

2018-2019 Statement of Performance Expectations

Fire and Emergency New Zealand

*Te Tauākī o ngā taumata mahi me tutuki
Te rotonga ahi me ngā ohotata o Aotearoa*

Presented to the House of Representatives pursuant to section 149 of the Crown Entities Act 2004



WHAKARATONGA IWI

FIRE EMERGENCY

NEW ZEALAND



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Statement of Responsibility

Tauākī Kawenga

The Statement of Performance Expectations sets out Fire and Emergency New Zealand's intended non-financial performance and financial forecast for the year 1 July 2018 to 30 June 2019, and should be read in conjunction with the 2017-2021 Statement of Intent.

The structure and content of this Statement of Performance Expectations follows the general requirements set out in the Crown Entities Act 2004.

The Board members and the management of Fire and Emergency New Zealand are responsible for maintaining systems and processes that support robust, objective decision-making and compliance with rules, and providing reasonable assurance as to the integrity and reliability of financial reporting.

The performance to be achieved by Fire and Emergency New Zealand for the year 1 July 2018 to 30 June 2019 that is specified in this

Statement of Performance Expectations has been agreed with the Minister of Internal Affairs, who is responsible for overseeing and managing the Crown's interests in Fire and Emergency New Zealand.

The Board acknowledges responsibility for the preparation of this Statement of Performance Expectations, which reflects the forecast performance and the financial position of Fire and Emergency New Zealand for the financial year 1 July 2018 to 30 June 2019.



Paul Swain
Chair
29 June 2018



Dr Nicola Crauford
Deputy Chair
29 June 2018



Introduction

Kupu Whakataki

This Statement of Performance Expectations should be read in conjunction with the Fire and Emergency New Zealand Statement of Intent 2017-21, which provides the strategic direction and priorities for the organisation.

Background

This Statement of Performance Expectations sets out the programme of work for Fire and Emergency New Zealand during the 2018/19 financial year, and associated measures to be used to assess our operational performance.

Firefighters are at the heart of New Zealand communities, and have been so for over 150 years. However, urban and rural firefighters' roles have changed around community expectations since then.

Originally firefighters just focused on fire. Now they do a whole lot more, such as responding to motor vehicle crashes, medical emergencies, hazardous materials spillages, storms, floods, earthquakes and a wide range of rescue situations.

In response to these changes and to improve the co-ordination of services, Fire and Emergency was established on 1 July 2017, with the amalgamation of the New Zealand Fire Service, the National Rural Fire Authority, 12 enlarged rural fire districts and 26 territorial authority rural fire authorities into a single new organisation.

The focus for 'Day One' was on bringing 14,000 people together without disruption to our core emergency service function.

However full integration and unification of those people and their knowledge, skills, and expertise will take more time to achieve. Integration is also about bringing together the functions, systems, processes, tools, structures and ways of working that are required to operate as, and be seen to be, one organisation. Fire and Emergency represents the biggest change to the sector in a generation, so it's important we take the time to get it right.

Focus for the next two years

The focus of the next two years will see us working to build on this strong foundation to address the changing needs of New Zealand communities and support the expanding role our people now play in the protection of life and property and the environment.

2018/19 is the second year of a three-year programme to fully integrate urban and rural fire services within Fire and Emergency. This will see us integrate functions, services, and activities that are currently separate – from urban and rural fire boundaries, to organisational and command structures.

Risk reduction and prevention

We will enhance our current risk reduction activities with new initiatives, including the introduction of standardised processes and systems for fire controls which will include designating fire seasons and managing permit applications. In addition, the development of a new compliance and enforcement strategy will describe how we will use education and information in the first instance to help the public comply with fire safety requirements and outline how we intend to use our enforcement tools in a proportionate way, as and when necessary.

Stronger engagement with communities

Over the next two years we will establish Local Advisory Committees and develop local plans. This will build on the strong links forged over many years between communities and their firefighters. It will help to make our communities more resilient.

LACs will help us to better understand our communities and the things that are unique and important to them, so we have the right people, with

the right skills, equipment, vehicles and fire stations to meet their needs.

We will look to improve the effectiveness of our risk reduction activities by building on the work we do with iwi and other diverse communities through groups such as our Te Rōpū Takawaenga Māori / Māori Liaison Team and Afi Pasefika teams.

Coordinated services

Throughout the integration phase, we will continue to invest in our people, property, fleet and infrastructure assets to ensure we maintain our incident response capability, particularly when it comes to addressing existing gaps in volunteer and rural fire infrastructure, resources and equipment.

Investing in strategic capability

We will work in partnership with our people, unions and associations, to design and begin implementing a new operating model. This will enable improved consistency and coordination in our operations across the country, in our specialist functionality and will improve our interoperability with other agencies where required.

Fire and Emergency needs capable, well-resourced people to meet our different needs, and effective leadership to guide and coordinate our actions.

By enhancing our senior leadership capability and strengthening our role as an influencer within the sector, we will work to become a strategic leader in our own field and a stronger partner when it comes to working with other agencies. By being more 'joined up' we will be better prepared to reduce the impact on New Zealand when an emergency happens.

Supporting our people

As an organisation that is heavily reliant upon volunteers, we will work to improve the way volunteers are supported with new initiatives as part of the Volunteerism strategy, with the design and implementation of new volunteer advocacy and support services.

A key activity for the organisation has been to identify gaps in operational capability, equipment, technology and training, and begin making targeted investment to address these. Good progress has been made in all these areas, including developing building and fleet capital works programmes with an emphasis on

increased investment in rural areas. In addition, we are increasing support to rural volunteers through leadership training, targeted coaching and mentoring for rural leaders. These initiatives will contribute to the integration of rural and urban skills and resources where communities currently have separate structures, stations and relationships.

Fire and Emergency must be an organisation that volunteers continue to feel motivated to be a part of. Communities in turn benefit from the skills and experience volunteers gain through their involvement.

The safety, health and wellbeing of our people is paramount. Firefighters operate in inherently dangerous and challenging situations, where the risks are psychological as well as physical.

Our work in this area this year will include the design and implementation of new health standards, in consultation with our people, unions and associations, and additional training in the areas where firefighters' mandate has expanded to ensure they are trained and safely equipped to do their jobs.

We are committed to addressing issues of gender inequity within our organisation. Our commitment includes strengthening support for our Women in Fire and Emergency NZ network, developing a strategy for improving the recruitment of women and implementation of our diversity and inclusion strategy.

Developing a shared identity

We will work to become a more diverse, inclusive organisation that recognises and appreciates the many different backgrounds of its people, and the skills they bring to the protection of their communities.

By working with our people and partner organisations towards the different areas of focus outlined above, over the next year and beyond, our objective for the integration phase is to build on a proud history of service. This sets the stage for us to become a pioneering, integrated Fire and Emergency service that will be able to better serve New Zealand and help our communities become more resilient.

We will undertake long-term strategic planning during 2018. This will test, enhance and extend our current view of what is important to focus on and why. It will also build the foundations required to keep strategy 'live'.

What we do

Fire and Emergency New Zealand's objectives and functions

Our principal objectives are to:

- ▶ Reduce the incidence of unwanted fires and the associated risk to life and property.
- ▶ Protect and preserve life, prevent or limit injury, and prevent or limit damage to property, land and the environment.

The Fire and Emergency New Zealand Act 2017 sets out the "main functions" we must do including:

- ▶ The promotion of fire safety (including guidance on the safe use of fire as a land management tool) and firefighting.
- ▶ Delivering fire prevention, response and suppression services.
- ▶ Protecting the safety of persons and property endangered by incidents involving hazardous substances.
- ▶ Rescuing trapped people as a result of transport accidents or other incidents.
- ▶ Undertaking urban search and rescue.

The Act includes "additional functions" we may do if we have capability and capacity, and provided this does not affect our ability to carry out our main functions. These include:

- ▶ Responding to medical emergencies.
- ▶ Responding to maritime incidents.
- ▶ Performing other rescues.
- ▶ Providing assistance at transport incidents.
- ▶ Responding to weather events, natural hazard events and disasters.
- ▶ Responding to incidents where substances present a risk to people, property or the environment.
- ▶ Responding to any other situation where we can assist.
- ▶ Promoting safe handling, labelling, signage, storage and transportation of hazardous substances.

Additional provisions

The Act provides for LACs to give local input into our national planning, to help ensure our strategies and plans respond to the risks and needs of communities. At the time this document was produced, a three months trial to fine tune how we will design and run LACs was underway in Hawkes Bay to help us better understand what skills and knowledge LAC members should have, how the committees should be structured, how they work within our organisation, and how we can incorporate local input into our planning processes. The trial builds on what we learnt from the two pilots held in the Greater Auckland and Mid-South Canterbury regions over the last 18 months.

The Act allows for an initial transitional levy period (1 July 2017 to 30 June 2019) where we are funded from the same levy base as under the Fire Service Act 1975. Following the transitional period there will be a broadened levy base to reflect the range of services that we provide. The levy represents over 95% of our funding. In addition to the broadened levy base, there will be new measures to encourage compliance among levy payers, and to protect the integrity of the levy. We will consult the public on the levy rate and our proposed activities at least every three years, to help make our funding more transparent and aligned to strategic priorities.

The Act also provides for a range of measures for our detailed design and operation. This enables us to provide fire and emergency services that are flexible, up-to-date, effective and efficient, that are funded appropriately, and that value the paid and volunteer workforce. These measures include:

- ▶ A framework for supporting volunteers, based on modern volunteer principles.
- ▶ A disputes resolution scheme.
- ▶ A code of practice to ensure the adequacy of firefighting water supplies.
- ▶ Updated provisions for evacuation schemes.
- ▶ Penalties and offences provisions.

As a Crown entity, we must also comply with the Crown Entities Act 2004 and all relevant legislation.



Fire and Emergency New Zealand's approach

We want to deliver the best services we can to New Zealanders. We are developing operating principles to help us to:

- › Carry out our functions effectively and in a coordinated manner.
- › Work co-operatively and collaboratively with other organisations.
- › Consult effectively with stakeholders.

In formulating these principles, we must take into account:

- › The importance of evidence-based, efficient and effective services.
- › Local interests and differences.
- › The importance of transparency.
- › The importance of engagement with our people, local advisory committees, and relevant organisations.

These operating principles are being developed as part of the new operating model for Fire and Emergency New Zealand. A draft operating model will be ready by 30 June 2018.

How we operate

Fire and Emergency New Zealand was established in July 2017. It combined urban and rural fire services into a single, unified fire and emergency services organisation with expanded functions that reflect the wide range of services firefighters provide for communities. To a large degree, this wider mandate brought into law what has already been an operational reality with urban and rural firefighters regularly working alongside each other responding to recent major incidents, such as the Kaikoura earthquake, Port Hills fires, and other severe weather events. The challenges of working together in these events demonstrated the value of Fire and Emergency and other emergency services working more closely together.

Integration period 2017–2020

Our three-year integration programme was designed to ensure that Fire and Emergency can continue to respond safely and effectively to emergencies, while delivering the work required to realise the benefits of the new organisation. We are one year into implementing the programme.

The integration phase is about bringing together the functions, systems, processes, tools, structures and ways of working that we need for Fire and Emergency to operate effectively as one organisation.

Integration is more than this, as it includes setting a new direction guided by the new legislation, which will require the design of an integrated operating model. It is also about new opportunities such as a strengthened role in risk reduction and working more closely with communities.

Success here is dependent on our ability to draw on the skills, knowledge and experience of all our people and we look forward to this collaborative relationship continuing as we work through the integration phase to establish a fully unified organisation by 2020.

Outcomes Framework

The Outcomes Framework (shown right) represents a high-level view of our activities. This framework demonstrates the relationships between the outputs, impacts and outcomes, and graphically represents the process by which the organisation creates value for New Zealand.

Outcomes Framework



Our strategic priorities

Our *Statement of Intent* 2017-2021 identifies five priorities that will be the focus for Fire and Emergency New Zealand over this period. The first three of the priorities reflect our commitment to delivering better outcomes for New Zealanders through the services we deliver:

- › Fire risk reduction and prevention.
- › Stronger engagement with communities.
- › Coordinated services.

The final two priorities are focused on creating the right environment within Fire and Emergency New Zealand to ensure that we operate well to maximise the impact we make for New Zealanders:

- › Building and shaping Fire and Emergency New Zealand.
- › Developing a shared identity.

Our strategic priorities operate within the context set out in the Outcomes Framework and seek to lift our performance by improving our services and enhancing our impact. This is illustrated in the strategy map on the next page.

The nature of the activities we will undertake in support of each strategic priority and the benefits we expect to realise from each priority are outlined next.

Fire reduction and prevention

We will build our capability to deliver effective community risk reduction activities to prevent unwanted fires and provide guidance on fire risk reduction and prevention.

Stronger engagement with communities

Engaging and connecting with our communities will enable us to identify and provide services that are appropriate to community risks and needs.

Coordinated services

Coordinated services will help ensure improved readiness for and response to incidents. We will build capacity and capability in a range of areas. This will enhance coordination within Fire and Emergency New Zealand and with other emergency services.

Building and shaping Fire and Emergency New Zealand

We will be a fit for purpose Fire and Emergency service that is well led, has a valued and supported workforce and enjoys the confidence and trust of communities and other stakeholders.

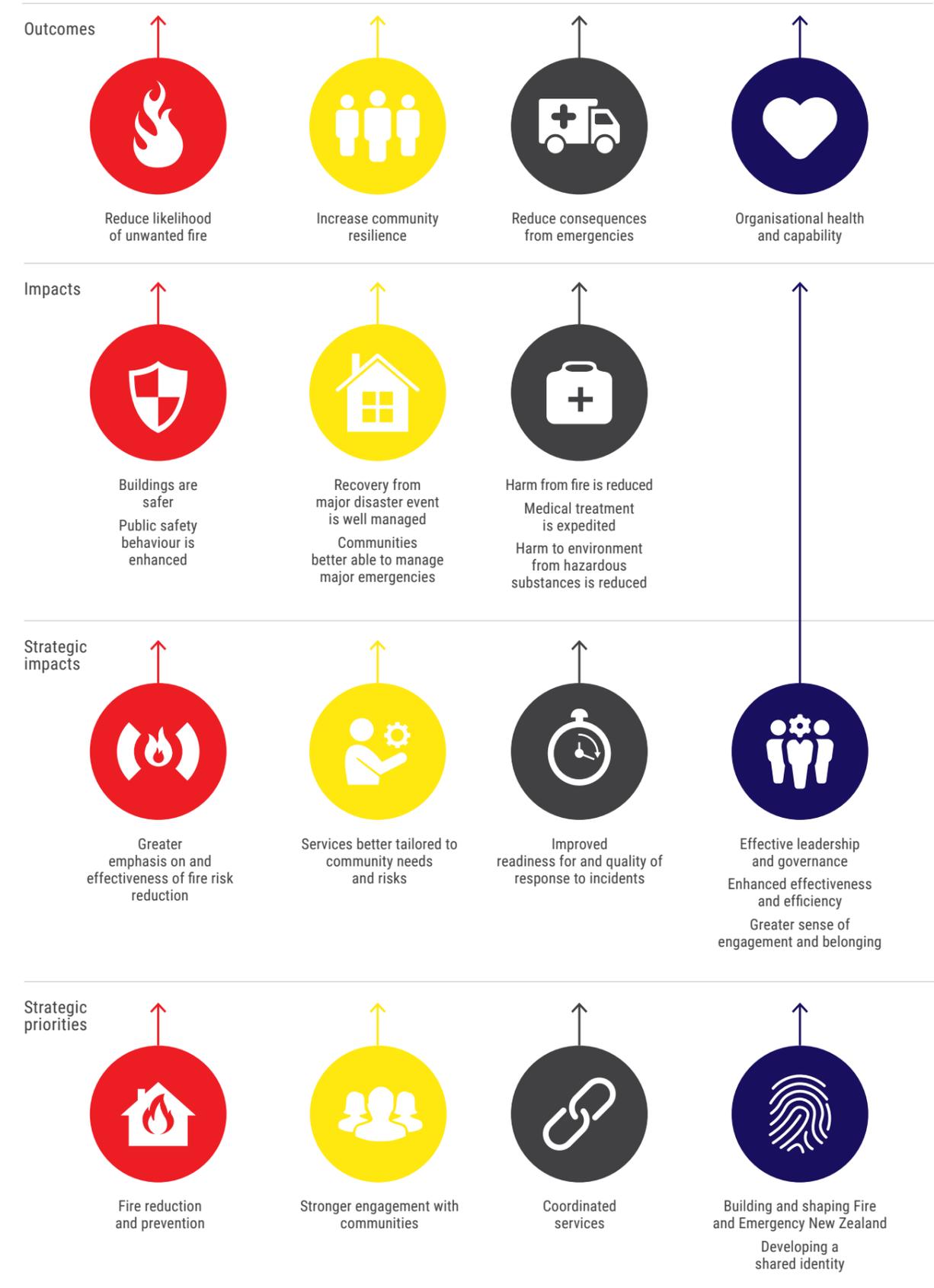
Developing a shared identity

Merging 40 organisations, each with their own history and culture, requires us to connect our people under a unifying identity which recognises what we all have in common and value what is different.

Monitoring

We will monitor progress toward our outcomes using the specific measures and targets set out in this Statement of Performance Expectations. Both the Outcomes Framework and the strategic priorities provide the basis for key performance indicators and individual performance measures for all our people.

Strategy Map



Consultation and reporting to the Minister of Internal Affairs

Te uiui me te whakamōhio i te Minita o te Tari Taiwhenua o Aotearoa

Fire and Emergency New Zealand's Board is committed to a "no surprises policy" for new initiatives, operational events and overall policies. The Board will provide the Minister of Internal Affairs (as its responsible Minister) with accurate, relevant, complete and timely information to ensure the Minister's decisions and responsibilities for the organisation can be carried out on a fully informed basis.

Reporting to the Minister

The Board will provide quarterly progress reports to the Minister against its key priorities, this Statement of Performance Expectations' performance measures and budgets, key initiatives and other information as required. The quarterly reports will be provided within the following timeframes:

Quarter	Timeframe - no later than
1 July 2018 to 30 September 2018	2 November 2018
1 October 2018 to 31 December 2018	1 March 2019
1 January 2019 to 31 March 2019	3 May 2019
1 April 2019 to 30 June 2019	2 August 2019



Reportable Outputs

Ngā whakaputanga ā-pūrongo

Fire and Emergency New Zealand Integration

What we want to achieve

Following the successful amalgamation of urban and rural fire services on 1 July 2017, the integration phase will bring together functions, services, and activities from urban and rural fire boundaries, to organisational and command structures. Additional provisions in the new Act, such as the establishment of LACs and a new framework to better support volunteers will also continue to be developed over the next two years. This will ensure the organisation can continue to respond safely and effectively to emergencies, whilst delivering the work required to meet the benefits of the new organisation. Our Volunteerism strategy should be in place by December 2018.

Subject to an annual application, additional funding has been made available for four years through a Crown funding injection to support a dedicated integration programme.

Measures that are highlighted in **blue** throughout this Statement of Performance Expectations have been specifically identified as integration-based and will be used when applying for Crown funding injection.

Reduced likelihood of unwanted fires

What we want to achieve

Preventing unwanted fires from occurring, and authorised and managed fires from getting out of control, through leading an aligned programme of research, education, community engagement, and providing advice and ensuring compliance.

Activities under this output

Advice to industry and councils on building design

Core services

Activity	Measure of success
Provide timely and effective fire engineering advice during the building consent phase of new or altered buildings	1.1.1 All assessments are processed within 10 working days
Administer the fire safety and evacuation of buildings regulation, ensuring schemes provide for the safe evacuation of people during a fire emergency	1.1.2 All applications for evacuation schemes are processed within the legislative timeframes ¹

¹ Fire and Emergency New Zealand Act 2017, Part 4 Miscellaneous and enforcement provisions, Subpart 6 – Regulations.

Fire safety education to the public

Core services

Activity	Measure of success
Deliver fire safety education and awareness programmes that resonate with audiences and change individuals behaviour	2.1.1 90% of people surveyed are aware that a house fire can become fatal within 5 minutes
	2.1.2 Recidivism rate among Fire Awareness Intervention Programme recipients is below 10%
	2.1.3 FireWise programme is offered to 100% of schools with year 1 and 2 students over a 2-year period (1 July 2017 - 30 June 2019)
	2.1.4 60% of schools with year 1 and 2 students complete the FireWise programme over a 2-year period (1 July 2017 - 30 June 2019)

Action to support our strategic priorities

Activity	Measure of success
Maintain a core research programme which produces research to meet organisational priorities	2.2.1 90% of research funding is allocated to projects aligned to organisational priorities
Development and implementation of a Risk reduction strategy	2.2.2 National risk reduction programmes have been developed by 31 March 2019, to give effect to the Risk reduction strategy developed in 2017/18
	2.2.3 Process for reviewing fire safety promotion and other risk reduction programmes in place by 30 June 2019
Provide information and risk profiling to support local advisory committees to advise on local needs	2.2.4 Local area risk profiling framework has been trialled in one location and lessons analysed to inform roll-out to other areas by 31 March 2019

Fire permitting and enforcement

Core services

Activity	Measure of success
Act as an advocate and subject matter expert on relevant aspects of the Government policy and legislative change programme	3.1.1 Policy and legislation submissions meet Fire and Emergency New Zealand's policy and policy criteria ²
Effective implementation of the national fire permitting system	3.1.2 Fire permits not requiring a site visit are processed within 5 working days
	3.1.3 Fire permits requiring a site visit are processed within 10 working days

² Will be made available upon request.

Reduced consequences from emergencies

What we want to achieve?

Being a trusted responder to incidents by leading or supporting others to minimise the impact on people, property and the environment. Ensuring that risks to people are managed through clear accountability, capability development and appropriate resourcing.

Activities under this output

Timely and professional response to fires

Core services

Activity	Measure of success
Responding to fires	4.1.1 Career crews respond to 85% of structure fires within 8 minutes
	4.1.2 Urban volunteer crews respond to 85% of structure fires within 11 minutes
	4.1.3 Number of structure fires responded to by rural fire services ³
	4.1.4 Percentage of non-permitted fires versus total number of reported vegetation fires during restricted fire season
	4.1.5 Number of structures damaged by vegetation fire

Timely and professional response to other emergencies

Core services

Activity	Measure of success
Responding to other emergencies	5.1.1 Crews from specialist resource locations respond to 90% of motor vehicle crashes within 30 minutes
	5.1.2 Number of motor vehicle crashes responded to by rural fire services
	5.1.3 Career crews respond to 85% of medical emergencies within 8 minutes
	5.1.4 Urban volunteer crews respond to 85% of medical emergencies within 11 minutes
	5.1.5 Number of medical emergencies responded to by rural fire services
	5.1.6 Crews from specialist resource locations respond to 85% of hazardous substances incidents within 60 minutes
	5.1.7 Number of volunteer rural fire services becoming medical co-responders

³ The number of medical, structure fire and motor vehicle incidents rural personnel attend will be analysed during 2018-2020. This data will be used to help develop appropriate performance measures for rural activities.



Maintain capability to respond to emergencies	5.2.1 Each Region ⁴ to maintain sufficient trained personnel to fully staff a Regional Incident Management Team ⁵
Extend the current skills system to all operational personnel	5.3.1 By 30 June 2019, the skills and trained state of 90% of personnel will be recorded

Action to support our strategic priorities

Activity	Measure of success
Establish a high level of engagement with emergency sector partners and other relevant agencies that achieves greater coordination within the sector	5.4.1 Achieve an annual external stakeholder engagement survey score of 7.8/10 or better ⁶

Increased community resilience

What we want to achieve

Maintaining a strong local presence and improved services, supported by a national organisation that is responsive to risks and needs. This will help ensure that communities have the capability to prevent and respond to emergencies.

Activities under this output

Specialist disaster recovery following major emergencies

Core services

Activity	Measure of success
Provide a skilled and specialist response to severe weather-related events, natural hazard events, and disasters	6.1.1 An annual exercise shows Urban Search And Rescue (USAR) is operating at the International Search and Rescue Advisory Group (INSARAG) classification level for a heavy team ⁷

An engaged and equipped network of communities across New Zealand

Action to support our strategic priorities

Activity	Measure of success
Work with iwi and tangata whenua and diverse communities to develop strategies to strengthen relationships and improve outcomes	7.1.1 Strategy complete by 30 June 2019
Establish local advisory committees (LACs) throughout New Zealand	7.2.1 40% of LACs established by 30 June 2019
Design and develop a partnership model that guides the organisation on formal and informal partnerships	7.3.1 Consultation on a partnership model completed and final partnership model in place by 31 March 2019

⁴ Fire and Emergency New Zealand has five regions. More information on these regions can be found on the website, www.fireandemergency.nz

⁵ Each Region has an Incident Management Team that provides coordination support to the response.

⁶ A score of 7.8 is regarded as very good, and a score of 8 or 9 is regarded as excellent.

⁷ Heavy USAR Teams have the operational capability for difficult and complex technical search and rescue operations.

Organisational Health and Capability

Te oranga me te ngaio tanganga o te tari

What we want to achieve

As one organisation newly established from many, we must ensure our systems, process and culture integrate and develop to support our personnel to do their best for New Zealanders every day.

Integrating existing processes and systems will be a key focus in 2018/19 to ensure we can continue to deliver our services well and meet the expectations of the Act, particularly our expanded emergency response mandate.

To deliver on its objectives and the intentions of the reform, Fire and Emergency New Zealand will foster an inclusive, team-based, safety-conscious culture with a workforce that reflects the diversity of the communities in which it serves.

Activities to be undertaken

Core services

Activity	Measure of success
Continue the development of a mature culture of safety by embedding good practice in safety, health and wellbeing, focused on behavioural safety and leadership	8.1.1 Reduce the ratio of workplace injuries incurred to incidents attended
	8.1.2 Number of staff workplace injuries requiring more than 7 days off work, is less than 4.2 per 100 staff
Design and implement an assurance framework to align our current processes to meet the assurance needs of the Audit & Risk Committee	8.1.3 Framework to be trialled on no less than six operational efficiency audits during 2018/19
Implementation of the Port Hills Action Plan prepared following the Port Hills fire in 2017	8.1.4 Complete all actions from the Port Hills Action Plan by 30 June 2019

Action to support our strategic priorities

Activity	Measure of success
Building and refining the draft operating model developed in 2017/18	8.2.1 Key features of the new operating model (operations and national headquarters) and organisation structure designed and positioned for implementation by 30 June 2019
Further improve transparency and performance measurement, monitoring and reporting	8.2.2 Performance framework designed by 30 June 2019



Identify the trends and critical uncertainties that will inform the development of a Fire and Emergency New Zealand strategy and strategy system.	8.2.3	Fire and Emergency New Zealand strategy completed by 31 October 2018
Produce a National plan framework that seeks to implement the key components of the Fire and Emergency New Zealand strategy	8.2.4	National plan framework completed by 28 February 2019
Establish an Enterprise Portfolio Management function to improve investment decision-making and support governance	8.2.5	Enterprise Portfolio Management Office in place by 31 December 2018
Launch the vision and values of Fire and Emergency New Zealand	8.2.6	Vision statement published by 30 June 2019
Development of health standards and associated policies and processes to support the safety, health and wellbeing of our people	8.2.7	Consultation on proposed health standards and associated policies and processes completed. Recommendations on Health Standards and associated policies and processes approved by 30 June 2019
Development and implementation of the Volunteerism strategy	8.2.8	Volunteerism strategy to be in place by 31 December 2018
	8.2.9	In-house rules framework for volunteer brigades and forces approved and implementation commenced by 30 June 2019
Design and develop a proposed statutory dispute resolution scheme that is fit for purpose	8.2.10	Complete public consultation on the proposed statutory disputes resolution scheme by 28 February 2019
Provide advice to the Minister of Internal Affairs on fire levy rates to apply to the next period	8.2.11	Advice provided to the Minister in accordance with Cabinet's decisions on the fire levy rate to apply to the new period.
Introduce integrated systems with seamless and easy access for all personnel, stakeholders and the public to the information they need	8.2.12	Options for a new levy management system and portal for levy payers investigated and preferred option identified by 31 December 2018
	8.2.13	Draft Information Management and Business Intelligence strategy completed by 30 June 2019
Enhance inclusivity and diversity within the organisation	8.2.14	Diversity and inclusion metrics and reporting framework developed and implemented by 30 June 2019
	8.2.15	Recruitment strategy to attract greater diversity completed by 30 June 2019
Training, development and leadership of our people	8.2.16	Design a people capability framework by 30 June 2019, which includes career opportunities and specialisation pathways
	8.2.17	Develop and deliver three leadership and management programmes by 30 June 2019
Implementation of Fire and Emergency New Zealand Identity	8.2.18	By 30 June 2019, 70% of external property signage will be re-branded
	8.2.19	By 30 June 2019, 90% of fleet re-branded

Output Class Reporting

Te arotakenga o ngā whāinga

Cost of the Outputs for the period ending for the years ending 30 June

	Budget 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Output Class Reporting (Net Costs)			
1.1 Advice to industry and councils on building design	1,601	1,601	1,601
1.2 Fire safety education to the public	33,482	35,926	36,053
1.3 Fire advice, permitting and enforcement	41,421	44,560	44,724
1.0 Reduced likelihood of unwanted fires	76,505	82,087	82,378
2.1 Timely and professional response to all fires	289,141	311,036	302,062
2.2 Timely and professional response to other emergencies	133,182	142,900	143,406
2.0 Reduced consequences from emergencies	422,322	453,936	445,468
3.1 Specialist disaster recovery following major emergencies	21,324	22,020	22,961
3.2 An engaged and equipped network of communities across New Zealand	960	960	960
3.0 Increased community resilience	22,284	22,980	23,921
4.0 Integration activities supported by repayable Crown funding injection	12,000	13,000	13,000
	533,111	572,003	564,766



Financial Statements

Ngā Tauākī Pūtea

for the year ended 30 June

Introduction

Nga kaupapa

Introduction

There are a number of areas of forecasting uncertainty as we progress through Fire and Emergency New Zealand's integration programme. The organisation has used the best available projections, estimations and assumptions to prepare conservative budgets that will be adjusted for the coming years as more data becomes available. The forecasts contained in the prospective financial statements reflect the organisation's intent at a point in time. The integration programme adds a layer of complexity.

Levy

Our services are funded primarily through a levy on property and motor vehicle insurance, supplemented by a government contribution for public good and direct charging for a small set of contracted services.

Levy income is affected by a number of factors including the growth in residential and commercial construction, changes in motor vehicle numbers, the types of insurance policies organisations enter into, and levy exemptions. In this context, as we move to the new funding base⁸ to apply from 1 July 2019, there are additional complexities in forecasting income. Data on levy payments supplied by the insurance industry aids us in better understanding what the new levy base will be.

At the point in time that the forecasts were prepared, we were about to commence a public consultation process to help inform recommendations to the Minister of Internal Affairs on the levy rates. The consultation will ensure there is ample time for the insurance sector to implement changes to the levy rates. The consultation process could affect the forecast numbers if there is a significant direction from the public to change the organisation's activities, proposed rates of levy, levy caps or relief provisions.

Expenditure

Expenditure is driven by what the organisation aims to deliver over coming years. Contained within the expense base are the costs of running one amalgamated organisation, delivering volunteer support, rural enhancements and corporate resizing in the new environment as well as the integration programme costs. The integration programme is primarily funded from a Crown injection. This Crown injection is not reflected in the income of the new organisation but as a loan on the balance sheet.

When reviewing the Statement of Comprehensive Revenue and Expense (please see page 30) for 2018/19 – 2020/21 it will be noted that the growth in expenditure is driven by:

- ▶ Employee costs, which reflect the investment in 14,000 career and volunteer, operational and non-operational personnel across the whole of New Zealand.
- ▶ A significant growth in depreciation, which reflects the investment in infrastructure required to bring all brigades and facilities up to (and then maintain at) a common standard.

Surplus

The organisation budgets to breakeven however, in the coming years we are forecasting significant surpluses. These surpluses are generated to provide funding to:

- ▶ Cover the shortfall between the budgeted depreciation and the projected capital expenditure, as we are having to invest heavily in our infrastructure (particularly rural) to bring it to a common standard.
- ▶ Repay the Crown injection over 9 years.

Balance Sheet

It should be noted that the prospective Statement of Financial Position includes an estimate of the assets transferred to the organisation from local territorial authorities or enlarged rural fire districts on amalgamation.

The asset-intensive nature of the organisation and our continual investment to raise and maintain the standard of our asset base means that the balance sheet remains strong (as can be seen in the Statement of Financial Position on page 32). The debt to equity ratio is relatively low which provides some leverage for the financing of capital assets in the future if need be. The historical low levels of debt are set to increase in the short term as the Government continues to provide funding for the integration programme. Over time, the debt levels will return to historical levels as the funding injection is repaid.

As a cash-based, and capital intensive organisation for the foreseeable future we maintain a strong cash balance. Approximately \$50 million is earmarked for managing working capital given our incoming levy stream fluctuates significantly, month to month. The cash reserves allow for any unforeseen liquidity issues, and will cover any extraordinary costs that may eventuate such as natural disasters (e.g. earthquakes, abnormal wild fires and weather-related events). The \$50 million level is based on:

- ▶ \$25 million for immediate working capital requirements.
- ▶ \$10 million for a liquidity buffer.
- ▶ \$15 million for extraordinary costs.

⁸ Moving from the levy being applied to fire insurance to material damage insurance. No difference for the majority of residential insurance.

Prospective statement of comprehensive revenue and expense

for the years ending 30 June

	Budget 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Revenue			
Levy	573,002	587,994	622,202
Interest revenue	3,112	2,975	1,684
Other revenue ⁹	20,229	21,419	16,319
Total revenue	596,343	612,388	640,205
Expenditure			
Employee and volunteer benefits expenditure	341,942	359,257	361,266
Depreciation	53,485	68,711	75,595
Amortisation	2,141	2,323	2,668
Finance costs	762	650	530
Other expenditure*	150,964	152,341	148,897
Total expenditure	549,294	583,282	588,956
Net surplus attributable to the Board¹⁰	47,049	29,106	51,249
Other comprehensive income			
Gains on revaluation of land and buildings net of impairment losses	16,067	16,549	17,045
Total comprehensive income attributable to the owners of the Board	63,116	45,655	68,294
	\$000	\$000	\$000
*Other expenditure			
Fleet	20,245	21,731	19,794
Communications and computer	38,217	40,419	40,816
Occupancy	23,005	23,522	23,997
Operational clothing, equipment and consumables	26,309	27,571	26,944
Travel	14,836	14,515	13,972
Promotional Activities	6,243	6,243	6,132
Other	22,109	18,340	17,242
Total other expenditure	150,964	152,341	148,897

⁹ Other revenue includes a \$10 million public good contribution from the Crown which is at risk.

¹⁰ The projected net surplus is the consequence of generating the appropriate levels of cash to undertake capital expenditure over and above existing depreciation levels, fund repayments of the funding injection and other borrowings and to cover working capital movements in the balance sheet.

Prospective statement of changes in equity

for the years ending 30 June

	Budget 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Equity at beginning of year			
Accumulated funds	649,643	696,692	725,798
Revaluation reserves	196,307	212,374	228,923
Total equity at beginning of year	845,950	909,066	954,721
Changes in equity during year			
Transfers from statement of comprehensive income			
Accumulated funds	47,049	29,106	51,249
Revaluation reserves	16,067	16,549	17,045
Total comprehensive income	63,116	45,655	68,294
Transfers from disposal of land and buildings			
Accumulated funds	-	-	-
Revaluation reserves	-	-	-
Total transfers from disposal of land and buildings	-	-	-
Total changes in equity during year	63,116	45,655	68,294
Equity at end of year			
Accumulated funds	696,692	725,798	777,047
Revaluation reserves	212,374	228,923	245,968
Total equity at end of year	909,066	954,721	1,023,015

Prospective statement of financial position

as at 30 June

	Budget 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Assets			
Current assets			
Cash and cash equivalents ¹¹	123,558	103,148	43,256
Trade and other receivables ¹²	106,826	107,280	166,014
Prepayments	1,857	1,857	1,857
Total current assets	232,241	212,285	211,127
Non-current assets			
Property, plant and equipment ¹³	879,332	950,226	990,541
Intangible assets	15,653	23,869	40,572
Total non-current assets	894,985	974,095	1,031,113
Total assets	1,127,226	1,186,380	1,242,240
Liabilities			
Current liabilities			
Trade and other payables	61,414	69,402	70,305
Employee and volunteer benefits	38,150	38,913	39,691
Borrowings	1,700	1,900	1,414
Crown funding injection	13,000	13,000	13,000
Provisions	1,785	1,785	1,785
Total current liabilities	116,049	125,000	126,196
Non-current liabilities			
Employee and volunteer benefits	38,428	39,197	39,980
Borrowings	3,314	1,414	-
Crown funding injection	58,078	63,758	50,758
Provisions	2,291	2,291	2,291
Total non-current liabilities	102,111	106,659	93,029
Total liabilities	218,160	231,659	219,225
Net assets	909,066	954,721	1,023,015
Equity			
Accumulated funds	696,692	725,798	777,047
Revaluation reserves	212,374	228,923	245,968
Total equity	909,066	954,721	1,023,015

¹¹ Cash balances included unallocated levy from previous years, \$36.5m, extra headroom to manage adverse change in terms of trade of \$65.5m, working capital requirements of \$25.0m, and liquidity buffer of \$10m.

¹² The increase in Trade and Other Receivables in 2020/21 is due to the extra month insurers have been given to forward Levy onto Fire and Emergency NZ, which was provided for in the Fire and Emergency Act 2017.

¹³ This balance includes the transfer of rural assets of \$15.5million from Territorial Authorities and Enlarged Rural Fire Districts.

Prospective statement of cash flows

for the years ending 30 June

	Budget 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Cash flows from operating activities			
Receipts from levy	570,052	585,000	564,766
Receipts from other revenue	20,229	21,419	16,319
Interest received	3,112	2,975	1,684
Net GST received/(paid)	373	257	119
Payments to employees and volunteers	(351,019)	(357,851)	(363,979)
Payments to suppliers for goods and services	(141,462)	(153,232)	(147,407)
Net cash flows from operating activities	101,285	98,568	71,502
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	2,490	-	-
Purchase of intangible assets	(9,348)	(13,301)	(13,248)
Purchase of property, plant and equipment	(88,475)	(108,954)	(102,662)
Net cash flows from investing activities	(95,333)	(122,255)	(115,910)
Cash flows from financing activities			
Payment of finance leases	(1,600)	(1,700)	(1,900)
Net cash Flows from Crown funding injection	16,112	5,680	(13,000)
Interest paid	(815)	(703)	(584)
Net cash flows from financing activities	13,697	3,277	(15,484)
Net increase/(decrease) in cash and cash equivalents	19,649	(20,410)	(59,892)
Cash and cash equivalents at beginning of year	103,909	123,558	103,148
Cash and cash equivalents at end of year	123,558	103,148	43,256

Statement of Accounting Policies

Reporting entity

The Board of Fire and Emergency New Zealand is a body constituted under the Fire and Emergency New Zealand Act 2017. Fire and Emergency New Zealand is a Crown entity as defined by the Crown Entities Act 2004. Under the Act, the organisation is the same body as the New Zealand Fire Service Commission. The primary objective of the organisation is reducing the incidence of unwanted fire and the associated risk to life and property, and through its main and additional functions to protect and preserve life, prevent or limit injury, and to prevent or limit damage to property land and the environment. The organisation's functions are for community benefit, rather than to make a financial return. The organisation has designated itself as a public benefit entity (PBE) for financial reporting purposes.

These prospective financial statements for the organisation are for the years ended 30 June 2019, 2020 and 2021.

Basis of preparation

Statement of compliance

These prospective 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).

The financial statements comply with Tier 1 PBE IPSAS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. This includes New Zealand Reporting Standard No.42: Prospective Financial Statements (FRS-42).

Measurement base

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

- ▶ Financial assets and liabilities at fair value.
- ▶ Derivative financial instruments at fair value.
- ▶ Certain classes of property at methods appropriate to the class of asset.

Functional and presentation currency

These prospective financial statements are presented in New Zealand dollars which is the organisation's functional currency and rounded to the nearest thousand dollar (\$000) unless otherwise stated.

Critical accounting assumptions

In preparing these prospective financial statements, the organisation has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results, and variations may be material. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

Significant accounting policies

The following accounting policies, which significantly affect the measurement of financial performance and financial position, have been consistently applied.

Revenue

Revenue is measured at fair value and is recognised when earned and is reported in the financial period to which it relates to.

Interest

Interest income is recognised using the effective interest rate method.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the date of the transaction.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the organisation 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 prospective statement of comprehensive income. Lease incentives received are recognised in the prospective statement

Cash & cash equivalents

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

Bank term deposits

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

Property, plant and equipment

Property, plant and equipment asset classes consist of building fit-out, computers, furniture and fittings, office equipment, and motor vehicles. Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the organisation and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the prospective statement of comprehensive revenue and expense.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the organisation and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive revenue and expense as they are incurred.

Depreciation

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

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

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

Intangible Assets

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

Computer Software

Costs are capitalised as computer software when they create a new asset or increase the future economic benefits of an existing asset. Costs capitalised for acquired computer software licences include the costs incurred to acquire and bring the software into use. Costs capitalised for internally developed computer software include the costs incurred in the development phase only. Expenditure incurred on research is recognised in the Statement of Comprehensive Revenue and Expense, as well as costs that do not meet the criteria for capitalisation (including personnel training and software maintenance).

Shared Information Technology Environment

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 organisation's proportional ownership. The New Zealand Police maintains SITE and proportionally charges the organisation. This charge is recognised in the Statement of Comprehensive Revenue and Expense.

Amortisation

Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis at rates estimated to write off the cost of an asset, less any residual value, over its useful life.

Estimated useful lives and associated amortisation rates for asset classes are:

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

Impairment of non-financial assets

Property, plant and equipment, and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's 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.

Payables

Payables are recorded at their face value.

Employee and volunteer entitlements

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

Benefits to be settled within 12 months of balance date are calculated at undiscounted current rates of pay according to the amount of the accrued entitlements at current rates of pay.

Benefits that are payable beyond 12 months, such as long service leave, retirement leave and gratuities for both paid and volunteer personnel, are calculated on an actuarial basis. The calculations are based on information about:

- ▶ Likely future entitlements accruing to personnel, based on years of service, years to entitlement, the likelihood that personnel will reach the point of entitlement and contractual provisions.
- ▶ The present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock, with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees. Movements in the actuarial valuations are recognised in the Statement of Comprehensive Revenue and Expense.

Superannuation schemes

Defined contribution schemes

Contributions to KiwiSaver, the State Sector Retirement Savings Scheme and the National Provident Fund are accounted for as defined contribution superannuation schemes and are expensed in the Statement of Comprehensive Revenue and Expense as they fall due.

Defined benefit schemes

The organisation 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.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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

The 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.

Income Tax

The organisation is exempt from income tax in accordance with the Income Tax Act 2004. Accordingly, no provision has been made for income tax.

Property, plant and equipment useful lives and residual values

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

An incorrect estimate of the useful life or residual value will impact the depreciation or amortisation expense recognised in the Statement of Comprehensive Revenue and Expense, and the carrying amount of the asset in the Statement of Financial Position. The organisation minimises the risk of this estimation process by:

- ▶ Performing asset verifications.
- ▶ Revaluing land and buildings.
- ▶ Impairment testing.
- ▶ Asset replacement programme.

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

Financial instruments

The organisation, as part of its everyday operations, is party to financial instruments that have been recognised in these financial statements. These financial instruments include accounts payable and accounts receivable, cash and short term deposits.

All financial instruments are recognised in the prospective statement of financial position, and revenues and expenses in relation to all financial instruments are recognised in the prospective statement of comprehensive revenue and expense.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the organisation invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the organisation and records cash payments made for the supply of services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

The cash statement has been prepared using the direct method subject to the netting of certain cash flows.

Capital intentions

The organisation is forecasting to purchase office equipment, information technology items, building fit-out, furniture and fittings and motor vehicles/fire appliances during the period covered by this Statement of Performance Expectations.

Fire and Emergency New Zealand Board of Directors

*Ngā kaitohu o te ratonga ahi me
ngā ohotata o Aotearoa*



Hon. Paul Swain,
QSO Chair



Dr Nicola Crauford,
Deputy Chair



Angela Hau-Willis



Peter Drummond
MNZM



Te Arohanui Cook

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