NEW ZEALAND FIRE SERVICE COMMISSION
Whakaratonga Iwi

Annual Report

For the year ended 30 June 2011

OUR VISION

Working with communities to protect what they value

OUR MISSION

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

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OUR VALUES

Service, Integrity, Adaptability, Skill, Comradeship

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31 October 2011

Hon Nathan Guy
Minister of Internal Affairs
Parliament Buildings
WELLINGTON

Dear Minister

New Zealand Fire Service Commission Annual Report

I present the report of the New Zealand Fire Service Commission (the Commission) for the year ended 30 June 2011.

An extraordinary year

This report is the principal means by which the Commission accounts to you and to Parliament for the performance of the New Zealand Fire Service and the National Rural Fire Authority in 2010/2011. As the legislation requires, we have reported our performance against the measures set out in the Statement of Intent (SOI). Understandably, these SOI measures focus on the Commission's statutory mandate to reduce the incidence and consequences of unwanted fires. Given that the Commission's year was dominated by a near continuous sequence of responses to major non-fire emergencies I am compelled to observe the SOI measures provide a poor basis on which to assess our overall performance in 2010/2011.

Elsewhere in this report we have a provided a brief narrative of the fire services' responses to the 7.1 magnitude Canterbury earthquake of 4 September 2010, to the Fox Glacier aircraft disaster of the same date, to the Southland snow event of 18 September 2010, to the Pike River mine explosion of 19 November 2010, to the 6.3 magnitude Christchurch earthquake of 22 February 2011, and to the urban search and rescue team deployment to Japan following the 11 March 2011 earthquake and tsunami. These narratives are intended to enable you, Parliament and the public of New Zealand to assess the preparedness of New Zealand's fire services to respond to emergencies of this range, scale and complexity. The range, scale and complexity of responses reflects the gradual broadening of the Fire Service's role from a narrow focus on fire into an 'all-hazards' response capability that has occurred over the last couple of decades. This broadening of response capability reflects similar developments in emergency services overseas.

We have provided summaries of the post-event inquiries into the responses, in particular the findings of the inquiries and what we have learned from them. We have attempted to frame this year's report against a much broader set of accountability measures than has been the case in the past.

I also want to observe that the statutory financial forecasting and reporting framework provides a less than helpful understanding of the Commission's financial performance for the year under review. The Fire Service budgets to provide a level of response capability rather than for event outcomes. That noted, responding to the above emergences meant the Commission incurred $13 million in expenses. The Commission has managed its exposure to the costs arising from unforeseeable events by maintaining headroom on the balance sheet. At the start of the 2010/2011 financial year, the Commission held $39.5 million in cash reserves. These reserves had been built up over 10 years through consistently tight financial management that achieved modest year-on-year surpluses. They were set aside to provide cover for the costs of responding to major emergencies (such as the Christchurch earthquakes) and for potential shocks to the Commission's income stream (97 percent of the Commission's income is derived from the Fire Service levy on contracts of fire insurance). As our country always faces the risk of emergency events, the Commission sees it as important to continue this cash reserves policy. I anticipate the Commission's SOI for the 2012–2015 period will set out the rationale for these arrangements more explicitly than in the past.

The incidence and consequences of fire

The Commission's statutory mandate is to reduce the incidence and consequences of fire. To give effect to this mandate, the New Zealand Fire Service (the Fire service) pursues a comprehensive mix of intervention strategies across fire safety and fire risk reduction, readiness and response capability. We assess the difference those interventions make to the fire outcomes for people, property, communities and the environment by closely monitoring key indicators over long time periods. It is important not to attach too much significance to any single year's results. Short-run societal factors and seasonal or climatic trends have a substantial bearing on the incidence and severity of unwanted fires. The critical issue is to ensure the longer-term trend lines remain positive.

The Commission is pleased to report, again, that the trend lines across all indicators of fire are favourable. New Zealanders can be confident both their urban and rural fire services are making a positive difference to the key fire outcomes. The year-on-year and long-term indicators of the incidence and consequences of fire (fire outcomes) for people, property, communities, and the environment are shown in Table 1 and Table 2 below.

Table 1 Year-on-year fire outcomes

Avoidable residential fire fatalities per 100,000 population		Moderate and life-threatening fire injuries to public per 100,000 population		Fires in structures per 100,000 population		Hectares lost to wildfire	
2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
0.43	0.46	4.0	4.1	121	117	1,650	5,240

Table 2 Long-term fire outcomes

Avoidable residential fire fatalities per 100,000 population		Moderate and life-threatening fire injuries to public per 100,000 population		Fires in structures per 100,000 population		Hectares lost to wildfire	
2010/11	10-year average	2010/11	10-year average	2010/11	10-year average	2010/11	10-year average
0.43	0.49	4.0	4.5	121	133	1,650	5,240

Financial outcome

As noted above, $13 million of expenditure was incurred responding to the major emergencies that occurred in 2010/2011. The Commission nevertheless managed to achieve a small surplus before the charges for the impairment of its facilities and properties in Christchurch. This outcome resulted from a combination of factors: the settlement of a long-running Fire Service levy dispute in the Commission's favour, modest growth in the underlying levy base, reduced claims on the Rural Fire Fighting Fund, natural offsets (operational training and exercises pre-empted by responses to actual emergencies) and other administrative and operational efficiencies. The Commission considers this is a very satisfactory outcome in the circumstances.

Almost all of the Commission's facilities in Christchurch and its environs suffered major structural damage in one or more of the earthquake events. Some of the facilities have been red stickered and others are likely to be written off as more detailed engineering evaluations are completed. All of the Commission's properties were insured but it is too early to determine if the proceeds of the insurance payouts will fully meet the cost of constructing new facilities. Uncertainties surrounding the configuration of post-earthquake Christchurch further complicate the issue of determining the Fire Service's needs in the new city. The Commission is participating closely with other central government agencies, with local government and with other emergency service providers in the planning for the new Christchurch.

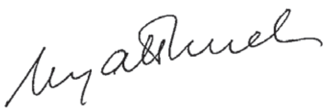
Enlarged rural fire districts

The Commission has invested substantial time and resources over the last two years to encouraging smaller fire authorities to amalgamate into larger and better resourced rural fire districts. The Department of Internal Affairs and the National Rural Fire Authority collaborated on publishing guidelines for forming and governing enlarged rural fire districts, on equitable funding arrangements and on criteria for administration grants. The national rural fire officer convened numerous stakeholder forums and working parties to promote the enlargement programme to territorial authorities, the Department of Conservation, plantation forest companies and rural land owners. While the Commission is pleased to report the first of the new enlarged districts was gazetted in July 2011 and several others are now close to being formally established, it is concerned at the relatively slow take-up of this policy. The experience to date demonstrates that the implementation of this policy will result in efficiencies arising from lower administration costs, more efficient use of available capital equipment and more effective risk management. The Commission has prioritised making progress with this policy as a target for the coming period.

Acknowledgements

Dame Margaret Bazley, DNZM, Hon DLit., served as chairperson of the Commission for 12 years – a noteworthy chapter in the much larger story of her contribution to New Zealand public life. She retired shortly after the close of the year under review and I record the Commission's grateful appreciation of her extraordinary service over those years. Long-serving Commission member Angela Foulkes retired in November 2010 and I record the Commission's appreciation of her services. David McFarlane and Robert Francis continued in office throughout the year and Vicki Caisley joined the board in December. Angela Hauk-Willis has recently been appointed to replace Dame Margaret. I look forward to their support in the challenging period ahead. Finally, on behalf of all the Commission members I express our appreciation of the services of the Chief Executive, Mike Hall, his senior management team and all our staff and volunteers.

Yours sincerely



Rt Hon Wyatt Creech
Chairperson

Report from the Chief Executive

Our national New Zealand Fire Service was born in 1975 with the passing of the Fire Service Act 1975. Many people, myself included, feel the performance of the Fire Service over the last year has shown we have finally 'come of age' as a truly national fire and rescue service.

This has not been easy to achieve and it represents a great deal of good work by a large number of dedicated people across the whole spectrum of the Fire Service.

We were tested in all areas by Christchurch and Pike River Mine events, and the Fire Service stood up well. Our performance was sound, all the new equipment worked, and no Fire Service staff member was badly injured.

Nevertheless, as a learning organisation, we owe it to ourselves to examine how we performed and to see if there were any lessons to be learned.

Accordingly, the Director of Operational Efficiency and our Manager of Internal Audit were tasked to complete a full review of our response to the 22 February 2011 Christchurch earthquake.

The review was presented on 30 June 2011 and outlined 41 opportunities for improvement. These have been accepted and a programme developed for their implementation in 2011/2012.

The Christchurch earthquakes challenged us in a lot of ways; many of our staff were personally affected and needed ongoing support, and much of our infrastructure was damaged or destroyed. But with adversity comes opportunity, and the end of the year saw us heavily involved in planning not only for our own future, but for that of Christchurch generally.

Other areas of our service continued to develop. An ongoing programme delivered substantial numbers of front line trucks deployed with on-board ALPS (Automated Location and Positioning System) and the new 'virtuality' options of our Communication Centre equipment was installed and successfully used in Christchurch.

In the middle of the year, the Commission approved the construction of the second stage of the National Training Centre at Rotorua and this was substantially under way by June 2011. When this is completed in November of 2011, all our major training, including volunteer recruit training, will be done in Rotorua. The design of the National Training Centre allows for all types of incident training from basic to major, multi agency levels.

> "We were tested in all areas by Christchurch and Pike River Mine events, and the Fire Service stood up well. Our performance was sound, all the new equipment worked, and no Fire Service staff member was badly injured."

The Commission also approved a new contract with Draegar for the replacement of all 3,500 of our breathing apparatus (BA) sets, bringing this area of our equipment up to contemporary standards. Stations continued to be upgraded or replaced under our seismic strengthening programme.

At the start of the new (calendar) year, it was decided to proceed with a regional reduction and restructuring programme. Two things had become clear. Firstly, the previous Area restructure was essentially working well, but was inadequately supported, and, secondly,

“It was a different, challenging and demanding year for the Fire Service, but also a year of achievement, and the satisfaction of a job well done.”

there were still too many differences between the ways individual regions provided internal service as a result of historical factors. To continue developing as a truly national service these things need to be fixed.

In other areas, progress has been made throughout the year on our volunteer sustainability project. This is fundamentally important for the future of the Fire Service not only for ensuring a continuing stream of new recruits, but also for looking at relocation and succession access for existing staff, understanding the pressures on volunteers in our ever-expanding role as a broad based emergency service and learning how we can continue to recognise the contributions of employers and families to our volunteer availability.

In June, the Fire Service received the Prime Minister’s IPANZ overall award as well as winning the category final award for excellence in government networking through the multi agency capability of the hazmat-command vehicles. The Fire Service also contributed to another category final award which recognised the importance of the development of a ‘text to 111’ ability for deaf people.

It was a different, challenging and demanding year for the Fire Service, but also a year of achievement, and the satisfaction of a job well done.

Mike Hall AFSM. F.I. Fire E. FNZIM
Chief Executive and National Commander
New Zealand Fire Service

New Zealand Fire Service Commission Overview

This section of the report links the comments of the Chairperson and the Chief Executive with the narrative sections covering the:

- responses to the major emergencies in 2010/2011
- findings and learnings of the inquiries into the responses
- impacts and outcomes of the Fire Service's and the National Rural Fire Authority's "business-as-usual" activities in 2010/2011.

Structure and function

The New Zealand Fire Service Commission (the Commission) is established as a Crown entity under section 4 of the Fire Service Act 1975. The Crown Entities Act 2004 prescribes the accountability framework for the Commission and sets out the relationship between board members, the chairperson, the Minister and Parliament. The Commission has four principal roles:

- Governance and operation of the New Zealand Fire Service (section 25 of the Crown Entities Act 2004 and section 14 of the Fire Service Act 1975)
- Exercise of the functions of the National Rural Fire Authority (section 14A of the Fire Service Act 1975 and section 18(2) of the Forest and Rural Fires Act 1977)
- Co-ordination of fire safety throughout New Zealand (sections 20 and 21 of the Fire Service Act 1975 and section 47 of the Building Act 2004)
- Receipt and audit of the proceeds of the Fire Service levy (sections 47B and 48 to 53A of the Fire Service Act 1975).

Board membership

Members of the board of the Commission are appointed by the Minister of Internal Affairs, having regard to criteria set out in both the Crown Entities Act 2004 and the Fire Service Act 1975. In 2010/2011 the board members were:

Dame Margaret Bazley, DNZM, Hon DLit., Chairperson
Rt Hon Wyatt Creech, Deputy Chairperson
Robert Francis
David McFarlane
Angela Foulkes ONZM (until November 2010)
Vicki Caisley (from December 2010)

Commission governance

In addition to the performance of its statutory planning, monitoring and reporting functions, the board considered and addressed a wide range of other matters during the year including:

- proposals to reduce the number of fire regions from eight to five, to align support services across the regions and to relocate support services closer to fire districts
- the governance and oversight arrangements for the Fire Service's superannuation fund
- the award of scholarships and fellowships to eligible Fire Service volunteers and staff members for the purposes of study abroad
- the annual grant to the United Fire Brigades Association to help the Association represent the interests of volunteer brigades and to promote firefighting and allied skills through regional, national and international competitions
- the charging for services policy including charging for attendances at false alarms and at hazardous substance emergencies
- the Fire Service's contribution to the Rugby World Cup contingency arrangements

- the cost implications of the Canterbury and Christchurch earthquake responses
- the cost implications of the Pike River mine and Japan tsunami responses
- the findings and recommendations of the National Commander's inquiry into the response to the Canterbury earthquake
- formal recognition of the firefighters and other staff members who responded to the Canterbury and Christchurch earthquakes
- welfare support for Christchurch/Canterbury employees and their families displaced from their homes or otherwise experiencing hardship and stress
- negotiating parameters for a new collective employment agreement with firefighters
- the award of the contract for the construction of stage 2 of the National Training Centre in Rotorua
- the award of a national contract for new breathing apparatus
- swap of land at Paihia to accommodate town planning needs and the construction of new fire station
- the role of the Fire Service at emergencies such as the Pike River mine explosion
- the policy for deploying the New Zealand urban search and rescue teams offshore and reimbursement for the cost of deployment
- the payroll control environment and preferred functional location
- representation at the Pike River Royal Commission of Inquiry and the Coroner's inquiry into the CTV and PGG building collapses.

National Rural Fire Authority

This function incorporates the administration of the Rural Fire Fighting Fund, the allocation of grants to fire authorities for plant and equipment and the co-ordination of rural fire authorities. Major issues addressed by the board in its capacity as the National Rural Fire Authority included:

- progress on the Enlarged Rural Fire Districts Strategy
- the report on the operation of the Rural Fire Fighting Fund for 2009/2010
- revisions to the framework for monitoring fire authority compliance with the minimum national standards and evaluating the performance of fire authorities
- the lessons for New Zealand arising from the Royal Commission of Inquiry into the Black Saturday wildfires in Victoria
- rural fire district liability for the cost of suppressing fires within the 1 km safety margin of plantation forest boundaries
- the governance and management arrangements for the West Coast enlarged rural fire district
- grants to the Bushfire Co-operative Research Centre and other wildfire research organisations
- the initiation of court action to recover costs from parties responsible for causing fires
- the terms and conditions of collaborative agreements with fire authorities under section 15 of the Forest and Rural Fires Act 1977.

Fire safety co-ordination

Section 20 of the Fire Service Act 1975 states it shall be a matter of prime importance for the Commission to take an active and co-ordinating role in the promotion of fire safety in New Zealand. Matters addressed by the board in its governance capacity under this heading in 2010/2011 included:

- setting priorities for fire safety research under the Commission's Contestable Research Fund
- the award of Contestable Research Fund contracts
- the presentation of the results of research to fire safety stakeholders
- liaison with the Department of Building and Housing on proposals to amend the fire safety provisions of the Building Act 2004 and the Building Code
- the operation of the unit responsible for providing comment to building consent authorities on applications for certain classes of building consent
- the form and content of national electronic media campaigns
- the Fire Service's participation on the Rugby World Cup Authority.

Receipt and audit of Fire Service levy

In 2010/2011, the Commission received 96 percent of its income from the statutory levy on contracts of fire insurance. The protection of this income stream is, therefore, a critical governance issue for the Commission. In a milestone settlement achieved during the year, the Commission resolved a long-running Fire Service levy dispute with a large property owner through legal mediation. As a result, the Commission received an additional $4 million of levy arrears, interest and surcharges. Other matters considered by the board under this governance function included:

- the establishment of the annual audit programme to provide assurance that parties liable to pay levy have properly calculated and remitted their levy
- the general protection of the Commission's income base by means of:
    - declaratory judgments on disputed interpretations of the levy provisions
    - improved compliance through the better education of major levy payers
    - the imposition of penalties for non-compliance
- the levels of levy reporting and compliance across the broker, insurance company and direct payer sectors
- advice to the Minister on the:
    - rate of levy for the purpose of the annual levy review
    - need to amend or clarify the levy provisions of the Fire Service Act 1975.

Directions issued by Ministers

The Commission has not received any directions from Ministers during 2010/2011.

Responses to Major Emergencies in 2010/2011

The Fire Service's operations in 2010/2011 were dominated by its responses to a broad range of very significant emergencies, most notably the February 2011 earthquake in Christchurch.

Canterbury earthquake September 2010

A magnitude 7.1 earthquake occurred at 4:35am on 4 September 2010, 30 km west of Christchurch (near Darfield), at a depth of 10 km. This was in an area not previously regarded as a significant earthquake risk area. The earthquake caused widespread damage throughout the Canterbury region, particularly in urban areas of Christchurch. No deaths were reported but several people sustained serious injuries and many people minor injuries. Commercial, industrial and residential buildings suffered significant damage particularly through the liquefaction of the ground. Road, rail, electricity, telecommunications, and waste water infrastructure assets were destroyed or seriously damaged.

The Fire Service deployed all three urban search and rescue (USAR) task forces to this incident, and firefighting crews and appliances from around the South Island were mobilised to support and relieve local brigades facing a significantly increased workload in the immediate aftermath.

In the period 4–20 September 2010:

- the Fire Service's operational crews responded to approximately 3,900 incidents in the earthquake area
- USAR task force personnel attended approximately 1,600 earthquake-related incidents.

The Fire Service seconded executive officers from around the country to liaison roles at the Christchurch City Incident Command headquarters, the Waimakariri and Selwyn District Council Emergency Operation Centres (EOCs), and the National Crisis Management Centre in Wellington. The Fire Service's own Incident Management structure in Christchurch was supported by executive officers and non-uniformed staff members from a wide range of disciplines round the country. A rural fire National Incident Management Team also provided support and capability to the fire region's Incident Management Team.

The Fire Service's post-incident investigation concluded that the Fire Service had responded effectively. Opportunities for improvement were identified in the following areas:

- **Emergency planning:** the need for a national response/crisis management plan to provide a seamless mode of operation through all levels and regions of the Fire Service for major emergencies.
- **Strategic command training:** the need for strategic command training opportunities to provide command experience at infrequent but large scale, multi agency events.
- **Co-ordination centres:** the need to take advantage of modern technology to enable effective communications between regional centres, Fire Service national headquarters and the National Crisis Management Centre.
- **Urban Disaster Management Teams:** the need to establish Urban Disaster Management Teams to mobilise promptly to disaster centres to provide early relief to the local emergency managers.
- **Non-uniformed personnel:** the need to include non-uniformed disciplines (ICT, HR, procurement, welfare, general administration etc) in the emergency planning function.
- **Strategic capability of mobile command units:** the need to explore and exploit the full potential capability of the newly introduced mobile command units that proved so vital early in the response phase.

Fox Glacier plane crash September 2010

At 1:15pm, on the same day as the Canterbury earthquake, a skydiving plane crashed and exploded seconds after taking off at the end of the runway at Fox Glacier Airport, on the West Coast of the South Island. All nine people on board were killed, including five New Zealanders and tourists from England, Ireland, Germany and Australia. The crash was New Zealand's worst air tragedy since the 1993 crash of a sightseeing plane on nearby Franz Josef Glacier, which also claimed nine lives.

Two local volunteer fire brigades responded and carried out fire suppression at the crash site. They then secured the perimeter of the site and provided scene protection until officers from the New Zealand Police and Civil Aviation arrived to take control of the incident. The Fox Glacier fire station was converted to a temporary emergency operations centre for use by the New Zealand Police. A critical incident stress management team from Greymouth supported members of the brigades in the days following the tragedy.

No Fire Service post-incident investigation was required for this disaster.

Southland snow storm September 2010

On Saturday 18 September 2010, a storm blanketed large parts of coastal Southland in deep wet snow in a short space of time, causing damage to some property and major livestock losses. In Invercargill, the weight of snow proved too much for the roof of the iconic 10-year-old Invercargill indoor stadium, which collapsed spectacularly. Fortunately, no-one was present in the building at the time of the collapse and no injuries were sustained. A local state of emergency was declared and regional fire service resources were mobilised to secure several other damaged buildings in the central business district and to help residential property owners with localised difficulties.

Pike River mine explosion November 2010

On 19 November 2010, an explosion (followed by several others in the days after) trapped and killed 29 miners at the Pike River coal mine, near Greymouth on the West Coast of the South Island.

Volunteer fire brigades from Ikamatua, Reefton and Greymouth were among the first emergency services to arrive after the alarm was raised. An extensive emergency response was led and co-ordinated by the New Zealand Police, with the Fire Service providing limited fire cover at the mine portal and extensive specialist advice on risk assessment and underground gas hazard management to the New Zealand Police.

A hazmat-command vehicle was mobilised to the site from Christchurch, along with an executive officer and crew. The West Coast Fire Authority managed the risk to the vegetation in Paparoa National Park presented by the fire at the vent shaft.

A Royal Commission of Inquiry is currently investigating many aspects of the incident, from mine planning and preparedness to the management of the incident by the New Zealand Police. The Fire Service filed a substantive institutional report that included a chronological narrative of events. The Chief Executive was subsequently invited to prepare a supplementary submission on the principles and practice of the Co-ordinated Incident Management System (CIMS).

Canterbury earthquake February 2011

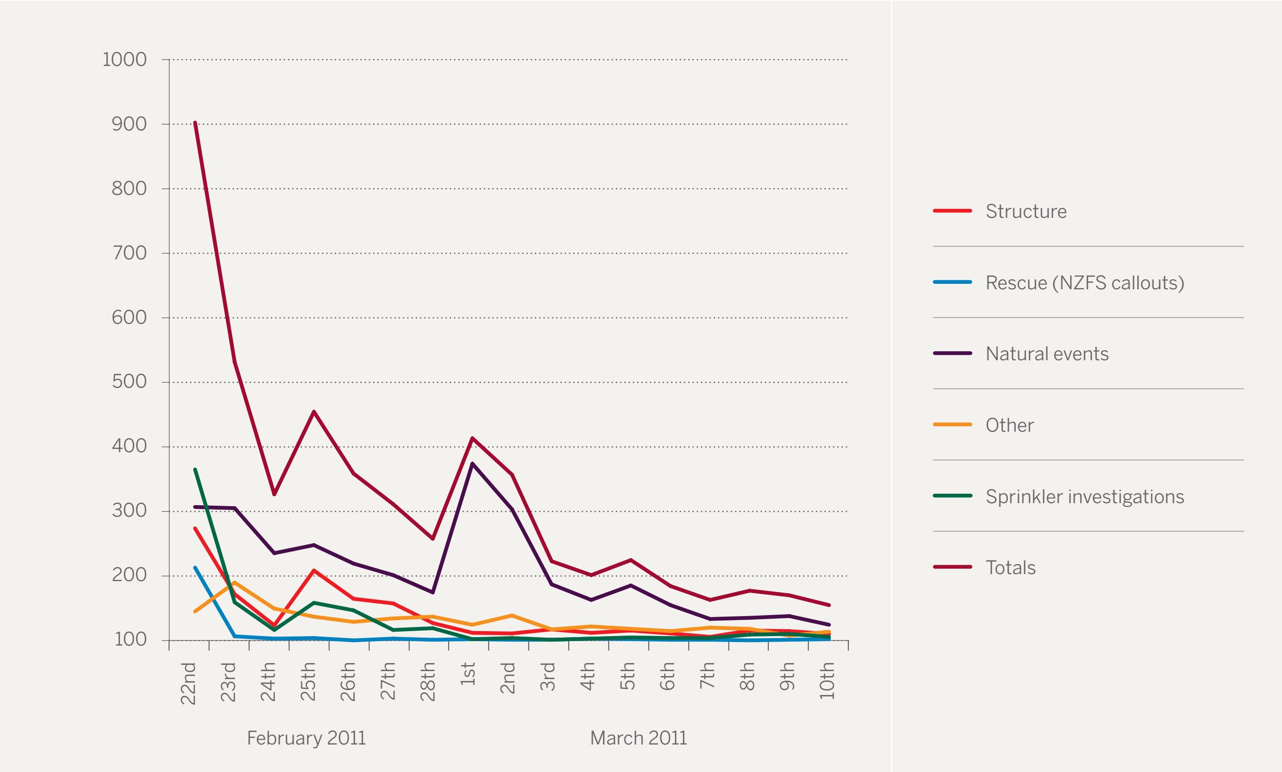
A magnitude 6.3 earthquake struck the Canterbury region on 22 February 2011 at 12:51pm. The epicentre of this quake was within 10 km of the city of Christchurch, at a shallow depth of 5 km, and it resulted in widespread damage and destruction, and multiple injuries and deaths throughout Christchurch city and surrounding areas.

The Fire Service deployed firefighting crews, executive officers, administrators, as well as welfare, logistics, and IT personnel from around the country to work alongside and relieve Christchurch-based personnel. This included approximately 166 career firefighters, 400 volunteer firefighters, 150 New Zealand USAR personnel and 150 Fire Service support staff being deployed or involved in the rescue and recovery.

Hazmat-command units, fire appliances, tankers and other vehicles were also deployed to Christchurch from around the country. For the first time since the national urban fire service was established in 1975, the Fire Service was required to draw on resources from all quarters of the country to mount an effective response to the emergency.

In the period 22 February–14 March 2011, Fire Service crews responded to approximately 4,150 incidents in the earthquake area. A summary of the calls handled by the Southern Communications Centre is shown in the graph (Figure 1) below:

Figure 1 Calls handled by Southern Communications Centre



All three of the Fire Service's USAR task forces were again deployed to Christchurch, and international teams started to arrive in the country as early as 23 February 2011, building up to a total task force of over 500 USAR personnel by 28 February 2011. International USAR teams came from Australia, China, Japan, the United States of America, Singapore, Taiwan and the United Kingdom.

The Fire Service provided executive officers in liaison roles at the Christchurch City Incident Command headquarters and at the National Crisis Management Centre in Wellington. The Chief Executive/National Commander commissioned an inquiry into the Fire Service's response to the earthquake.

The report of the inquiry team noted:

> “Fire Service operational personnel (career and volunteer) provided an immediate response and promptly implemented rescue operations supported by members of the public, construction workers, New Zealand Police, retired and off duty firefighters. All were involved in amazing rescues in extremely hazardous conditions, at times without regard to their own safety.”

> **“Overall the response of the Fire Service to the emergency was outstanding. Staff were faced with a disaster of a magnitude that emergency services in New Zealand have never been exposed to before. The Fire Service was able to call on resources from across the country, our equipment performed well and support services were set up quickly. This highlighted the strengths and efficiencies of having a national Fire Service delivering world class services through consistency in training, resources and procedures.”**

> “Whilst the operational response was underway as soon as the earthquake happened leadership structures for an event of this magnitudes were slower to set up. Reviewing the Fire Service response to the Christchurch earthquake highlighted some areas where our management arrangements can be improved so they function more efficiently.”

The report of the inquiry team was published on the Fire Service's public website in August 2011. Areas highlighted for improvement were covered under the following headings:

- statutory powers and functions
- emergency planning and preparedness
- mobilisation of response
- incident management
- delivery of rescue operations – USAR
- firefighting operations
- national co-ordination
- liaison with other agencies
- resources and procurement
- safety, wellbeing and welfare
- communications.

Japan earthquake and tsunami March 2011

On 11 March 2011, a magnitude 9.0 earthquake struck off the Pacific coast of Japan ,triggering extremely destructive tsunami waves. In addition to a massive loss of life and destruction of buildings and infrastructure along this coastline, the tsunami caused a number of nuclear accidents, primarily in the Fukushima nuclear power plant complex.

In response to a request for assistance from the Japanese government, New Zealand deployed a USAR task force to search for survivors in Northern Japan. The task force comprised 46 New Zealand USAR personnel, five New Zealand Defence Force staff members and a representative from the Ministry of Foreign Affairs and Trade (MFAT). The New Zealand task force was based in Tome, about 20 km inland from Minamisanriku, a port town that was destroyed by the tsunami.

The ability of the New Zealand USAR team to redeploy from an active operations theatre in Christchurch to an international theatre at extremely short notice was remarkable, more so given the international convention that USAR teams must be self-sufficient for seven days after arrival at an emergency operation.

Operations Overview

This section provides an overview of emergency response activities during 2010/2011 and a summary of the fire station and fire appliance capital investment programmes.

Incident trends

The Fire Service responded to 76,334 emergency incidents during 2010/2011. The total numbers of incidents over the last 10 years are shown in table 3.

The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2010/2011, 37 percent of incidents were non-fire related emergencies compared to 24 percent in 2000/2001.

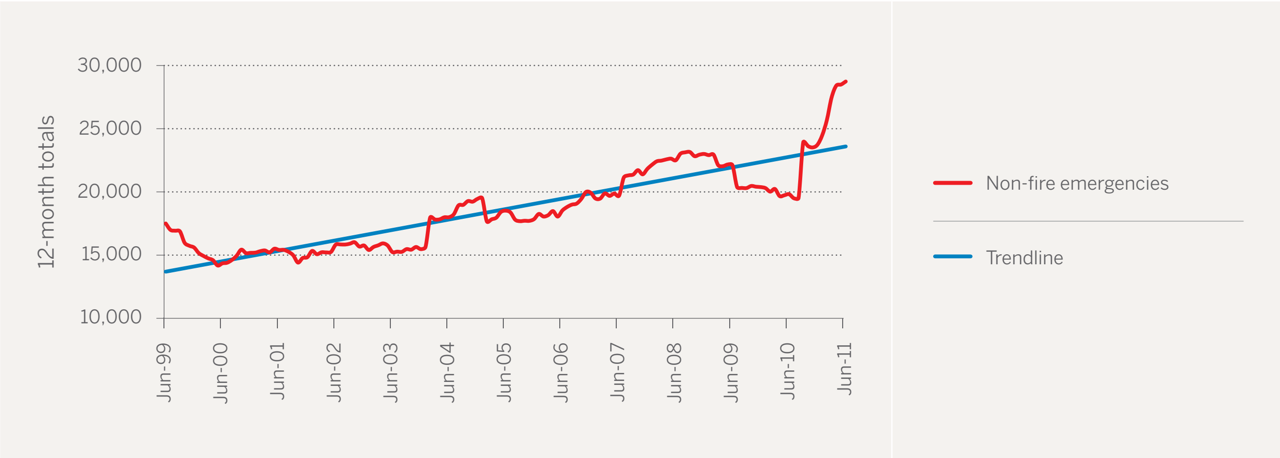
Table 3 Incident trends

	Total Incidents attended
2010/2011	76,334
2009/2010	67,651
2008/2009	71,516
2007/2008	74,057
2006/2007	71,690
2005/2006	66,951
2004/2005	65,461
2003/2004	64,504
2002/2003	64,166
2001/2002	62,437
2000/2001	64,478

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.

Figure 2 Non-fire emergencies



In 2010/2011, the Fire Service responded to 3,466 hazardous substance emergencies, 5,972 medical emergencies, 4,780 non-fire motor vehicle incidents and 14,379 other non-fire emergencies, which included the two Canterbury earthquakes.

The Fire Service works with communities to help provide a comprehensive emergency management capability through its participation in emergency management groups, emergency services co-ordinating committees and a range of other forums.

Fire appliances

The Fire Service took possession of 51 new fire appliances in 2010/2011 – 41 pumping appliances, two tankers and eight hazmat-command vehicles. This represents a significant capital investment in updating the appliance fleet.

The Fire Service has now completed the project to introduce 17 new hazmat-command vehicles. These are positioned across New Zealand to achieve response times of 20 minutes in main urban areas, and 60 minutes to other areas, 90 percent of the time. These vehicles provide a state of the art incident command capability for use by multiple response agencies combined with a hazardous substance emergency response capability. The Institute of Public Administration New Zealand (IPANZ) recognised this project in the 2011 IPANZ Public Sector Excellence Awards. The Fire Service received the Prime Minister's Award for Public Sector Excellence and the Excellence in Networked Government Award.

Equipment

The Fire Service has almost completed a major project to upgrade its capability to manage hazardous material incidents. Equipment introduced included disposable chemical splash suits, gas suits, new decontamination systems and additional multi-gas detectors.

In addition, over the next two years all 3,500 breathing apparatus sets will be replaced with new sets incorporating enhanced technology. The new features will improve communication with wearers, thereby enhancing safety and operational effectiveness.

Fire stations

The Fire Service continued its seismic strengthening programme for 31 earthquake-prone stations. Sixteen stations have been completed, with work underway on four more. The recent earthquakes reinforce the value of this strengthening work and the Fire Service is committed to having highly resilient facilities.

Three Christchurch stations (Christchurch City, Woolston and Lyttelton) were extensively damaged by the earthquakes and will need to be replaced. Several other Christchurch stations may need to be repositioned to service a redesigned city, and opportunities to co-locate with other emergency services are being explored.

New stations were completed in Carterton, Wakefield, St Heliers and Te Atatu with building work underway on new stations in Culverden, Oxford, Rununga, Hororata and Springfield.

National Training Centre

The Commission is further developing its National Training Centre in Rotorua to enhance the realistic training for a range of fire and non-fire emergencies. Construction is well underway with completion expected in November 2011.

National Rural Fire Authority Overview

Guided by the National Rural Fire Authority (NRFA) Strategic Plan 2009/2010, the NRFA continued to implement initiatives to enhance the protection of forest and rural communities and to provide better leadership to fire authorities. In 2010/2011, the key areas of focus were:

- the continued promotion of the Enlarged Rural Fire Districts Strategy
- a review of the NRFA's monitoring and evaluation of fire authority performance
- initiating the replacement of the national fire weather system
- the continued development of rural fire research outcomes.

Enlarged rural fire districts strategy

In 2009/2010, the Commission in its capacity as the National Rural Fire Authority increased its efforts to promote the voluntary amalgamation of smaller fire authorities into enlarged rural fire districts (ERFDs). The key goals of the strategy are to:

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

Over the last two years, the national rural fire officer and rural fire staff have undertaken an extensive programme of engagement with forest and rural fire stakeholders around the country, including fire authorities, local government organisations, managers of state-owned and Ministry of Defence land, forest owners and rural organisations.

Table 4 below shows the progress of the ERFDs strategy against key performance indicators. The target is to have fewer than 20 ERFDs.

Table 4 ERFD strategy

	2009/2010	2010/2011	2012/2013 forecast
Number of ERFDs	5[1]	6[2]	7[3]
Number of rural fire authorities	86	78	76
Ha under administration of ERFDs	8,571,500	9,303,886	10,548,087
% area of New Zealand under administration of ERFDs	31.9%	34.6%	39.2%

1 Wairarapa, Waimea, West Coast, South Canterbury and Southern.
2 Northern ERFD gazetted 1 July 2011.
3 Marlborough Kaikoura ERFD to be gazetted 1 July 2012.

Fire authority performance monitoring and evaluation

A key function of the Commission is to monitor and evaluate the performance of fire authorities. An initial review of the NRFA's systems to carry out this function was completed in 2009/2010 and opportunities were identified to improve the efficiency and effectiveness of these systems.

During 2010/2011, a new performance monitoring and evaluation framework was designed and developed, following feedback and advice from the rural fire sector. The new framework will be piloted in 2011/2012 and it is expected to provide more accurate, timely and useful information.

Additionally, the final two minimum national standards required under section 14A of the fire Service Act 1975 – Assessing Fire Hazards and Achieving Timely Responses to Fires – were completed. They became effective on 1 July 2010. Audits against these standards will start from 2013/2014.

Fire weather system replacement

The NRFA is required to co-ordinate the operation of a national rural fire weather index, and to co-ordinate a national and regional system of rural fire hazard prediction and warnings.

Fire weather information is used to help manage the risk posed by fire to our forest and rural environment. It is a primary input into decision making relating to rural regional fire management, supporting fire planning and prevention, fire season status management, response co-ordination and communication with land managers and the public.

The current fire weather system, acquired from the Canadian Forest Service in 2002, will be replaced over the next two years. The new system will provide additional features and address underlying technical deficiencies.

In 2010/2011, the NRFA began the procurement process with an open 'registration of interest'. The tender process will be completed in 2011/2012 and a new system implemented in time for the 2012/2013 fire season.

Research outcomes

The NRFA continued to provide support to Scion and Bushfire CRC Forest Fire Research outcomes in 2010/2011. Research reports and other outputs from this work include:

- the analysis of seasonal drought trends
- fire climate severity across New Zealand
- the analysis of wildfire records.

Fire season 2010/2011

The 2010/2011 fire season saw a return to more normal climatic conditions, after the very dry conditions experienced the previous year. Overall, there were 3,264 wildfires in 2010/2011, a decrease of 15 percent on the previous year. The total area burnt in 2010/2011 was 1,650 hectares, a decrease of 69 percent on the previous year (5,253 hectares burnt).

Five fire authority performance assessments were conducted and 43 rural fire standards audits were completed in 2010/2011.

For the 2010/2011 Rural Fire Fighting Fund (RFFF) year, a total of 83 claims totalling $2,448,467 were lodged by fire authorities. Of the 83 claims, 38 ($637,376) originated within areas of the Department of Conservation's responsibility and 45 ($1,811,091) originated within areas of other fire authorities' responsibility. Payments from the RFFF for the five years prior to 2006 showed an upward trend; however, over the last five years, this trend has flattened.

The NRFA successfully recovered $1,800,074 from parties responsible for causing wildfire(s) using the cost recovery provisions of section 43 of the Forest and Rural Fires Act 1977, but this does not represent the total overall costs of fire suppression. In addition to almost $2.5 million of claims on the fund, it is estimated that a further $1.3 million was directly recovered by fire authorities or covered by insurance.

In 2010/2011, grant assistance applications from fire authorities (under section 14A(2)(i) of the Fire Service Act 1975) of $2.0m were approved, however only $1.89m was taken up by the applicants.

All applications were assessed and priorities established to ensure the 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. Since a change to the policy in 2002, 52 new rural fire appliances have been delivered to the fire authorities' voluntary rural fire forces, to protect small communities. Seven of these appliances were delivered in 2010/2011.

Fire Safety Co-ordination Overview

Public education

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

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

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

To guide and support the development of its social marketing programmes to at-risk groups, the Commission relies heavily on independent research. This research seeks to understand specific aspects of human behaviour and offers strategies on how best to reach at-risk audiences with fire safety solutions.

The Fire Service's Station Management System (SMS), which is used by operational firefighters to record the cause and origin of fire and the evidence of basic fire detection devices, is increasingly being used to highlight areas of fire risk that need to be addressed with fire safety campaigns.

The Commission's fire safety education programmes are regularly evaluated to determine their effectiveness in reducing the incidence and consequences of fire.

Television campaign

Promoting a fire-safe lifestyle is a key strategy for the Commission and our research shows television continues to be the preferred method of communication. In the latest survey of our communications effectiveness, 93 percent of the New Zealanders surveyed said they preferred to receive fire safety messages via television..

In 2010/2011, the Commission continued the 'consequence-based' approach to fire safety advertising. The commercials generated significant public awareness and appear to be improving fire-safe behaviour. For example, in 2010/2011 there was an 8 percent reduction in fires caused by unattended cooking.

The consequence-based series of advertisements was supported by the Commission's 'smoke alarms save lives' and the long-running Speed of Fire commercials. These three streams of advertising were the main messages used by the Commission to inform the public about keeping themselves and their families safe from fire.

Additionally, in 2010/2011, new television commercials were produced to promote relevant messages for children (Flint & Amber), to target the deaf people (Quin Webster 'dial 111') and to enhance volunteer recruitment opportunities.

Print media campaign

A suite of fire safety material designed to support the three main fire safety themes was developed for use on billboards, vehicles, and in other print advertising. This new material helps to ensure fire safety messages effectively target the most at-risk groups.

Day light savings campaign

In 2010/2011, we commissioned a major refreshening of our daylight savings campaign. This involved a co-ordinated approach with the production of new television commercials, full-page press advertisements, radio advertisements and online banner advertisements. The campaign was also supported by one of our major partners – Progressive Enterprises.

Education programmes: Get Firewise/Māui-Tinei-Ahi

The redesigned Get Firewise education programme for Year 1 and Year 2 students and the Māui-Tinei-Ahi programme for Māori children in kura kaupapa, bilingual classes and immersion units in primary schools are successfully in place. The feedback from teachers (as the primary deliverers of the programmes) was very positive. Our redevelopment focus will now shift to our other core schools-based education programmes (for kōhanga reo (pre-school), Year 7 and Year 8, and senior secondary).

Social media

Social media provides an easily accessible, highly usable, far-reaching and immediate way for people to interact with each other and with organisations. The Fire Service's Facebook page currently has 10,944 followers, and provides immediate engagement with the public. A dedicated Twitter account was also trialled in 2010/2011; currently it has 245 followers.

A unique Fire Service YouTube page has our entire collection of television advertisements on it for viewing, as well as appropriate K-99 segments (K-99 is the Fire Service's internal multi-media communications tool).

Partnerships

The Fire Service used partnerships with other organisations to help support its fire safety education initiatives. Examples of partnerships in 2010/2011 year were:

- The Warehouse promoting alarms in-store as well as providing smoke alarm discount vouchers to be supplied to at-risk New Zealanders
- in-store daylight savings promotions in every Woolworths, Countdown and Foodtown supermarket where the Fire Service receives a percentage of every battery sold to put towards smoke alarms
- ACC funding of the South Auckland Smoke Alarm campaign
- Wormald smoke alarms for the Get Firewise education programme.

Children who light fires

During 2010/2011, 582 children completed the Fire Awareness and Intervention Programme (FAIP). The cost of the fires lit by these children in 2010/2011 was estimated at $13,105,000. The contestable research report that evaluated the FAIP showed that 98 percent of children and young people who complete the programme do not light further fires. The FAIP continues to be a key fire mitigation programme providing outstanding value to both the fire service and the community.

Fire Investigation television campaign

A specialist Fire Research and Investigation Unit was operational for its first full financial year in 2010/2011. The unit successfully identified a range of fire trends across the country, including exploding gas cookers, which caused horrific injuries to users. To address these and other fire risks the unit worked with importers, retailers and government regulators (prompting recalls of products) to improve product quality. The unit also helped to issue public warnings and a number of subsequent major media stories focused on fire safety. A notable success for the unit was no major school fires in November for the first time in six years. This was achieved after intensive communication and co-ordination with schools, boards of trustees and the Ministry of Education.

Contestable Research Fund

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

The following research reports were published in 2010/2011:

- Building community resilience by engaging with rural communities about fire safety.
- Sprinklers for community buildings and places of special historical interest.
- The impact of changes in New Zealand's demographic profile on fire outcomes.
- Can vegetation flammability and wildfire hazard indices predict fire extent? A statistical modelling approach.
- Applying the conversion model to changing at-risk groups' attitudes towards fire safety.
- Fire design for aging residential occupancies.
- Fire climate severity across New Zealand.

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

In 2010/2011, the Commission sponsored research under the following topics:

- Changes in community self-reliance and implications for fire safety messages and emergency response.
- Changing fire safe knowledge into fire safe actions.
- Alcohol and fire.
- Fire safety communication in social media: addressing at-risk groups as community members rather than consumers.
- Public perceptions of the New Zealand Fire Services carried out during the Christchurch earthquakes.
- Effectiveness of digital media and social networking for reaching at-risk groups.
- Impact of emerging social change and technological developments on Fire Service operations.
- Improving forecasts of fire danger with new coupled weather and land models.
- Offending behaviours of child and adolescent fire-setters: a retrospective study.

Receipt and Audit of Fire Service Levy

The Revenue and Assurance Team establishes the annual Fire Service levy audit programme, which is reviewed by the Audit and Risk Committee. This programme, in conjunction with our education, analysis and investigation work, provides the Commission with assurance the levy has been correctly calculated and paid on a timely basis.

The 2010/2011 Fire Service levy audit programme saw the completion of over 60 audits – more than twice the number conducted in previous years. The levy audits resulted in collections of over $800,000 in respect of unpaid levy, interest and surcharges. The Commission continued its strategy of improving levy assurance processes and systems during the year and will continue with this approach next year to ensure it has confidence that all amounts due in respect of levy are collected.

In 2010/2011 the Commission resolved a longstanding dispute with a large property-owning organisation that had failed to calculate the levy correctly. This resulted in an additional $3 million of levy, interest and surcharges being received during the year. The Commission identified a further 50 organisations that had not previously paid the levy and implemented follow-up actions to ensure they paid the arrears due plus penalty interest and surcharges where applicable.

Total Fire Service levy receipts for 2010/2011 were almost $6 million ahead of forecast. Given the poor economic outlook at the start of the year, as well as the many challenges faced as the year progressed, this was a satisfying result.

Shortly before the end of the year, the Insurance Brokers Association of New Zealand (IBANZ) started action in the High Court for a declaratory judgment regarding the correct calculation of levy on insurance policy structures that seek to reduce the quantum of levy paid to the Commission. The Commission welcomes the opportunity to clarify any areas which produce uncertainty in the market.

Key non-compliance trends, identified through the levy audits, were largely similar to those of previous years and included:

- a lack of proper support for indemnity value
- the omission of levy on policy extensions
- the miscalculation of levy on motor vehicles
- the miscalculation of levy amounts
- a lack of understanding of legislative requirements in respect of the levy.

The rate of levy remained unchanged at 7.6c per $100 insured during the year. Since 2001 there has only been one increase in the rate of levy – from 7.3c to 7.6c in 2008.

Finally, it was pleasing to note some organisations that had no legal obligation to pay levy continued to make good citizen contributions in 2010/2011. These organisations included BP, the New Zealand Police, Housing New Zealand and the Reserve Bank of New Zealand.

The Commission's Performance

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

1. Reduced consequences of unwanted fires for people, property, communities and the environment.
2. Reduced adverse consequences of non-fire emergencies for people, property, communities and the environment.
3. New Zealanders have access to fire services in which they have a high level of trust and confidence.

The Crown Entities Act 2004 requires the Commission to report against the measures set out in the approved 2010/2011 Statement of Intent. This section covers the longer-term outcome performances against the Commission's five-year national goals.

Outcome 1: Reduced consequences of unwanted fires for people, property, communities and the environment

People: Avoidable residential fire fatalities and injuries from fire

National goals

Achieve and maintain an avoidable residential structure fire fatality rate of less than 0.5 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 its national goals for fatalities and injuries from fire to assess its progress against its statutory mandate to protect 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 reductions is its delivery of fire safety education. Avoidable residential fire fatalities per 100,000 population have reduced by 56 percent since 1997 and injuries to the public per 100,000 population have reduced by 33 percent since 2002. The graph (Figure 3) shows the results and long-term trends for avoidable residential structure fire fatalities and the graph (Figure 4) shows the results for the rate of moderate and life-threatening injuries per 100,000 population.

Key fire safety messages delivered during 2010/2011 included: unattended cooking kills, smoke alarms save lives and never underestimate the speed of fire.

Figure 3 Avoidable residential structure fire fatalities

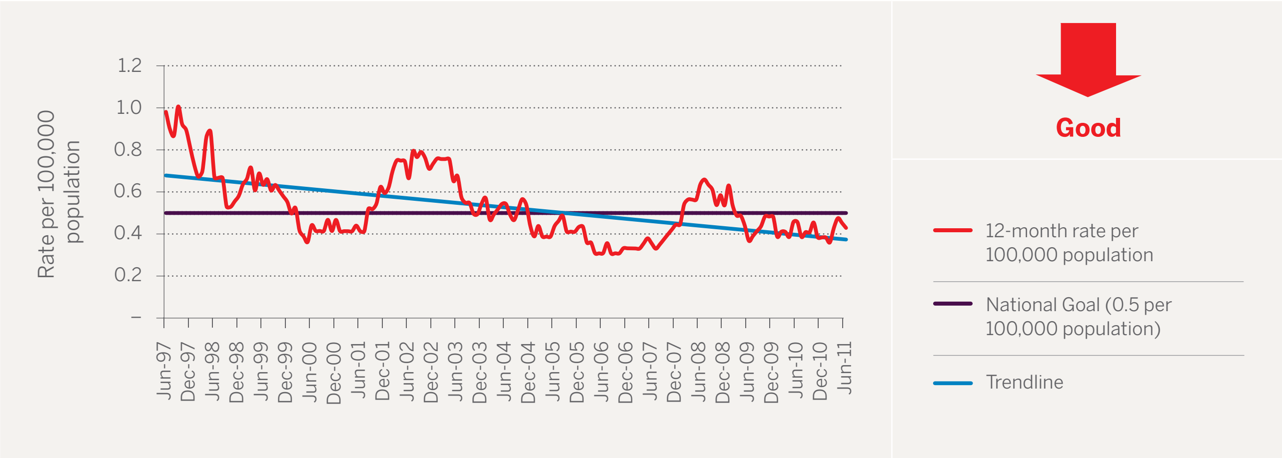
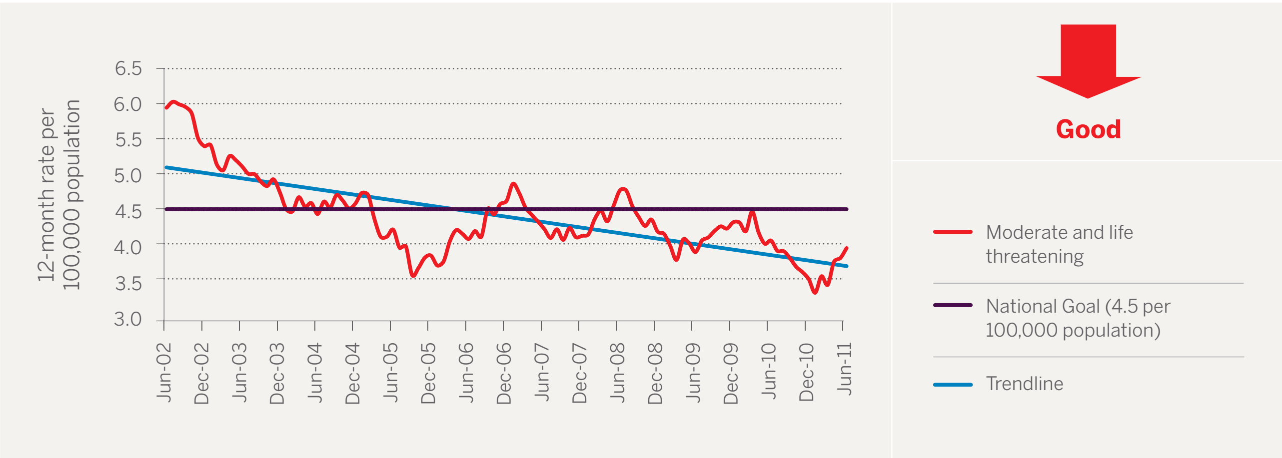


Figure 4 Moderate and life-threatening public injuries



Property: Estimated value of fire loss

National goals – structures

Maintain the estimated dollar value of damage from fires in residential structures below $65 million per annum
Maintain the estimated dollar value of damage from fires in non-residential structures below $50 million per annum
Achieve and maintain the number of fires in structures to less than 130 per 100,000 population

The Commission uses the estimated dollar value of property damage to monitor its progress against its statutory mandate to protect property. Two measures are used to estimate the dollar value of losses from fires in residential and non-residential structures. At present, the measures reflect just the losses to the structures themselves and do not include contents losses or any downstream economic or social losses. Since 2002, the trend for property damage to both residential and non-residential structures has been volatile (see Figure 5 and Figure 6).

Figure 5 Estimated flame damage to residential structures

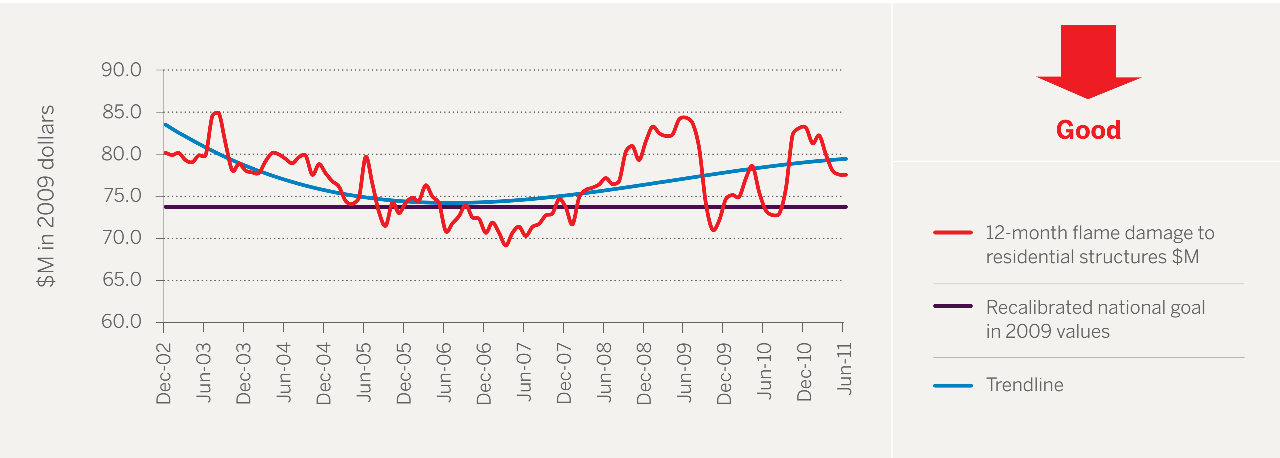


Figure 6 Estimated flame damage to non-residential structures

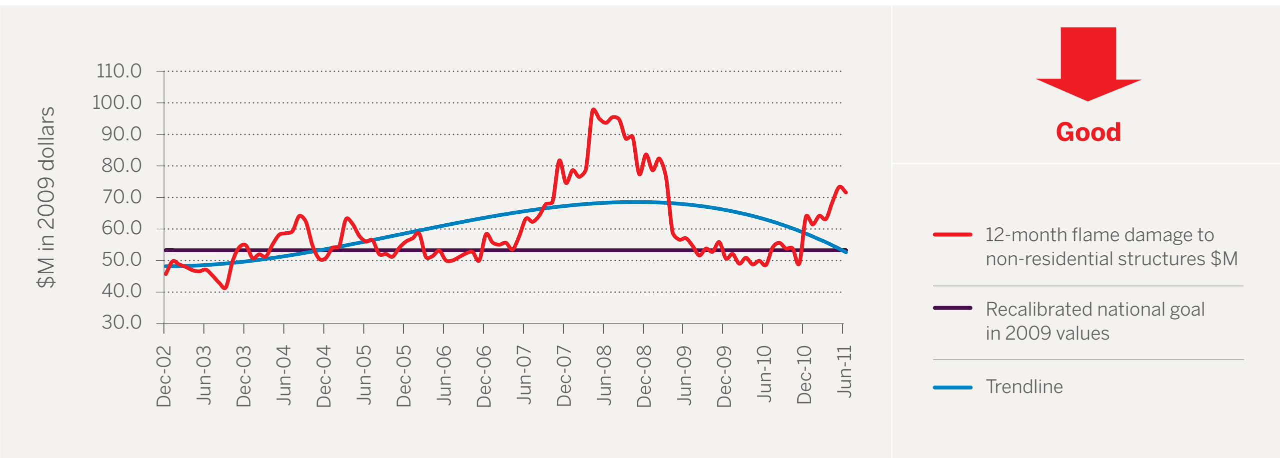
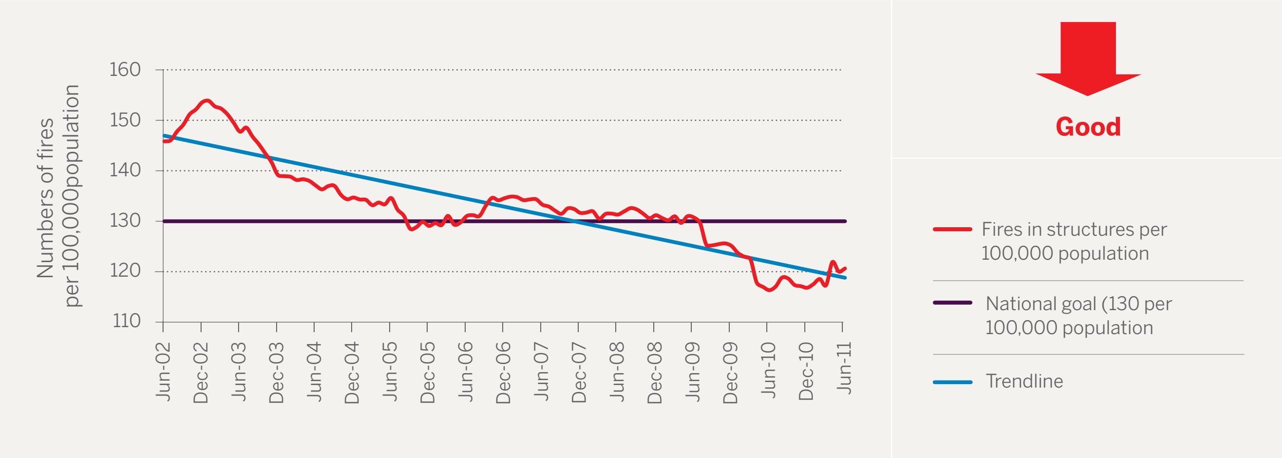


Figure 7 Fires in structures



From 1 July 2010, the base year for calculating property damage was changed from 2004 to 2009. This resulted in a revised target for the level of damage from fires in residential structures to $73 million from the original $65 million and a revised target for damage from fires in non-residential properties to $54 million from the original $50 million. The graphs above show the estimated dollar value of flame damage to residential structures (Figure 5) and non-residential structures (Figure 6). Overall, the number of fires in all structures has declined significantly since 2002 and is now well below the national goal level (Figure 7).

National goals – vegetation

Ensure annual area burnt by wildfires is 5 percent less than the previous 10-year average 75th percentile
Achieve and maintain the number of vegetation fires to less than 120 per 100,000 population
Contain 95 percent of all wildfires within two hours of being reported

Figure 8 Number of wildfires and the hectares burnt as a result

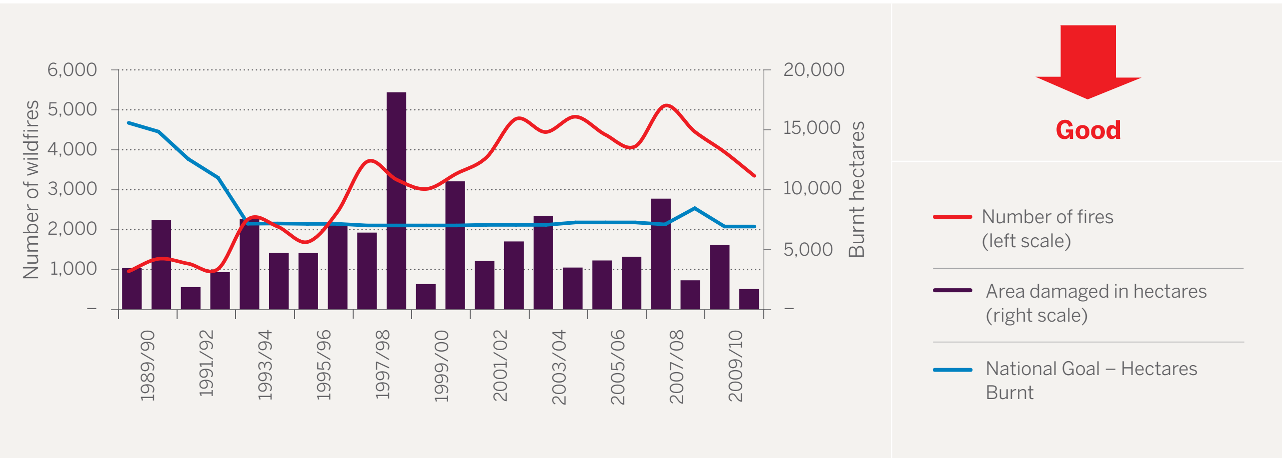
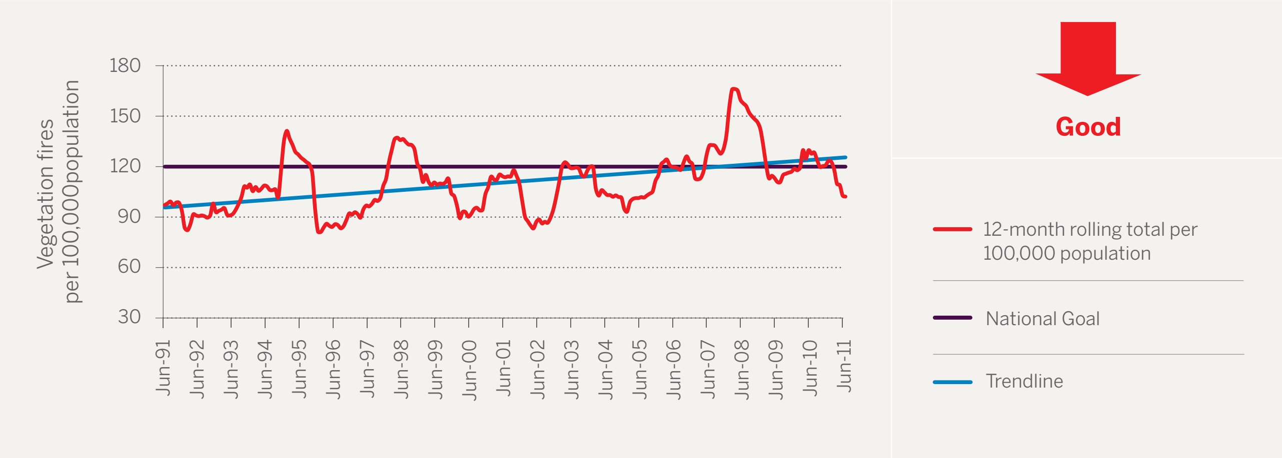


Figure 9 Vegetation fires



The number and rate of vegetation fires per 100,000 population has been increasing over the last 15 years but in 2010/2011 they were below the national goal levels. Part of this increasing trend is due to the improved reporting of fires by fire authorities. In addition, climatic conditions (trending hotter and drier) have had an impact on the number and severity of vegetation fires. The graph (Figure 8) shows results from annual fire authority returns, with a steep increase in fire incidents reported. The area burnt in 2010/2011 was 1,650 hectares burnt, significantly less than the national goal of 6,750 hectares burnt. The graph (Figure 9) shows the number of vegetation fires per 100,000 population. The table below (Table 5) shows the percentage of vegetation fires contained within two hours of notification.

Table 5 Containment of vegetation fires

Vegetation fires contained within two hours of being reported	2010/ 2011	2009/ 2010	National Goal
In urban areas (within fire districts)	95%	94%	
In rural areas (outside fire districts)	79%	77%	
Overall	**88%**	**86%**	**95%**

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

Interim national goal

Establish a set of non-fire outcome measures by 30 December 2011

During 2009/2010, a non-fire outcomes framework was developed and the Commission is in the process of developing a suite of measures that reflects its contribution to the outcomes of non-fire emergencies. The Commission expects to publish its first national goals covering this area in its Statement of Intent for 2012–2015.

Outcome 3: New Zealanders have access to fire services in which they have a high level of trust and confidence

National goals

95 percent of New Zealanders have full trust and confidence in New Zealand's fire services

The Commission's key fire safety education, risk reduction and response strategies rely on the public acting on the advice of the Commission. It is critical, therefore, that New Zealanders perceive their fire services as being a source of authoritative and well-researched advice that can be trusted. The Commission measures the level of trust and confidence in New Zealand's fire services through an independent third party survey.

Table 6 Trust and confidence

	2010/2011	2009/2010	National Goal
Percentage of New Zealanders having full trust and confidence in New Zealand's fire services	98%	97%	95%

The Commission also monitors the public's perception of how well the Fire Service is performing. It does this through the annual UMR mood of the nation survey. In 2010, 94 percent of people thought the Fire Service was doing an excellent or good job. The Commission is pleased with both these survey results.

The Commission's outputs and their expected impacts

The Commission delivered a comprehensive range of risk reduction, fire safety public education, emergency response and fire authority co-ordination services to protect New Zealand's 4.2 million residents and visitors, $240 billion stock of buildings and 27 million hectares of forest, tussock and grasslands from fire. The Commission uses the following results to assess the impact of its services (outputs). The Commission's outputs have been classified as follows:

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

Output class 1: Fire safety education, prevention and advice

National goals

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

Achieve and maintain the estimated total number of fires in New Zealand to less than 1,900 per 100,000 population

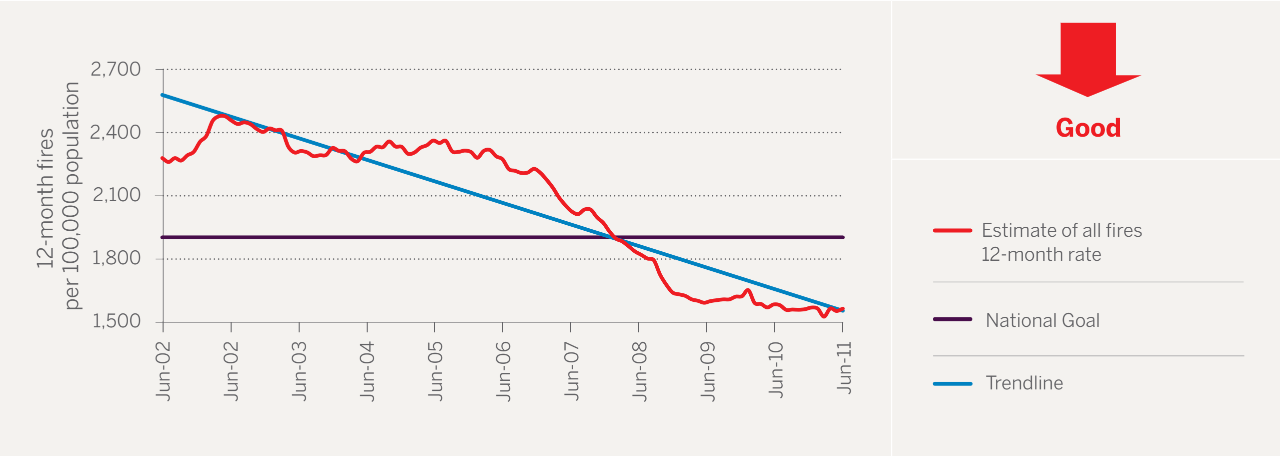
Table 7 summarises the results of the Commission's annual fire knowledge survey.

Table 7 Fire knowledge survey results

	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	2011 National Goal
People will believe a fire can become unsurvivable in five minutes or less	90%	91%	89%	91%	98%
People recall a fire safety message	79%	79%	83%	86%	85%
Homes will have at least one smoke alarm installed	90%	89%	90%	88%	96%

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

Figure 10 Estimate of all fires in New Zealand



The estimated number of all fires in New Zealand is used to monitor whether fire safety education messages are having their desired impact of reducing the overall fire problem in New Zealand.

The graph above (Figure 10) shows a steep decline in the total number of all fires per 100,000 population.

Output class 2: Firefighting and other Fire Service operations

The Fire Service responded to 76,334 emergency incidents during 2010/2011. The key trend over the last few years has been the increasing proportion of non-fire related incidents the Fire Service attends. In 2010/2011, 37 percent of incidents were non-fire related emergencies, compared to 24 percent in 2000/2001.

National goals

Response times for structure fire incidents inside fire districts will be monitored for performance against the national service delivery guidelines of:

- 8 minutes 90 percent of the time for career stations
- 11 minutes 90 percent of the time for volunteer stations

Meet or exceed national service delivery guidelines for non-fire emergencies:

- 30 minutes for motor vehicle accidents 90 percent of the time
- 20 minutes for incidents requiring the specialist 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

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

Table 8 and Table 9 below show the timeliness of responses to fire and non-fire emergencies compared to the national goal levels.

Table 8 Responses to structure fires inside fire districts

	2010/ 2011	2009/ 2010	National service delivery guideline
8 minutes for career stations	88%	89%	90%
11 minutes for volunteer stations	91%	92%	90%

Table 9 Responses to non-fire emergencies

	2010/ 2011	2009/ 2010	National Goal
Motor vehicle accidents will be responded to within 30 minutes	97%	96%	90%
Incidents requiring the hazmat unit will be responded to within 20 minutes in large urban areas	93%	88%	90%
Incidents requiring the hazmat unit will be responded to within 60 minutes for the rest of New Zealand	84%	83%	90%

The improvement in the response times for incidents that required the specialist hazmat-command unit was a result of the national strategy to deploy the new appliances in strategic locations throughout New Zealand.

Earthquake surveys have been completed on all 437 fire stations and 12 other properties. The current status of fire stations is shown below in Table 10.

Table 10 Fire station resilience

	Number	Percent
Minimum standard meet	418	96%
Stations where work has commenced to bring the level up to the minimum standard	4	1%
Stations with design and consent work underway	8	2%
Further options being considered to bring stations up to standard	7	1%
Total	**437**	**100%**

The Christchurch earthquake has directly and indirectly affected the fire station earthquake strengthening and resilience programme this year. Three Christchurch fire stations have been moved from the 'minimum standard met' to the 'further options being considered' category as a result of damage incurred in the Christchurch earthquakes. Four other fire stations in the 'design and consent' category have been put on hold and moved into the 'Further options being considered' category as an indirect result of the Christchurch earthquakes. One fire station has been completed and now meets the minimum standard.

Output class 3: Rural fire leadership and co-ordination

National goals

Reduce the number of fire authorities from 86 to 60 by 2013*, with a sub goal of establishing between 3–5 enlarged rural fire districts during 2010/2011.

100 percent of fire authorities will meet their legal obligations for adopting and reviewing their fire plans. The readiness and response parts of the fire plan will be reviewed every two years and the risk reduction and recovery parts of the fire plan every five years.

* This national goal will only be achieved in consultation with and with the agreement of fire authorities.

There were 78 fire authorities at 30 June 2011. The Commission is promoting and encouraging the concept of enlarged rural fire districts. In conjunction with the Department of Internal Affairs, the Commission has published guidelines on the establishment, governance and management of enlarged rural fire districts.

Currently, negotiation and consultation is in progress for establishing a number of enlarged rural fire districts. Some of these have established steering committees and are in the process of developing firm proposals. The Commission is confident this initiative will be successful in the coming years.

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

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

Table 11 Fire authority fire plans

	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	Target
Number of fire authorities	78	86	86	89	90	90	–
Fire authorities with an adopted fire plan and copy provided to the NRFA	78	86	86	81	89	87	–
Percentage of fire authorities with an adopted fire plan and a copy provided to the NRFA	100%	97%	100%	91%	99%	97%	100%
Percentage of fire authorities that have reviewed the readiness and response component of their fire plan	99%	98%	97%	–	–	–	–

Organisational Health and Capability

Our people

A five-year people strategy was developed in 2010 with the aim of refocusing the people management environment. The strategy was implemented in 2010/2011 and the key areas of work were:

- the development of new rostering options to enable more flexible resource deployment to match changing work patterns and demands
- the development of initiatives focused on ensuring the long-term sustainability of our volunteer workforce
- the development of a talent management and succession planning framework for management and leadership positions
- the enhancement of practices focused on the effective rehabilitation of ill and injured employees.

Leadership development

Training and Progression System (TAPS)

Launched in 2007, the Training and Progression System (TAPS), continued to provide comprehensive training for career and volunteer firefighters from recruit through to executive officer level. During 2010/2011, the non-operational leadership and management training needs of both career and volunteer personnel were reviewed.

As a result of the review, some components of the non-operational leadership and management training will be delivered by external parties. The new-look leadership components of TAPS will be available to staff members from aspiring senior firefighters to executive officers, from 2012.

AFAC Capability Framework

The Australasian Fire Authorities Council (AFAC) Capability Framework was redeveloped in 2010/2011 and includes two more job families, to fully reflect the full range of roles at the Fire Service.

The revised framework will be incorporated across various human resource initiatives in 2012. This approach will ensure a common framework is used to underpin all selection, development, recognition and reward programmes.

Talent management and succession planning

A talent management and succession planning framework was developed in 2010/2011 and will be implemented in 2011/2012. The framework will provide:

- an understanding of individual and collective capability across the Fire Service
- a way of prioritising people development investment
- information to help inform succession planning.

In addition, the framework will provide participants with:

- an opportunity to consider and articulate their development preferences and career goals
- realistic and targeted feedback on their career goals.

Volunteer sustainability

The volunteer sustainability project was established in 2009/2010 to improve recruitment and retention of volunteers. During 2010/2011, a literature review was carried out of both international and domestic research on how to attract and retain volunteers. A survey was conducted to better understand the motivations and long-term intentions of our volunteer workforce. This was supported by 38 face-to-face volunteer workshops and quantitative data from internal personnel systems. A report was produced that summarised the research findings.

The findings from the report were used to help develop a two-year work programme of initiatives. The focus for 2011/2012 will be to deliver on the first five of these initiatives, which are the:

- development of a volunteer value proposition
- development of a volunteer communications strategy
- development of recommendations for a national approach to volunteer rewards and recognition
- analysis of leadership development needs
- delivery of reporting and analysis for volunteer sustainability.

To support this work programme a reference group of 12 Fire Service volunteers and volunteer support staff was created. The reference group will ensure the work programme meets the needs of the Fire Service volunteer workforce.

Training and development

The training material for volunteer programmes was reviewed. As a result, the learning material was simplified to target core skills and to recognise the limited time volunteers have available for Fire Service related work.

Diversity and fairness

The Fire Service continued to run a firefighter recruitment strategy aimed at attracting females and people from a range of ethnic backgrounds. In 2010/2011, the recruitment strategy was expanded to reach people from minority groups in the early stages of their careers. This was achieved by:

- advertising in secondary school careers guides
- promoting the Fire Service with career guidance councillors
- attending career evenings at schools or commercial career expos.

This approach is intended to change people's perceptions, so the Fire Service is seen as an organisation that employs a wide range of individuals from many backgrounds.

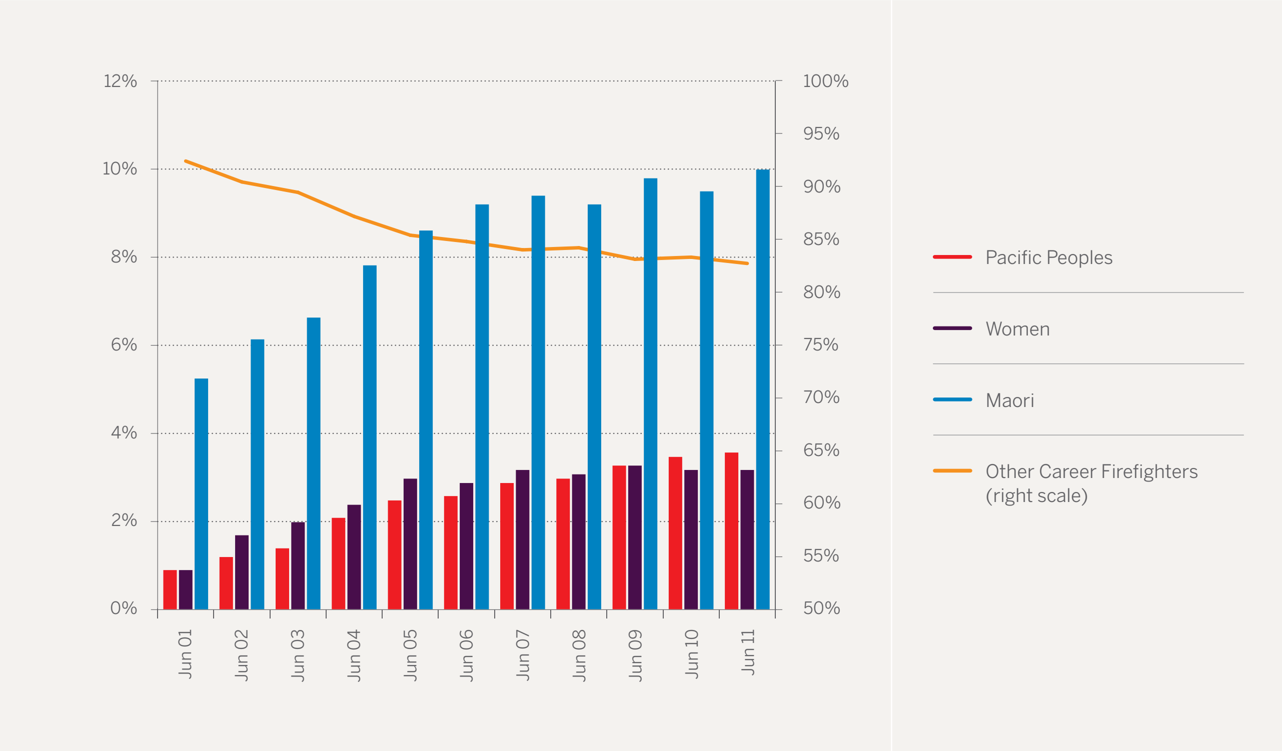
National goal

Achieve improved diversity of the Fire Service's workforce so that it better reflects the communities we serve.
Targets for June 2012:

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

The following graph (Figure 11) shows the diversity of career firefighters at 30 June 2011.

Figure 11 Career firefighter diversity



Safety and wellbeing

A significant amount of 2010/2011 was spent on the development and implementation of an effective welfare response to the devastating Canterbury earthquakes. During these events staff members were dealing with both the critical emergency response to the earthquakes and the impact of the earthquakes on their own personal lives.

The Fire Service's welfare response focused on three key stages:

- responding to critical needs immediately after the earthquake
- short-term support to assist in the weeks following the earthquake, including access to specialist psychological and other support
- long-term support focused on monitoring and effectively responding to the long-term impacts of the earthquake.

The Fire Service is a member of the ACC Partnership Programme and for several years has achieved tertiary-level accreditation through this programme. In 2010, the ACC Partnership Programme audit identified some deficiencies in our documentation and evidence to support the demonstration of tertiary level. As a result primary-level accreditation was achieved. In 2010/2011, the Fire Service focused on addressing the issues identified during the audit and on strengthening our overall practices. The Fire Service continues to achieve very positive outcomes from this programme, particularly in the area of rehabilitation and return to work practices. The number of claims, and lost time from claims, continues to reduce, demonstrating not only safer work practices but effective rehabilitation and return to work outcomes.

Employment relations

The Fire Service's employment relationship with its staff members is covered by three collective agreements or through individual employment agreements. The Collective Employment Agreements are between the Fire Service and the:

- Public Service Association (PSA)
- New Zealand Fire Service Executive Fire Officers Society (EOS)
- New Zealand Professional Firefighters Union (NZPFU).

The collective agreements with the PSA and the EOS were successfully renegotiated over the last 18 months. The collective agreement with the NZPFU expired on 31 December 2010 and, although the Fire Service engaged in bargaining with the NZPFU to achieve a new agreement, this has not yet been reached.

The Fire Service has regular consultative meetings with both the PSA and the EOS.

Good employer

The initiatives outlined in this section reflect the seven elements of 'a good employer' set out in section 118 of the Crown Entities Act 2004:

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

Table 12 summaries key initiatives aligned to the seven elements of 'a good employer'

Table 12 Good employer initiatives

Good employer element	Key Fire Service initiatives
1. Leadership, accountability and culture	▸ The Fire Service has developed a leadership model and associated initiatives to enhance leadership capacity and capability. ▸ Opportunities for staff members to engage in organisational initiatives outside their core area of expertise. ▸ Managers are encouraged and held accountable for providing staff with meaningful and challenging development opportunities.
2. Recruitment, selection and induction	▸ Formal documented recruitment processes are in place. ▸ Availability of tools for managers, such as psychometric testing and interview templates. ▸ Development of an online recruitment management system to streamline our recruitment processes. ▸ Review of the internal promotion processes during 2011, with any changes to be implemented in 2012.
3. Employee development, promotion and exit	▸ Performance management process for staff outside of the NZPFU collective agreement. ▸ Opportunities are available for staff members to apply for roles across all fire regions. ▸ The Career Board which will be implemented across the Fire Service, will have the oversight of development opportunities and help to actively manage career development and succession planning.
4. Flexibility and work design	▸ Flexible work practices where appropriate, for example variable start and finish times for administrative and non-operational staff. ▸ Job design to accommodate staff members such as the job share initiative and flexible rosters.
5. Remuneration, recognition and conditions	▸ Transparent remuneration system linked to the performance management system. ▸ Review of the Reward and Recognition offering for volunteers. ▸ Earthquake recognition plan put in place to recognise the efforts of personnel across the country.
6. Harassment and bullying prevention	▸ Delivery of targeted training for managers and staff on policy and effective practice. ▸ Four-level process for addressing complaints.
7. A safe and healthy workforce	▸ Operation of national and local committees responsible for monitoring safe work practices and making improvements to practices at a local and national level. ▸ Development of a training programme to educate managers in their responsibilities, and to enhance their effectiveness in supporting the effective rehabilitation of ill and injured employees. ▸ Active engagement at employee union and individual employee level in safety and wellbeing initiatives, including participation in national, regional and local committees.

Table 13 shows personnel turnover rates, compared to the national goal and the previous two years, split into three broad staff groups.

Table 13 Employee turnover rates

	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	National Goal
Management and support	7.8%	6%	9.3%	13.5%	<15%
Communication centre staff	5.1%	9%	1.2%	7.8%	<15%
Career firefighters	1.5%	2%	1.7%	2.3%	<6%

Enhancement of work practices, structures and performance

The Commission continues to build on its approach of continuous improvement. This is demonstrated through the achievement of a silver award from the Business Excellence Foundation in 2009, and positive outcomes in the state sector Better Administration and Support Services benchmarking exercise undertaken in 2010. Through this benchmarking, the Commission was able to demonstrate that its administrative and support services are delivered effectively in a cost-effective manner, and compare well with other state sector agencies.

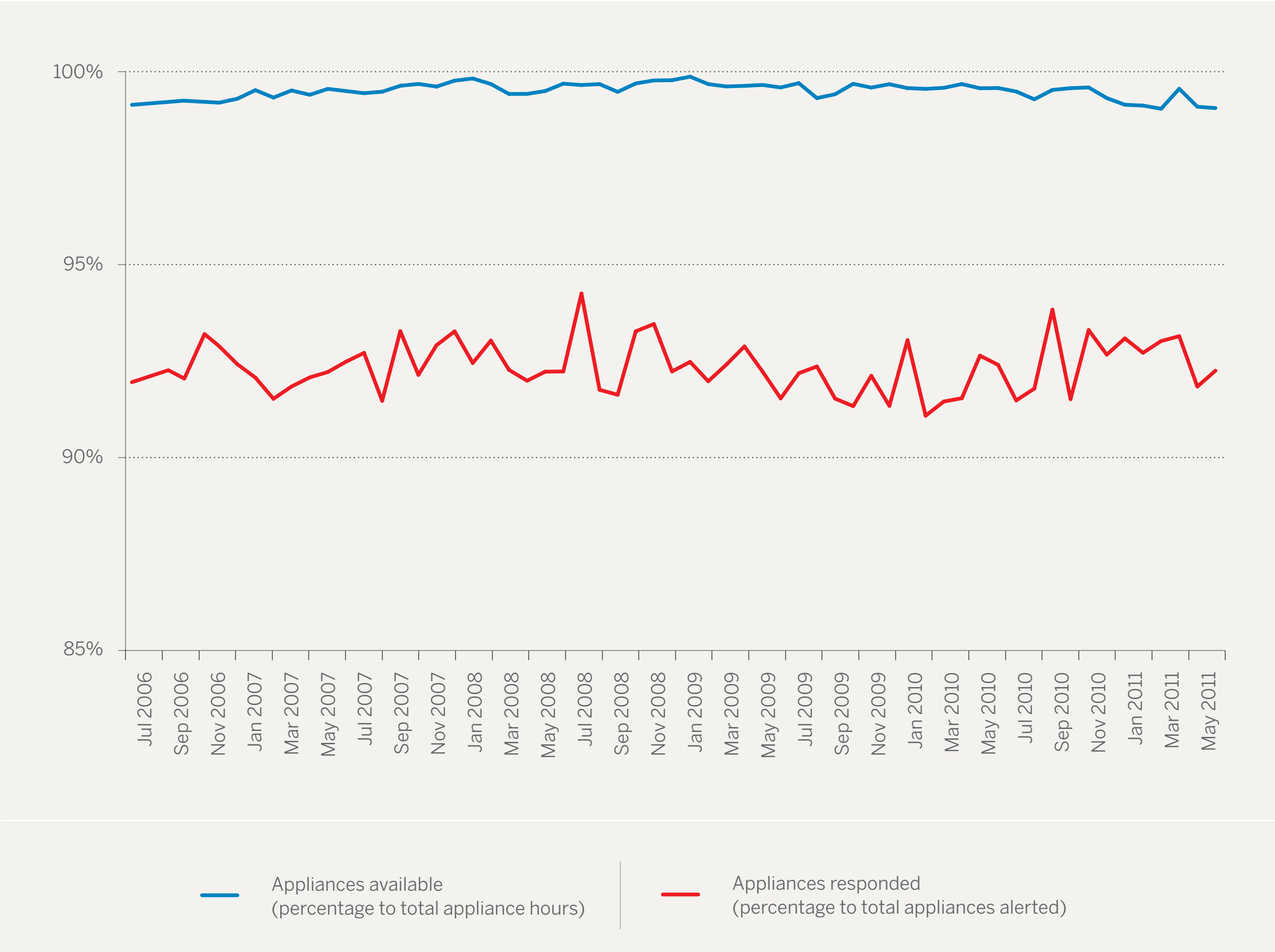
We started a significant re-focus of our area and regional structure in 2010/2011. The review is well progressed, with a proposed structure currently being consulted on. It is anticipated full implementation will be completed by 30 June 2012.

National goals – organisational health and capability

Sufficient volunteers are available to volunteer brigades so they can meet their community obligations
Improve the employee engagement index to 75 percent by 2011

The graph below (Figure 12) shows volunteer availability and hence sufficient numbers of volunteers. The blue line of the graph shows the percentage of time volunteer appliances are available to respond to incidents, currently about 99 percent of the time. Unavailability is due to a number of reasons including training, training exercises and duplicate calls.

Figure 12 Volunteer Availability Indicators



The Commission understands there are areas in New Zealand where retaining volunteers is becoming increasingly difficult. As a result, a volunteer sustainability project was initiated in early 2010 with progress reported on page 36 of this report.

The employee engagement index was calculated following the staff survey carried out in September and October 2008. The 2008 survey resulted in an engagement index score of 71. The index uses responses to a range of questions and indicates how well satisfied and engaged people are in their work. There was no employee survey conducted in 2011 and the future structure of this survey is currently being reviewed.

National goals – environment

Establish targets for reducing carbon emissions and energy consumption by 30 December 2010

The development of targets for Greenhouse Gas (GHG) emissions was delayed and will now be completed by 30 December 2011.

Statement of Responsibility

for the year ended 30 June 2011

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

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

In the opinion of the New Zealand Fire Service Commission, the financial statements and the statement of service performance for the year ended 30 June 2011 set out on pages 46 to 116 fairly reflect the financial position and operations of the Commission.

Rt Hon Wyatt Creech
Chair
31 October 2011

Robert Francis
Member of Commission
31 October 2011

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of New Zealand Fire Service Commission's financial statements and non-financial performance information for the year ended 30 June 2011

The Auditor-General is the auditor of the New Zealand Fire Service Commission (the Commission). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the Commission on her behalf.

We have audited:

- the financial statements of the Commission on pages 64 to 116, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Commission that comprises the statement of service performance on pages 46 to 58 and the report about outcomes on pages 25 to 34.

Opinion on financial statements

In our opinion the financial statements of the Commission on pages 64 to 116:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Commission's:
  - financial position as at 30 June 2011; and
  - financial performance and cash flows for the year ended on that date.

Qualified opinion on non-financial performance information – performance data was not collected for some performance measures in the prior year

Reason for qualified opinion on non-financial performance information

In respect of the 30 June 2010 corresponding information only, and as outlined on page 46, performance data was not collected for some performance measures during September to December 2009, due to industrial action by fire fighters.

As the performance data was not collected for those measures during September to December 2009, the performance data for the corresponding year is incomplete and does not fairly reflect the actual performance for those measures for the year ended 30 June 2010.

The lack of performance data meant that our work on the affected non-financial performance information for the corresponding year was limited and our audit opinion on the non-financial performance information for the year ended 30 June 2010 was modified accordingly.

The performance data reported for 2010/2011 is for an entire year and as result of the above issues it is not directly comparable to the 2009/2010 performance data.

Qualified opinion on non-financial performance information

In our opinion, except for the effects on the corresponding figures of the matter described in the "Reason for our qualified opinion" paragraph above, the non-financial performance information of the Commission on pages 25 to 34 and 46 to 58:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects the Commission's service performance and outcomes for the year ended 30 June 2011, including for each class of outputs:
  - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
  - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 31 October 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the members of the Commission and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non-financial performance information. We were unable to determine whether there are material misstatements relating to the corresponding figures in the Commission's reported performance for those performance measures where data was not collected during September to December 2009, because the scope of our work was limited, as we referred to in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation of the financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. We did not obtain all the information and explanations we required due to the

Commission not collecting performance data for some performance measures during September to December 2009, as explained above. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion on the financial statements and our qualified opinion on the non-financial performance information.

Responsibilities of the members of the Commission

The members of the Commission are responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Commission's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The members of the Commission are also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

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

In addition to the audit we have carried out a probity assurance review over the tender process for selection of the main construction contractor for Stage 2 of the National Training Centre, Rotorua. This assignment is compatible with those independence requirements.

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

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

Statement of Service Performance

for the year ended 30 June 2011

This section sets out the measures of financial performance and the output performance for 2010/2011.

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 2010/2011

The Station Management System (SMS), which contains incident information, was 99.4% complete in 2010/2011. The remaining 0.6 percent was proportionally spread across all incident types. This treatment is consistent with previous years. Completeness for each of the last five years was: 98.5 percent for the months where incident data was available (July–August 2009 and January–June 2010, see comment below), 99.0 percent, 98.4 percent, 98.1 percent and 98.5 percent.

Incomplete comparative data for 2009/2010

Members of the New Zealand Professional Firefighters Union (NZPFU) undertook a number of industrial actions in the first and second quarters of 2009/2010. The firefighter industrial action initially involved banning the use of computers but escalated to only providing activities related to emergency response and ensuring operational readiness to respond. This action resulted in fewer outputs delivered than forecast for many outputs. Industrial action by communication centre operators resulted in a large number of incidents not being closed off in the emergency dispatch system. This action resulted in no new incident data being transferred into the incident reporting system and therefore unavailable to be used to report on progress against national goals covering fire and non-fire outcomes. It also impacted on some of the output measures relating to incident responses. The industrial action affected data from September through to December 2009.

A new collective employment agreement was agreed in late December 2009 and industrial action ceased at that same time. Reporting of time-series data for national goals covering fire and non-fire emergencies was affected for 2009/2010. Output data was affected by reduced volumes delivered and delays to the delivery of some outputs.

Main financial measures

	2010/2011 Actual $000	**2010/2011** SOI Target $000
Levy receipts (including Rural Fire Fighting Fund)	311,602	305,988
Total revenue and income (excluding Rural Fire Fighting Fund)	325,196	316,106
Total expenditure (excluding Rural Fire Fighting Fund)	324,560	316,864
Net surplus attributable to the owners of the Commission	2,453	(185)
Debt and investment levels-minimum liquidity buffer	10,000	10,000
Capital expenditure cash flows		
Intangibles	1,894	4,193
Property, plant and equipment	46,149	47,182

Output classes levy receipts

	2010/2011 Actual levy receipts $000 GST excl.	**2010/2011** Budget levy receipts $000 GST excl.	**2009/2010** Actual levy receipts $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**48,921**	**51,100**	**46,960**
Output 1.1: Fire prevention and advice to the general public.	34,276	35,189	31,307
Output 1.2: Professional and technical advice to the built environment public.	13,399	14,381	14,449
Output 1.3: Fire safety legislation.	1,246	1,530	1,204
Output Class 2: Firefighting and other Fire Service operations.	**257,696**	**249,074**	**247,442**
Output 2.1: Operational readiness.	194,441	197,668	202,589
Output 2.2: Operational responses to fire and other emergencies.	42,066	43,450	37,929
Output 2.3: Wider emergency management capability.	21,189	7,956	6,924
Output Class 3: Rural fire leadership and co-ordination.	**4,985**	**5,814**	**6,622**
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes.	4,362	5,202	6,020
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	623	612	602
Total levy receipts assigned to outputs	**311,602**	**305,988**	**301,024**

Output classes other revenue and income

	2010/2011 Actual other revenue and income $000 GST excl.	**2010/2011** Budget other revenue and income $000 GST excl.	**2009/2010** Actual other revenue and income $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**1,293**	**984**	**1,479**
Output 1.1: Fire prevention and advice to the general public.	758	500	776
Output 1.2: Professional and technical advice to the built environment public.	181	87	200
Output 1.3: Fire safety legislation.	354	397	503
Output Class 2: Firefighting and other Fire Service operations.	**14,560**	**10,554**	**10,443**
Output 2.1: Operational readiness.	6,330	5,970	7,167
Output 2.2: Operational responses to fire and other emergencies.	5,215	4,536	2,901
Output 2.3: Wider emergency management capability.	3,015	48	375
Output Class 3: Rural fire leadership and co-ordination.	**2,107**	**3,065**	**1,928**
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes.	2,098	3,061	1,920
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	9	4	8
Total other revenue and income assigned to outputs	**17,960**	**14,603**	**13,850**

Output classes total expenditure

	2010/2011 Actual total expenditure $000 GST excl.	2010/2011 Budget total expenditure $000 GST excl.	2009/2010 Actual total expenditure $000 GST excl.
Output Class 1: Fire safety education, prevention and advice.	**49,625**	**51,973**	**47,652**
Output 1.1: Fire prevention and advice to the general public.	34,724	35,562	31,332
Output 1.2: Professional and technical advice to the built environment public.	13,427	14,459	14,486
Output 1.3: Fire safety legislation.	1,474	1,952	1,834
Output Class 2: Firefighting and other Fire Service operations.	**270,537**	**259,733**	**252,864**
Output 2.1: Operational readiness.	199,648	203,583	205,631
Output 2.2: Operational responses to fire and other emergencies.	46,836	48,125	40,059
Output 2.3: Wider emergency management capability.	24,053	8,025	7,174
Output Class 3: Rural fire leadership and co-ordination.	**6,947**	**9,070**	**8,339**
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes.	6,418	8,361	7,811
Output 3.3: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	529	709	528
Total expenditure assigned to outputs	**327,109**	**320,776**	**308,855**

Output performance

Output Class 1: Fire safety education, prevention and advice

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

This output class includes services to the public covering fire safety education, technical advice on building fire safety and the administration of fire safety legislation.

Output 1.1: Fire prevention and advice to the general public

This output includes the delivery of fire safety education and advice to the public. These services aim to change peoples' behaviour by improving their knowledge about fire risks and what actions to undertake to reduce those risks. It is delivered under the direction of the five-year national promotion plan. This plan identifies key groups who are at-risk in terms of fire and the organisations the Fire Service can form partnerships with to help deliver fire prevention and fire safety advice.

The Commission (as the National Rural Fire Authority) co-ordinates a national campaign to promote fire-safe behaviour in rural areas. The campaign focuses on fire prevention and making landowners and the general public aware of their legal obligations with respect to vegetation fires. The campaign is run in conjunction with the New Zealand Forest Owners Association and the Department of Conservation and includes television and print media advertising. Fire authorities also carry out local campaigns within their jurisdictions during the year.

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
1.1.1	Number of fire safety education programmes delivered and the percentage that use the standard national promotion material. Targets are:			
	• programmes for children using the Firewise programme	1,235	824	1,200–1,500
	• programmes for young people using the Fire Awareness Intervention Programme (FAIP)	582	670	700–1,000
	• home visits delivering fire safety messages	18,508	12,803	13,000–16,000
	• percentage using the standard national promotion material	100% of Firewise and FAIP programmes	100% of Firewise and FAIP programmes	100%
1.1.2	Number of smoke alarms installed by 30 June 2011.	20,084	20,691	20,000–25,000
1.1.3	The NRFA will co-ordinate an education and promotion campaign during the fire season, in partnership with rural stakeholders, to raise public awareness of the hazards associated with fire in forest and rural areas.	Campaign conducted between Dec 2010 and Feb 2011	Campaign conducted between Dec 2009 and Feb 2010	Campaign conducted between Dec 2010 and Feb 2011
1.1.4	Percentage of public satisfaction and level of expectations met with fire safety education provided by the Fire Service.*	94% and 97%	97% and 97%	At least 85%

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

Comment on measures 1.1.1

The measure of the number of programmes delivered to children using the Fire Awareness Intervention Programme (FAIP) counts the number of individuals who completed the programme during the year. In prior years the number of visits was reported and this may have included multiple visits to an individual. The actual number for 2009/2010 has been restated to show the number of individuals who completed the programme in that year.

The number of house visits was above target mainly due to a conservative target set in the aftermath of the Canterbury earthquakes, where there was uncertainty about the impact the earthquakes would have on service delivery.

Comment on 1.1.4

A random telephone survey of 1004 people was carried out in September 2011. Of the people surveyed 274 had contact with the Fire Service for fire safety education. The levels of satisfaction and expectations reflect the views of these 274 people.

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

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

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

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
1.2.1	Number of times technical fire safety advice is delivered and the percentage that meets the national technical fire safety standards: • number of times fire safety technical advice is provided	9,505	9,572	7,000–10,000
	• percentage of technical advice delivered that meets the national technical fire safety standards	88%	Not measured	100%

Comment on measures 1.2.1

The percentage of technical advice that met the national technical fire safety standards was based on a sample of 25 pieces of advice and assessed internally. The advice not meeting the technical fire safety standards was not technically incorrect. There were some inaccurate references to out of date legislation. The intent of the advice was correct but the actual wording quoted from legislation was out of date.

Output 1.3: Fire safety legislation

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

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

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
1.3.1	Number and percentage of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of being received and the percentage meeting the internal quality standards.	443 95% 100%	429 95% 100%	500–1,000 100% 100%
1.3.2	Percentage of evacuation schemes submitted to the Fire Service processed within 20 working days of being received.	68%	56%	At least 90%
1.3.3	Percentage of identified dangerous buildings notified to the relevant territorial authority.	100%	100%	100%

Comment on measure 1.3.2

The percentage of evacuation schemes processed within the statutory timeframe was significantly below the target level. Considerable work was carried during 2010/2011 to improve the processing of these schemes. Some improvements were made during the year and a project was commenced that included revising the process for electronically submitting evacuation schemes to the Fire Service and automating the Fire Service processing of evacuation schemes. The Commission is confident that these improvements will see the processing times further improving in 2011/2012.

Output Class 2 – Fire fighting and other Fire Service operations

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

This output class includes the services the Commission provides to prepare for and suppress fires and provide a response to other emergencies. Responses to other emergencies includes such things as motor vehicle accidents, hazardous substance emergencies, natural disasters and medical emergencies. The Fire Service's role in helping communities to be prepared for emergencies is also included in this output class. Examples of these types of services are maintaining the urban search and rescue capability, working with territorial authorities to be prepared for civil defence emergencies and membership on a range of local committees or groups tasked with preparation and response to non-fire emergency incidents.

Output 2.1: Operational readiness

This output represents the coverage and capacity of the Fire Service throughout New Zealand regardless of how many emergency incidents are actually attended. It is an important aspect or the overall services provided and ensures that people are confident that they have 24 hour, 365 day access to an emergency response capability when they need it. The output covers activities to make sure the Fire Service maintains a state of operational readiness 24 hours of every day. The Fire Service achieves this through comprehensive staff training, regular equipment maintenance and accurate operational incident pre-planning.

The Fire Service verifies its state of readiness by conducting internal operational readiness assessments. The Fire Service's operational readiness is continually being improved implementing improvements identified as a result of post-incident operations investigations.

The pre incident planning ensures information is available for buildings so the Fire Service is able to take the most appropriate actions in the event of an emergency incident. The Fire Service reviews and updates risk plans on a regular basis to ensure information remains current.

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
2.1.1	Percentage of stations assessed meeting the minimum standard for operational readiness, as judged by full operational readiness assessments.	100%	100%	100%
2.1.2	Percentage of stations assessed on a five-year rolling basis.	79% (346 of 437)	11% (46 of 436)	100%
2.1.3	Number of operational plans developed or reviewed in accordance with the national commander's operational instructions.	1,144 developed and 1,623 reviewed	849 developed and 988 reviewed	700–1,000 developed 1,000–1,500 reviewed
2.1.4	Develop an annual operational readiness status check process incorporating the more the critical elements of the operational readiness assessments.	Achieved	na	By 30 June 2011

Comment on measure 2.1.1

The result of 100% reflects the assessment of each fire region's overall level of operational readiness. The assessment includes auditing a sample of fire stations.

Comment on measure 2.1.2

During 2010/2011 the Commission implemented a revised operational readiness assessment process. The assessment process includes:

- an annual audit of every station against key elements of the readiness standard
- a comprehensive evaluation of each region once every five years including a check of all Fire Areas and a sample of stations against the readiness standard
- an annual sampling and moderation process conducted by an independent internal auditors to ensure consistent application of the operational readiness standard.

This revised process has resulted in a significant improvement in the assurance to the National Commander on the operational readiness of the Fire Service. The 79% of stations assessed over a five-year timeframe reflects the first year of the annual audit component.

Comment on measure 2.1.3

More operational plans were developed in 2010/2011 than planned due to the continued focus on operational planning following the report into the Icepak Coolstores fire in 2008.

Output 2.2: Operational responses to fire and other emergencies

This output includes the operational responses to fire and other emergencies. National service delivery guidelines are in place for responses to a range of emergency incident types. The national guidelines are intended to provide stretch targets to ensure that stations are located optimally, resources are deployed in an efficient way and that processes are improved to minimise the overall response times to emergency incidents. Improvements in response times will be made over the long-term as moving fire stations and changing equipment is costly and time consuming. National goals for monitoring response times are included on page 32.

Also included in this output are post-incident operational reviews that are carried out following major incidents the Fire Service has attended. The reviews highlight examples of good operational practice that can be shared throughout the organisation and to identify opportunities for improvement.

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
2.2.1	Percentage of alarms to fires, in fire districts, responded to by the Fire Service and appropriate action taken.	100% (15,859)	100% (12,358)	100%
2.2.2	Percentage of alarms to fires, outside fire districts, responded to by the Fire Service and protection of life and property given.	100% (4,766)	100% (4,943)	100%
2.2.3	Percentage of alarms to non-fire emergencies in fire districts, responded to by the Fire Service and assistance provided.	100% (23,810)	100% (13,095)	100%
2.2.4	Percentage of alarms to non-fire emergencies, outside fire districts, responded to by the Fire Service and protection of life and property given.	100% (4,786)	100% (3,385)	100%
2.2.5	Percentage of alarms to incidents that turn out to be false responded to by the Fire Service.	100% (27,113)	100% (15,555)	100%
2.2.6	Percentage and number of post-incident operational reviews carried out, according to the national commander's operational instructions, for all incidents meeting the national commander's criteria.	100% 16	Not measured (8)	100% Estimated at between 20–40
2.2.7	Percentage and number of specialist fire investigations, according to the national commander's operational instructions, completed for all incidents meeting the national commander's criteria.	100% 194	Not measured (88)	100% Estimated at between 220–300
2.2.8	Percentage of the public's satisfaction and level of expectations met with the overall response services provided by the Fire Service. *	99% and 94%	93% and 97%	At least 90%

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

Comment on measure 2.2.3 to 2.2.4

The comparative information for these measures have been amended from the figures shown in 2009/2010 annual report. The figures in 2009/2010 included incidents that turned out to be false alarms. False alarms where also reported under measure 2.2.5 so for clarity of reporting false alarms are now only included under measure 2.2.5. Also note that the 2009/2010 figures are for 8 months only due to industrial action (see the comment on page 46)

Comment on measure 2.2.6

A random telephone survey of 1004 people was carried out in September 2011. Of the people surveyed 74 had contact with the Fire Service for emergency response. The levels of satisfaction and expectations reflect the views of these 74 people.

Output 2.3: Wider emergency management capability

This output covers the Fire Service's wider emergency management activities at the national, regional and local level. It includes planning and research relating to low frequency / high impact events such as earthquakes. This includes working with and supporting the operation of emergency management groups and making sure Fire Service obligations under the National Civil Defence Plan can be met.

The Commission has made a large investment in urban search and rescue capability and has established three teams, one each in Auckland, Palmerston North and Christchurch. Each team meets the International Search and Rescue Advisory Group (INSARAG) medium level capability. The Fire Service will continue to maintain this capability.

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

Performance measures

	Measure	2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
2.3.1	Number of times the Fire Service participated in Emergency Management Group meetings.	37	20	Between 30–50
2.3.2	Number of urban search and rescue teams maintaining the International Search and Rescue Advisory Group (INSARAG) medium level.	3	3	3 by 30 June 2011
2.3.3	Number of exercises carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents.	234	143	Between 250–350
2.3.4	The Fire Service will meet its national civil defence obligations when participating in national level civil defence and emergency management exercises as determined by post exercise review.	1 national emergency declared	No exercises completed	100%

Comment on measure 2.3.4

A national state of emergency was declared following the 23 February Christchurch earthquake. The Civil Defence review was still underway at the time of writing this annual report. However, an internal Commission review was carried out and found the Fire Service performed admirably during the event and met its obligations. A number of recommendations resulted from the review and these are either completed or are being implemented.

Output Class 3: Rural fire leadership and co-ordination

(Sections 14A, 17X and 46A to 46L of the Fire Service Act 1975 and section 18 of the Forest and Rural Fires Act 1977)

This output class covers services to provide leadership and co-ordination on rural fire management, including: establishing rural fire standards, auditing fire authorities compliance against those standards, evaluating fire authority performance under the Forest and Rural Fires Act and providing a co-ordinated national view on rural fire issues.

Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the rural fire fighting fund and grant assistance schemes

This output covers National Rural Fire Authority (NRFA) activities to maintain an administrative infrastructure to support fire fighting services in rural areas. The NRFA provides advice including interpretation on legal matters, advice and support to fire authorities and regional rural fire committees. The NRFA provides support to rural fire committees through the rural fire managers and the national rural fire officer.

This output also covers the administration of the grant assistance scheme and the Rural Fire Fighting Fund (RFFF). The grant assistance scheme provides funding support to fire authorities to help them invest in appropriate plant and equipment to help ensure they maintain an appropriate operational readiness capability. The RFFF reimburses fire authorities for the majority of their expenses relating to putting out wildfires.

The Commission is required to carry out its activities in a transparent way. A mediation process is therefore is available if fire authorities have any issues with the decision process for either the grant assistance scheme or the RFFF.

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
3.1.1	Percentage of fire authorities advised of the results of their grant applications (estimated at between 40 and 80 and $1.7m in value) within two months of the application cut-off date.	100% (63) ($1.87m)	100% (66) ($1.65m)	100%
3.1.2	Percentage of approvals for grant assistance applications in accordance with the Commission's policy as verified by internal audit.	100%	100%	100%
3.1.3	Percentage of fire authorities advised of the results of their claim within two months of it being lodged with the NRFA under the rural fire fighting fund.	98%	99%	90%
3.1.4	Percentage rural fire fighting fund claim decisions accepted without recourse to mediation.	100%	100%	95%
3.1.5	Percentage of members of regional rural fire committees indicating satisfaction with administrative support and meeting facilitation, as determined by an independent survey.	63% (admin) 67% (meeting)	69% (admin) 85% (meeting)	95%

Comment on measure 3.1.5

There was significant reduction in the satisfaction levels with the NRFA administrative and meeting facilitation support for the regional rural fire committees. While the Commission cannot point to any particular reasons for this drop it does note that the rural fire sector is going through a period of change and uncertainty as part of the enlarged rural fire district initiative.

Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.

This output covers the maintenance of the rural fire standards and auditing fire authority compliance against those standards. It also includes the evaluation of fire authorities performance under the Forest and Rural Fires Act 1977 and provision of fire weather data and information to fire authorities.

Fire weather monitoring and the fire danger rating system are important tools for assessing fire risk in rural areas. The information helps fire managers assess the levels of preparedness and resources needed to extinguish fires and minimise fire losses. The information is used to:

- define the fire season, which currently runs from 1 October through to 31 March
- determine the appropriate fire prevention measures
- assess the likelihood of fire occurring
- determine the fire fighting response and resources
- inform the public
- make decisions to close areas at high risk
- plan and conduct controlled burns.

Performance measures

Measure		2010/2011 Actual	2009/2010 Actual	2010/2011 SOI target
3.2.1	Percentage of fire authorities provided with written reports, on the estimated 60 fire and equipment, weather station and training standards audits, within two months of the audit.	75% (43 audits)	94% (52 audits)	100%
3.2.2	Percentage of fire authorities provided with a written draft performance report, on the estimated five assessments of fire authorities performance under the Forest and Rural Fires Act 1977, within two months of the assessment.	80% (five completed)	80% (five completed)	100%
3.2.3	Percentage of performance reports accepted by fire authorities without recourse to mediation.	100%	100%	95%
3.2.4	Percentage daily availability of fire weather information and the percentage updated by 3pm.	95% 95%	100% 99%	100% 95%

Comment on measure 3.2.1

The main reason this measure was not achieved was the additional time fire authorities took to provide missing data relating to the standards audits. The NRFA delayed the development of the standards audit reports to make sure all missing data was included. In future the NRFA will provide a flow chart of timelines to fire authorities in advance of the standards audits and will provide time extensions only in extenuating circumstances.

Financial Commentary

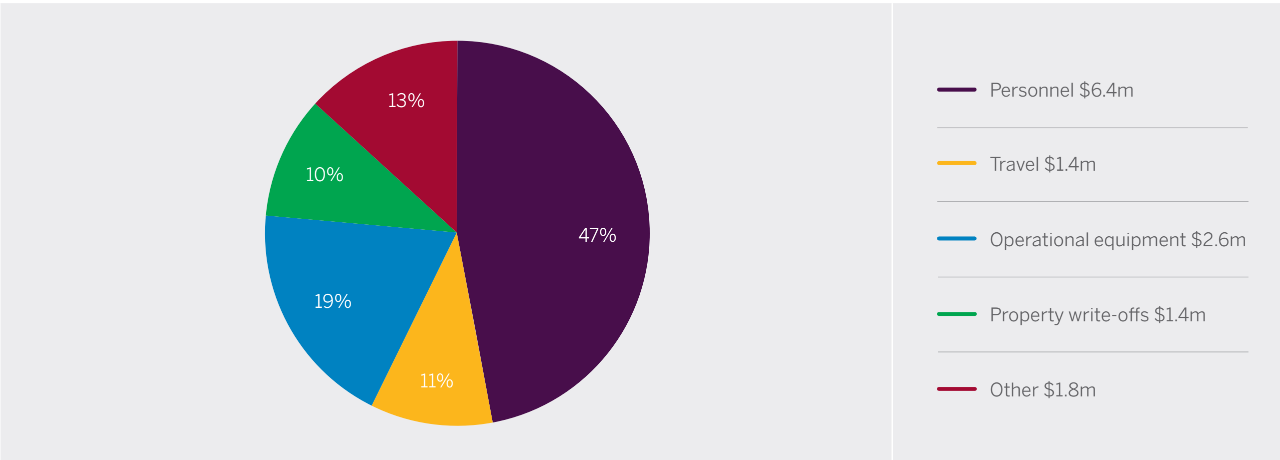
for the year ended 30 June 2011

Operating Performance

Total expenditure amounted to $327.1 million for the year including expenditure on natural disasters of $13.6 million. This exceeded budget by $6.3 million. Revenue receipts were in total $329.6 million and were $8.9 million ahead of budget for the year. Leaving an operating result for the year which was $2.6 million ahead of budget (before revaluations and impairments).

This was a strong financial result for the Commission for the year reflecting tight cost controls and increased operating efficiencies associated with both revenue and expenditure cash flows (including lower claims on Rural Fire Fighting Fund and funding available for enlarged Rural Fire Districts).

Figure 13 Analysis of the Fire Service Disaster Response and Recovery Expenditure of $13.6 million



To achieve this result, budget savings were delivered by the Commission of $7.3 million for offsetting against the additional $13.6 million of expenditure incurred on natural disasters.

Actual Results	$ millions
Gross budgeted operating expenditure	320.8
Cost of deployments natural disasters	13.6
Total operational expenditure	**334.4**
Deduct operational savings achieved	(7.3)
Total actual operational expenditure	**327.1**

The tight budget controls referred to above enabled the following savings to occur.

Savings	$ millions
Operational training slowed considerably due to deployment of training participants and trainers to cover events as they unfolded.	$1.4
Strategic initiatives and capital programmes which were scheduled for delivery at the commencement of the year and for depreciation impacts to occur mid year were not delivered until the second half of the financial year or had to be deferred.	$3.9
The demands on the Rural Fire Fighting Fund (RFFF) and on grants to the enlarged Rural Fire Districts (ERFD) were not as strong as anticipated.	$2.0
Total	**$7.3**

Operating Expenditure

The prevailing theme this year were the natural disasters (Pike River Mine disaster, Christchurch earthquakes, and the Japan earthquake and tsunami) that impacted the country and the emergency response by the Fire Service to each.

The response to natural disasters are not specifically budgeted for by the Fire Service but are usually accommodated for within the overall operational capability budgeted for in any financial year. In the past marginal costs associated with deployments could be accommodated for from within the overall budget as they tended to be relatively small.

2010/11 was different as the magnitude of the expenditure required has impacted the financial results for the year. This is due to:

- the large scale of deployments – people (volunteer and career), duration and the distances to travel
- the deployment of the Fire Service Urban Search and Rescue Teams (USAR)
- ongoing impacts from the Canterbury earthquakes and aftershocks.

In total $13.6 million of levies were applied during the year to unbudgeted expenditure to support the Fire Services disaster response and recovery effort.

Year ended 30 June 2011	$ millions
Pike River Mine disaster	0.2
Canterbury Earthquakes	12.9
Japan Deployment of USAR	0.5
Total expenditure	**$13.6**

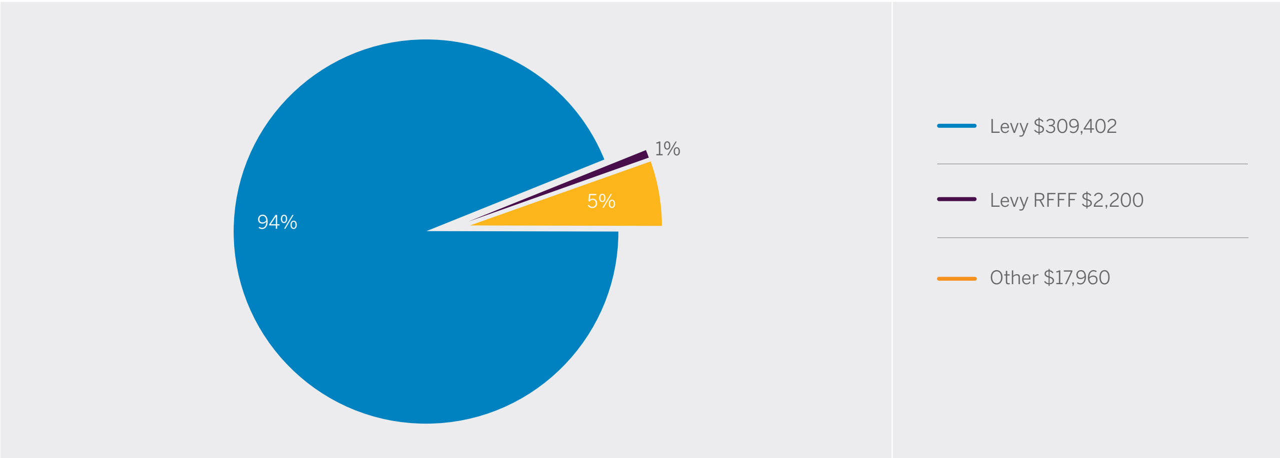
Revenue

Levy receipts (including RFFF) contributed 95% of the total income. Levy revenue exceeded budget by $5.6 million primarily off the back of a settlement of a long running dispute. The rest of the growth in levy came from increased market activity.

Revenue for the year includes a $2.0 million preliminary payment of insurance proceeds related to the Christchurch earthquakes for property damage and business interruption and a $0.5 million donation of USAR operational assets from the USA USAR team.

For reporting purposes a timing difference will result as the receipt of insurance proceeds and the expenditure to replace and repair properties will occur in different financial reporting years.

Figure 14 Analysis of total income and revenue by source 2010/11 ($000)



Working Capital

The Commission aims to hold investments on its balance sheet to accommodate events which are out of the ordinary and which can be funded without compromising its "business as usual" activities. At the commencement of the year the Commission held $39.5 million of investments. In the budget these investments had been projected to drop down to $19.6 million by year end.

The timing of the earthquakes, which primarily occurred during the first eight months of the year, was advantageous to the Commission for a number of reasons:

1. The Commission had already been managing finances tightly due to the impact of the global financial crisis and the uncertainty that it had imposed on levy receipts. The Commission was able to further monitor and restrain.
2. The Commission took the opportunity to actively manage and reprioritise budgets so they remained appropriate in light of unbudgeted costs.
3. Revenue and income flows were stronger than anticipated in the budget and this helped to strengthen the balance sheet and support the operational response.
4. The scale of the response meant that some business activities which would normally take place had to be rescheduled due to lack of resources being available or time available to undertake those activities. These activities included operational training, projects requiring operational input and capital programmes.

Cash and investments at 30 June 2011 were $34.5 million compared to a budgeted level of $19.6 million. The difference of $14.9 million can be accounted for as follows:

Year ended 30 June 2011	$ millions
Income was up	4.8
Expenditure was up	(4.6)
Capital investments under spent by	3.3
Sale and lease back generated an additional	8.3
Other	(0.7)
Opening balance was higher by	3.8
Total difference cash and investments	**14.9**

Balance Sheet

Capital investment in infrastructure remains a high priority for the Commission. With over 450 fire stations and 850 appliances, all at different stages of their economic lives and conditions, continual reinvestment is critical in ensuring operational standards are met.

The Commission invested $59.8 million including leased and donated assets or $49.0 million excluding these. This is prior to asset disposals of $10.3 million.

Capital Expenditure Spend (Excludes new leases and donated assets)

Summary 000's	YTD 30 JUN 11 Act 10/11	YTD 30 JUN 10 Act 09/10
Fleet	19,463	26,356
Property	18,272	9,928
Information Communication & Technology	4,916	4,631
Operational Equipment	6,384	7,098
Total Spend	**49,035**	**48,013**

Land and building

Properties are revalued annually at the end of each financial year. This year the valuation resulted in an overall increase in the value of properties of $4.5 million.

Year ended 30 June 2011	$ millions
Revaluation decreases Christchurch earthquakes	(8.7)
Other revaluation movement	13.2
Total asset revaluation increase this year	**4.5**
Included in the financial accounts:	
Increase showing in the Statement of Comprehensive Income	4.5
Total asset revaluation increase this year	**4.5**

Properties with significant damage were Christchurch central (including the regional office), Woolston, Brooklands, Kaiapoi and Lyttelton.

Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Revenue				
Levy		309,402	304,488	299,224
Other revenue	1	12,677	9,653	8,843
Total revenue		**322,079**	**314,141**	**308,067**
Income	2	**3,117**	**1,965**	**3,141**
Total revenue and income		**325,196**	**316,106**	**311,208**
Expenditure				
Employee and volunteer benefits expenditure	3	212,644	207,961	204,395
Depreciation	4	28,581	30,170	27,108
Amortisation	5	1,899	1,956	1,795
Finance costs	6	255	486	263
Other expenditure	7	81,181	76,291	71,072
Total expenditure		**324,560**	**316,864**	**304,633**
Net surplus attributable to the Commission		**636**	**(758)**	**6,575**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	8	**1,817**	**573**	**(556)**
Net surplus/(deficit) attributable to the owners of the Commission		**2,453**	**(185)**	**6,019**
Other comprehensive income				
Gains/(losses) on revaluation of land and buildings net of impairment losses	9	4,481	7,733	2,656
Total other comprehensive income/(loss)		**4,481**	**7,733**	**2,656**
Total comprehensive income attributable to the owners of the Commission		**6,934**	**7,548**	**8,675**

The accompanying notes on pages 68 to 116 form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2011

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Equity at beginning of year				
Accumulated funds		437,167	441,940	433,589
Revaluation reserves	9	50,868	41,863	45,215
Rural Fire Fighting Fund		2,223	2,164	2,779
Total equity at beginning of year		**490,258**	**485,967**	**481,583**
Changes in equity during year				
Transfers from statement of comprehensive income				
Accumulated funds		636	(758)	6,575
Revaluation reserves	9	4,481	7,733	2,656
Rural Fire Fighting Fund	8	1,817	573	(556)
Total comprehensive income		**6,934**	**7,548**	**8,675**
Transfers from disposal of land and buildings				
Accumulated funds	9	(81)	123	(2,997)
Revaluation reserves	9	81	(123)	2,997
Total transfers from disposal of land and buildings		**–**	**–**	**–**
Total changes in equity during year		**6,934**	**7,548**	**8,675**
Equity at end of year				
Accumulated funds		437,722	441,305	437,167
Revaluation reserves	9	55,430	49,473	50,868
Rural Fire Fighting Fund	8	4,040	2,737	2,223
Total equity at end of year		**497,192**	**493,515**	**490,258**

The accompanying notes on pages 68 to 116 form part of these financial statements.

Statement of Financial Position

as at 30 June 2011

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Assets				
Current assets				
Cash and cash equivalents	11	34,511	19,576	39,548
Trade and other receivables	12	4,576	4,444	2,485
Prepayments	13	776	432	690
Inventories	14	27	101	27
Non-current assets held for sale	15	2,084	–	581
Total current assets		**41,974**	**24,553**	**43,331**
Non-current assets				
Property, plant and equipment	4	546,309	545,563	523,104
Intangible assets	5	6,707	9,676	6,706
Total non-current assets		**553,016**	**555,239**	**529,810**
Total assets		**594,990**	**579,792**	**573,141**
Liabilities				
Current liabilities				
Trade and other payables	16	24,663	29,306	26,702
Employee and volunteer benefits	17	28,993	24,233	22,589
Borrowings	18	1,633	2,151	1,539
Provisions	19	1,265	1,356	1,681
Unamortised gain on sale and leaseback	20	341	–	190
Total current liabilities		**56,895**	**57,046**	**52,701**
Non-current liabilities				
Employee and volunteer benefits	17	30,227	23,792	28,445
Borrowings	18	8,227	3,973	238
Provisions	19	1,376	1,466	1,458
Unamortised gain on sale and leaseback	20	1,073	–	41
Total non-current liabilities		**40,903**	**29,231**	**30,182**
Total liabilities		**97,798**	**86,277**	**82,883**
Net assets		**497,192**	**493,515**	**490,258**
Equity				
Accumulated funds		437,722	441,305	437,167
Revaluation reserves	9	55,430	49,473	50,868
Rural Fire Fighting Fund	8	4,040	2,737	2,223
Total equity		**497,192**	**493,515**	**490,258**

The accompanying notes on pages 68 to 116 form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2011

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Cash flows from operating activities				
Receipts from levy		311,602	305,988	301,024
Receipts from other revenue		12,265	13,265	10,719
Net GST received/(paid) [1]		979	1,843	(189)
Interest received		1,536	1,110	1,703
Payments to employees and volunteers [2]		(206,605)	(206,682)	(197,792)
Payments to suppliers for goods and services		(84,680)	(80,003)	(71,289)
Net cash flows from operating activities	21	**35,097**	**35,521**	**44,176**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		2,105	2,281	6,268
Purchase of intangible assets		(1,894)	(4,193)	(1,448)
Purchase of property, plant and equipment		(46,149)	(47,182)	(46,565)
Net cash flows from investing activities		**(45,938)**	**(49,094)**	**(41,745)**
Cash flows from financing activities				
Payment of finance leases		(2,117)	(2,151)	(2,497)
Interest paid		(350)	(486)	(503)
Proceeds from sale of finance lease assets		8,271	–	54
Net cash flows from financing activities		**5,804**	**(2,637)**	**(2,946)**
Net decrease in cash and cash equivalents		(5,037)	(16,210)	(515)
Cash and cash equivalents at beginning of year		39,548	35,786	40,063
Cash and cash equivalents at end of year	11	**34,511**	**19,576**	**39,548**

Notes

[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] Payments to employees and volunteers were on par with budget for the year.

The accompanying notes on pages 68 to 116 form part of these financial statements.

Notes to the Financial Statements

Statement of accounting policies

Reporting entity

The New Zealand Fire Service Commission (the Commission) is a body constituted under section 4(1) of the Fire Service Act 1975. The Commission is a Crown entity as defined by the Crown Entities Act 2004 and the ultimate parent is the New Zealand Crown. The primary objective of the Commission is to provide services in New Zealand for community benefit rather than to make a financial return.

For the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) the Commission is a public benefit entity. These financial statements for the Commission are for the year ended 30 June 2011 and were authorised for issue by the Commission on 31 October 2011.

Basis of preparation

Statement of compliance

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

Budget figures

The budget figures were approved by the Commission on 30 June 2010 as part of the Statement of Intent 2010/2013 and were prepared in accordance with NZ IFRS. They are also consistent with the accounting policies adopted by the Commission for the preparation of these financial statements.

Measurement base

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

- Financial assets and liabilities at fair value.
- Derivative financial instruments at fair value.
- Certain classes of property, 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.

Changes in Accounting Policies

There have been no changes in accounting policies.

Accounting Standards

Early adopted amendments to accounting standards during the financial year by the Commission are summarised below.

NZ IFRS 7 Financial Instruments: Disclosure

The effect of adopting these amendments is the following information is no longer disclosed:

- *the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and*
- *the maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.*

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Commission are summarised below.

NZ IAS 24 Related Party Disclosures

Is effective for reporting periods commencing on or after 1 January 2011. Changes include:

- *more information is required to be disclosed about transactions between the Commission and entities controlled or significantly influenced by the Crown;*
- *commitments with related parties require disclosure;*
- *information is required to be disclosed about any related party transaction with Ministers of the Crown.*

Financial reporting requirements for public benefit entities ("PBE") now frozen

In May 2011 the Accounting Standards Review Board and Financial Reporting Standards Board agreed on a "position statement" that all NZ IFRS standards with a mandatory effective date for annual periods beginning on or after 1 January 2012 will now only be applicable to profit-orientated entities. As a result the financial reporting requirements for PBEs are effectively frozen form 2012 year end onwards. The exemption from new pronouncements is provided in light of pending changes to the Statutory Financial Reporting Framework in New Zealand.

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.

Income

Interest income

The Commission recognises interest income using the effective interest rate method.

Rental income

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

Donated assets

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

Depreciation

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

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

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

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

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis at rates estimated to write off the cost of an asset, less any residual value, over its useful life. Estimated useful lives and associated amortisation rates for asset classes being:

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

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

Interest expense

Interest expense is recognised using the effective interest rate method.

Goods and Services Tax (GST)

Balances reported in the financial statements are GST exclusive with the exception of receivables and payables which are disclosed GST inclusive. Where GST is not recoverable then it is recognised as part of the related asset or expense. The net amount of any GST balance, either recoverable or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Income tax

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

Foreign currency transactions

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

Financial instruments

The Commission is party to financial instruments as part of its normal operations. Financial instruments include financial assets and financial liabilities. Financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the Commission at initial recognition. Financial instruments are classified into the following categories based upon the purpose for which they were acquired.

Financial assets

The Commission classifies its financial assets as follows:

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

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

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

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

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international and other short-term, highly liquid investments, with original maturities of three months or less from the date of acquisition.

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Commission provides goods or services directly to a debtor with no intention of selling the receivable asset. Trade and other receivables are recognised initially at fair value plus transaction costs. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance date for assets of a similar maturity and credit risk. Trade and other receivables issued with 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 and bank overdrafts. These items represent unpaid liabilities for goods and services provided to the Commission before the end of the financial year. The amounts are unsecured and usually paid within thirty 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 cost. Where inventories are acquired at no cost or for nominal cost, the cost is deemed to be the current replacement cost at the date of acquisition. Inventories include replacement gear boxes for fire appliances.

Non-current assets held for sale

Non-current assets held for sale are assets where their carrying amount will be recovered through a sale transaction rather than through continuing use. These assets are available for immediate sale and the sale is considered to be highly probable. Non-current assets held for sale are recognised at the lower of their carrying amount and fair value (market value) less costs to sell, and are not depreciated or amortised while classified as held for sale.

Leases

Finance leases

Leases that transfer to the Commission, substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is recognised in the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty that the Commission will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life. Where a sale and leaseback transaction results in a finance lease, the gain on sale is amortised over the lease term. The gain on sale is calculated as the excess of sale proceeds over the carrying amount of the asset.

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

Leasehold improvements
Leasehold improvements are capitalised as property, plant and equipment.

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

Additions
Costs are capitalised as property, plant and equipment when they create a new asset or 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. An asset is complete when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended. Costs associated with incomplete assets are recognised in work in progress. When the asset is complete the costs are transferred to the relevant asset class and depreciated in accordance with that class.

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

Revaluations
After initial recognition land and buildings are valued annually to fair value by an independent registered valuer. Fair value is determined using market-based evidence and is determined by reference to the highest and best use of those assets. Where there is no market related evidence, fair value is determined by optimised depreciated replacement cost. The Commission accounts for revaluations on a class basis. On revaluation any accumulated depreciation is eliminated against the gross carrying amount and then the gross carrying amount is adjusted to equal the revalued amount.

The result of the revaluation of land and buildings is recognised in the asset revaluation reserve for that class of asset. Where this results in the carrying value of the revaluation reserve having a loss this is expensed in the statement of comprehensive income. Any subsequent revaluation increase is recognised in the statement of comprehensive income to the extent that it offsets previous revaluation decreases already recognised in the statement of comprehensive income. Otherwise the gain is credited to the asset revaluation reserve for that class of asset.

Disposals
Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset less any disposal costs. Gains and losses on disposal are recognised in the statement of comprehensive income when they occur. When assets are disposed of, any related amount in the asset revaluation reserve is transferred to accumulated funds.

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

Computer Software
Costs are capitalised as computer software when 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, as well as, costs that do not meet the criteria for capitalisation (including staff training and software maintenance).

Shared Information Technology Environment (SITE)
SITE is a systems and technology platform that supports receiving calls and dispatching resources to emergency incidents. These SITE assets include computer aided dispatch software, land mobile radio network and associated telecommunications structures. SITE is primarily housed in the communication centres shared with the New Zealand Police. The value capitalised reflects the Commission's proportional ownership. 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. An impairment loss is the amount by which the asset's net carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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 twelve 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 twelve 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 twelve months, such as long service leave, retirement leave and gratuities, are calculated on an actuarial basis. The actuarial calculation takes into account the future entitlements accruing to staff, based on years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, contractual entitlements information and the present value of the estimated future cash flows. The discount rate, as prescribed by Treasury, is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees. Movements in the actuarial valuations are recognised in the statement of comprehensive income.

Superannuation schemes
Defined contribution schemes
Contributions to KiwiSaver, 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 Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme. It is not possible to determine from the terms of the scheme the extent to which the surplus/(deficit) will affect future contributions by individual employers as there is no prescribed basis for allocation. Although this is a defined benefit scheme there is insufficient information to account for the scheme as a defined benefit scheme. Therefore, the scheme is accounted for as a defined contribution scheme.

Provisions

The Commission recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are distinct from other liabilities (such as trade payables) because there is uncertainty about the timing or the amount of the future expenditure required in settlement. The Commission provides for the amount it estimates is needed to settle the obligation at its present value. It uses a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as a finance cost.

Specific accounting policies for major provisions are outlined below.

Lease make-good

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

Loss of medical scheme

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

ACC Partnership Programme

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

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

Equity

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

Rural Fire Fighting Fund

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

Statement of cash flows

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

Contingent assets and contingent liabilities

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

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Cancellable commitments that have penalty or exit costs explicit in the agreement are reported at the minimum future payments including the value of the penalty or exit cost. Classification of commitments being:

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

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

c Other non-cancellable commitments – future payments due under other contracts (such as consulting and cleaning contracts).

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

Expenditure allocation

The Commission allocates expenditure to outputs as follows:

i Direct costs are expenditure (including the Rural Fire Fighting Fund) directly attributable to an output that are charged to that output.

ii Operational wages and salaries expenditure is allocated to outputs based on the percentage of time operational staff spend on each output.

iii Other operational expenditure, including operational training and communication centre expenditure, is allocated to outputs based on the percentage of time operational staff spend on fire fighting and other fire service operations outputs.

iv All other expenditure is allocated to outputs based on the proportion of total expenditure already allocated to each output, including direct costs, operational wages and salaries and other operational expenditure.

v Indirect costs are all costs other than direct costs and are allocated to operational readiness.

vi 85% of the total indirect costs in operational readiness costs are allocated to operational response with the remaining costs allocated equally amongst outputs:

- Professional and technical advice to the Built Environment public
- Fire safety legislation
- Operational readiness

Revenue and income allocation

Other revenue and income that is directly related to outputs is allocated to those outputs. Amounts that cannot be directly related to outputs is allocated based on the proportion of gross expenditure allocated to the outputs. Levy revenue is allocated to each output based on the proportion of net expenditure allocated to the outputs. Net expenditure is total expenditure net of other revenue and income.

Critical accounting estimates and assumptions

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

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

Judgements that have a significant 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.

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.

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

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

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

Critical judgements in applying the Commission's accounting policies

Management has exercised the following critical judgements in applying the Commission's accounting policies for the period ended 30 June 2011.

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.

Comparative Information

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

1 Other revenue

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
False alarms		3,969	3,070	2,216
Good corporate citizen contributions		1,533	2,417	2,323
Monitoring private fire alarms		2,055	1,976	1,994
Sponsorship		278	285	343
Commercial services		383	430	530
Insurance proceeds Christchurch earthquakes [3]	34	2,000	–	–
Other revenue		2,459	1,475	1,437
Total other revenue		**12,677**	**9,653**	**8,843**

During the year the Commission received good citizen contributions from the Reserve Bank of New Zealand, Housing New Zealand, New Zealand Police and BP Limited. These organisations do not have an obligation to pay the fire service levy but choose to make a contribution to the Commission to assist with the provision of essential services.

Other revenue includes recoveries from attendances at rural fires, hazardous substances and for special services, capital expenditure contributions from volunteer brigades, donations made to the Commission, other insurance proceeds, reparations received and other sundry income.

Notes

[3] Revenue includes a preliminary payment of insurance proceeds related to property material damage and business interruption of $2,000,000. For further information see Christchurch earthquakes note 34.

2 Income

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Interest income [4]		1,369	1,110	1,539
Gain on disposal of property, plant and equipment [5]	21	1,053	302	815
Rental income		339	375	432
Amortisation of gain on sale and leaseback	21	355	178	355
Net foreign exchange gain		1	–	–
Total income		**3,117**	**1,965**	**3,141**

Notes

[4] Interest income exceeded budget by $259,000 as a result of higher than expected cash and cash equivalent balances during the year and reorganising the on-call facilities available.

[5] The gain on the disposal of property, plant and equipment included a gain of $876,000 from the sale of assets classified as non-current assets held for sale as at 30 June 2010.

3 Employee and volunteer benefits expenditure

	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Salaries and wages [6]	181,990	176,923	170,868
Employer contributions to defined contribution plans [7]	14,801	15,166	14,698
ACC levies	2,233	2,459	3,125
ACC Partnership Programme	–	–	181
Other employee and volunteer benefits expenditure [8]	13,620	13,413	15,523
Total employee and volunteer benefits expenditure	**212,644**	**207,961**	**204,395**

Notes

[6] Salaries and wages increased $11,122,000 from 2009/10 due to the collective contract providing for a 1.7% increase effective 1 January to 31 December 2010 amounting to $2,660,000. A provision has been made for a further 2.5% increase including lump sums from 1 May 2011 amounting to $2,382,000. Also included is a further $5,019,000 for callbacks, overtime and pro rata leave due to responses to the to Christchurch earthquakes, Japan deployment and Pike River Mine incident.

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

[8] Other employee and volunteer benefits expenditure was 1.5% higher than budget for the year but less than prior year expenditure by $1,903,000.

4 Property, plant and equipment

30 June 2011	Note	Land Actual 2011 $000	Buildings Actual 2011 $000	Fire appliances Actual 2011 $000	Motor vehicles Actual 2011 $000
Cost at beginning of year		–	–	226,648	2,761
Valuation at beginning of year		154,019	206,083	–	–
Net book value leased assets at beginning of year		–	–	–	–
Accumulated depreciation and impairment losses		–	(6,946)	(119,137)	(1,543)
Total at beginning of year		**154,019**	**199,137**	**107,511**	**1,218**
Acquisitions		1,613	14,664	25,669	193
Disposals		(870)	(1,486)	(302)	–
Transfers		–	–	25	–
Depreciation		–	(11,805)	(7,904)	(199)
Transfer to non-current assets held for sale	15	(1,116)	(387)	–	–
Revaluation movement	9	(5,723)	15,216	–	–
Revaluation movement Christchurch earthquakes	34	(4,385)	(4,343)	–	–
Net impairment losses to revaluation reserve	9	–	3,716	–	–
Work in progress		3	9,579	13,350	–
Net book value at end of year		**143,541**	**224,291**	**138,349**	**1,212**
Cost at end of year		–	–	243,994	2,868
Valuation at end of year		143,537	217,495	–	–
Net book value leased assets at end of year		–	–	–	–
Accumulated depreciation		–	–	(118,995)	(1,656)
Impairment losses	10	–	(2,785)	–	–
Work in progress		4	9,581	13,350	–
Net book value at end of year		**143,541**	**224,291**	**138,349**	**1,212**

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

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	TOTAL
Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000
13,937	37,793	10,541	6,837	4,410	30,587	333,514
–	–	–	–	–	–	360,102
–	326	–	296	–	–	622
(9,216)	(20,400)	(6,375)	(4,399)	(3,118)	–	(171,134)
4,721	**17,719**	**4,166**	**2,734**	**1,292**	**30,587**	**523,104**
2,444	18,336	793	977	63	–	64,752
(2)	(6,754)	(2)	(3)	–	–	(9,419)
–	(177)	151	(99)	–	(6,425)	(6,525)
(1,913)	(4,134)	(897)	(1,258)	(471)	–	(28,581)
–	–	–	–	–	–	(1,503)
–	–	–	–	–	–	9,493
–	–	–	–	–	–	(8,728)
–	–	–	–	–	–	3,716
842	279	9	100	–	(24,162)	–
6,092	**25,269**	**4,220**	**2,451**	**884**	**–**	**546,309**
16,377	35,761	11,566	7,360	4,473	24,162	346,561
–	–	–	–	–	–	361,032
–	9,789	–	229	–	–	10,018
(11,127)	(20,559)	(7,355)	(5,238)	(3,589)	–	(168,519)
–	–	–	–	–	–	(2,785)
842	278	9	100	–	(24,162)	2
6,092	**25,269**	**4,220**	**2,451**	**884**	**–**	**546,309**

4 Property, plant and equipment *continued*

30 June 2010	Note	Land Actual 2010 $000	Buildings Actual 2010 $000	Fire appliances Actual 2010 $000	Motor vehicles Actual 2010 $000
Cost at beginning of year		–	–	201,805	2,659
Valuation at beginning of year		160,343	205,834	–	–
Net book value leased assets at beginning of year		–	–	–	–
Accumulated depreciation and impairment losses		–	(9,590)	(118,260)	(1,389)
Total at beginning of year		**160,343**	**196,244**	**83,545**	**1,270**
Acquisitions		196	5,415	31,023	154
Disposals		–	(229)	(80)	(5)
Transfers		–	–	(12)	6
Depreciation		–	(11,469)	(6,965)	(207)
Transfer to non-current assets held for sale	15	–	–	–	–
Revaluation movement	9	(6,520)	7,259	–	–
Net impairment losses to revaluation reserve	9	–	1,917	–	–
Work in progress		–	7,694	20,518	–
Net book value at end of year		**154,019**	**206,831**	**128,029**	**1,218**
Cost at end of year		–	–	226,648	2,761
Valuation at end of year		154,019	206,083	–	–
Net book value leased assets at end of year		–	–	–	–
Accumulated depreciation		–	–	(119,137)	(1,543)
Impairment losses	10	–	(6,946)	–	–
Work in progress		–	7,694	20,518	–
Net book value at end of year		**154,019**	**206,831**	**128,029**	**1,218**

Communications equipment	Operational equipment	Non-operational equipment	Computer equipment	Leasehold improvements	WIP	TOTAL
Actual 2010 $000	**Actual 2010** $000	**Actual 2010** $000	**Actual 2010** $000	**Actual 2010** $000	**Actual 2010** $000	**Actual 2011** $000
12,495	50,562	9,902	6,289	4,366	28,257	316,335
–	–	–	–	–	–	366,177
–	–	–	–	–	–	–
(7,743)	(32,486)	(5,616)	(3,529)	(2,614)	–	(181,227)
4,752	**18,076**	**4,286**	**2,760**	**1,752**	**28,257**	**501,285**
1,749	3,891	667	1,433	43	–	44,571
(70)	–	(1)	(245)	–	–	(630)
–	(16)	22	–	–	2,330	2,330
(1,710)	(4,232)	(808)	(1,214)	(503)	–	(27,108)
–	–	–	–	–	–	–
–	–	–	–	–	–	739
–	–	–	–	–	–	1,917
–	–	2,324	51	–	(30,587)	–
4,721	**17,719**	**6,490**	**2,785**	**1,292**	**–**	**523,104**
13,937	37,793	10,541	6,837	4,410	30,587	333,514
–	–	–	–	–	–	360,102
–	326	–	296	–	–	622
(9,216)	(20,400)	(6,375)	(4,399)	(3,118)	–	(164,188)
–	–	–	–	–	–	(6,946)
–	–	2,324	51	–	(30,587)	–
4,721	**17,719**	**6,490**	**2,785**	**1,292**	**–**	**523,104**

4 Property, plant and equipment *continued*

Fair value of property 30 June 2011	Note	Land Actual 2011 $000	Buildings Actual 2011 $000	TOTAL Actual 2011 $000
Darroch valuation		145,093	215,238	360,331
Buildings – demolition impairment		–	–	–
Total fair value at end of year		**145,093**	**215,238**	**360,331**
The above is represented by				
Net book value at end of year	4	143,541	224,291	367,832
Work in progress	4	(4)	(9,581)	(9,585)
Non-current assets held for sale	15	1,556	528	2,084
Total fair value at end of year		**145,093**	**215,238**	**360,331**

The fair value of property at 30 June 2011 was determined by independent registered valuers Darroch valuers ("Darroch") and totalled $360.3m from which impairments to buildings planned to be demolished are deducted. During the year a number of the Commissions properties sustained damage to land and/or buildings due to significant earthquakes and aftershocks that occurred in the Christchurch region. Darroch in conjunction with advice received from the Commission, in terms of building damage and repair considerations, considered it necessary to impair the fair value of land and/or buildings in the Christchurch region. For further information see Christchurch earthquakes note 34.

Capital expenditure during the year

The fire appliance programme was on budget for the year with 52 fire appliances (including 9 hazmat-command vehicles) completed and a further 60 fire appliances are scheduled for production as at year end.

Property capital expenditure was slightly above budget for the year. During the year new fire stations at St Heliers and Te Atatu were completed and work is progressing well on stage two of the National Training Centre located in Rotorua. Work continued in the seismic strengthening programme with 2 rebuilds (Carterton and Wakefield) and 6 refurbishments (Eastbourne, Hawarden, Kawerau, Stoke, Taupo and Waipukurau) all completed.

Other capital expenditure includes $10.2m for the lease of level 2 protective clothing. This includes $7.2m for the rollover of lease contracts due to expire and the sale of lease back of garments owned by the Commission at 30 June 2010. A further sale and lease back was entered into during the year for current year garments purchased by the Commission amounting to $3.0m. Cash proceeds from disposals include lease garment sold amounting to $5.3m for garments owned by the Commission at 30 June 2010 and a further $3.0m for current year garments purchased.

4 Property, plant and equipment *continued*

		Land	Buildings	TOTAL
Fair value of property 30 June 2010	**Note**	**Actual 2010** $000	**Actual 2010** $000	**Actual 2010** $000
Darroch valuation		154,459	199,723	354,182
Buildings – demolition impairment	10	–	(445)	(445)
Total fair value at end of year		**154,459**	**199,278**	**353,737**
The above is represented by				
Net book value at end of year	4	154,019	206,831	360,850
Work in progress	4	–	(7,694)	(7,694)
Non-current assets held for sale	15	440	141	581
Total fair value at end of year		**154,459**	**199,278**	**353,737**

The fair value of property at 30 June 2010 was determined by independent registered valuers Darroch and totalled $354.2m from which impairments to buildings planned to be demolished are deducted.

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

Prior year comparatives for operational equipment are different for both cost and accumulated depreciation as finance leases are now disclosed at net book value.

5 Intangible assets

30 June 2011	Computer software (internally generated) Actual 2011 $000	Computer software (purchased) Actual 2011 $000	Shared Information Technology Environment (SITE) Actual 2011 $000	Work in Progress Actual 2011 $000	TOTAL Actual 2011 $000
Cost at beginning of year	8,019	8,676	18,292	144	35,131
Accumulated amortisation	(4,078)	(6,276)	(18,071)	–	(28,425)
Total at beginning of year	**3,941**	**2,400**	**221**	**144**	**6,706**
Acquisitions	447	283	–	–	730
Transfers	116	(17)	–	1,071	1,170
Work in progress	–	1,215	–	(1,215)	–
Amortisation	(787)	(1,041)	(71)	–	(1,899)
Net book value at end of year	**3,717**	**2,840**	**150**	–	**6,707**
Cost at end of year	8,583	8,998	18,272	1,215	37,068
Accumulated amortisation	(4,866)	(7,373)	(18,122)	–	(30,361)
Work in progress	–	1,215	–	(1,215)	–
Net book value at end of year	**3,717**	**2,840**	**150**	**–**	**6,707**

30 June 2010	Actual 2010 $000	Actual 2010 $000	Actual 2010 $000	Actual 2010 $000	Actual 2010 $000
Cost at beginning of year	7,636	7,983	17,904	317	33,840
Accumulated amortisation	(3,415)	(5,296)	(17,904)	–	(26,615)
Total at beginning of year	**4,221**	**2,687**	–	**317**	**7,225**
Acquisitions	384	1,021	44	–	1,449
Transfers	–	(227)	227	(173)	(173)
Work in progress	–	144	–	(144)	–
Amortisation	(664)	(1,081)	(50)	–	(1,795)
Net book value at end of year	**3,941**	**2,544**	**221**	–	**6,706**
Cost at end of year	8,019	8,676	18,292	144	35,131
Accumulated amortisation	(4,078)	(6,276)	(18,071)	–	(28,425)
Work in progress	–	144	–	(144)	–
Net book value at end of year	**3,941**	**2,544**	**221**	**–**	**6,706**

5 Intangible assets *continued*

Shared Information Technology Environment (SITE)

Shared Information Technology Environment (SITE) includes system and technology platform assets that support receiving emergency calls and dispatching resources to emergency incidents. These SITE assets include the computer-aided dispatch software, the Land Mobile Radio (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. Original cost for the SITE assets is fully amortised but the assets are still in use. They are maintained by the New Zealand Police who proportionally charge the Commission and this charge is included in the statement of comprehensive income. There are currently no plans to replace the whole SITE asset. These assets will be progressively upgraded and replaced for operational efficiency as required.

6 Finance costs

	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Finance charge on finance lease	255	486	170
Discount unwinding on provision of ACC Partnership Programme	–	–	93
Interest expense	–	–	–
Total finance costs [9]	**255**	**486**	**263**

Notes

[9] Finance costs for the year are above budgeted due to new finance leases for level 2 protective clothing that were negotiated during the year. These were only partially budgeted.

7 Other expenditure

	Note	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Auditors – audit fees for statutory audit		168	182	168
Auditors – fees for other services		9	71	69
Remuneration of Commission and Committee Members	30	144	143	143
Fleet [10]		14,502	13,680	13,526
Occupancy [11]		12,416	11,793	11,961
Clothing and other consumables		8,833	7,243	7,053
Communications		6,025	5,846	5,859
Publicity and advertising		4,975	5,293	5,054
Grants		4,677	4,433	4,415
Impairment of receivables	12	444	100	27
Loss on disposal of property, plant and equipment	21	1,912	–	302
Net foreign exchange loss		58	200	173
Impairment of property, plant and equipment		–	200	–
Other expenditure [12]		27,018	27,107	22,322
Total other expenditure		**81,181**	**76,291**	**71,072**

If required the prior year comparatives have been restated to reflect current year expenditure classifications.

Notes

[10] Fleet expenditure was also $822,000 over budget due to overspends on fleet repairs and maintenance.

[11] Occupancy was $621,000 over budget due to overspends on property responsive repairs.

[12] Other expenditure includes operational and office equipment, computer costs, travel, professional fees, research and development, insurance and rural fire assistance.

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

	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
Revenue			
Levy	2,200	1,500	1,800
Department of Conservation [13]	200	2,300	1,300
Other revenue	1,966	685	566
Total revenue	**4,366**	**4,485**	**3,666**
Claims expenditure	**(2,549)**	**(3,912)**	**(4,222)**
Net surplus/(deficit) attributable to the Rural Fire Fighting Fund	**1,817**	**573**	**(556)**

The closing balance of the Rural Fire Fighting Fund as at 30 June 2011 was $4,040,000 (2010 $2,223,000).

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

9 Revaluation reserves

		Land	Buildings	TOTAL
30 June 2011	**Note**	Actual 2011 $000	Actual 2011 $000	Actual 2011 $000
Balance at beginning of year		**13,240**	**37,628**	**50,868**
Revaluation movement	4	(5,723)	15,216	9,493
Revaluation movement Christchurch earthquakes	34	(4,385)	(4,343)	(8,728)
Impairment losses	10	–	(2,785)	(2,785)
Reversal of impairment losses	4	–	6,501	6,501
Total revaluation gains/(losses) recognised in statement comprehensive income		**(10,108)**	**14,589**	**4,481**
Transfer to accumulated funds on disposal		(178)	259	81
Balance at end of year		**2,954**	**52,476**	**55,430**

9 Revaluation reserves *continued*

30 June 2010	Note	Land Actual 2010 $000	Buildings Actual 2010 $000	TOTAL Actual 2010 $000
Balance at beginning of year		**17,596**	**27,619**	**45,215**
Revaluation movement	4	(6,520)	7,259	739
Impairment losses	10	–	(445)	(445)
Reversal of impairment losses	10	–	2,362	2,362
Total revaluation gains/(losses) recognised in statement comprehensive income		**(6,520)**	**9,176**	**2,656**
Transfer to accumulated funds on disposal		2,164	833	2,997
Balance at end of year		**13,240**	**37,628**	**50,868**

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

10 Impairment losses

30 June 2011	Note	Buildings – seismic impairment Actual 2011 $000	Buildings – demolition impairment Actual 2011 $000	TOTAL Actual 2011 $000
Balance at beginning of year		**6,501**	**445**	**6,946**
Impairment losses adjustment	9	(1,784)	(445)	(2,229)
Impairment losses	9	(119)	–	(119)
Work completed during year	9	(1,813)	–	(1,813)
Balance at end of year	4	**2,785**	**–**	**2,785**

10 Impairment losses *continued*

30 June 2010	Note	Actual 2010 $000	Actual 2010 $000	Actual 2010 $000
Balance at beginning of year		**8,673**	**–**	**8,673**
Impairment losses adjustment	9	190	–	190
Impairment losses	9	–	445	445
Work completed during year	9	(2,362)	–	(2,362)
Balance at end of year	4	**6,501**	**445**	**6,946**

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 buildings where seismic strengthening work was completed is fair value and this is determined by reference to an active market that takes account of the costs to complete the seismic strengthening works.

The impairment provision for buildings due to be demolished for new fire stations is the recoverable amount for these buildings determined by the amount a similar building would cost to rent for the time until demolition.

11 Cash and cash equivalents

	Actual 2011 $000	Actual 2010 $000
Cash on hand and at bank	28,722	25,228
Short term deposits	5,789	14,320
Total cash and cash equivalents	**34,511**	**39,548**

The carrying value of cash on hand and at bank and short term deposits approximates their fair value. The maximum exposure to credit risk is limited to the amount invested at the respective banks. The risk has been reduced by diversifying the investment of cash in any given bank in line with the Commission's direction. Investments are held in financial institutions with AA- or above Standard and Poors credit ratings. No collateral or other securities are held by the Commission in respect to cash and deposits at the financial institutions.

The Commission maintains an unsecured bank overdraft facility of $250,000 (2010 $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 at 30 June 2011 is 3.20% (2010 3.58%). As at 30 June 2011 if the interest rates increased/decreased by 1 percent the interest income for the year and accumulated funds would increase/decrease by $343,000 (2010 $389,000).

Restricted assets

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

11 Cash and cash equivalents *continued*

	Actual 2011 $000	Actual 2010 $000
Short term deposits	4,880	4,320
Total restricted cash and cash equivalents	**4,880**	**4,320**

12 Trade and other receivables

	Actual 2011 $000	Actual 2010 $000
Trade and other receivables	5,742	3,223
Less provision for impairment	(1,166)	(738)
Total trade and other receivables	**4,576**	**2,485**

The carrying value of trade and other receivables approximates their fair value. Trade and other receivables mainly arise from the Commission's statutory functions. Therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The Commission does not have any significant concentration of credit risk in relation to trade and other receivables. No collateral is held as security for any trade and other receivables. The Commission's credit exposures are limited to the individual trade and other receivable balances. The Commission does not have any receivables as at 30 June 2011 (2010 $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 2011			Actual 2010		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	3,468	–	3,468	887	(38)	849
Past due 1–30 days	530	–	530	292	(23)	269
Past due 31–60 days	266	–	266	187	(87)	100
Past due 61–90 days	218	–	218	203	(38)	165
Past due > 91 days	1,260	(1,166)	94	1,654	(552)	1,102
Total trade and other receivables	**5,742**	**(1,166)**	**4,576**	**3,223**	**(738)**	**2,485**

12 Trade and other receivables *continued*

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.

	Note	Actual 2011 $000	Actual 2010 $000
Provision for impairment of trade and other receivables at beginning of year		738	712
Additional provision made during the year	7	444	27
Receivables written-off during the period		(16)	(1)
Provision for impairment of trade and other receivables		**1,166**	**738**

13 Prepayments

	Actual 2011 $000	Actual 2010 $000
Prepaid computer licenses	376	50
Prepaid travel	88	84
Prepaid other	312	556
Total Prepayments	**776**	**690**

14 Inventories

	Actual 2011 $000	Actual 2010 $000
Inventories held for use in the provision of services	27	27
Total inventories	**27**	**27**

All of the Commission's inventories are held for distribution and are items to be consumed in the rendering of services at no consideration. There have been no write-downs of inventories held for distribution or reversals of previous write-downs in either 2011 or 2010.

15 Non-current assets held for sale

		Land	Buildings	TOTAL
30 June 2011	**Note**	**Actual 2011** $000	**Actual 2011** $000	**Actual 2011** $000
Balance at beginning of year		440	141	581
Disposals		(440)	(141)	(581)
Transfers		1,556	528	2,084
Net book value at end of year	4	**1,556**	**528**	**2,084**

30 June 2010	**Note**	**Actual 2010** $000	**Actual 2010** $000	**Actual 2010** $000
Balance at beginning of year		5,362	302	5,664
Disposals		(4,922)	(161)	(5,083)
Transfers		–	–	–
Net book value at end of year	4	**440**	**141**	**581**

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at the time of reclassification. New additions this year for planned property disposals include Point Howard Station, Paraparaumu Station, Whitianga Station and Te Atatu Station. The only disposals during the year was Paihia which was completed April 2011 and resulted in a net gain of $876,000 included in the statement of comprehensive income.

16 Trade and other payables

	Actual 2011 $000	**Actual 2010** $000
Trade payables [14]	10,948	12,350
Income in advance [15]	1,103	487
Accrued expenses	7,459	7,629
GST, PAYE and FBT payable	5,153	6,236
Total trade and other payables	**24,663**	**26,702**

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.

Notes

[14] Trade payables have decreased by $1,402,000 which is mainly due to better controls from the new approval plus accounts payable system.

[15] Income in advance has increased by $616,000 and this increase is mainly due to levy received in advance.

17 Employee and volunteer benefits

	Actual 2011 $000	Actual 2010 $000
Current employee and volunteer benefits		
Accrued salaries and wages	2,330	1,442
Annual leave	17,821	14,821
Long service leave and gratuities	8,842	6,326
Total current employee and volunteer benefits	**28,993**	**22,589**
Non-current employee and volunteer benefits		
Long service leave and gratuities	30,227	28,445
Total non-current employee and volunteer benefits	30,227	28,445
Total employee and volunteer benefits	**59,220**	**51,034**

The present value of the long service leave and gratuity liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key economic assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will have an impact on the carrying amount of the liability. The key economic assumptions were taken from the prescribed Treasury rates calculated as at 30 June 2011. The implied risk-free rates over the period of cash outflows ranged from 2.84% to 6.24% (2010 3.48% to 6.21%). The salary inflation factor has been determined as 2.75% (2010 2.75%).

Sensitivity analysis

If the discount rate were to increase/(decrease) by 1% each year from the Commission's estimates, with all other factors held constant, the carrying amount of the liability would (decrease)/increase by ($2,329,000) /$2,639,000 (2010 ($1,757,000)/$2,020,000), thereby (decreasing)/increasing personnel costs and increasing/(decreasing) accumulated funds by the same amount.

18 Borrowings

	Actual 2011 $000	Actual 2010 $000
Current borrowings		
Finance leases	1,633	1,539
Non-current borrowings		
Finance leases	8,227	238
Total borrowings	**9,860**	**1,777**
Analysis of minimum finance lease payments due		
Not later than one year	2,343	1,559
Later than one year and not later than two years	2,343	269
Later than two years and not later than five years	5,796	–
Later than five years and not later than ten years	1,618	–
Later than ten years	139	–
Total minimum lease payments due	12,239	1,828
Future finance charges	(2,379)	(51)
Present value of lease payments due	**9,860**	**1,777**
Analysis of present value of lease payments due		
Not later than one year	1,633	1,539
Later than one year and not later than two years	1,767	238
Later than two years and not later than five years	4,876	–
Later than five years and not later than ten years	1,456	–
Later than ten years	128	–
Present value of lease payments due	**9,860**	**1,777**

The Commission enters 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 4. Finance lease liabilities are secured over the leased assets.

19 Provisions

	Actual 2011 $000	Actual 2010 $000
Current provisions		
Loss of medical scheme	157	154
ACC Partnership Programme	1,108	1,527
Total current provisions	**1,265**	**1,681**
Non-current provisions		
Lease make-good	562	510
ACC Partnership Programme	814	948
Total non-current provisions	**1,376**	**1,458**
Total provisions	**2,641**	**3,139**

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

Loss of medical scheme	Actual 2011 $000	Actual 2010 $000
Loss of medical scheme at beginning of year	154	152
Contributions made to the scheme	3	2
Loss of medical scheme at end of year	**157**	**154**

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.

Lease make-good	Actual 2011 $000	Actual 2010 $000
Lease make-good at beginning of year	510	471
Additional provisions made	52	39
Lease make-good at end of year	**562**	**510**

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

19 Provisions *continued*

ACC Partnership Programme

Liability valuation

The Commission has participated in the ACC Partnership Programme ("ACCPP") since 1 October 2000. Claims have been administered internally by the Commission for the entire intervening period.

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 ACCPP is expected to occur over the coming years up to 2013. An external independent actuarial valuer, M Weaver from Melville Jessup Weaver Consulting Actuaries ("the Actuaries") (formerly G R Lee 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.

The Commission is responsible for managing claims for a period of 48 months (2010 48 months) from the claim lodgement date. At the end of the period, if an injured employee is still receiving entitlements, the financial management responsibility of the claim will be transferred to ACC for a price calculated on an actuarial valuation basis. The Commission has chosen a stop loss limit of 250% (2010 250%) of the industry premium.

Methods and assumptions

The liability for the ACCPP is measured at the present value of anticipated future payments to be made in respect of employee injuries and claims up to the balance date using actuarial techniques. Consideration is given to expected future wage and salary levels, and the experience of employee claims and injuries. Expected future payments are discounted using year end market yields on government bonds with terms to maturity that match, as closely as possible, to the estimated future cash outflows.

The Actuaries have used an actuarial Bornheutter-Fergusson (BF) valuation methodology on a quarterly basis to derive the estimated cost of future claims payments. An actuarial BF method uses the weighted average of past claims development applied to an estimate of the ultimate claims costs to project future claims development. The estimated ultimate claims costs are derived for each loss period using some measure of exposure and an assumed loss ratio. It can be applied to claims paid, incurred claims and also to claims counts (reported, finalised etc).

The methodology for this valuation used liable earnings as the measure of exposure and the weighted average of past claim payments development to project future claim payments development. The graduated weighted average BF factors derived from the Commission's past payments pattern and used in our calculations are given in our report.

The change in methodology means that some disclosures vary from those made in 2010 and for this reason comparisons with 2010 may be difficult.

The key assumptions of the methodology are summarised below.

- The principal assumption is that the development pattern of claims payments is the same for all loss periods.
- The assumed "loss ratio" of 1.00% of liable earnings was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs since the Commission entered the ACCPP.
- Projected future payments were discounted for the time value of money based on secondary market government bond yields.
- In accordance with previous valuations the Actuaries have included a risk margin of 12.8% (2010 11%) to allow for the inherent uncertainties in the central estimate of the claims liability. This is also the margin ACC uses in its own valuations to ensure its provisions are calculated to a 75% adequacy level.
- A provision for future claim handling costs of 10.0% (2010 3.4%) of the expected future claim cost has also been allowed for.
- The method used in our calculations assumes that future inflation will be the same as the historical weighted average inflation which is present in the claims data. It is not possible to calculate the inflation rate explicitly.

19 Provisions *continued*

Objectives for managing risks

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

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

ACCPP provision summary	2011 Current $000	2011 Non-current $000	2011 TOTAL $000	2010 TOTAL $000
Undiscounted estimated future claims costs	902	714	1,616	2,250
Discounting	(9)	(58)	(67)	(93)
Discounted estimated future claims costs	893	656	1,549	2,157
Claims handling expenses	89	66	155	73
Total discounted outstanding claims liabilities	982	722	1,704	2,230
Risk margin	126	92	218	245
ACC Partnership Programme provision at end of year	**1,108**	**814**	**1,922**	**2,475**
Claim handling cost%	**10.0%**	**10.0%**	**10.0%**	**3.4%**
Risk margin %	**12.8%**	**12.8%**	**12.8%**	**11.0%**

The decrease in the ACCPP provision of $553,000 this year when compared to last year is mainly due to the following:

- The previous large case estimates for the cover year 2007 claims have now been handed over to ACC.
- The change in the valuation methodology.

19 Provisions *continued*

ACCPP provision movement summary	Actual 2011 $000	Actual 2010 $000
ACC Partnership Programme provision at beginning of year	**2,475**	**2,200**
Net increase/(decrease) to provision during the year	(771)	30
Total discounted outstanding claims liabilities	1,704	2,230
Risk margin	218	245
ACC Partnership Programme provision at end of year	**1,922**	**2,475**

Sensitivity analysis

The assumed "loss ratio" of 1.00% of liable earnings was determined by considering the observed loss ratios for the earlier loss quarters and having regard to the general trend in claims costs since the Commission entered the ACCPP. The table sets out the discounted provision prior to risk margin (2010 provision) with loss ratios of 0.90% and 1.10%.

Loss Ratio 2011 %	Liability 2011 $000	Actual 2010 $000
0.90%	1,533	1,456
1.00%	1,704	2,474
1.10%	1,874	3,493

As stated above the discount rates used were derived from secondary market government bond yields. The following table sets out the discounted provision, when the discount rates are set 1.0% higher and lower than the bond rates.

Loss Ratio 2011 %	Liability 2011 $000	Actual 2010 $000
(1.00%)	1,725	2,501
0.00%	1,704	2,474
1.00%	1,684	2,449

20 Unamortised gain on sale and leaseback

	Actual 2011 $000	Actual 2010 $000
Current liabilities		
Finance leases	341	190
Non-current liabilities		
Finance leases	1,073	41
Total unamortised gain on sale and leaseback	**1,414**	**231**

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

21 Reconciliation of net surplus to the net cash flows from operating activities

	Note	Actual 2011 $000	Actual 2010 $000
Net surplus attributable to the owners of the Commission		**2,453**	**6,019**
Add/(subtract) non-cash items			
Depreciation	4	28,581	27,108
Amortisation	5	1,899	1,795
Amortisation of gain on sale and leaseback	2	(355)	(355)
Property, plant and equipment write-offs	7	1,912	302
Total non-cash items		**32,037**	**28,850**
Add/(subtract) movements in working capital			
Increase/(decrease) in trade and other payables		(2,501)	857
Increase/(decrease) in employee and volunteer benefits	17	6,404	6,670
Increase/(decrease) in provisions	19	(416)	316
Decrease/(increase) in trade and other receivables	12	(2,091)	1,959
Decrease/(increase) in prepayments	13	(86)	(257)
Decrease/(increase) in inventory	14	–	74
Net movements in working capital		**1,310**	**9,619**
Add/(subtract) investing activities			
(Gains)/losses on disposal of fixed assets	2	(1,053)	(815)
Interest paid		350	503
Total investing activity items		**(703)**	**(312)**
Net cash flows from operating activities		**35,097**	**44,176**

Prior year comparatives have been reclassified to exclude interest received which is now included as a cash flow from operating activities.

22 Capital commitments

Future minimum asset payments due under non-cancellable contracts	Actual 2011 $000	Actual 2010 $000
Property, plant and equipment	20,133	15,273
Intangibles	1,551	–
Total capital commitments	**21,684**	**15,273**
Not later than one year	17,909	14,523
Later than one year and not later than five years	3,775	750
Total capital commitments	**21,684**	**15,273**

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

23 Operating lease commitments as lessee

Future minimum lease payments due under non-cancellable operating leases as lessee	Actual 2011 $000	Actual 2010 $000
Not later than one year	4,246	2,215
Later than one year and not later than five years	3,845	3,292
Later than five years	374	500
Total operating lease commitments as lessee	**8,465**	**6,007**

The Commission has operating lease commitments for office premises, motor vehicles and office equipment. The most significant lease held is for the three floors and car parks in the AXA Building, Wellington. This lease is due to expire in November 2012 and has a right of renewal. There are no restrictions placed on the Commission by any of its operating leasing arrangements, other than the premises must be used as commercial premises. Prior year balances have been restated as service contracts are no longer included.

24 Operating lease commitments as lessor

Future minimum lease payments due under non-cancellable operating leases as lessor	Actual 2011 $000	Actual 2010 $000
Not later than one year	169	191
Later than one year and not later than five years	162	286
Later than five years	215	240
Total operating lease commitments as lessor	**546**	**717**

The Commission leases out some property under operating leases. The majority of these leases have a non-cancellable term of one month. No contingent rents have been recognised in the statement of comprehensive income during the year.

25 Contingencies

Contingent liabilities

Claims

The Commission is currently engaged in a number of claims with current and former employees. The estimated aggregate financial settlement of these claims as at 30 June 2011 is $113,000 (2010 $185,000).

Replacement of fire stations Christchurch area

The Commission is required to replace, repair, demolish or relocate a number of fire stations located in the Christchurch area due to earthquake damage. It is expect that the bulk of these costs will be covered by insurance. The Commission is evaluating its options around the replacement program for fire stations and it is expected that this process will take some time. For further information see Christchurch earthquakes note 34.

Contingent assets

Insurance claims

The Commission is currently negotiating a number of insurance claims for business interruption and material damage related to the Christchurch earthquakes. The Commission estimate the future proceeds of these claims will be in excess of $4m. For further information see Christchurch earthquakes note 34.

26 Financial instruments

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

	Note	Actual 2011 $000	Actual 2010 $000
Loans and receivables			
Cash and cash equivalents	11	34,511	39,548
Trade and other receivables	12	4,576	2,485
Total loans and receivables		**39,087**	**42,033**
Fair value through statement of comprehensive income			
Derivative financial instruments assets		–	–
Derivative financial instruments liabilities		–	–
Total fair value through statement of comprehensive income		**–**	**–**
Financial liabilities measured at amortised cost			
Trade and other payables	16	24,663	26,702
Total financial liabilities measured at amortised cost		**24,663**	**26,702**

Financial instrument risks

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

Market risk

Interest rate risk

The Commission is exposed to interest rate risk, which is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Commission's exposure to the interest rate risk is limited to call deposits included in the cash and cash equivalents balance. The Commission aims to reduce the risk by investing at fixed interest rates with maturities in line with the cash requirements of the Commission. The Fire Service Act 1975 does not provide for the Commission to enter into hedging transactions, and therefore interest rate investments are not hedged.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The Commission's currency risk arises when sourcing property, plant and equipment denominated in foreign currency. The Commission enters into foreign exchange forward contracts to manage its foreign currency exposure in relation to supply contracts entered into for the purchase of property, plant and equipment. There were no forward foreign exchange contracts in place as at 30 June 2011 (2010 no contracts).

26 Financial instruments *continued*

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Commission, causing a loss to be incurred. In the normal course of business, the Commission incurs credit risk from trade and other receivables and transactions with financial institutions. The Commission has processes in place to review the credit quality of customers prior to the granting of credit. Due to the timing of its cash flows and outflows, the Commission invests surplus cash with registered banks that have a high credit rating as required by section 161 of the Crown Entities Act 2004. There is no significant concentration of credit risk arising from trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position. The Commission holds no collateral or other credit enhancement for financial instruments that give rise to credit risk.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions. The Commission mainly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements. The forecast cash flows are updated on a daily basis and include both known and perceived cash flow requirements. A minimum buffer is maintained which provides access to funds in excess of the highest forecast needs for funds. The Commission also invests in financial instruments ensuring there is an orderly market for their trading so they can be readily sold at any time.

Contractual maturity analysis of financial liabilities

The table below analyses the Commission's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

		Actual 2011			Actual 2010		
	Note	Less than 6 months $000	Between 6 months and 1 year $000	Between 1 and 5 years $000	Less than 6 months $000	Between 6 months and 1 year $000	Between 1 and 5 years $000
Creditors and other payables	**16**	**24,663**	**–**	**–**	**26,702**	**–**	**–**

Crown Retail Deposit Guarantee Scheme

The Commission is covered by the Crown Retail Deposit Guarantee. The size of the deposit covered by the guarantee is $1m (2010 $1m) per depositor per covered institution.

27 Capital management

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

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

28 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 arm's 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 for the payment of their fees and the reimbursement of their expenses. No provision has been required, nor any expenses recognised, for the impairment of receivables from related parties (2010 $nil).

The aggregate value of payments received and outstanding balances relating to entities that key management personnel have control or significant influence over can be summarised as follows.

			Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
Person	**Counterparty**	**Ref**	**2011** $	**2010** $	**2011** $	**2010** $
Robert Francis – Commission Member	Wairarapa District Health Board	(i)	16,000	16,706	–	–
Rt Hon Wyatt Creech – Deputy Chair	Open Country Dairy Limited	(ii)	1,150	–	–	–
Total			**17,150**	**16,706**	**–**	**–**

i The Commission charged the Wairarapa District Health Board, of which Robert Francis is the chairperson, rental for a building at the Masterton Fire Station. Rental was charged on normal commercial terms.

ii The Commission charged the Open Country Dairy Limited, of which Rt Hon Wyatt Creech is a director, a false alarm call out charge. The fee was charged on normal commercial terms.

28 Related party disclosures *continued*

The aggregate value of payments made and outstanding balances relating to entities that key management personnel have control or significant influence over can be summarised as follows.

			Transaction value for the year ended 30 June		Balance outstanding for the year ended 30 June	
Person	**Counterparty**	**Ref**	**2011** $	**2010** $	**2011** $	**2010** $
Angela Foulkes – Commission Member (Retired)	NZ Qualification Authority	(iii)	79,623	34,329	–	–
Commission appointed trustees include three NZ Fire Service staff members being Janine Hearn, Allan Kerrisk and Russell Wood	NZ Fire Service Superannuation Scheme	(iv)	15,605,927	15,507,573	–	–
Vicki Caisley – Commission Member	Kiely Tompson Caisley	(v)	15,192	–	–	–
Robert Francis – Commission Member	Wairarapa District Health Board	(vi)	854	–	–	–
Total			**15,701,596**	**15,541,902**	**–**	**–**

iii Purchase 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 2011 and 2010.

iv The Commission pays employer superannuation contributions to the New Zealand Fire Service superannuation scheme. The scheme is operated by ten trustees six of whom are appointed by the Commission. Three of the Commission appointed trustees are key management personnel of the Commission and one is an operational employee. The prior year balance has been restated to include other contributions not fully reported last year.

v Purchase of services from Kiely Tompson Caisley, of which Vicki Caisley's husband is a partner, were made on normal commercial terms during 2011.

vi Purchase of goods from the Wairarapa District Health Board, of which Robert Francis is the chairperson, were made on normal commercial terms during 2011.

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 will confirm the Commission. Commission Members, staff and volunteers of the New Zealand Fire Service Commission insure their properties against the risk of fire and that they pay the fire service levy at the same rate as every other insured person.

29 Key management personnel benefits

	Actual 2011 $000	Actual 2010 $000
Salaries and other current employee benefits	3,544	3,122
Post-employment benefits (KiwiSaver and superannuation)	153	142
Total key management personnel benefits	**3,697**	**3,264**

Key management personnel includes Commission Members, the Chief Executive/National Commander, and the 18 members (2010 15 members) of the senior management team.

30 Remuneration of Commission and committee members

		Actual 2011 $	Actual 2010 $
Dame Margaret Bazley DNZM Hon Dlit	Chairperson	60,000	60,000
Rt Hon Wyatt Creech (from October 2009)	Deputy Chair	23,375	17,531
Mr Terry Scott (until September 2009)	Deputy Chair	–	5,773
Mr Robert Francis	Member	18,700	18,700
Mr David McFarlane (from October 2009)	Member	18,700	14,025
Ms Vicki Caisley (from December 2010)	Member	10,788	–
Ms Angela Foulkes ONZM (until November 2010)	Member	7,911	18,700
Fees paid to Commission Members		**139,474**	**134,729**
Mr Alan Isaac (Audit and Risk Committee) [16]	Chairperson	4,800	8,439
Total remuneration of Commission and Committee Members		**144,274**	**143,168**

No Commission members has received any compensation or other benefits relating to cessation (2010 $nil).

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

Notes

[16] The Chairperson of the Audit and Risk Committee was engaged by the Commission to provide additional services in relation to the United Fire Brigades' Association for the year ended 30 June 2010. The remuneration for these additional services is included in this note amounted to $nil (2010 $3,639). The remaining $4,800 (2010 $4,800) related to chairing the Audit and Risk Committee.

31 Remuneration of employees

Remuneration of employees

	Actual 2011 Count	**Actual** 2010 Count
Total remuneration paid or payable		
$100,000 – $109,999	211	111
$110,000 – $119,999	51	45
$120,000 – $129,999	26	24
$130,000 – $139,999	14	4
$140,000 – $149,999	6	2
$150,000 – $159,999	1	4
$160,000 – $169,999	3	1
$170,000 – $179,999	3	4
$180,000 – $189,999	4	2
$190,000 – $199,999	–	2
$200,000 – $209,999	1	2
$210,000 – $219,999	1	2
$220,000 – $229,999	2	–
$230,000 – $239,999	1	1
$250,000 – $259,999	1	–
$320,000 – $329,999 (Chief Executive/National Commander)	–	1
$340,000 – $349,999 (Chief Executive/National Commander)	1	–
Total employees	**326**	**205**

The movement during the year was mainly due to callbacks, overtime and pro rata leave relating to the Christchurch earthquakes, Japan deployment and Pike River Mine incident.

During the year ended 30 June 2011 38 employees (2010 40 employees) received compensation and other benefits in relation to cessation totalling $1,017,000 (2010 $981,000). The majority of these cessation payments related 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 10 years service.

32 Post balance date events

Industrial action by New Zealand Professional Firefighters Union ("NZPFU") members covered by the New Zealand Fire Service/NZPFU Collective Employment Agreement ("CEA") commenced on 5 August 2011. The New Zealand Fire Service and the NZPFU regularly met with a mediator to ensure lines of communication remain open. It is anticipated that industrial action will continue for an extended period of time.

33 Explanation of significant variances against budget

Explanations for significant budget variances from the Commission's Statement of Intent can be summarised as follows.

Statement of comprehensive income

Revenue

Levy receipts

Total levy receipts including surcharge and interest (and levy attributable to the RFFF) for 2010/11 were ahead of budget by 1.8% and exceeded prior year receipts by 3.5% or $10.6m.

The increase in levy receipts is attributed to the following:

- During the year 50 organisations were identified that have not previously paid any levy.
- Additional resources were added to identify and target other instances of non-payment.
- During the year in excess of $0.8m was collected in respect of unpaid levy, interest and surcharge.
- Over 60 audits were completed as part of the ongoing levy audit program.
- Processes and systems continue to be enhanced to ensure that all amounts due in respect of levy are collected.

Other revenue and income

- Revenue includes a preliminary payment of insurance proceeds related to property material damage and business interruption of $2.0m and donated assets amounting to $0.5m from the USA USAR team. Both were not budgeted.
- Income includes the gain on the disposal of property, plant and equipment included a gain of $0.9m from the sale of assets classified as non-current assets held for sale as at 30 June 2010. This amount was not budgeted.

Expenditure

Total expenditure (excluding the RFFF) for 2010/11 was higher than budget by $7.7m and exceeded prior year expenditure by 6.5%.

A significant portion of this overspend is the result of the following:

- Employee and volunteer benefits expenditure was $4.7m over budget. This is mainly due to callbacks, overtime and pro rata leave relating to Christchurch earthquakes, Japan deployment and Pike River Mine incident amounting to $5.0 (not budgeted).
- Other expenditure was $4.9 over budget. This is mainly due to clothing and operating equipment, domestic airfares and accommodation and meals and engineering services relating to Christchurch earthquakes being over budget by $1.5m, $0.5m and $0.8m respectively.
- Fleet was also $0.8m over budget due to overspends on fleet repairs and maintenance and occupancy was $0.6m over budget due to overspends on property responsive repairs.
- Depreciation and amortisation was under budget by $1.6m due to projects being completed later than planned during the year, reducing depreciation as this commenced later than budgeted.

RFFF expenditure

- The RFFF was established under section 46 of the Fire Service Act 1975. It is funded by a contribution from the Fire Service levy and a grant provided from the Minister of Conservation. Expenditure for the year was $1.4m below budget and $1.7m below the prior year.

33 Explanation of significant variances against budget *continued*

- The expenditure from the fund is dependant upon the claims made on the fund in any one year. In 2010/2011 there were 83 eligible claims against the fund (2009/2010 93 claims). The most significant fires in 2010/2011 in terms of value of claims (greater than $200,000) on the fund were: Mosquito Gully, Ashworth and Papatotara Complex.

Other comprehensive income

- The net increase to revaluations during the year posted to the statement of comprehensive income amounts to $4.5m being $3.3m below budget.

Statement of changes in equity

Equity at beginning of year

The opening balance of accumulated funds brought forward from the prior year is greater than budgeted by $4.3m.

Net surplus attributable to the owners of the Commission for the year

The net surplus attributable to the owners of the commission exceeded budget by $2.6m for the year. Refer to the statement of comprehensive income commentary for an explanation of variances.

Land and buildings revaluations

Asset revaluation gains were lower than budgeted by $3.3m due to the Christchurch earthquakes and aftershocks.

Statement of financial position

Cash and cash equivalents

The cash and cash equivalents balance at end of year exceeded budget by $14.9m. Refer to the statement of cash flow commentary for an explanation of variances.

Non-current assets held for sale

New additions to non-current assets held for sale were not budgeted. Planned property disposals this year include Point Howard Station, Paraparaumu Station, Whitianga Station and Te Atatu Station.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets at year end were close to budget.

Trade and Other Payables

Trade payables have decreased by $4.6m when compared to budget and $2.0m compared to prior year which is mainly due to better controls from the new approval plus accounts payable system.

Current employee and volunteer benefits

Current employee and volunteer benefits increased by $4.8m when compared to budget and $6.4m compared to prior year which is mainly due to higher than anticipated payroll increases and the callbacks, overtime and pro rata leave relating to the Christchurch earthquakes, Japan deployment and the Pike River Mine incident.

Non-current employee and volunteer benefits

Non-current employee and volunteer benefits increased by $6.4m when compared to budget and $1.8m compared to prior year which is mainly due to higher than anticipated payroll increases.

Borrowing

The $3.7m above budget increase in borrowing is due to the lease of level 2 protective clothing not fully budgeted. This includes $7.2m for the rollover of lease contracts due to expire December 2010 and the sale of lease back of garments owned by the Commission at 30 June 2010 and 2011.

Statement of cash flows

Receipts from levy

Total cash from levy receipts including surcharge and interest (and levy attributable to the RFFF) were ahead of budget by $5.6m and exceeded prior year receipts by $10.6m. Refer to the statement of comprehensive income commentary for an explanation of variances.

Payments to employees and volunteers

Payments to employees and volunteers were on par with budget for the year.

Payments to suppliers for goods and services

Payments to suppliers for goods and services were $4.7m higher than budget mainly due to the Christchurch earthquakes.

Purchase of intangible assets

Intangible asset purchases were less than budget by $2.3m due to delays in the commencement of projects.

33 Explanation of significant variances against budget *continued*

Purchase of property, plant and equipment

The purchase of property, plant and equipment was on par with budget.

Proceeds from sale of finance lease assets

Level 2 protective clothing lease garments sold during the year amounted to $5.3m for garments owned by the Commission at 30 June 2010 and a further $3.0m for current year garments purchased. These amounts were not fully budgeted.

34 Christchurch earthquakes

Background

During the year a number of significant earthquakes and aftershocks occurred in the Christchurch region. These can be summarised as follows:

13 June 2011 Christchurch aftershocks

A magnitude 5.5 quake struck at 1pm, 10 kilometres east of Christchurch at Taylor's Mistake beach, at a depth of 11 kilometres. It was followed at 2.20pm by a more powerful magnitude 6 quake, centered 10 kilometres southeast of the city and 9 km underground.

22 February 2011 Christchurch earthquake

A magnitude 6.3 earthquake occurred 10 km south-east of Christchurch at 12:51pm, at a depth of 5 kilometres. The earthquake has had a devastating effect on the central city and the people of Christchurch and surrounding areas.

It caused the death of 181 people and injured over 3,300 others. More than 800 buildings were destroyed in the central city and over 15,000 homes and businesses extensively damaged. Despite the dangers posed by severe and continual aftershocks, firefighters rushed to the aid of many trapped and injured people. A further 70 people buried deep within collapsed buildings were extricated using complex rescue procedures. The disaster prompted the largest national mobilisation of New Zealand Fire Service resources. Urban search and rescue teams, volunteer and career firefighters, operational support crews, rural fire forces, administrative and general support staff came from across the country to ensure that the people of Christchurch received all possible assistance in the aftermath.

4 September 2010 Christchurch earthquake

A magnitude 7.1 earthquake occurred 40 km west of Christchurch at 4:35am, at a depth of 11 kilometres followed by a number of large aftershocks.

Overview of financial impacts

Expenditure and property damage related to the Christchurch earthquakes was significant and not budgeted. The financial impacts on the Commission can be summarised as follows:

Financial statement balances impacted by the Christchurch earthquakes have been quantified and are disclosed in financial statements – refer pages 115–116.

Statement of comprehensive income

Revenue

Revenue includes a preliminary payment of insurance proceeds related to property material damage and business interruption of $2,000,000 and donated assets amounting to $476,000 from the USA USAR team.

Expenditure

Employee and volunteer benefits expenditure including callbacks, overtime and pro rata leave amounted to $5,980,000.

Other expenditure amounted to $5,479,000 including clothing and operating equipment, domestic airfares and accommodation and meals and engineering services relating to Christchurch earthquakes.

Other expenditure includes property write offs totalling $1,431,483 for irrepairable buildings owned by the Commission located Christchurch central, Brooklands, Kaiapoi and Woolston.

34 Christchurch earthquakes *continued*

Statement of changes in equity

Land and buildings revaluations

During the year a number of the Commissions properties sustained damage to land and/or buildings due to significant earthquakes and aftershocks that occurred in the Christchurch region. Darroch in conjunction with advice received from the Commission, in terms of building damage and repair considerations, considered it necessary to impair the fair value of land and/or buildings in the Christchurch region. This process has been carried out for each property using estimates for either the repair of land and/or buildings and known market related factors after allowing for buildings that require demolition.

The total value for the Commission property portfolio as at 30 June 2011 was revalued after taking into consideration impairment.

Estimated impairments for Christchurch properties have been calculated by Darroch based on the following:

- Darroch physically visited and inspected all fire stations located in Christchurch City, Selwyn District, Bank's Peninsula District and Waimakariri District.
- During inspections Darroch recorded any damage to the land and buildings that they identified. Darroch had not (as at the date of inspection) received any engineering reports on the buildings (except for the Central City Station), land stability reports nor any costs relating to building repair or land remediation.
- The Fire Stations in the above locations were initially valued (prior to any impairment or demolished buildings) as at 30 June 2011 taking into account the market movements and market stigma prior to the 22 February 2011 earthquake. These values reflect market movements only and assume that there is no damage to the buildings.
- The impairment was assessed allowing for the anticipated reduction in value of the land and buildings due to reduced marketability and for repairs to land and buildings to remedy the earthquake related damage, or to write off the value of the building where it is known that this will be demolished.
- A full review of Darroch's impairment estimates was undertaken by the Commission and the impairment estimates were refined based on the Commission's knowledge of actual building damage and demolition status.
- A full review of Darroch's impairment estimates was undertaken by the Commission and the impairment estimates were refined based on the Commission's knowledge of actual building damage, location and demolition status. Consideration was also given to the Government's recently released earthquake affected residential classification zones. The zones are as follows:

  Green zone
  This zone identified as the 'Go Zone' where a repair and rebuilding process can commence

  Orange Zone
  This zone is identified as a 'Hold Zone' where further assessments will be undertaken

  Red Zone
  This is the zone which has recognised that land repair would be prolonged and uneconomic.

  White Zone
  This area is un-zoned and mapping and assessments are underway.

34 Christchurch earthquakes *continued*

Estimated impairments for Christchurch properties owned by the Commission are summarised as follows:

	Note	Estimate 2011 $000
Land value impairment	4	4,385
Building value impairment	4	4,343
Total impairments for Christchurch properties at year end		**8,728**

Statement of financial position

Cash and cash equivalents

Net cash required to fund the Christchurch earthquake rescue activities amounted to $9,690,000.

Property, plant and equipment

The impact on property, plant and equipment fair value for Christchurch properties owned by the Commission is estimated as follows:

	Note	Actual 2011 $000
New asset purchases under urgency		252
Donated assets USA USAR team		476
Depreciation on the above		(24)
Building write offs		(1,431)
Land value impairment	4	(4,385)
Building value impairment	4	(4,343)
Total adjustments for Christchurch properties at year end		**(9,455)**

Trade and Other Payables

The bulk of emergency response payments occurred during the year ended 30 June 2011.

Employee and volunteer benefits

The bulk of payments occurred during the year ended 30 June 2011 and there is only a small balance to carry forward to next year.

Accumulated funds

The resulting reduction to accumulated funds at 30 June 2011 amounted to $10,438,000.

Revaluation reserves

As discussed above the resulting reduction to revaluation reserves at 30 June 2011 amounted to $8,728,000.

34 Christchurch earthquakes *continued*

Statement of cash flows

Receipts from other revenue

Revenue includes a preliminary payment of insurance proceeds related to property material damage and business interruption of $2,000,000.

Payments to employees and volunteers

As discussed above the bulk of payments occurred during the year ended 30 June 2011.

Payments to suppliers for goods and services

As discussed above the bulk of emergency response payments occurred during the year ended 30 June 2011.

Purchase of property, plant and equipment

New asset purchases of operational equipment were required under urgency amounting to $252,000.

Contingent liabilities

Replacement of fire stations Christchurch area

The Commission is required to replace, repair, demolish or relocate a number of fire stations located in the Christchurch area due to earthquake damage. It is expect that the bulk of these costs will be covered by insurance. The Commission is evaluating its options around the replacement program for fire stations and it is expected that this process will take some time.

Contingent assets

Insurance claims

The Commission is currently negotiating a number of insurance claims for business interruption and material damage related to the Christchurch earthquakes. The Commission estimate the future proceeds of these claims will be around $4m.

Statement of comprehensive income for the year ended 30 June 2011	**Note**	**Christchurch Earthquakes Actual 2011** $000
Revenue		
Other revenue	1	2,476
Total revenue and income		**2,476**
Expenditure		
Employee and volunteer benefits expenditure	3	5,980
Depreciation	4	1,455
Other expenditure	7	5,479
Total expenditure		**12,914**
Net surplus attributable to the owners of the Commission		**(10,438)**

34 Christchurch earthquakes *continued*

Statement of cash flows for the year ended 30 June 2011	**Christchurch Earthquakes Actual 2011** $000
Cash flows from operating activities	
Receipts from other revenue	2,001
Payments to employees and volunteers	(5,757)
Payments to suppliers for goods and services	(5,682)
Net cash flows from operating activities	**(9,438)**
Purchase of property, plant and equipment	(252)
Net cash flows from investing activities	**(252)**
Net cash flows from financing activities	**–**
Net decrease in cash and cash equivalents	(9,690)
Cash and cash equivalents at beginning of year	–
Cash and cash equivalents at end of year	**(9,690)**

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New Zealand Government