beginning of year	271,998	581,627
Property, plant and equipment at valuation at beginning of year	349,166	-
Total cost/valuation at beginning of year	621,164	581,627
Accumulated depreciation and impairment losses	(165,964)	(151,022)
Total property, plant and equipment at beginning of year	**455,200**	**430,605**
Additions	44,926	26,356
Disposals	(850)	(788)
Impairment losses to revaluation reserve (Note 19)	(10,852)	(700)
Transfer to non-current assets held for sale (Note 12)	-	(94)
Depreciation	(29,469)	(30,187)
Revaluation movement (Note 19)	31,795	30,008
Total property, plant and equipment at end of year	**490,750**	**455,200**
Property, plant and equipment at cost at end of year	288,697	271,998
Property, plant and equipment at valuation at end of year	379,055	349,166
Total cost/valuation at end of year	667,752	621,164
Accumulated depreciation and impairment losses	(177,002)	(165,964)
Total property, plant and equipment at end of year	**490,750**	**455,200**
Net carrying value by class of asset		
Land at valuation	174,463	157,093
Buildings at valuation	193,740	194,105
Fire appliances at cost	72,408	65,892
Motor vehicles at cost	1,163	968
Communications equipment at cost	4,596	3,060
Operational equipment at cost	17,955	18,446
Non-operational equipment at cost	4,176	2,250
Computer equipment at cost	3,029	2,491
Leasehold improvements at cost	2,056	1,693
Work in progress at cost	17,164	9,202
Total property, plant and equipment at end of year	**490,750**	**455,200**

13 Property, plant and equipment (continued)

By class of asset	Actual 2008 $000	Actual 2007 $000
Land		
Land at cost at beginning of year	-	139,959
Land at valuation at beginning of year	157,365	-
Total cost/valuation at beginning of year	157,365	139,959
Accumulated impairment losses	(272)	-
Total land at beginning of year	**157,093**	**139,959**
Additions	6,742	585
Disposals	-	(224)
Impairment losses to revaluation reserve (Note 19)	(1,232)	(272)
Transfer to non-current assets held for sale (Note 12)	-	(60)
Revaluations (Note 19)	11,860	17,105
Total land at end of year	**174,463**	**157,093**
Land at cost at end of year	-	-
Land at valuation at end of year	175,695	157,365
Total cost/valuation at end of year	175,695	157,365
Accumulated impairment losses	(1,232)	(272)
Total land at end of year	**174,463**	**157,093**
Buildings		
Buildings at cost at beginning of year	7,271	190,280
Buildings at valuation at beginning of year	191,801	-
Total cost/valuation at beginning of year	**199,072**	**190,280**
Accumulated depreciation and impairment losses	(4,967)	(3,306)
Total buildings at beginning of year	194,105	186,974
Additions	4,311	8,194
Disposals	(193)	(204)
Impairment losses to revaluation reserve (Note 19)	(9,620)	(428)
Transfer between asset classes	(2,082)	(2)
Transfer to non-current assets held for sale (Note 12)	-	(34)
Depreciation	(12,716)	(13,298)
Revaluations (Note 19)	19,935	12,903
Total buildings at end of year	**193,740**	**194,105**
Buildings at cost at end of year	-	7,271
Buildings at valuation at end of year	203,360	191,801
Total cost/valuation at end of year	**203,360**	**199,072**
Accumulated depreciation and impairment losses	(9,620)	(4,967)
Total buildings at end of year	**193,740**	**194,105**

13 Property, plant and equipment (continued)

	Actual 2008 $000	Actual 2007 $000
Fire appliances		
Fire appliances at cost at beginning of year	176,870	166,181
Accumulated depreciation	(110,979)	(108,680)
Total fire appliances at beginning of year	**65,891**	**57,501**
Additions	12,577	13,954
Disposals	(554)	(174)
Transfer between asset classes	65	-
Depreciation	(5,571)	(5,390)
Total fire appliances at end of year	**72,408**	**65,891**
Fire appliances at cost at end of year	187,137	176,870
Accumulated depreciation	(114,729)	(110,979)
Total fire appliances at end of year	**72,408**	**65,891**
Motor vehicles		
Motor vehicles at cost at beginning of year	2,406	2,423
Accumulated depreciation	(1,437)	(1,465)
Total motor vehicles at beginning of year	**969**	**958**
Additions	513	184
Disposals	(11)	(2)
Transfer between asset classes	(118)	-
Depreciation	(190)	(171)
Total motor vehicles at end of year	**1,163**	**969**
Motor vehicles at cost at end of year	2,485	2,406
Accumulated depreciation	(1,322)	(1,437)
Total motor vehicles at end of year	**1,163**	**969**
Communications equipment		
Communications equipment at cost at beginning of year	11,390	10,086
Accumulated depreciation	(8,330)	(7,214)
Total communications equipment at beginning of year	**3,060**	**2,872**
Additions	3,353	1,324
Disposals	(3)	(1)
Depreciation	(1,814)	(1,135)
Total communications equipment at end of year	**4,596**	**3,060**
Communications equipment at cost at end of year	14,437	11,390
Accumulated depreciation	(9,841)	(8,330)
Total communications equipment at end of year	**4,596**	**3,060**

13 Property, plant and equipment (continued)

	Actual 2008 $000	Actual 2007 $000
Operational equipment		
Operational equipment at cost at beginning of year	45,202	40,750
Accumulated depreciation	(26,757)	(19,796)
Total operational equipment at beginning of year	**18,445**	**20,954**
Additions	6,168	5,122
Disposals	(76)	(120)
Transfer between asset classes	30	(184)
Depreciation	(6,612)	(7,327)
Total operational equipment at end of year	**17,955**	**18,445**
Operational equipment at cost at end of year	46,744	45,202
Accumulated depreciation	(28,789)	(26,757)
Total operational equipment at end of year	**17,955**	**18,445**
Non-operational equipment		
Non-operational equipment at cost at beginning of year	7,612	6,828
Accumulated depreciation	(5,361)	(4,580)
Total non-operational equipment at beginning of year	**2,251**	**2,248**
Additions	708	646
Disposals	(3)	(28)
Transfer between asset classes	2,076	186
Depreciation	(856)	(801)
Total non-operational equipment at end of year	**4,176**	**2,251**
Non-operational equipment at cost at end of year	9,907	7,612
Accumulated depreciation	(5,731)	(5,361)
Total non-operational equipment at end of year	**4,176**	**2,251**
Computer equipment		
Computer equipment at cost at beginning of year	8,648	7,801
Accumulated depreciation	(6,157)	(4,696)
Total computer equipment at beginning of year	**2,491**	**3,105**
Additions	1,848	1,066
Disposals	(10)	(35)
Depreciation	(1,300)	(1,645)
Total computer equipment at end of year	**3,029**	**2,491**
Computer equipment at cost at end of year	6,625	8,648
Accumulated depreciation	(3,596)	(6,157)
Total computer equipment at end of year	**3,029**	**2,491**

13 Property, plant and equipment (continued)

	Actual 2008 $000	Actual 2007 $000
Leasehold improvements		
Leasehold improvements at cost at beginning of year	3,397	3,319
Accumulated depreciation	(1,704)	(1,285)
Total leasehold improvements at beginning of year	**1,693**	**2,034**
Additions	744	79
Transfer between asset classes	29	-
Depreciation	(410)	(420)
Total leasehold improvements at end of year	**2,056**	**1,693**
Leasehold improvements at cost at end of year	4,198	3,397
Accumulated depreciation	(2,142)	(1,704)
Total leasehold improvements at end of year	**2,056**	**1,693**
Work in progress		
Buildings	2,795	1,857
Fire appliances	13,399	5,082
Computer equipment	70	400
Other	900	1,863
Total work in progress	**17,164**	**9,202**
Total property, plant and equipment	**490,750**	**455,200**

Land and buildings, excluding work in progress, have been valued to fair value as at 30 June 2008 by independent registered valuers Quotable Value Limited. The total fair value of property valued was $370,588,000 (2007 $352,384,000). Building components not revalued in 2007 have been included in the 2008 valuation or transferred to non-operational equipment.

An impairment of $8,467,000 (2007 nil) was recognised for buildings requiring seismic strengthening. Buildings requiring seismic strengthening are defined in the Building Act 2004 as a building whose strength is 33% or less of the current seismic loading standard. The recoverable amounts for these buildings were fair value, which was determined by reference to an active market that took into account the costs to complete the seismic strengthening works. This impairment is included in the valuation done by Quotable Value Limited.

An impairment of $979,000 (2007 $428,000) was recognised for buildings due to be demolished for new fire stations. The recoverable amounts for these buildings were value in use, which was determined by the amount similar buildings would cost to rent for the time until demolition.

Land and buildings include $6,944,000 (2007 $5,715,000) of property retired from active use that are not classified as non-current assets held for sale, as they currently do not meet the definitions required. An impairment of $1,405,000 (2007 $271,000) was recognised for these assets.

All land and buildings for disposal are subject to a consultative clearance process set up for the settlement of Māori land claims.

The net carrying amount of property, plant and equipment held under finance leases is $3,048,000 (2007 $7,755,000), comprising of $3,048,000 (2007 $7,454,000) for operational equipment, $nil (2007 $285,000) for communications equipment and $nil (2007 $16,000) for computer equipment.

Disposals, transfers and revaluation movements are shown net of accumulated depreciation.

14 Intangible assets

	Actual 2008 $000	Actual 2007 $000
Intangible assets		
Intangible assets at cost at beginning of year	34,248	31,223
Accumulated amortisation	(23,558)	(20,005)
Total intangible assets at beginning of year	**10,690**	**11,218**
Additions	1,309	3,022
Disposals	(52)	-
Amortisation	(3,666)	(3,550)
Total intangible assets at end of year	**8,281**	**10,690**
Intangible assets at cost at end of year	33,091	34,248
Accumulated amortisation	(24,810)	(23,558)
Total intangible assets at end of year	**8,281**	**10,690**
Net carrying value by class of asset		
Computer software (internally generated) at cost	4,773	4,726
Computer software (purchased) at cost	3,267	3,707
Shared Information Technology Environment (SITE) at cost	-	1,755
Work in progress at cost	241	502
Total intangible assets at end of year	**8,281**	**10,690**
By class of asset		
Computer software (internally generated)		
Computer software (internally generated) at cost at beginning of year	6,715	5,568
Accumulated depreciation	(1,989)	(1,239)
Total computer software (internally generated) at beginning of year	**4,726**	**4,329**
Additions	851	1,147
Amortisation	(804)	(750)
Total computer software (internally generated) at end of year	**4,773**	**4,726**
Computer software (internally generated) at cost at end of year	7,566	6,715
Accumulated amortisation	(2,793)	(1,989)
Total computer software (internally generated) at end of year	**4,773**	**4,726**

14 Intangible assets (continued)

	Actual 2008 $000	Actual 2007 $000
Computer software (purchased)		
Computer software (purchased) at cost at beginning of year	9,127	7,751
Accumulated amortisation	(5,420)	(4,239)
Total computer software (purchased) at beginning of year	**3,707**	**3,512**
Additions	719	1,373
Disposals	(52)	-
Amortisation	(1,107)	(1,178)
Total computer software (purchased) at end of year	**3,267**	**3,707**
Computer software (purchased) at cost at end of year	7,380	9,127
Accumulated amortisation	(4,113)	(5,420)
Total computer software (purchased) at end of year	**3,267**	**3,707**
Shared Information Technology Environment (SITE)		
SITE at cost at beginning of year	17,904	17,904
Accumulated depreciation	(16,149)	(14,527)
Total SITE at beginning of year	**1,755**	**3,377**
Amortisation	(1,755)	(1,622)
Total SITE at end of year	**-**	**1,755**
SITE at cost at end of year	17,904	17,904
Accumulated amortisation	(17,904)	(16,149)
Total SITE at end of year	**-**	**1,755**
Work in progress		
Computer software (internally generated)	-	77
Computer software (purchased)	241	425
Total work in progress	**241**	**502**
Total intangible assets	**8,281**	**10,690**

The Shared Information Technology Environment (SITE) asset is the systems and technology platform that supports receiving emergency calls and dispatching resources to emergency incidents. These SITE assets include the computer aided dispatch software, Land Mobile Radio (LMR) network and associated telecommunications infrastructures.
This asset is primarily housed in the communication centres shared with the New Zealand Police. The value capitalised reflects the Commission's proportional ownership of the SITE asset.

The original cost for the SITE asset is fully amortised but it is still in use. It is maintained by the New Zealand Police who proportionally charge the Commission. This charge is included in the statement of comprehensive income.
There are currently no plans to replace the whole SITE asset; the New Zealand Police will upgrade and replace components of the SITE asset when required. The Commission is currently reviewing the proportional ownership of SITE.

Disposals are shown net of accumulated amortisation.

Overview
Performance and results
Service performance
Financial statements

15 Trade and other payables

	Actual 2008 $000	Actual 2007 $000
Trade payables	14,217	8,653
Income in advance	3,093	531
Accrued expenses	5,466	6,784
GST, PAYE and FBT payable	3,705	2,038
Total trade and other payables	**26,481**	**18,006**

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

16 Employee and volunteer benefits

	Actual 2008 $000	Actual 2007 $000
Current employee and volunteer benefits		
Accrued salaries and wages	7,147	18,538
Annual leave	11,536	5,041
Long service leave and gratuities	5,263	1,367
Total current employee and volunteer benefits	**23,946**	**24,946**
Non-current employee and volunteer benefits		
Long service leave and gratuities	24,142	25,976
Total non-current employee and volunteer benefits	**24,142**	**25,976**
Total employee and volunteer benefits	**48,088**	**50,922**

The present value of the long service leave and gratuity liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key economic assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, the Actuary considered the interest rates on NZ government bonds which have terms to maturity that match, as closely to possible, the estimated future cash outflows. The implied risk free rate derived from the NZ Government bonds over the period of cash outflows were 6.38%-7.05%. The salary inflation factor has been determined as 3% after considering historical salary inflation patterns.

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 $1,914,000/$2,201,000, thereby decreasing/increasing personnel costs and increasing/decreasing accumulated funds by the same amount.

If the assumed salary inflation increased/decreased by 1% each year from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would increase/decrease by $1,956,000/$1,708,000, thereby increasing/decreasing personnel costs and decreasing/increasing accumulated funds by the same amount.

17 Borrowings

	Actual 2008 $000	Actual 2007 $000
Current borrowings		
Finance leases	2,581	2,585
Non-current borrowings		
Finance leases	4,274	6,854
Total borrowings	**6,855**	**9,439**
Analysis of finance leases		
Minimum lease payments payable		
Not later than one year	2,962	3,165
Later than one year and not later than five years	4,443	7,405
Total minimum lease payments	**7,405**	**10,570**
Future finance charges	(550)	(1,131)
Present value of minimum lease payments	**6,855**	**9,439**
Present value of minimum lease payments payable		
Not later than one year	2,581	2,585
Later than one year and not later than five years	4,274	6,854
Present value of minimum lease payments	**6,855**	**9,439**

The Commission has entered into finance leases for various items of plant and equipment. The net carrying amount of the leased items within each class of property, plant and equipment is shown in note 13.

The finance leases can be renewed at the Commission's option, with rents set by reference to current market rates for items of equivalent age and condition. A number of the finance lease contracts expired on 1 July 2007, and the Commission opted to buy back the assets instead of renewing the contracts.

There are no restrictions placed on the Commission by any of the finance lease arrangements.

The finance lease liabilities are secured over the leased assets.

18 Provisions

	Actual 2008 $000	Actual 2007 $000
Current provisions		
Loss of medical scheme	150	147
ACC Partnership Programme	2,511	1,712
Total current provisions	**2,661**	**1,859**
Non-current provisions		
Lease make-good	471	423
ACC Partnership Programme	381	-
Total non-current provisions	**852**	**423**
Total provisions	**3,513**	**2,282**

Movements for each class of provision are as follows:

Lease make-good

	Actual 2008 $000	Actual 2007 $000
Lease make-good at beginning of year	423	396
Additional provisions made	48	27
Amounts used	-	-
Unused amounts reversed	-	-
Lease make-good at end of year	**471**	**423**

In respect of a number of its leased premises, the Commission is required at the expiry of the lease term to make good any damage caused to the premises from installed fixtures and fittings and to remove any fixtures or fittings installed by the Commission.

Loss of medical scheme

	Actual 2008 $000	Actual 2007 $000
Loss of medical scheme at beginning of year	147	148
Contributions made to the scheme	3	3
Amounts used	-	-
Unused amounts reversed	-	(4)
Loss of medical scheme at end of year	**150**	**147**

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. Due to the nature of the scheme, it is not possible to determine the timing of the expected cash flow.

18 Provisions (continued)

ACC Partnership Programme

	Actual 2008 $000	Actual 2007 $000
Central estimates of the present value of future payments	2,631	1,576
Risk margin	261	136
Total ACC Partnership Programme	**2,892**	**1,712**

The movement in the claims liability is represented by:

	Actual 2008 $000	Actual 2007 $000
ACC Partnership Programme provision at beginning of year	1,712	950
Additional provisions during the year for risks borne in current period	2,384	1,683
Additional provisions relating to a reassessment of risks in previous periods	508	365
Amounts used during the year	(1,630)	(1,601)
Unused amounts reversed	(140)	283
Discount unwinding	58	32
ACC Partnership Programme provision at end of year	**2,892**	**1,712**

Liability valuation

The Commission is not exposed to any significant concentrations of insurance risk as work related injuries are generally the result of an isolated event to an individual employee. The cash-flow associated with the ACC Partnership Programme is expected to occur over the coming years up to 2013.

An external independent actuarial valuer, G R Lee BSc FIA from Aon New Zealand, has calculated the Commission's liability, and the valuation is effective as at balance date. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Risk margin

The actuary has assessed a risk margin of 11% (2007 11%) to allow for the inherent uncertainties in the central estimate of the claim liability.

The risk margin of the Commission has been determined taking into consideration:

- adjustments for claim period to match the level of known case estimates
- amount of stop loss and high cost claim cover insurance.

The risk margin is intended to achieve a 75% probability of the liability being adequate to cover the cost of injuries and illnesses that have occurred up to balance date.

18 Provisions (continued)

Assumptions

The key assumptions used to determine the outstanding claims liability are:

- average inflation has been assumed as 4% for both years
- a weighted average discount factor of 6.5% (2007 7.4%) per annum for first and all succeeding years has been used.

Objectives for managing risks

The liability for the ACC Partnership Programme is measured at the present value of anticipated future payments to be made in respect of the employee injuries and claims up to the balance date using actuarial techniques. Consideration is given to expected future wage and salary levels, and experience of employee claims and injuries.

Expected future payments are discounted using year end market yields on government bonds with terms to maturity that matches, as closely to possible, the estimated future cash outflows.

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
- 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 ensure appropriate corrective actions are implemented in an effort to prevent future occurrences
- actively managing work place injuries to ensure employees have access to appropriate treatment and rehabilitation to assist with safe and durable return to work
- work towards identifying, assessing and controlling work place hazards and train personnel in safe work practices.

The Commission is responsible for managing claims for a period of 48 months from the claim lodgement date. At the end of the 48 months, if an injured employee is still receiving entitlements, the financial management responsibility of the claim will be transferred to ACC for a price calculated on an actuarial valuation basis. The weighted average term of claims included in the outstanding claims liability is calculated as 178 days (2007 225 days)

The Commission has chosen a stop loss limit of 250% of the industry premium. The stop loss limit means the Commission will only carry the total cost of claims up to $3,967,600.

The Commission does not have a credit rating as it is not in the business of insurance.

Sensitivity analysis

If the discount rate utilised increased/decreased by 1% from the Commission's estimates, with all other factors held constant, it would result in a decrease/increase in the liability of $2,886,800/$2,896,600 and a decrease/increase in the personnel expenses and decrease/increase in accumulated funds by the same amount.

If the inflation rate utilised increased/decreased by 1% from the Commission's estimates, with all other factors held constant, it would result in a decrease/increase in liability of $2,896,800/$2,886,500 and decrease/increase in the personnel expenses and decrease/increase in accumulated funds by the same amount.

If the average claim of $3,200 increased/decreased by 25%, with all other factors held constant, it would result in a increase/decrease in the liability of $3,123,400/$2,659,800 and increase/decrease in the personnel expenses and decrease/increase in accumulated funds by the same amount.

If the claims rate utilised increased from 3.6 claims per $1,000,000 of liable earnings to 5.4 claims per $1,000,000 of liable earnings, with all other factors held constant, it would result in an increase in the liability of $3,355,200 and increase in the personnel expenses and decrease in accumulated funds by the same amount.

If the claims rate utilised decreased from 3.6 claims per $1,000,000 of liable earnings to 1.8 claims per $1,000,000 of liable earnings, with all other factors held constant, it would result in a decrease in liability of $2,427,700 and decrease in the personnel expenses and increase in accumulated funds by the same amount.

19 Revaluation reserves

	Actual 2008 $000	Actual 2007 $000
Total revaluation reserves at beginning of year	**29,308**	**-**
Revaluation movement	31,795	30,008
Impairment losses	(10,852)	(700)
Total revaluation surplus recognised in other comprehensive income	**20,943**	**29,308**
Transfer to accumulated funds on disposal	171	-
Total revaluation reserves at end of year	**50,422**	**29,308**
By class of asset		
Land		
Land revaluation reserve at beginning of year	**16,833**	**-**
Revaluation movement	11,860	17,105
Impairment losses	(1,232)	(272)
Land revaluation surplus recognised in other comprehensive income	**10,628**	**16,833**
Transfer to accumulated funds on disposal	3	0
Land revaluation reserve at end of year	**27,464**	**16,833**
Buildings		
Building revaluation reserve at beginning of year	**12,475**	**-**
Revaluation movement	19,935	12,903
Impairment losses	(9,620)	(428)
Building revaluation surplus recognised in other comprehensive income	**10,315**	**12,475**
Transfer to accumulated funds on disposal	168	-
Buildings revaluation reserve at end of year	**22,958**	**12,475**
Total revaluation reserves at end of year	**50,422**	**29,308**

The revaluation reserve is used to record accumulated increases and decreases in the fair value of land and buildings. When a property is disposed of, either through sale or demolition, any balance in the revaluation reserve relating to that property is transferred to accumulated funds. The balance transferred to accumulated funds is the positive or negative revaluation reserve for the individual asset.

20 Reconciliation of net surplus attributable to the owners of the Commission with the net cash flows from operating activities

	Actual 2008 $000	Actual 2007 $000
Net surplus attributable to the owners of the Commission	**3,886**	**14,906**
Add/(subtract) non-cash items		
Depreciation (Note 13)	29,469	30,187
Amortisation (Note 14)	3,666	3,550
Amortisation of gain on sale and leaseback	(355)	(653)
Property, plant and equipment write-offs (Note 5)	399	945
Net foreign exchange losses (Note 5)	40	360
Net (gain)/losses on derivative financial instruments (Note 2)	(1)	-
Total non-cash items	**33,218**	**34,389**
Add/(subtract) movements in working capital		
Increase/(decrease) in trade and other payables	10,571	691
Increase/(decrease) in employee and volunteer benefits (Note 16)	(2,834)	3,525
Increase/(decrease) in provisions (Note 18)	1,231	761
(Increase)/decrease in other current assets	(3,857)	(755)
Net movements in working capital	**5,111**	**4,222**
Add/(subtract) investing activities		
(Gains)/losses on disposal of fixed assets	(1,423)	600
Interest paid	617	859
Interest received	(5,753)	(3,936)
Total investing activity items	**(6,559)**	**(2,477)**
Net cash flows from operating activities	**35,656**	**51,040**

21 Capital commitments and operating leases

	Actual 2008 $000	Actual 2007 $000
Capital commitments		
Property, plant and equipment	40,643	31,219
Intangibles	63	-
Total capital commitments	**40,706**	**31,219**
Not later than one year	28,697	3,496
Later than one year and not later than five years	12,009	27,723
Total capital commitments	**40,706**	**31,219**

Capital commitments arise when orders are placed before balance date but the goods and services are received after balance date. Commercial penalties exist for the cancellation of these contracts. The majority of the capital commitments are for fire appliances.

Operating lease commitments as lessee

	Actual 2008 $000	Actual 2007 $000
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	5,049	4,735
Later than one year and not later than five years	4,298	5,261
Later than five years	805	2,754
Total non-cancellable operating lease commitments as lessee	**10,152**	**12,750**

The Commission has operating lease commitments for office premises, motor vehicles and office equipment. The most significant lease held is the lease of three floors and car parks in the AXA Centre, Wellington. The lease expires in November 2009, with a right of renewal.

There are no restrictions placed on the Commission by any of its leasing arrangements, other than the premises must be used as a commercial premises.

Operating lease commitments as lessor

	Actual 2008 $000	Actual 2007 $000
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than one year	245	277
Later than one year and not later than five years	309	432
Later than five years	368	414
Total non-cancellable operating leases	**922**	**1,123**

The Commission leases some property under operating leases. The majority of these leases have a non-cancellable term of one month.

No contingent rents have been recognised in the statement of comprehensive income during the period.

22 Contingencies

Contingent liabilities

Claims

The Commission is currently contesting a number of claims from current and former employees. The estimated financial settlement of the aggregate of these claims as at 30 June 2008 is $97,000. (2007 $14,000).

Superannuation schemes

The Commission is a participating employer in the National Provident Fund Defined Benefit Plan (DBP) Contributors Scheme, which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the Commission could be responsible for the entire deficit of the Scheme of $4,596,000 as at 31 March 2008. Similarly, if a number of employers ceased to participate in the Scheme, the Commission could be responsible for an increased share of the deficit. This deficit was calculated using a discount rate equal to the expected return on net assets of $315,226,000.

Contingent assets

The Commission does not have any contingent assets (2007 $nil)

23 Financial instruments

The Commission is party to financial instruments as part of its everyday operations. These financial instruments include cash at bank, investments, trade and other receivables, trade and other payables, borrowings and forward foreign exchange contracts.

Categories of financial assets and liabilities	Actual 2008 $000	Actual 2007 $000
Loans and receivables		
Cash and cash equivalents	52,369	58,221
Trade and other receivables	6,354	2,555
Investments	-	825
Total loans and receivables	**58,723**	**61,601**
Fair value through statement of comprehensive income		
Derivative financial instruments assets	16	-
Derivative financial instruments liabilities	(15)	-
Total fair value through statement of comprehensive income	**1**	-
Financial liabilities measured at amortised cost		
Trade and other payables	26,481	18,006
Total financial liabilities measured at amortised cost	**26,481**	**18,006**

23 Financial instruments (continued)

Financial instrument risks

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

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 on 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 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 the property, plant and equipment. There were four forward foreign exchange contracts in place as at 30 June 2008. (2007 nil).

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 places its funds with financial institutions 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.

Liquidity risk

The liquidity risk is the risk that the Commission will not have sufficient funds to meet its commitments as they fall due. For liquidity cash management purposes the Commission forecasts expected cash flow over the year for both known and perceived requirements and a minimum buffer is maintained which provides access to funds in excess of the highest forecast needs for funds. The Commission also invests in financial instruments ensuring that there is an orderly market for their trading so that they can be readily sold at any time. The forecast cash flows are updated on a daily basis.

24 Capital management

The Commission's capital is equity, which comprises accumulated funds and other reserves. Equity is represented by net assets. The Commission is subject to the financial management and accountability of the provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and use of derivatives. The Commission has obtained approval from the Minister of Finance in accordance with the Crown Entities Act 2004 to enter into derivatives and to maintain committed and uncommitted borrowing facilities at financial institutions.

24 Capital management (continued)

The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets and liabilities, and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, whilst remaining a going concern.

25 Related party disclosures

The Commission is a Crown entity. Crown entities are required to give effect to government policy. All transactions entered into with government departments, state owned enterprises and other Crown entities are conducted at arms length on normal business terms.

The office of the Commission maintains an interest register for members of the Commission. During the year no transactions were entered into with members of the Commission, other than payment of their fees and reimbursement of their expenses.

No provision has been required, nor any expenses recognised for impairment of receivables from related parties (2007 nil)

The aggregate value of payments received and outstanding balances relating to entities which key management personnel have control or significant influence were as follows:

			Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
Person	Counterparty	Ref	2008 $	2007 $	2008 $	2007 $
John Hercus board member, NZ Fire Service Commission	National Institute of Water and Atmospheric Research and GNS Science	(i)	11,000	2,250	2,250	-
Dame Margaret Bazley, DNZM, Hon Dlit. board chairperson, NZ Fire Service Commission	Foundation for Research, Science and Technology	(ii)	8,000	12,000	-	3,000
Terry Scott, deputy chairperson, NZ Fire Service Commission	West Coast Tai Poutini Conservation Board	(iii)	184	545	-	-
Total			**19,184**	**14,795**	**2,250**	**3,000**

(i) John Hercus is a board member of the National Institute of Water and Atmospheric Research (NIWA) and GNS Science. Both entities were charged by the Commission for false alarm calls to their premises. The charges were in accordance with the Commission's False Alarm Policy.

(ii) Dame Margaret Bazley, DNZM, Hon. DLit was the Chairperson of the Foundation for Research, Science and Technology. The Foundation reimbursed the Commission for executive support services provided by the Commission to Dame Margaret in her capacity as chair of the Foundation for Research, Science and Technology. Dame Margaret's term as chair of the Foundation finished on 30 April 2008.

(iii) Terry Scott is a member of the West Coast Tai Poutini Conservation Board. Services were provided to board on normal commercial terms in both 2007 and 2008.

25 Related party disclosures (continued)

The aggregate value of payments made and outstanding balances relating to entities which key management personnel have control or significant influence were as follows:

Person	Counterparty	Ref	Transaction value for the year ended 30 June 2008 $	Transaction value for the year ended 30 June 2007 $	Balance outstanding for the year ended 30 June 2008 $	Balance outstanding for the year ended 30 June 2007 $
John Hercus, board member, NZ Fire Service Commission	National Institute of Water and Atmospheric Research and the NZ Meteorological Service	(iv)	78,592	169,064	6,384	6,384
Angela Foulkes, board member, NZ Fire Service Commission	NZ Qualifications Authority	(v)	35,221	65,486	5,444	-
Commission through their appointed trustees, two of which are key management personnel of the NZ Fire Service – Janine Hearn and Russell Wood	NZ Fire Service Superannuation Scheme	(vi)	12,851,811	11,761,195	454,534	353,197
Total			**12,965,624**	**11,995,745**	**466,362**	**359,581**

(iv) Purchases of weather information from both the National Institute of Water and Atmospheric Research (NIWA), where John Hercus is a board member, and the Met Service, where John Hercus was a board member until part way through the 2007/08 financial year. The provision of these services were on normal commercial terms.

(v) Purchases of goods and services from the New Zealand Qualifications Authority, of which Angela Foulkes is a board member, were made on normal commercial terms in both 2007 and 2008.

(vi) The Commission pays employer superannuation contributions to the New Zealand Fire Service superannuation scheme. The scheme is operated by seven trustees and three are appointed by the Commission. Two of the Commission appointed trustees are key management personnel of the Commission and one is an operational employee.

Other related party disclosures

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

During the course of the Minister's annual review of the rate of Fire Service levy he consults the Commission. Board members, staff and volunteers of the NZ Fire Service Commission insure their properties against the risk of fire and thereby incur a liability to pay Fire Service levy at the same rate as every other insured.

25 Related party disclosures (continued)

Key management personnel benefits	Actual 2008 $000	Actual 2007 $000
Salaries and other current employee benefits	2,788	2,764
Post-employment benefits	132	139
Other non-current benefits	-	-
Termination benefits (gratuities)	32	-
Total key management personnel benefits	**2,952**	**2,903**

Key management personnel includes all Commission members, the Chief Executive/National Commander, and the fifteen members of the senior management team.

26 Remuneration of Commission and committee members

	Actual 2008 $	Actual 2007 $
Dame Margaret Bazley, DNZM, Hon DLit	60,000	56,487
Mr Terry Scott	23,375	21,836
Ms Angela Foulkes	18,700	17,469
Mr Robert Francis	18,700	14,846
Mr John Hercus	18,700	17,469
Dr Piers Reid	-	2,682
Fees paid to Commissioners	**139,475**	**130,789**
Mr Alan Isaac (Chair of the Audit Committee)[17]	9,838	3,600
Total remuneration of Commission and committee members	**149,313**	**134,389**

No Commission members received compensation or other benefits in relation to cessation (2007 $nil).

The Commission has a range of Professional Indemnity insurance covers in respect of the liability or costs of Board members and employees.

17 The chair of the Audit Committee was engaged by the Commission to provide additional services in relation to the United Fire Brigades Association in the year ended 30 June 2008. The remuneration for these additional services is included within this note and totalled $6,125. The remaining $3,713 related to chairing the Audit Committee.

27 Remuneration of employees

	Actual 2008	Actual 2007
Total remuneration paid or payable		
$100,000 – $109,999	160	42
$110,000 – $119,999	47	14
$120,000 – $129,999	12	3
$130,000 – $139,999	5	4
$140,000 – $149,999	4	3
$150,000 – $159,999	2	4
$160,000 – $169,999	6	2
$170,000 – $179,999	-	-
$180,000 – $189,999	-	-
$190,000 – $199,999	-	2
$200,000 – $209,999	-	1
$210,000 – $219,999	2	1
$220,000 – $229,000	1	-
$340,000 – $349,999	-	*1
$350,000 – $359,999	-	-
$360,000 – $369,999	*1	-
Total employees	**240**	**77**

* Chief Executive/National Commander

The number of employees who received total remuneration over $100,000 in the year ended 30 June 2008 significantly increased from 30 June 2007 primarily due to the following:

- settlement of the Holidays Act 2003 effective 1 April 2004 which included a buy-out of twelve shifts per firefighter
- ongoing implications of the Holidays Act 2003 settlement in regards to additional statutory holiday entitlements of 7.19 shifts per fire fighter. The requirement to maintain minimum shift manning means that the extra leave entitlements are covered by fire fighters at higher rates of pay and associated allowances, than those rostered on shift
- settlement of the uniformed and communications centre employees collective agreements which increased base salaries and allowance rates
- the requirement to maintain minimum shift manning means that the large number of vacancies, particularly in the Auckland region, are covered by fire fighters at higher rates of pay and associated allowances, than those rostered on shift.

During the year ended 30 June 2008, 60 (2007 35) employees received compensation and other benefits in relation to cessation totaling $1,529,000 (2007 $652,000). The majority of these cessation payments relate to gratuities paid out in accordance with the Fire Service Act 1975 to employees who cease employment with the New Zealand Fire Service following a minimum of ten years service.

28 Post balance date events

There was one significant post balance date event which has been adjusted in the financial statements for the year ended 30 June 2008. Subsequent to 30 June 2008 a supplier went into liquidation and as a consequence capital commitments in place at 30 June totalling $4,718,000 were removed from note 21. An asset sitting in work-in-progress which had cost $144,000 was also written off as this was destroyed in a fire at the supplier's premises and the supplier was contractually obliged to insure the asset on the Commission's behalf. A claim has been submitted to the appointed liquidators in regards to this loss.

29 Explanation of significant variances against budget

Explanations for significant variations from the Commission's budgeted figures in the statement of intent are as follows:

Statement of comprehensive income

These are explained throughout notes 1 to 5 to the financial statements.

Statement of changes in equity

Net surplus/(deficit) attributable to the owners of the Commission for the year

The surplus for the year ended 30 June 2008 was greater than budgeted by $12,120,000 due to the budget variances explained in the statement of comprehensive income.

Land and buildings revaluations

The land and building revaluation gains were greater than budgeted by $10,119,000 due to valuations increasing higher than anticipated.

Statement of financial position

Cash and cash equivalents

The cash and cash equivalents balance at 30 June 2008 was greater than budget by $20,420,000 because the actual closing balance at 30 June 2007 was greater than the budget opening balance at 1 July 2008 by $19,313,000.

Property, plant and equipment

Property, plant and equipment at 30 June 2008 was greater than budget by $26,919,000. This was primarily because gains on revaluation of land and buildings exceeded budget by $10,119,000 and the cashflows invested in the purchase of property, plant and equipment exceeded budget by $11,916,000.

Employee and volunteer benefits

Total employee and volunteer benefits at 30 June 2008 was greater than budget by $9,744,000 mainly because of the increase in the annual leave balance to $11,536,000. Most of the increase in the annual leave balance was as a result of the ongoing implications of the Holidays Act 2003 settlement in regards to additional statutory holiday entitlements of 7.19 shifts per firefighter.

29 Explanation of significant variances against budget (continued)

Borrowings

Borrowings at 30 June 2008 were less than budget because the budgets were based on the assumption that the finance leases expiring 1 July 2007 would be continued. However, the assets under these leases were bought back by the Commission.

Provisions

Provisions at 30 June 2008 totaled $3,513,000 for lease make-good, loss of medical scheme and ACC Partnership Programme. Provision balances were not budgeted as separate line items in the statement of intent.

Accumulated funds

Accumulated funds at 30 June 2008 were greater than budget by $15,949,000. The main reason for this was a budgeted net deficit attributable to the owners of the Commission of $8,234,000, whereas the Commission achieved an actual net surplus of $3,886,000.

Revaluation reserves

Revaluation reserves at 30 June 2008 were greater than budget by $17,578,000. The actual gain on revaluation was greater than budget by $10,119,000. In addition, the actual opening balance of the revaluation reserves at 1 July 2007 was greater than budget by $7,288,000.

Statement of changes in cash flows

Receipts from levy

Receipts from levy exceeded budget by $7,964,000 principally because of the growth in the levy base of fire insurance contracts and also negotiated settlements of levy arrears, penalty interest and penalty surcharges.

Payments to employees and volunteers

Payments to employees and volunteers exceeded budget by $12,486,000, principally because of the reduction in accrued salaries and wages of $11,391,000 due to the timing of pays over the year end period.

Payments to suppliers for goods and services

Payments to suppliers for goods and services was less than budget by $12,146,000 mainly because trade and other payables and provisions in the statement of financial position were more than budgeted.

Interest received

Interest received exceeded budget by $4,294,000 because the cash and cash equivalents balance was higher than budget throughout the year and interest rates were higher than the interest rate assumptions in the budget.

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment were $2,612,000 less than budget. The Commission had planned to sell the properties surplus to requirements at Mt Maunganui, Lower Hutt and Petone. However, in late 2007/08, the sale of the land was delayed because it was captured by the sale of sensitive land requirements, and is now dependant on the Office of Treaty Settlements' requirements. The proceeds from sale of property, plant and equipment of $3,631,000 relates to the sale of Manakau and Woodend; these sales were expected to be completed in 2006/07 and were not included in the budgets.

29 Explanation of significant variances against budget (continued)

Purchase of property, plant and equipment

The purchase of property, plant and equipment exceeded budget by $11,916,000.

In prior years the capital expenditure budget for fleet was underspent due to delays in shipping appliance cab/chassis from Europe. To compensate for this, cab/chassis were imported ahead of planned production schedules. In the current year, fleet purchases exceed budget because cab/chassis budgeted and committed in 2006/07 were received and paid in 2007/08.

In addition, land for planned fire stations was purchased at Takapuna and Ponsonby, resulting in land purchases exceeding budget by $3,750,000.

30 Explanation of transition to NZ IFRS

The Commission's transition date to NZ IFRS is 1 July 2006 and the opening NZ IFRS statement of financial position has been prepared as at that date. These financial statements for the year ended 30 June 2008 are the first financial statements that comply with NZ IFRS and NZ IFRS 1 *First-time adoption of New Zealand equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

In preparing the opening NZ IFRS statement of financial position the following optional exception has been applied:

Fair value as deemed cost

The Commission has applied the deemed cost exemption for land and buildings that is available under NZ IFRS 1.

This exemption allows the Commission to measure land and buildings at its fair value and use that fair value as the deemed cost on transition to NZ IFRS. The effect of this change is to transfer the revaluation reserves attributed to land and buildings to accumulated funds. There has been no adjustment to the carrying amount of land and buildings in applying this exemption under NZ IFRS 1.

The Commission is required to make the following mandatory exception from retrospective application:

Estimates exception

Estimates under NZ IFRS at 1 July 2006 and 30 June 2007 are consistent with estimates made for the same date under previous NZ GAAP.

The following table sets out the changes in equity resulting from the transition from the previous NZ GAAP to NZ IFRS at 1 July 2006 and at 30 June 2007.

30 Explanation of transition to NZ IFRS (continued)

Reconciliation of equity

	Note	Transition statement of financial position 1 July 2006			Comparative statement of financial position 30 June 2007		
		Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Assets							
Current assets							
Cash and cash equivalents	a	39,460	-	39,460	59,046	(825)	58,221
Trade and other receivables		3,725	-	3,725	2,555	-	2,555
Prepayments		350	-	350	599	-	599
Inventories		-	-	-	89	-	89
Investments	a	-	-	-	-	825	825
Non-current assets held for sale	d	2,308	-	2,308	7,377	(5,817)	1,560
Total current assets		**45,843**	**-**	**45,843**	**69,666**	**(5,817)**	**63,849**
Non-current assets							
Property, plant and equipment	b,c,d	441,823	(11,217)	430,606	460,073	(4,873)	455,200
Intangible assets	c	-	11,217	11,217	-	10,690	10,690
Total non-current assets		**441,823**	**-**	**441,823**	**460,073**	**5,817**	**465,890**
Total assets		**487,666**	**-**	**487,666**	**529,739**	**-**	**529,739**
Liabilities							
Current liabilities							
Trade and other payables		20,458	-	20,458	18,006	-	18,006
Unamortised gain on sale and leaseback		475	-	475	355	-	355
Employee and volunteer benefits		21,421	-	21,421	24,946	-	24,946
Provisions	e	1,098	-	1,098	1,859	-	1,859
Borrowings		4,649	-	4,649	2,585	-	2,585
Total current liabilities		**48,101**	**-**	**48,101**	**47,751**	**-**	**47,751**
Non-current liabilities							
Unamortised gain on sale and leaseback		-	-	-	888	-	888
Employee and volunteer benefits		27,717	-	27,717	25,976	-	25,976
Provisions	e	-	396	396	-	423	423
Borrowings		7,819	-	7,819	6,854	-	6,854
Total non-current liabilities		**35,536**	**396**	**35,932**	**33,718**	**423**	**34,141**
Total liabilities		**83,637**	**396**	**84,033**	**81,469**	**423**	**81,892**
Net assets		**404,029**	**(396)**	**403,633**	**448,270**	**(423)**	**447,847**
Equity							
Accumulated funds	b,e,g	154,609	249,343	403,952	168,170	248,587	416,757
Revaluation reserves	b,g	249,739	(249,739)	-	278,318	(249,010)	29,308
Rural Fire Fighting Funds		(319)	-	(319)	1,782	-	1,782
Total equity		**404,029**	**(396)**	**403,633**	**448,270**	**(423)**	**447,847**

30 Explanation of transition to NZ IFRS (continued)

a. Cash and cash equivalents

Bank balances and term investments with maturities less than three months at inception has been classified as cash and cash equivalents in accordance with NZ IAS 7 *Cash flow statements*. Foreign currency investments with maturities of greater than three months at inception has been reclassified as investments.

30 June 2007 adjustment

The reclassifying of investments with maturities greater than three months at inception has resulted in a decrease in cash and cash equivalents of $825,000 and an increase in investments of $825,000.

b. Deemed cost

The Commission has utilised the deemed cost exemption under NZ IFRS 1. The exemption allows the Commission to use the revalued amounts of land and building as at 1 July 2006 as deemed cost and transfer the associated revaluation reserve to retained earnings.

1 July 2006 adjustment

The impact of the deemed cost exemption as at 1 July 2006 results in a transfer from revaluation reserves to accumulated funds of $249,739,000.

30 June 2007 adjustment

The impact of the deemed cost as at 1 July 2006 is to transfer the 2006 revaluation reserve of $248,383,000 to accumulated funds. The $248,383,000 consisted of the $249,739,000 2006 revaluation less reduction in the reserve due to the disposal of assets during the year relating to the reserve of $1,356,000.

c. Intangible assets

Computer software and SITE previously classified as computer equipment have been reclassified under intangible assets in accordance with NZ IAS 38 *Intangible assets*.

1 July 2006 adjustment

The reclassifying of the above has resulted in an increase in intangible assets of $11,217,000 and a reduction in the property, plant and equipment by the same amount.

30 June 2007 adjustment

The reclassification has resulted in an increase in intangible assets of $10,690,000 and a reduction in property, plant and equipment by the same amount.

d. Non-current assets held for sale

Under NZ IFRS 5 *Non-current assets held for sale and discontinued operations*, non-current assets held for sale must be available for immediate sale in their present condition, and the sale must be highly probable. There must be an appropriate level of management commitment to a plan to sell the asset, an active programme to locate a buyer and the plan must have been initiated. The sale must be expected to be completed within one year. Non-current assets held for sale that no longer meet the recognition criteria under NZ IFRS 5 have been reclassified under property, plant and equipment.

30 June 2007 adjustment

The reclassifying of non-current assets held for sale has resulted in a decrease in the non-current assets held for sale of $5,817,000 and an increase in property, plant and equipment by the same amount.

30 Explanation of transition to NZ IFRS (continued)

e. Lease make-good provisions

The Commission leases property in a number of locations in New Zealand. Under the terms of the leases the Commission must return the property to the lessor in the same condition that it was in when the Commission took over the lease. The Commission has calculated and recognised the present value of this liability at the date of transition to NZ IFRS.

1 July 2006 adjustment

The effect of recognising the lease make-good provision has resulted in an increase in non-current provisions of $396,000 as at 1 July 2006, and a reduction in accumulated funds of $396,000.

30 June 2007 adjustment

The effect of recognising the lease make-good provision resulted in an increase in non-current provisions by a further $27,000 as at 30 June 2007, an increase in other operating expenses of $27,000, and a further reduction in accumulated funds of $27,000.

Reconciliation of surplus for the year ended 30 June 2007

		Comparative statement of comprehensive income 30 June 2007		
	Note	Previous GAAP $000	Effect of Transition to NZ IFRS $000	NZ IFRS $000
Revenue				
Levy		264,622	-	264,622
Other revenue		7,608	-	7,608
Total revenue		**272,230**	**-**	**272,230**
Income		6,021	-	6,021
Total revenue and income		**278,251**	**-**	**278,251**
Expenditure				
Employee and volunteer benefits expenditure	f	168,041	(32)	168,009
Depreciation	g	33,737	(3,550)	30,187
Amortisation	g	-	3,550	3,550
Finance costs	f	777	32	809
Other expenditure	h,i	63,491	(600)	62,891
Total expenditure		**266,046**	**(600)**	**265,446**
Net surplus/(deficit) attributable to the Commission		**12,205**	**600**	**12,805**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund		**2,101**	**-**	**2,101**
Net surplus/(deficit) attributable to the owners of the Commission		**14,306**	**600**	**14,906**
Other comprehensive income				
Gains on revaluation of land and buildings net of impairment		29,308	-	29,308
Net surplus/(deficit) attributable to the owners of the Commission		**43,614**	**600**	**44,214**

30 Explanation of transition to NZ IFRS (continued)

f. Employee and volunteer benefits expenditure and finance costs

The discount unwinding on the ACC Partnership Programme Provision was previously included in employee and volunteer benefits expenditure. Under NZ IFRS this is required to be classified as a finance cost.

g. Depreciation and amortisation

The reclassification of computer software and SITE to intangibles resulted in the reclassification of depreciation to amortisation of $3,550,000.

h. Reversal of impairment

Impairment of property, plant and equipment was previously expensed in the statement of comprehensive income. Under NZ IAS 36 *Impairments of assets* a decrease in the value of an asset due to an impairment initially reduces the revaluation reserve for the class of the asset. The impairment of $627,000 has been off set against the revaluation reserve under NZ IFRS. The impact of this adjustment is to reduce other expenses by $627,000 and thereby increase accumulated funds and reduce revaluation reserves by the same amount.

i. Lease make-good provision

Recognition of the increase in cost of the lease make-good provision in the 2007 year has resulted in an increase in other expenditure and thereby reduced accumulated funds by $27,000.

Statement of cash flows

On transition to NZ IFRS the statement of cash flows short term deposits with maturities less than three months are now included as part of cash and cash equivalents.

In line with best practice, the cash flows from purchase of fixed assets has been split between the purchase of intangible assets and property, plant and equipment.

This change and the reclassification of some term deposits to cash and cash equivalents has impacted on the statement of cash flows for the year ended 30 June 2007 as follows:

- the amount of cash and cash equivalents has decreased by $825,000 from $59,046,000 to $58,221,000
- cash outflow on purchases of fixed assets of $33,167,000 has now been split between purchases of intangible assets of $1,796,000 and purchase of property, plant and equipment of $31,371,000.

There have been no other material adjustments to the statement of cash flows for the year ended 30 June 2007, on transition to NZ IFRS.

NEW ZEALAND FIRE SERVICE COMMISSION

Whakaratonga Iwi

New Zealand Government