



2017-2018 STATEMENT OF PERFORMANCE EXPECTATIONS FIRE AND EMERGENCY NEW ZEALAND

**Tauākī o ngā
taumata mahi hei
whakatutuki**
Ratonga ahi
me ngā ohotata
i Aotearoa



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ABOUT FIRE AND EMERGENCY NEW ZEALAND

Fire and Emergency New Zealand is a new unified fire organisation that brings together our country's urban and rural fire services for the first time. The formation of Fire and Emergency New Zealand represents a once in a generation opportunity to enable New Zealand to have a fit for purpose 21st century fire and emergency organisation that is flexible, adaptable and efficient.

www.fireandemergency.nz

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 2017 to 30 June 2018, and should be read in conjunction with the 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 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 2017 to 30 June 2018 specified in this Statement of Performance Expectations has been agreed with the Minister for 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 2017 to 30 June 2018.



Honorable Paul Swain
Chair



Dr Nicola Crauford
Deputy Chair



INTRODUCTION

Kupu whakataki

This Statement of Performance Expectations should be read in conjunction with the Fire and Emergency New Zealand Statement of Intent 2017-2021, which provides the strategic direction and priorities for the organisation.

WHAT WE DO: FIRE AND EMERGENCY NEW ZEALAND'S OBJECTIVES AND FUNCTIONS

Our main objectives are to:

- reduce unwanted fires
- protect and preserve life, prevent or limit injury, and prevent or limit damage to property, land and the environment.

Fire and Emergency New Zealand will seek to achieve these objectives through our main and additional functions.

The Fire and Emergency New Zealand Act 2017 (the Act) sets out the “main functions” we must do including:

- fire safety (including guidance on the safe use of fire as a land management tool) and firefighting
- responding to hazardous substance incidents
- rescuing trapped people
- 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
- maritime incidents
- other rescues
- weather events and disasters
- incidents where substances present a risk to people, property, or the environment
- any other situation where we can assist.

ADDITIONAL PROVISIONS

In addition, the Act provides for local advisory committees to provide local input into our national planning, ensuring that it is responsive to the risks and needs of communities.

The Act provides an initial transitional levy period during which we will be 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 around 95% of our funding. In addition, 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, making 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 will enable 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
- penalties and offences provisions
- a disputes resolution scheme
- a code of practice to ensure the adequacy of firefighting water supplies
- updated provisions for evacuation schemes.

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

The Act provides a framework within which to deliver our functions. We are required to develop operating principles to guide and assist 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 personnel, local advisory committees, and relevant organisations.

HOW WE OPERATE

Fire and Emergency New Zealand was established in July 2017 following the enactment of the Fire and Emergency New Zealand Act. It combines urban and rural fire services into a single, unified fire services organisation, and expanded functions that reflect the wide range of services firefighters provide for communities. To a large degree, this wider mandate brings into law what has already been an operational reality.

TRANSITION PERIOD 2017 – 2020

A realistic three-year integration programme has been designed to ensure that Fire and Emergency New Zealand can respond safely and effectively to emergencies from 1 July 2017, while delivering the work required to realise the benefits of the new organisation and give effect to the new legislation.

OUTCOMES FRAMEWORK

The Outcomes Framework (shown below) represents a high-level view of our Impacts Framework. 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.

GOVERNMENT
PRIORITY

**BETTER PUBLIC SERVICES THAT ALL
NEW ZEALANDERS RELY ON**

OUTCOMES



REDUCE LIKELIHOOD
OF UNWANTED FIRE



INCREASE COMMUNITY
RESILIENCE



REDUCE CONSEQUENCES
FROM EMERGENCIES

IMPACTS



BUILDINGS ARE SAFER
PUBLIC SAFETY
BEHAVIOUR IS
ENHANCED



RECOVERY FROM MAJOR
DISASTER EVENT IS SWIFTER
COMMUNITIES BETTER
ABLE TO MANAGE MAJOR
EMERGENCIES

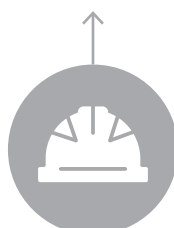


HARM FROM FIRE IS REDUCED
MEDICAL TREATMENT
IS EXPEDITED
HARM TO ENVIRONMENT
FROM HAZARDOUS
SUBSTANCES IS REDUCED

PRODUCTS
& SERVICES



ADVICE TO INDUSTRY AND
COUNCIL ON BUILDING DESIGN
FIRE SAFETY EDUCATION
TO THE PUBLIC
FIRE PERMITTING AND
ENFORCEMENT



SPECIALIST DISASTER RECOVERY
FOLLOWING MAJOR EMERGENCIES
NETWORK OF TRAINED
EMERGENCY RESPONDERS
ACROSS NEW ZEALAND
URBAN SEARCH AND RESCUE



TIMELY AND PROFESSIONAL
RESPONSE TO ALL FIRES
TIMELY AND PROFESSIONAL
RESPONSE TO OTHER
EMERGENCIES

ORG HEALTH
& CAPABILITY

**SAFETY, HEALTH AND WELLBEING • PEOPLE • FINANCE
ICTS • TRAINING • BUSINESS EFFECTIVENESS**

OUR STRATEGIC PRIORITIES

Our Statement of Intent 2017-2021 identifies five priorities that will be the focus for Fire and Emergency New Zealand over the next four years. 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 can maximise the impact we deliver for New Zealanders:

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

Our strategic priorities operate within the context of the Outcomes Framework and seek to lift our performance by improving the quantity and quality of our products and services, and enhancing our impact. This is illustrated by the strategy map on the following 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:

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, 21st century 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 values what is different.

STRATEGY MAP

OUTCOMES



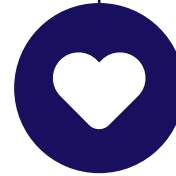
REDUCE LIKELIHOOD
OF UNWANTED FIRE



INCREASE COMMUNITY
RESILIENCE



REDUCE CONSEQUENCES
FROM EMERGENCIES



ORGANISATIONAL HEALTH
AND CAPABILITY

IMPACTS



BUILDINGS ARE
SAFER
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BEHAVIOUR IS
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RECOVERY FROM
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HARM FROM FIRE IS REDUCED
MEDICAL TREATMENT
IS EXPEDITED
HARM TO ENVIRONMENT
FROM HAZARDOUS
SUBSTANCES IS REDUCED

STRATEGIC IMPACTS



GREATER
EMPHASIS ON AND
EFFECTIVENESS OF FIRE
RISK REDUCTION



SERVICES BETTER
TAILORED TO
COMMUNITY NEEDS
AND RISKS



IMPROVED
READINESS FOR AND
QUALITY OF RESPONSE
TO INCIDENTS



EFFECTIVE LEADERSHIP
AND GOVERNANCE
ENHANCED EFFECTIVENESS
AND EFFICIENCY
GREATER SENSE OF
ENGAGEMENT AND BELONGING

STRATEGIC PRIORITIES



FIRE REDUCTION
AND PREVENTION



STRONGER ENGAGEMENT
WITH COMMUNITIES



COORDINATED
SERVICES



BUILDING AND
SHAPING FIRE AND EMERGENCY
NEW ZEALAND
DEVELOPING A
SHARED IDENTITY

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

CONSULTATION AND REPORTING TO THE MINISTER OF INTERNAL AFFAIRS

Te Kōrerotahi me te whakaputanga ā-pūrongo ki te Minita

CONSULTATION WITH THE MINISTER

The Board is committed to a “no surprises policy” for new initiatives, operational events and overall policies. The Board will provide its responsible Minister with accurate, relevant, complete and timely information to ensure the Minister’s decisions and responsibilities with respect to Fire and Emergency New Zealand 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 and initiatives, the service, and financial performance expectations set out in this Statement and other information as required. The quarterly reports will be provided within the following timeframes:

QUARTER	TIMEFRAME – NO LATER THAN
1 July 2017 to 30 September 2017	3 November 2017
1 October 2017 to 31 December 2017	2 March 2018
1 January 2018 to 31 March 2018	4 May 2018
1 April 2018 to 30 June 2018	3 August 2018

REPORTABLE OUTPUTS

Ngā whakaputanga ā-pūrongo

FIRE AND EMERGENCY NEW ZEALAND TRANSITION

WHAT IS IT INTENDED TO ACHIEVE?

A successful transition into Fire and Emergency New Zealand of functions previously undertaken by 40 separate organisations. Above all, successful transition requires that emergency services continue to be provided on Day One of the new organisation and beyond without interruption.

Subject to an annual application, additional funding has been made available through a capital injection to support Fire and Emergency New Zealand to deliver a three year programme of integration.

Measures that are highlighted in **orange** throughout this Statement of Performance Expectations have been specifically identified as Transition based and will be used to report against progress of the integration.

REDUCED LIKELIHOOD OF UNWANTED FIRES

WHAT IS IT INTENDED TO ACHIEVE?

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

ACTIVITIES UNDER THIS OUTPUT

ADVICE TO INDUSTRY AND COUNCILS ON BUILDING DESIGN

Core services

ACTIVITY	MEASURE OF SUCCESS	
Undertake fire engineering assessments during the design phase of new 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 20 working days.

Action to support our strategic priorities

ACTIVITY	MEASURE OF SUCCESS	
Develop a risk score tool that measures the impact of Fire and Emergency New Zealand's advice on building design, in relation to the overall safety level of the building.	1.2.1	Risk score tool designed by 31 March 2018.

FIRE SAFETY EDUCATION TO THE PUBLIC

Core services

ACTIVITY	MEASURE OF SUCCESS	
Deliver a suite of targeted fire education programmes that resonate with audiences and promote fire reduction and prevention.	2.1.1	90% of people surveyed are aware that a house fire can become fatal within five minutes.
Deliver Fire Awareness Intervention Programme (FAIP) – an education programme that is delivered by trained firefighters to address unhealthy fire-lighting behaviour by children and young people (5–17 year olds).	2.1.2	FAIP is offered in 95% of incidents involving 5–17 year olds when they are able to be identified.
	2.1.3	Recidivism rate among FAIP recipients is below 10%.
Undertake fire education nationwide through schools to ensure that acting fire wise is imparted early with our young people.	2.1.4	FireWise programme is offered to 100% of schools with year 1 and 2 students over a two-year period.
	2.1.5	60% of schools with year 1 and 2 students undertake the FireWise programme over a two-year period.
Develop a research strategy aligned to the organisation's priorities, and fund and facilitate a research programme, which leads to improvement in understanding and activities relating to fire and emergency prevention and response.	2.1.6	Research strategy developed and in place by 30 June 2018.
	2.1.7	80% of research funding is allocated to projects aligned to organisational priorities.

Action to support our strategic priorities

ACTIVITY	MEASURE OF SUCCESS
Review and fully integrate a fire safety strategy, including programmes tailored for New Zealand's diverse communities, and an enhanced fire safety promotion programme.	2.2.1 Integrated fire safety strategy is in place by 30 June 2018. 2.2.2 Process for reviewing future fire safety promotion programme is in place by 30 June 2018.
Engage with stakeholders and communities, including those disproportionately impacted by fire, on the local fire planning process to achieve a holistic approach to local risk management.	2.2.3 Local planning process designed by 30 June 2018.
Develop effective guidance on the safe use of fire as a land management tool.	2.2.4 Guidance on safe fire use is in place by 31 December 2017. 2.2.5 By 30 June 2018, 80% of surveyed stakeholders agree that guidance is fit for purpose.

FIRE ADVICE, PERMITTING AND ENFORCEMENT

Core services

ACTIVITY	MEASURE OF SUCCESS
Act as an advocate and subject matter expert organisation on relevant aspects of the government policy and legislative change programme.	3.1.1 Provide at least three case studies by 30 June 2018 where Fire and Emergency New Zealand has provided advice and information on relevant aspects of the government policy and legislative change programme.

Action to support our strategic priorities

ACTIVITY	MEASURE OF SUCCESS
Develop a compliance and enforcement strategy.	3.2.1 Compliance and enforcement strategy in place by 30 June 2018.
Embed a national online fire permitting system which is easy to use and effective for ourselves and our communities.	3.2.2 Fire permitting system implemented by 30 June 2018.

REDUCED CONSEQUENCES FROM EMERGENCIES

WHAT IS IT INTENDED 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% ¹ of structure fires (excluding Private Fire Alarm (PFA) false alarms) within eight minutes.
	4.1.2 Urban volunteer crews respond to 85% of structure fires (excluding PFA false alarms) within 11 minutes.
	4.1.3 Record the number of fires responded to by rural fire forces. ²

Action to support our strategic priorities

ACTIVITY	MEASURE OF SUCCESS
Identify gaps in operational equipment, technology and training and begin making targeted investment to address these.	4.2.1 Gap analysis and investment plan complete for fleet, property, equipment and training requirements by 30 June 2018.

¹ The percentage targets for Fire and Emergency New Zealand are lower than previous similar targets for the New Zealand Fire Service. These targets did not provide a useful indicator of organisational performance and in most cases were not achieved. The current measures are based on actual performance and are a more reliable indicator of what response times can be expected, based on the resourcing and footprint of Fire and Emergency New Zealand. New measures will be developed in 2017/18.

² New measures for response by rural fire forces will be developed during 2017/18, as integrated rural data becomes available.

TIMELY AND PROFESSIONAL RESPONSE TO OTHER EMERGENCIES

Core services

ACTIVITY	MEASURE OF SUCCESS
Motor vehicle crashes	<p>5.1.1 Crews from specialist resource locations respond to 90% of motor vehicle crashes within 30 minutes.</p> <p>5.1.2 Record the number of motor vehicle crashes responded to by rural fire fighters.</p>
Medical emergencies	<p>5.2.1 Career crews respond to 85% of medical emergencies within eight minutes.</p> <p>5.2.2 Urban volunteer crews respond to 85% of medical emergencies within 11 minutes.</p> <p>5.2.3 Record the number of medical emergencies responded to by rural fire forces.</p>
Hazardous substances incidents	<p>5.3.1 Crews from specialist resource locations respond to 85% of hazardous substances incidents within 60 minutes.</p>

Action to support our strategic priorities

ACTIVITY	MEASURE OF SUCCESS
Establish a high level of engagement with emergency sector partners and other relevant agencies which achieves greater coordination within the sector.	<p>5.4.1 Achieve an annual external stakeholder engagement survey score of 7.8/10 or better.</p>

INCREASED COMMUNITY RESILIENCE

WHAT IS IT INTENDED 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	Establish a baseline of the number of personnel trained to CAT1R ³ in urban search and rescue (USAR).
	6.1.2	Report following annual exercise shows USAR operating at full effectiveness.

AN ENGAGED AND EQUIPPED NETWORK OF COMMUNITIES ACROSS NEW ZEALAND

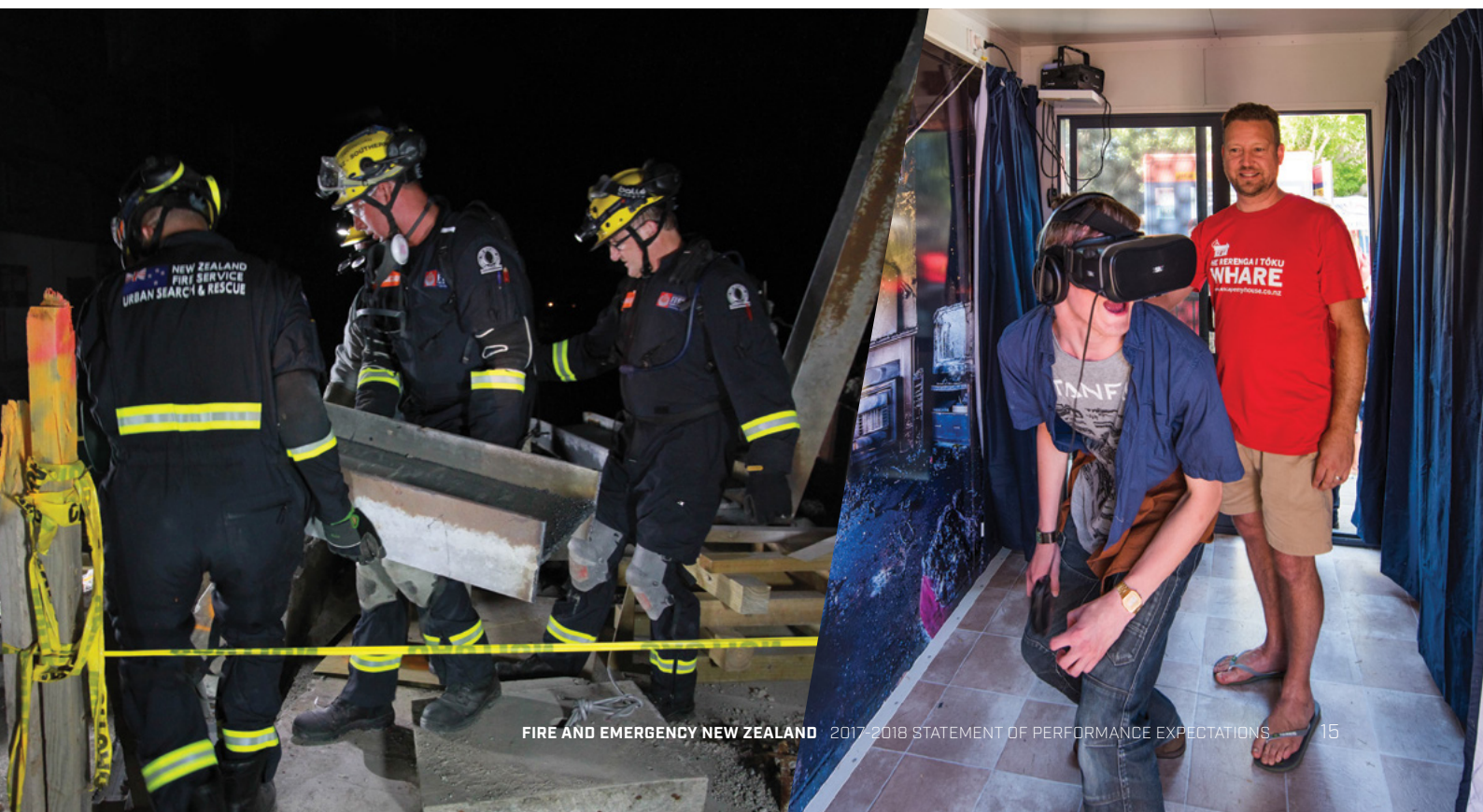
Core services

ACTIVITY	MEASURE OF SUCCESS	
Provide essential emergency response capabilities to all New Zealand communities.	7.1.1	90% of the New Zealand population is within nine minutes drive-time from a station.

³ CAT1R is a general qualification issued to Fire and Emergency New Zealand personnel that meet the requirements for a core level of awareness and response capability in urban search and rescue.

Action to support our strategic priorities

ACTIVITY	MEASURE OF SUCCESS
Publish a statement about how we will support the Crown in its Treaty of Waitangi relationships, to help support and improve our engagement with and relevant outcomes for Māori.	7.2.1 Statement published by 30 June 2018.
Design a structure and approach for local advisory committees (LAC) so they are able to engage on behalf of their communities and effectively identify risks and needs. Establish at least one trial local advisory committee, based on pilots.	7.3.1 At least one trial LAC is operating by 31 March 2018. 7.3.2 Recommendations stemming from trial LAC have been developed by 30 June 2018. 7.3.3 By 31 May 2018, 80% of surveyed stakeholders involved in the trial LAC process indicate it was well run and that their views were heard.
Undertake public consultation to determine local advisory committee boundaries.	7.4.1 Public consultation is completed by 30 June 2018.





ORGANISATIONAL HEALTH AND CAPABILITY

Te kaha me te hauora
whakahaere

WHAT IS IT INTENDED TO ACHIEVE?

The focus for Fire and Emergency New Zealand as it establishes itself as a new organisation is to ensure that the systems, processes and culture support our personnel to do their best for New Zealanders every day.

There are a significant number of processes and systems that need to be transitioned and integrated into Fire and Emergency New Zealand and this will be a key focus in 2017/18 to ensure we can continue to deliver our services well.

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.

ACTION TO SUPPORT OUR STRATEGIC PRIORITIES

ACTIVITY

Design an operating model that:

- Establishes our operating principles
- Sets out how the new organisation will work
- Describes a flexible operational function with a strategic and well-run corporate function
- Identifies the skills and knowledge our people need for Fire and Emergency New Zealand to achieve its mission
- Includes a performance measurement, monitoring and reporting framework that supports greater transparency and improved decision-making.
- Describes tools for the organisation to ensure that our people are well engaged in decision making for the business.

8.1.1 Draft operating model completed by 30 June 2018.

ACTIVITY	
Undertake an engagement survey to provide a baseline measurement	8.1.2 Engagement survey run and baseline target established by 30 June 2018.
Undertake consultation with the public and key stakeholders to provide analysis to the Department of Internal Affairs to support recommendations to cabinet on the next levy rates.	8.1.3 Public consultation on levy rates completed by 31 March 2018.
Develop our volunteer strategy and commence implementation of the associated prioritised work programmes based on contemporary volunteer principles.	8.1.4 Volunteer strategy developed by 31 March 2018. 8.1.5 Published year one volunteer initiatives are delivered by 30 June 2018.
Administer an interim issues process for volunteers and capture the learnings to inform the future statutory disputes resolution scheme.	8.1.6 Conduct a preliminary review of the interim process by 31 December 2017. Findings of preliminary review to feed into future-state disputes resolution model.
Develop health standards and associated support processes to support the safety, health and wellbeing of our people.	8.1.7 Health standards and associated support processes developed by 30 June 2018.
Develop a recognition strategy for volunteer personnel, including a uniform approach to volunteer reimbursements and payments.	8.1.8 Priority components of the recognition strategy identified and implementation commenced by 30 June 2018.

ACTIVITY		
Engage with our people to develop the vision and values that will underpin Fire and Emergency New Zealand and shape our identity.	8.1.9	Engagement process completed by 30 June 2018.
Design and implement methodologies to identify and develop current and future leaders of Fire and Emergency New Zealand.	8.1.10	Complete pilots of the Strategic Leader and Senior Leader programmes by 30 March 2018.
Develop a strategy for an inclusive culture that promotes a supportive environment and fosters diversity within our workforce.	8.1.11	Inclusive culture strategy is in place by 31 March 2018. All levels of the organisation have been consulted on its development.
Develop a comprehensive brand strategy to fully implement all elements of our identity.	8.1.12	Brand strategy developed by 30 December 2017.
Reduce the number of staff workplace injuries requiring more than seven days off work.	8.1.13	Number of staff workplace injuries requiring more than seven days off work, less than 134. ⁴

⁴ Figure based on a four-year average for New Zealand Fire Service. The measure will be refined as rural employees' health and safety information is migrated to Fire and Emergency New Zealand, and information becomes available on injury rates across the whole organisation.

OUTPUT CLASS REPORTING

\$000 GST excl	FORECAST LEVY RECEIPTS	FORECAST OTHER REVENUE	FORECAST TOTAL EXPENDITURE	NET SURPLUS/ (DEFICIT)
1.0 Reduced likelihood of unwanted fires	77,749	2,878	69,242	11,385
1.1 Advice to industry and councils on building design	1,955	500	1,601	854
1.2 Fire safety education to the public	32,266	1,036	30,147	3,155
1.3 Fire advice, permitting and enforcement	43,528	1,343	37,494	7,377
2.0 Reduced consequences from emergencies	417,654	13,118	381,890	48,882
2.1 Timely and professional response to all fires	317,078	8,932	260,036	65,974
2.2 Timely and professional response to other emergencies	100,576	4,186	121,854	(17,092) ⁵
3.0 Increased community resilience	22,713	764	19,320	4,157
3.1 Specialist disaster recovery following major emergencies	22,713	764	19,320	4,157
3.2 An engaged and equipped network of communities across New Zealand ⁶				
4.0 Integration activities supported by payable capital injection	-	-	28,293	(28,293)
	518,116	16,760	498,745	36,131

⁵ This amount signifies an under recovery on motor vehicles.

⁶ This output does not have any direct cost associated to it as it encapsulates all the costs of Fire and Emergency New Zealand which are included in the other outputs.

FINANCIAL STATEMENTS

Ngā tauākī pūtea

FOR THE YEAR ENDED 30 JUNE 2018

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INTRODUCTION

To ensure Fire and Emergency New Zealand are ready to respond to incidents and deliver effective services, we incur a high proportion of fixed costs in personnel, property and equipment. Contrasted against this largely steady expenditure, our funding model means that income is not evenly spread across the year.

Taken together, the steady expenditure and variable income mean that careful cash-flow management is a high priority. Cash, investments and other banking and financing facilities are used to cover fluctuations in the difference between income and expenditure. Additional new borrowing options continue to be explored to manage in this environment.

The difference between the cash basis required to manage our finances on a day-to-day basis and the accrual accounting required under the formal standards for financial statements can lead to what appears to be significant budget surpluses. The variation between accrual and cash accounting are detailed further in the financial notes on page 28.

Our services are funded primarily through a levy on property and motor vehicle insurance, supplemented by a government contribution for public good⁷ and direct charging for a small set of services. To better reflect the scope of activities we undertake, the Government has decided to broaden the base of the levy from insurance for fire. From 1 January 2019, the levy will apply to all insurance for material damage (damage through fire, flood, burglary, earthquake or similar events) and third-party motor vehicle insurance.

To provide confidence that our expenditure is appropriate and being carefully managed, levy setting will be subject to public consultation at least every three years. Feedback received during the public consultation process will be taken into account when completing the analysis that underpins proposals to Cabinet on the levy rates. Beyond the levy rates themselves, our 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 transition to the new funding base, there are additional complexities in forecasting income. To mitigate this, we are developing a more detailed estimation model in consultation with the insurance industry, and continue to carefully analyse actual data as it becomes available.

⁷ That is, for costs associated with medical emergencies, services to the public and police, rescue and other emergencies, domestic and commercial water services, and wider emergency management.

While we continue to provide core services, over the next four years we are working to build a fit-for-purpose fire and emergency organisation that is flexible, adaptable and efficient. The Government has recognised that this is not a simple or quick task. To fully achieve the intent of the reforms and deliver the outcomes desired will take time and a number of years to implement. Government approved specific funding to June 2021 for this purpose with a repayable transition capital injection of up to \$111.94 million over four years. Annual repayments of this transition funding will also need to be factored in to our cash-flow management.

Budget forecasts are based on what is currently known about levy income, operating costs and the investment we require in our initial period of operation. While we have a high degree of confidence for the 2017/18 budget, there is some uncertainty in the forecasts for 2018/19 and 2019/20. There is therefore likely to be some variation in subsequent years' Statements of Performance Expectations as we refine our priorities, better understand the investments required to update our assets and create a new operating model, and address the implications of the new levy base and the resulting decisions on the levy rate.



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the years ending 30 June

	BUDGET 2017/18 \$000	FORECAST 2018/19 \$000	FORECAST 2019/20 \$000
Revenue			
Levy	518,116	498,729	503,895
Interest revenue	925	446	202
Other revenue	15,835	15,685	15,635
Total revenue	534,876	514,860	519,732
Expenditure			
Employee and volunteer benefits expenditure	322,891	322,128	328,770
Depreciation	41,377	48,084	56,183
Amortisation	3,337	3,652	4,320
Finance costs	689	955	843
Other expenditure	120,626	114,438	118,403
Campaign fires	9,825	9,825	9,825
Total expenditure	498,745	499,082	518,344
Net surplus attributable to Fire and Emergency New Zealand	36,131	15,778	1,388
Other comprehensive income			
Gains on revaluation of land and buildings net of impairment losses	14,784	15,227	15,684
Total comprehensive income attributable to the owners of Fire and Emergency New Zealand	50,915	31,005	17,072
* Other expenditure			
Fleet	18,400	18,991	19,564
Communications and computer	25,836	25,541	25,541
Occupancy	20,810	21,066	20,911
Operational clothing, equipment and consumables	18,373	15,749	18,277
Travel	12,810	11,092	12,845
Promotional Activities	6,746	6,676	6,676
Other	17,651 ^a	15,323	14,589
Total other expenditure	120,626	114,438	118,403

^a In 17/18, this is made up of professional fees \$7.1m, grants and donations \$3.9m, insurance \$2.3m, office equipment and consumable \$1.7m, R&D \$1.1m, and other operating costs \$1.5m.

STATEMENT OF CHANGES IN EQUITY

For the years ending 30 June

	BUDGET 2017/18 \$000	FORECAST 2018/19 \$000	FORECAST 2019/20 \$000
Equity at beginning of year			
Accumulated funds	567,496	604,257	620,035
Capital Injection	25,951	55,356	71,468
Revaluation reserves	153,573	168,357	183,584
Rural Fire Fighting Fund	630	0	0
Total equity at beginning of year	747,650	827,970	875,087
Changes in equity during year			
Transfers from statement of comprehensive income			
Accumulated funds	36,761	15,778	1,388
Revaluation reserves	14,784	15,227	15,684
Rural Fire Fighting Fund ⁹	-630	0	0
Total comprehensive income	50,915	31,005	17,072
Capital Injection	29,405¹⁰	16,112	5,680
Total changes in equity during year	80,320	47,117	22,752
Equity at end of year			
Accumulated funds	604,257	620,035	621,423
Capital Injection	55,356	71,468	77,148
Revaluation reserves	168,357	183,584	199,268
Total equity at end of year	827,970	875,087	897,839

⁹ The Rural Fire Fighting Fund ceased to exist on 30 June 2017. Following a final reconciliation at the start of 2017/18, any unspent portion funded by Vote Conservation will be returned to the Department of Conservation (or an invoice submitted if the portion is in deficit). Any remaining balance will be transferred to Fire and Emergency New Zealand's accumulated funds.

¹⁰ Net income from the capital injection equals the amount drawn down minus repayment.

STATEMENT OF FINANCIAL POSITION

As at 30 June

	BUDGET 2017/18 \$000	FORECAST 2018/19 \$000	FORECAST 2019/20 \$000
Assets			
Current assets			
Cash and cash equivalents	44,237	7,964	9,824
Trade and other receivables	114,192	143,658	143,050
Prepayments	1,258	1,258	1,258
Total current assets	159,687	152,880	154,132
Non-current assets			
Property, plant and equipment	770,069	815,328	842,625
Intangible assets	15,130	17,003	18,014
Total non-current assets	785,199	832,331	860,639
Total assets	944,886	985,211	1,014,771
Liabilities			
Current liabilities			
Trade and other payables	27,164	20,342	23,885
Employee and volunteer benefits	32,786	34,462	39,461
Borrowings	1,738	1,826	1,945
Provisions	1,852	1,852	1,852
Total current liabilities	63,540	58,482	67,143
Non-current liabilities			
Employee and volunteer benefits	39,764	39,764	39,764
Borrowings	11,014	9,280	7,427
Provisions	2,598	2,598	2,598
Total non-current liabilities	53,376	51,642	49,789
Total liabilities	116,916	110,124	116,932
Net assets	827,970	875,087	897,839
Equity			
Accumulated funds	604,257	620,035	621,423
Capital Injection	55,356	71,468	77,148
Revaluation reserves	168,357	183,584	199,268
Total equity	827,970	875,087	897,839

STATEMENT OF CASH FLOWS

For the years ending 30 June

	BUDGET 2017/18 \$000	FORECAST 2018/19 \$000	FORECAST 2019/20 \$000
<i>Cash flows from operating activities</i>			
Receipts from levy	485,500	459,263	499,503
Receipts from other revenue	15,835	15,685	15,635
Interest received	925	446	202
Net GST received/(paid)	2,966	(227)	153
Payments to employees and volunteers	(320,097)	(320,452)	(323,770)
Payments to suppliers for goods and services	(122,350)	(120,955)	(119,936)
Net cash flows from operating activities	62,779	33,760	71,787
<i>Cash flows from investing activities</i>			
Proceeds from sale of property, plant and equipment	1,355	6,300	525
Purchase of intangible assets	(2,698)	(5,664)	(5,470)
Purchase of property, plant and equipment	(78,455)	(84,276)	(68,182)
Net cash flows from investing activities	(79,798)	(83,640)	(73,127)
<i>Cash flows from financing activities</i>			
Payment of finance leases	(1,322)	(1,646)	(1,734)
Net cash flows from capital injection ¹¹	29,405	16,112	5,680
Sale and leaseback of assets	6,000	0	0
Interest paid	(592)	(859)	(746)
Net cash flows from financing activities	33,491	13,607	3,200
Net increase/(decrease) in cash and cash equivalents	16,472	(36,273)	1,860
Cash and cash equivalents at beginning of year	27,765	44,237	7,964
Cash and cash equivalents at end of year	44,237	7,964	9,824

¹¹ Net cash flows from capital injection are the amounts drawn down minus the annual repayments.

NOTES TO THE FINANCIAL STATEMENTS

These notes set out the business assumptions that underpin the 2017/18 budget, and the 2018/19 and 2019/20 forecasts. They are set in the context described on page 22 of this Statement.

1. PERSONNEL

	2017/18	2018/19	2019/20
Number of new recruits	96	96	96
Number of regions – urban	5	To be determined through the development of the target operating model	
Number of regions – rural	5		
Number of areas – urban	24		
Number of districts – rural	18		

2. 2017/18 BUDGET

- 2.1 The levy rates are 10.6c per \$100 insured (insured amounts are capped at \$100,000 for residential buildings and \$20,000 for contents) and a flat rate of \$8.45 per motor vehicle (less than 3.5 tonne) from 1 July 2017, for a period of 18 months. This results in an accounting surplus of \$36 million which arises primarily from the accounting treatment of levy. The rate of levy is set on a cash basis, which (in 2017/18) is \$33 million lower than the accrual receipts due to the three-month lag between levy being earned and received.
- 2.2 From 1 January 2019 levy is payable on insurance contracts three months after they are entered into, whereas previously (for the New Zealand Fire Service Commission) it was payable two months after contracts were signed. This change results in one month of levy payments not being received in 2018/19. The organisation's cash balance must therefore be maintained at a level that ensures there is sufficient to cover expenditure throughout the year. This is the main reason for the drop in the forecast end-of-year cash balance in 2018/19 to \$7.964 million.
- 2.3 Included in the 2017/18 total expenditure (in the statement of comprehensive revenue and expenditure) is \$27.0 million of operating expenditure associated with Integration that is forecast to be covered by the capital injection funding. There is also \$11.4 million of forecast capital expenditure associated with Integration.
- 2.4 The Rural Fire Fighting Fund ceased to exist on 30 June 2017. Following a final reconciliation at the start of 2017/18, any unspent portion funded by Vote Conservation will be returned to the Department of Conservation (or an invoice submitted if the portion is in deficit). Any remaining balance will be transferred to Fire and Emergency New Zealand's accumulated funds.
- 2.5 \$8.8 million has been budgeted in 2017/18 to begin an investment programme to replace and upgrade rural assets. The transfer of rural assets from Territorial Local Authorities will be through negotiation, and could incur some costs for which no provision has been made. The condition of the assets being transferred is currently unclear, and in some cases may require immediate replacement. This results in some uncertainties to the budget provision that will need to be managed.

3. LEVY

It is assumed that from 2019 the levy will be set on the new base of material damage insurance contracts. There is limited data to use in modelling income assumptions on the new base, and the regulations on exemptions and capping for certain levy payers were still to be determined at the time this Statement of Performance Expectations was published. Together, these factors create a degree of uncertainty to estimating projected levy revenue for 2018/19 and 2019/20. There may therefore be significant variations in the forecast levy in future Statements of Performance Expectations.

4. CASHFLOW

The end-of-year cash balances do not reflect fluctuations in income throughout the year that are driven by the timing when insurance contracts are entered into, and therefore when the resulting levy is due. The lowest point for cash holdings typically occurs in May each year, and is generally around \$20 to \$25 million lower than the end-of-year balance. Therefore cash cannot be steadily expended to the forecast end-of-year balance amount. Cash, investments and other banking and financing facilities will be utilised to cover monthly fluctuations in income and expenditure, and additional new borrowing options continue to be explored to manage in this environment.

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Board of Fire and Emergency New Zealand (the Board) is a body constituted under the Fire and Emergency New Zealand Act 2017 (the Act). Fire and Emergency New Zealand (the organisation) 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 2018, 2019 and 2020.

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 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)

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; and
- The present value of the estimated future cash flows.

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



Hon. Paul Swain,
QSO Chair



Dr Nicola Crauford,
Deputy Chair



Peter Drummond MNZM



Te Arohanui Cook



Angela Hauk-Willis



**STATEMENT OF
PERFORMANCE
EXPECTATIONS**
FIRE AND EMERGENCY
NEW ZEALAND

2017-2018

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