New Zealand Fire Service Commission Statement of Intent 2012/2015

Our Vision

Working with communities to protect what they value

Our Mission

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

Our Values

Service
Integrity
Adaptability
Skill
Comradeship

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Introduction

Dear Minister, Members of Parliament, staff and volunteers of New Zealand's fire services and stakeholders.

We present the New Zealand Fire Service Commission's Statement of Intent (SOI) for the period 2012 to 2015. The SOI describes the overall outcomes the Commission seeks to achieve in its capacity as the governing board of the New Zealand Fire Service and the National Rural Fire Authority. Our outcome goals are:

- to better protect people, their property, the communities of New Zealand and the environment from the hazards and consequences of unwanted fires
- to meet the growing expectations of communities to respond to a broad range of other emergencies such as motor vehicle extrications, medical events and natural disasters
- to reduce the risk of fire through effective proactive public fire safety education and rural Fire Authority co-ordination programmes

To assist readers to understand the scope and context of the Commission's intentions the SOI includes short narrative sections on:

- the statutory framework within which the Commission operates
- how the NZ Fire Service and National Rural Fire Authority are organised
- the urban and rural fire operating environments
- the human, physical and capital resources the Commission has at its disposal
- the Commission's approach to organisational health, diversity and sustainability
- how New Zealand's fire services rate against comparable services abroad
- trends in fire fatalities, injuries, property loss and hectares burnt in wild fires.

Public value. In my letter transmitting the Commission's last Annual Report I noted that the non-financial reporting measures in the SOI were too narrow to assess properly the performance of the Fire Service and National Rural Fire Authority in the 2010/11 year. The SOI measures focused just on the Commission's statutory mandate; that is to reduce the incidence and consequences of unwanted fires. By contrast, the real performance questions in 2010/2011 centered on the preparedness and capability of New Zealand's fire services to respond to a near-continuous sequence of regional and national level non-fire emergencies: the Fox River aircraft crash, the Southland snow event, the Pike River mine explosion, the September 2010 Canterbury earthquake, the February 2011 Christchurch earthquake and the deployment of the urban search and rescue team to Japan.

To cover these broader roles the Commission has introduced measures in this SOI that will evaluate capability to respond to regional and national level non-fire emergencies. In combination with other measures introduced last year these measures will serve to highlight to the public the value contributed outside the Fire Service's core fire mandate. Given the practical difficulty of separating the fire services' contributions to major emergencies from the contributions of other emergency service providers we propose to report on any actual responses to regional

or national level emergencies by way of narratives and summaries of internal and independent operational inquiries.

The Commission will also expand measures and reporting on the increasing number of responses to every day local non-fire emergencies including medical emergencies (to assist ambulance in first and co-responses), motor vehicle extrications, chemical spills and weather related events.

Financial reporting. In last year's annual report I also observed that the statutory financial reporting and forecasting framework provided an incomplete picture of the Commission's financial performance. That observation was made in the context of the Commission's increasing exposure to non-fire emergencies and its direct financial exposure to the string of long duration major emergencies set out above. The response to the two earthquakes, to Pike River and Japan involved the mobilisation of resources from the entire country. The total cost was approximately $13 million.

The Fire Service is not funded by appropriation; its revenue overwhelmingly comes from levies on fire insurance policies. The nature of emergencies means that they cannot be foreseen and therefore cannot be budgeted for. For the past decade the Commission has built reserves so that it can be sure that should a major national emergency occur it can respond immediately without funding constraints. The Commission has formalised this reserves policy so it can respond immediately to an emergency and will not be constrained by a need to seek a one-off appropriation before committing resources to the response. Based on the estimated costs of responding to a significant earthquake in Wellington the Commission considers it prudent to maintain a reserve for a major national emergency of $15millon. This operational contingency reserve will be established as a separate reserve account like the Rural Fire Fighting Fund. It will be called the Major Emergencies Response Reserve.

Seismic strengthening and the Christchurch rebuild. In 2004 the Commission engaged an engineering consultancy to advise it on the seismic strength of its fire stations following enhancement to the Building Code. This resulted in a $35 million capital works programme to strengthen the lowest rated stations. That programme was well advanced when the September 2010 and February 2011 earthquakes occurred. Almost all of the Commission's the facilities (fire stations, the regional and area offices, training venues and equipment warehouses) sustained significant damage. All of the properties were well insured but the Commission anticipates the cost of constructing new facilities to higher seismic standards will exceed the cost of the insurance payouts. We are not yet in a position to quantify this financial exposure particularly given uncertainties surrounding the configuration and concentrations of risk in the new Christchurch.

In the wake of the Christchurch experience the Commission has reconsidered the position regarding seismic strengthening of other stations. It is likely that when the new advice is finalised the Commission will face a very large cost for seismic strengthening that will have to be carefully scheduled over an extended period. In this SOI $19.5million has been provided for Christchurch (excluding any investment already planned for seismic strengthening) and further provisions will be made in the out-years as the scale of costs becomes clearer.

Rural fire authority capability. For years in New Zealand rural fire services have been primarily a territorial local authority function. Others too are involved; the Department of Conservation is the fire authority for the DOC estate; NZ Defence manages the defence property portfolio. Forest owners apply considerable resources to fire protection in their forests. In order to improve the efficiency and effectiveness of the sector the National Rural Fire Authority, supported by Government, promoted a voluntary programme of amalgamation of current Rural Fire Authorities (RFA's) into Enlarged Rural Fire Districts (ERFD's) that brought together all stakeholders into a smaller number (less than twenty) of coherent ERFD's covering the whole country.

This amalgamation process has made some progress but it is slow. Many smaller rural fire authorities remain reluctant to amalgamate into larger and better resourced authorities despite the demonstrable benefits emerging from those authorities that have already amalgamated. The Commission (in its role as the National Rural Fire Authority) is concerned that the outcome might be a hybrid; some enlarged districts and a fair number of small fire districts. This is not a tenable solution long term. The National Rural Fire Authority has determined that it will apply additional resources and effort to accelerate the amalgamation process over the coming period.

The Commission has heard first hand from rural fire managers in local government, the Department of Conservation and rural fire authorities of instances where more collaborative, better integrated working relationships with the NZ Fire Service would contribute to improved rural fire outcomes. The Commission proposes to put in place measures to encourage urban and rural fire managers to take a more joined-up approach and to provide regular feedback to the Commission on the quality of the relationship between the two sectors.

Population growth areas indicate increasing fire risk for both life and property located at the urban/rural interface. The reliance on forestry, horticulture and cropping as major drivers of the provincial economies requires that we be sure the response capability is right sized and effective if needed. A key role for the National Rural Fire Authority is the setting of minimum standards for RFA's and auditing against those standards. The National Rural Fire Authority will be in a position to form an authoritative view on the rural fire sector's overall capability as formal evaluations of fire authority performance are completed during the course of the coming year.

Volunteerism. New Zealand communities are heavily reliant on volunteers for both urban and rural fire services. The pressures of modern life put pressures on volunteers. The Commission will continue to place a high emphasis on fostering and sustaining volunteers. A major volunteer sustainability projects is currently underway. The NZ Fire Service will enhance this effort. Further projects that focus on recruitment and building community support for volunteer brigades and rural fire forces will be advanced.

Industrial Relations. Immediately prior to finalising this SOI agreement was reached between the Fire Service and the New Zealand Professional Firefighters Union (NZPFU) on the terms of a new collective employment agreement. The collective agreement runs until December 2012. The Commission looks forward to a period of stability and an improvement in industrial relations so that staff are able to contribute to the development and innovation of the Fire Service.

Funding and Value for Money. Despite some evidence that the underlying levy base is growing, the Commission has taken a cautious approach to forecasting levy income over the next three years.

The Commission derives approximately 96% of its income from the levy on contracts of fire insurance. Monthly levy proceeds range from a low of $17 million to a high of $34 million. This volatility in the revenue stream reflects decisions by insurance companies as to levy payment timing as well as the level of activity in the construction industry and the economy generally. To assure maintenance of its services through this revenue volatility the Commission has established a $10 million Levy Variability Reserve. This will be separately accounted for on the balance sheet.

To address the need to assure value for money the Commission has identified $4 million of savings from back-office and non-operational cost lines. The Commission has given careful consideration to how further efficiencies might be obtained. It has concluded that significant additional savings can only be achieved by reconfiguring front line service delivery arrangements. It does not recommend this approach. The Commission is conscious that over the years many non-fire services have been "bolted on" to the Commission's fire mandate in an ad hoc response to community demand. Adding further functions to current baseline may add public value at a lower cost. Already the Commission is looking closely at its interactions with other emergency service providers with a view to optimising the overall service delivery framework. Before any changes are recommended to the present comprehensive suite of emergency services the Commission delivers it is important that Government specify its service delivery expectations. A comprehensive review has been recommended to the Government.

Signed on behalf of the New Zealand Fire Service Commission.

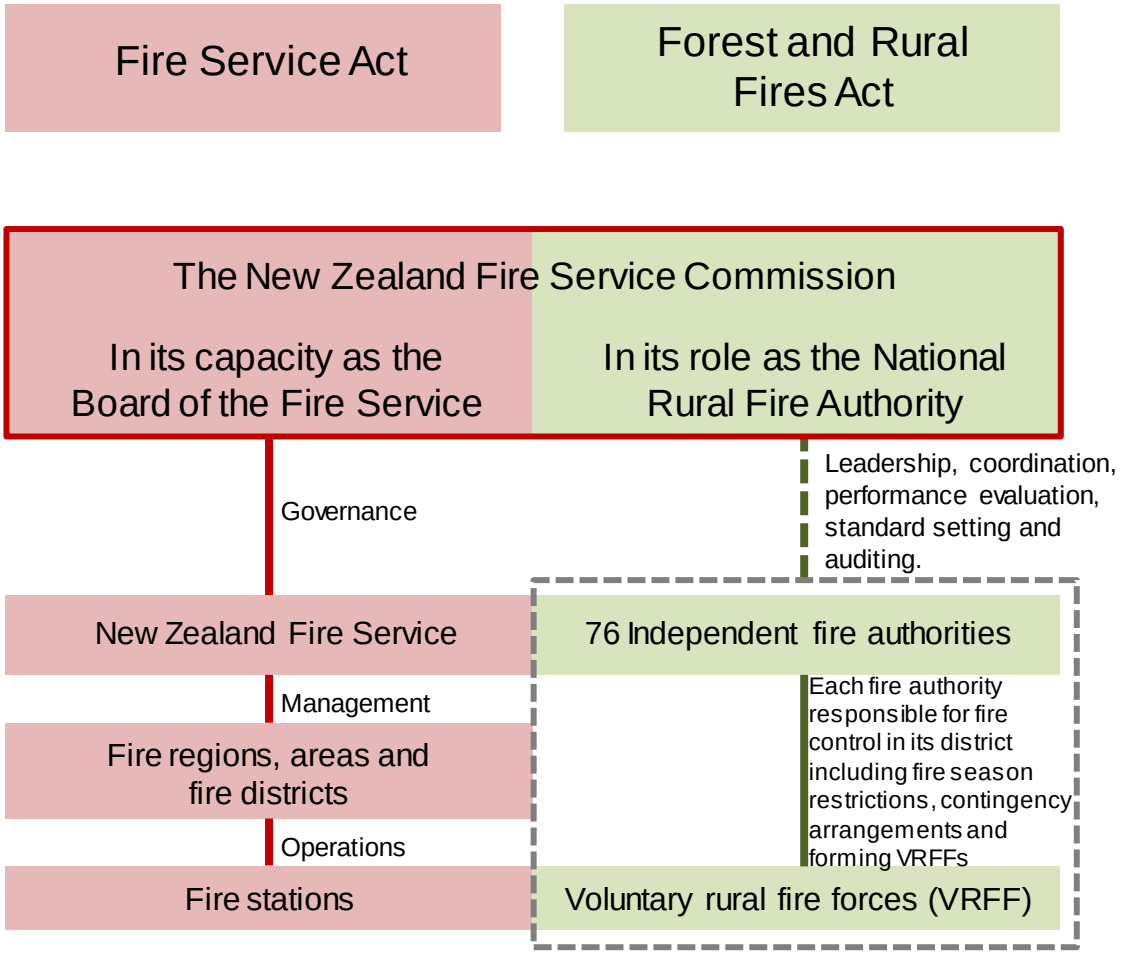
Rt Hon Wyatt Creech
Chair
24 May 2012

Dave McFarlane
Deputy Chair
24 May 2010

Statutory framework

Two separate statutes, the Fire Service Act 1975 and the Forest and Rural Fires Act 1977, establish the governance, management, and operational arrangements for protecting life and property from fire in New Zealand. The arrangements include an independent board governing a national urban fire service operating in 345 urban fire districts and a National Rural Fire Authority (NRFA) co-ordinating the operations of 76 separate fire authorities. Fire authorities are independent organisations, mostly territorial authorities but include the Department of Conservation, the New Zealand Defence Force and other special-purpose entities. Importantly, both Acts place a heavy emphasis on public education, risk reduction and preparedness in addition to the provision of emergency response services.

The board of the Commission serves as the link between the urban and rural fire regimes. It is responsible for the good governance of the Fire Service and is the National Rural Fire Authority for the purposes of the Forest and Rural Fires Act 1977. The Commission is a Crown agent under the Crown Entities Act 2004 and is subject to the accountability framework prescribed for Crown agents under that statute.



The Fire Service Act vests in the chief fire officer of each urban fire district the authority to respond to fires and non-fire emergencies inside and outside fire districts. However, outside fire districts the responsibility for managing all types of fire rests with the relevant fire authority.

In practice the Fire Service responds to over 90% of all fires in areas outside fire districts and provides fire safety education for homes and other structures without regard to fire district boundaries. The Commission in its role as the National Rural Fire Authority provides leadership, sets standards, audits and regularly evaluates the performance of fire authorities.

Sections of both Acts provide that the statutory jurisdiction and responsibility for a geographic area may be varied by agreement between fire authorities or between a fire authority and the Fire Service. There are many such agreements in place and more are under negotiation. In this SOI we describe an initiative to encourage fire authorities to merge into larger groups to provide more effective fire authority governance and risk management and better use of limited operational resources.

Fire Service people and their communities

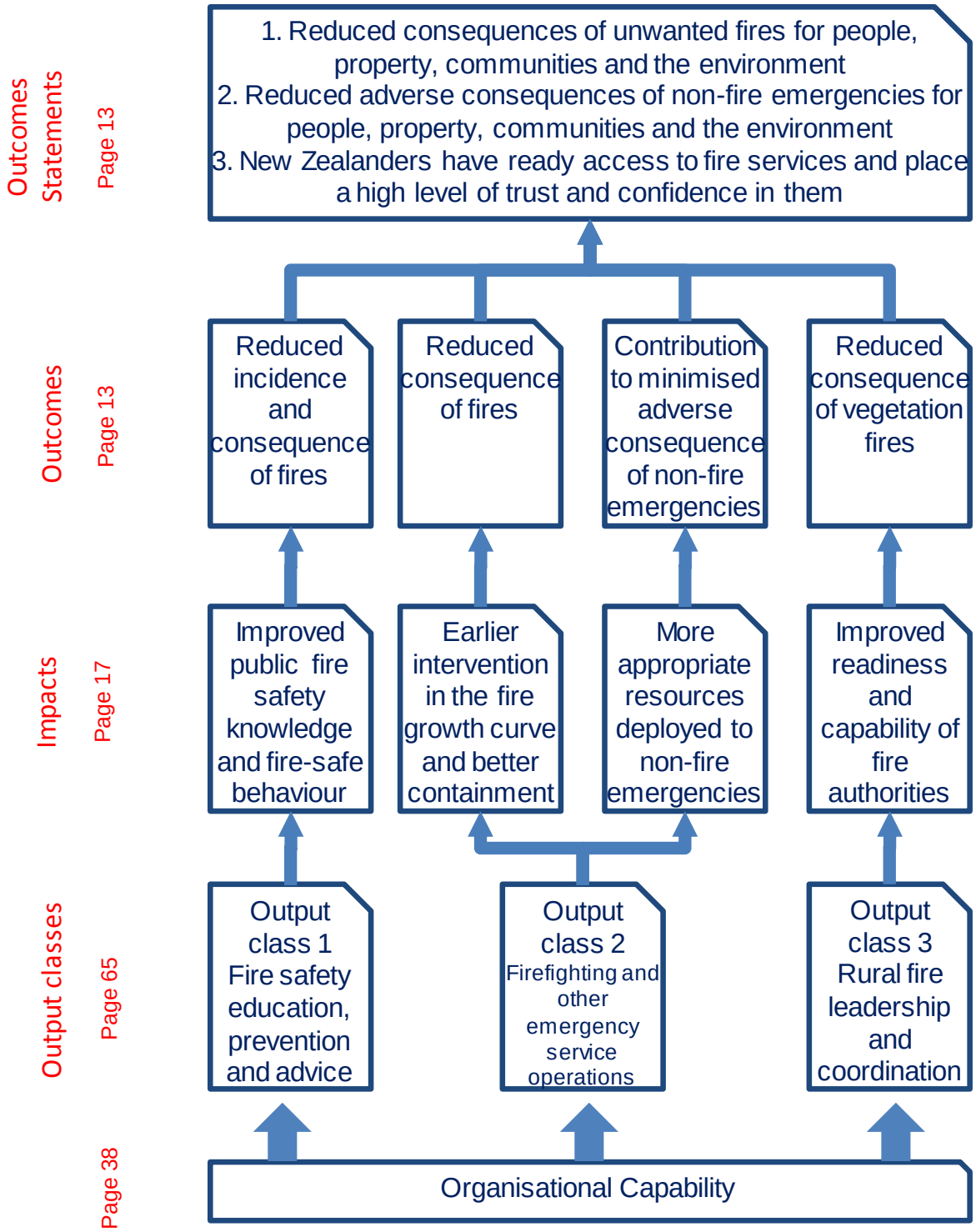
The Fire Service operates from 437 fire stations across New Zealand. These fire stations are staffed by 1700 career firefighters and 8,000 volunteers drawn from the communities they serve. In addition, rural fire authorities provide an initial response service through some 200 registered voluntary rural fire forces. These forces are staffed by approximately 3,500 volunteer rural firefighters drawn from the rural areas they protect.

The Fire Service relies heavily on volunteer firefighters to provide public education and emergency response services across New Zealand. The Fire Service is very conscious of the threats to volunteerism in changing social times and is striving to understand and address these challenges. A programme of work, aimed at addressing these challenges, will be developed and delivered over the following 18 to 24 months.

Sustaining and fostering the relationship between fire services' people and their communities is a key focus of the Commission. The actions the Commission will undertake to ensure communities continue to enjoy comprehensive fire and rescue services staffed by well trained, enthusiastic, and committed local people are set out in the section dealing with organisational capability.

The Commission's outcome framework

The diagram below presents the Commission's outcomes framework including the services (outputs) the Commission provides, the impacts those services have and the outcomes they seek to improve. The specific connections between each of the layers in the outcomes framework are discussed in more detail in the following sections of this SOI.



* Note: See page 14 for more detail on non-fire emergency services and their impacts.

National Goals

The Commission has established a set of national goals to drive service delivery performance and establish a basis for measuring the difference fire service interventions make to the outcomes. The national goals include an improvement element and are not simply past performance levels projected forward. The national goals have been aligned with the outcomes framework and are described in more detail in this SOI. The national goals were reviewed in 2011/2012 resulting in revised target levels.

The Commission monitors progress against the national goals through monthly management reports. Formal quarterly reports are provided to the Minister of Internal Affairs to advise him on progress against the national goals and the outputs stated later in this SOI. The reporting timeframe for these quarterly reports are detailed on page 44. The table below lists the national goals. Further information on each measure is included in the following sections.

National Goal	Alignment
1.1 Achieve and maintain an avoidable residential structure fire fatality rate of less than 0.45 per 100,000 population.	Outcome 1
1.2 Achieve and maintain the number of life threatening and moderate injuries to the public from fire incidents to less than 4.0 per 100,000 population per annum.	Outcome 1
1.3 Maintain the estimated dollar value of damage from fires in residential structures below $75m per annum.	Outcome 1
1.4 Maintain the estimated dollar value of damage from fires in non-residential structures below $55m per annum.	Outcome 1
1.5 Achieve and maintain the number of fires in structures to less than 120 per 100,000 population per annum.	Outcome 1
1.6 Ensure annual area burnt by wildfires is less than 4,500 hectares.	Outcome 1
1.7 Achieve and maintain the number of vegetation fires to less than 100 per 100,000 population per annum.	Outcome 1
2.1 The Fire Service will meet its obligations for regional and national level Civil Defence exercises and emergencies as verified by independent reviews.	Outcome 2
2.2 The Fire Service will maintain its level of operational readiness for non-fire emergencies as judged by operational readiness audits.	Outcome 2
2.3 The Fire Service will respond to a range of non-emergencies within the service delivery guidelines for non-fire emergencies	Outcome 2
3.1 95% of New Zealanders have full trust and confidence in New Zealand's fire services.	Outcome 3
3.2 95% of the population and 95% of addresses are within 10 minutes travel time of a fire service response.	Outcome 3
4.1 Improve the fire safety knowledge and behaviour of the public: projections developed for 2015: • 98% of people will believe a fire can become unsurvivable in five minutes or less • 85% of people will recall a fire safety message • 96% of homes will have at least one smoke alarm installed.	Impact of Output Class 1
4.2 Achieve and maintain the estimated total number of fires in New Zealand to less than 1,600 per 100,000 population.	Impact of Output Class 1
4.3 Response times for structure fire incidents inside fire districts will be monitored for performance against the national service delivery guidelines of: • 8 minutes 90% of the time for career stations • 11 minutes 90% of the time for volunteer stations.	Impact of Output Class 2

National Goal	Alignment

4.4 Meet or exceed national service delivery guidelines for non-fire emergencies:
• 30 minutes for motor vehicle accidents 90% of the time.
• 20 minutes for incidents requiring the specialist Hazmat unit 90% of the time within major urban areas.
• 60 minutes for incidents requiring the specialist Hazmat unit 90% of the time for the rest of New Zealand.
• for first response to medical emergencies:
  ○ 8 minutes 90% of the time for career stations
  ○ 11 minutes 90% of the time for volunteer stations.
	Impact of Output Class 2

4.5 All New Zealand Fire Service fire stations meet the agreed national standard for resilience.	Impact of Output Class 2
4.6 Reduce the number of fire authorities to less than 20 by December 2014.	Impact of Output Class 3
4.7 100% of fire authorities will meet their legal obligations for adopting and reviewing their fire plans. The readiness and response parts of the fire plan will be reviewed every two years and the risk reduction and recovery parts of the fire plan every five years.	Impact of Output Class 3
4.8 Contain ninety-five percent of all wildfires within two hours of being reported.	Impact of Output Class 3

The outcomes the Commission seeks

Outcome statements

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

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

How we will assess progress towards these outcomes

The Commission's long time series of fire related data enables it to assess progress against the first outcome statement. Data for measuring outcome two is not readily available. The Commission has established a non-fire outcomes framework and developed some new national goals to begin filling the measurement gaps it has identified. Assessment of progress towards achievement of outcome statement 3 will be by way of third party independent survey.

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

People: Avoidable residential fire fatalities and injuries from fire
A key subset of the Commission's outcome statement is reducing avoidable residential fire fatalities. In 1996/97 New Zealand experienced an avoidable residential fire fatality rate of 0.97 fire fatalities per 100,000 population. In recent years the best performance has been just 0.36 fatalities per 100,000 population - one of the few in the world with an outcome this low, which the Commission was particularly proud. The Commission has developed the following national goals to monitor outcome performance for people:

National Goals
1.1 Achieve and maintain an avoidable residential structure fire fatality rate of less than 0.45 per 100,000 population.
1.2 Achieve and maintain the number of life threatening and moderate injuries to the public from fire incidents to less than 4.0 per 100,000 population.

Property: Estimated value of fire loss
The Commission uses two national goals covering the value of property damage to residential and non-residential buildings to monitor the estimated value of fire loss. In addition, the Commission continues to monitor the number of fires in structures per 100,000 population to assess the overall size of the fire problem in structures. This information provides a picture on the size of the structure fire problem and

consequences of those fires. The estimated amount of damage to non-residential buildings can be volatile due to the influence of a small number of high value industrial fires. The Commission is however, committed to reducing the long-term trend below the national goal level.

The following are the national goals for the consequences of fire to property:

National goals
1.3 Maintain the estimated dollar value of damage from fires in residential structures below $75m per annum. [1]
1.4 Maintain the estimated dollar value of damage from fires in non-residential structures below $55m per annum. [1]
1.5 Achieve and maintain the number of fires in structures to less than 120 per 100,000 population.

Communities

The term communities has two distinct meanings for the Commission:

- a group of people in a geographic area (for example a town)
- groups of people or businesses with a common interest (for example Federated Farmers or the forestry industry).

The direct fire related outcomes affecting these groups are already measured through national goals covering people and property. However, the Commission is considering developing measures covering some of the indirect costs associated with fire loss such as job losses following major industrial fires, loss of amenity, cultural and heritage values. Measures covering this area are difficult to establish and quantify but the Commission will investigate and adopt measures over the next three years.

Environment: Area lost to vegetation fires

The Commission assesses the overall impact of its leadership and coordination of the rural fire industry through monitoring the area lost to wildfires. It also assesses the overall scale of the vegetation fire threat by monitoring the number of vegetation fires per 100,000 population. Together these measures provide the Commission with an overview of the difference fire services are making to the impact vegetation fires have on the environment.

National goals
1.6 Ensure annual area burnt by wildfires is less 4,500 hectares.
1.7 Achieve and maintain the number of vegetation fires to less than 100 per 100,000 population.

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

The Commission contributes to improved outcomes across a wide range of non-fire emergencies. About one third of the Fire Service's responses involve non-fire emergencies and rescues including motor vehicle accidents, hazardous substance spills, rescues, civil defence emergencies and medical emergencies. Other agencies

[1] The Fire Service estimates dollar value lost by using its own estimate of area damaged and the standard industry quantity survey tables for construction cost by building type.

have the statutory mandate to address many of these non-fire emergencies. During 2009/2010 a non-fire outcomes framework was developed and the Commission has developed an initial suite of measures that reflects its contribution to the outcomes of non-fire emergencies.

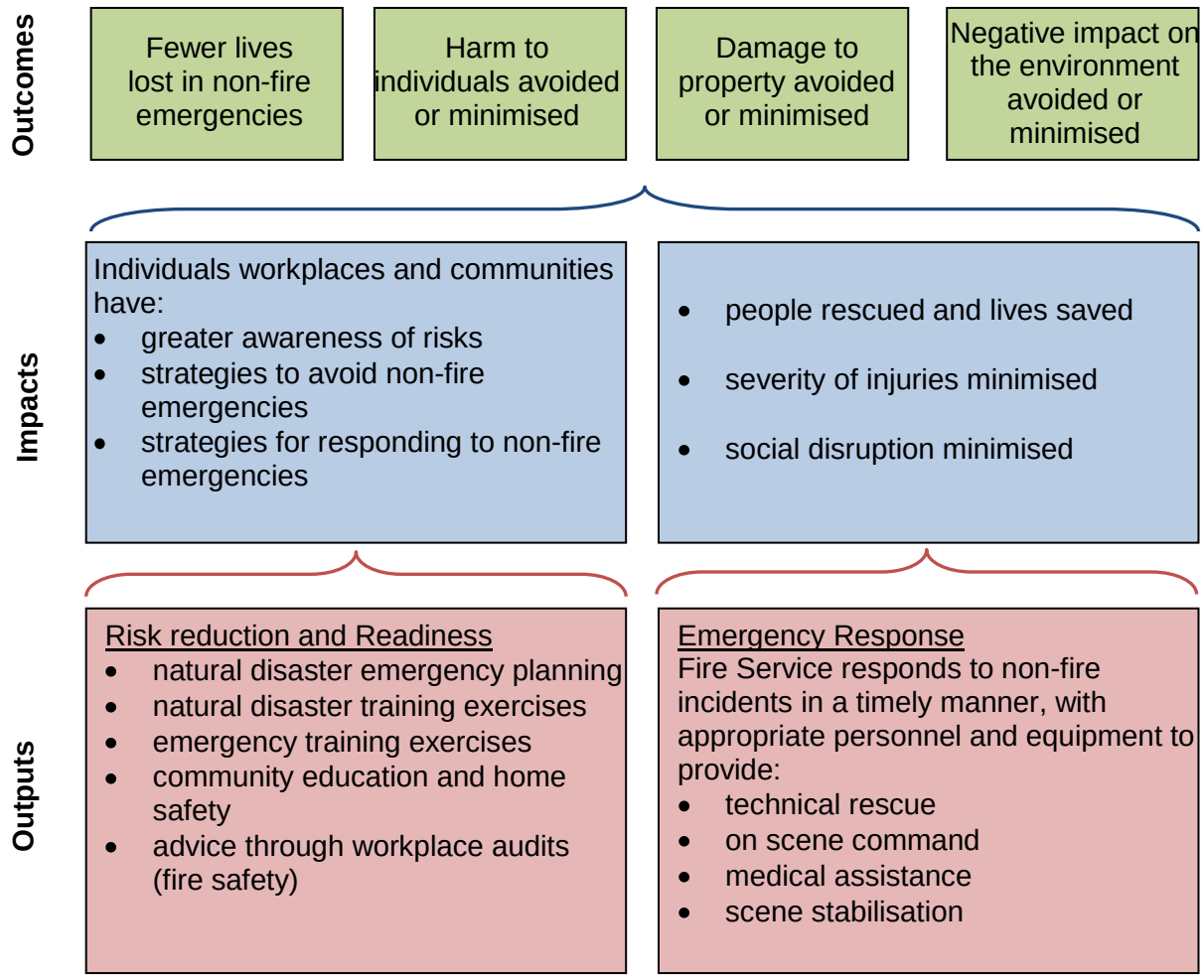
National Goal
2.1 The Fire Service will meet its obligations for regional and national level Civil Defence exercises and emergencies as verified by independent reviews.
2.2 The Fire Service will maintain its level of operational readiness for non-fire emergencies as judged by operational readiness audits.
2.3 The Fire Service will respond to a range of non-emergencies within the service delivery guidelines for non-fire emergencies[1].

[1] The service delivery guidelines are set out on page 23 of this SOI

Given the difficulty of separating the fire services' contributions to major emergencies from the contributions of other emergency service providers we propose to report on any actual responses to regional or national level emergencies by way of narratives and summaries of internal and independent operational inquiries.

The Commission will also pursue developing new measures for non-fire emergencies based on the non-fire outcomes framework that was first reporting in last years SOI and is set out below.

Non-fire outcomes framework



Outcome 3: 3: New Zealanders have ready access to fire services and place a high level of trust and confidence in them

It is important that New Zealanders have confidence that their fire services will be there to assist them in their hour of need. Many of the Commission's key fire safety prevention, risk reduction and response strategies rely on trust and confidence to ensure that the public absorb and act on advice provided by the Commission. It is critical therefore that New Zealanders perceive their fire services as being a source of authoritative and well researched advice that can be trusted.

In addition, high confidence in their fire services enable citizens, businesses and communities to invest in a wide range of private and public amenities that add to the quality of community life.

The Commission measures the level of trust and confidence in New Zealand's fire services through an independent survey company.

National Goals

3.1 95% of New Zealanders have full trust and confidence in New Zealand's fire services.
3.2 95% of the population and 95% of addresses are within 10 minutes travel time of a fire service response.

The Commission's outputs and their expected impacts

The Commission delivers a comprehensive range of risk reduction, fire safety public education, emergency response and fire authority co-ordination services to protect New Zealand's 4.4 million residents and visitors, $238 billion stock of buildings and 27 million hectares of forest, tussock and grasslands from fire. For the purposes of considering the range of intervention strategies the Commission has deployed to achieve its stated outcomes the Commission's outputs have been classified as follows:

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

The outcomes framework on page 10 shows how these outputs contribute to the Commission's overall outcomes.

Output class 1: Fire safety education, prevention and advice

Public education

The Commission delivers fire safety education to urban and rural areas under the umbrella of the National Fire Safety Promotion Plan using a well defined social marketing model. The model adopted by the Commission incorporates a series of steps required to achieve sustained change in social behaviour. The steps are:

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

Over the last thirteen years the Commission has invested heavily in raising the public's awareness of the risk of fire with particular emphasis on home fire safety. Some of the key improvements in people's awareness of fire safety and their knowledge and behaviours are shown in the following table.

Fire Safety Knowledge	2011	1999
People who believe a fire can become unsurvivable in five minutes or less	90%	70%
Percentage of people who perceive each of the following to be a fire risk:		
Using candles in the bedroom unattended	93%	80%
Leaving cooking unattended	92%	80%
Leaving clothes close to open fire	86%	84%
Percent of households with a working smoke alarm installed	90%	79%

Research carried out in 2006 suggested that although the Commission had made progress in raising awareness, about half of the population wanted to take fire safety action but did not know what to do. The Commission's focus, therefore changed, to target behavioural change through "call to action" campaigns designed to encourage people to take their first simple precautionary fire safety actions.

The Commission has analysed its incident statistics and identified the groups most at-risk from fire and uses this information to target its national fire safety promotions. In addition, the Commission uses research from a range of independent market research organisations to support and guide the development and delivery of its programmes to these at-risk groups. Much of this research relates to understanding human behaviour and how best to reach the at-risk groups. Two key ways of reaching these groups are through home visits and through delivering fire safety messages to children. The Commission's research shows improvements in fire safety knowledge and behaviour amongst the at-risk groups it targets.

Children will be reached through delivering fire safety education in schools using the FireWise programme and by using the Fire Awareness Intervention programme (FAIP). The Commission will also promote the installation of effective smoke alarms, particularly hard-wired alarms in residential housing, and sprinkler systems.

The Commission will continue to promote the benefits of residential sprinkler systems as a cost effective way to save lives and minimise the damage to properties for fire.

The Commission (as the NRFA) co-ordinates a national campaign to promote fire-safe behaviour in rural areas. The campaign focuses on fire prevention and making landowners and the general public aware of their legal obligations with respect to vegetation fires. The campaign is run in conjunction with the New Zealand Forest Owners Association and the Department of Conservation and includes television and print media advertising

Engaging communities and multi-agency collaboration

The Commission understands that it can achieve better results if local communities are engaged in helping manage the fire problem. Where possible the Commission will use a joint approach with local community groups and other government agencies to deliver its fire safety messages. During 2012/2013 the Commission will continue with its development of a multi-agency approach to deliberately lit and unlawful fires.

Technical fire safety advice

The Commission will deliver professional and technical advice to people in the building industry. The advice covers the setting of building standards, design, development and construction, ownership and occupation. The purpose of this advice is to:

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

Evacuation schemes

Fire safety law relating to evacuation schemes is designed to make sure the public knows how to and can evacuate safely from a building in the event of a fire. It also ensures the Fire Service can carry out fire fighting activities unobstructed. It is the responsibility of the building owner to develop an evacuation scheme, for approval by the Fire Service, and to regularly test the scheme. The Fire Service is required to

process applications for evacuation schemes within 20 working days of them being submitted.

Building consents

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

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

Output class 2: Firefighting and other Fire Service operations

The Commission's research into the speed of fire has shown that in many cases time is a critical element that affects the consequences of fire incidents. The Commission intends to provide a timely and effective response to fires so that it can minimise the consequence of those fires. The Commission will continue to work in partnership with Police providing world class communication centres to receive and process emergency calls in a timely way, and dispatch operational resources to fire incidents. Operational firefighting resources are strategically placed within urban areas to provide a timely response to fires 24 hours every day. The Commission will ensure its staff are highly trained and able to deal effectively with a range of fire incidents. The combination of efficient call processing, strategically placed resources and trained firefighters will ensure that the consequences of unwanted fires are minimised.

Readiness for response to fires

The majority of the annual cost of operating the New Zealand Fire Service lies in maintaining the capability to respond to emergencies. Operational readiness is achieved by:

- ensuring firefighters are available and adequately trained for their role
- conducting a range of pre-incident planning activities and developing operational plans and procedures to inform decision making on the incident ground
- ensuring stations are resilient and able to function in times of emergencies
- strategically locating resources to meet service delivery demands including fire appliances and equipment that is fit for purpose.

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

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

Training Career and volunteer firefighters will train under the Training and Progression System (TAPS) umbrella. TAPS is a unit-standard-based programme that provides a well-defined career path in terms of knowledge and experience requirements. It enables firefighters to learn at their own pace outside the work environment. In addition, a major extension to the National Training Centre in Rotorua was completed in 2011/2012. The development significantly increased the range of training able to be delivered including improved non-fire emergency and operational command training.

Pre-incident tactical planning Pre-planning will ensure the Fire Service takes the most appropriate actions in the event of an emergency incident. Tactical plans provide information used for managing incidents involving a significant specific risk (typically large industrial complexes or hospitals). Risk plans provide detailed fire risk information about individual properties to ensure the Fire Service is familiar with the layout and facilities of a particular property. The Fire Service will continue to review and update tactical and risk plans to make sure information remains current with particular emphasis on high risk buildings outside fire districts. Working closely with other agencies and sharing data will help to improve this aspect of the organisation's pre planning.

Resilience: Large scale civil defence emergencies resulting from storm damage, earthquakes, flooding, extreme snowfalls, tsunami and other events have the potential to disrupt communities for days and potentially weeks after the initial onset. The three heavy Urban Search and Rescue (USAR) teams are intended to strengthen resilience in national level civil defence emergencies. In local level emergencies communities look to their fire station and its resources initially as a place of refuge and later as a secure base from which the normal functions of the community can be progressively restored. In response to growing community expectations the Fire Service is increasing the resilience standards for its fire stations within the context of the existing civil defence and emergency management framework.

Resource allocation: The Commission's objective is that fire stations are optimally located through the application of a location-based mapping programme. The allocation of fire fighting resources will be enhanced by the development of a new national risk and resource model to replace the current system. The model will provide a sound basis for resource decisions and will cover strategies for:

- allocating fire fighting resources
- allocating resources for non-fire emergencies, including a range of civil emergencies
- setting the appropriate resource levels for fire safety education.

Response and recovery

The Fire Service will provide timely and tactically appropriate operational responses to fires and other emergencies. These responses will include:

- suppressing and extinguishing fires to ensure the safety of people endangered by fire and minimise the amount of property damaged by fire
- stabilising, containing and minimising the impact of emergencies involving hazardous substances

- attending incidents involving motor vehicles, for suppressing fire, for extricating people from motor vehicles, for reducing the impact of injuries or otherwise assisting them, and for helping to stabilise and make safe the accident location
- working to protect life and property through extrications, rescues and other special services at a range of other emergency incidents.

Service delivery guidelines are set out in this SOI. For responses to fires in fire districts, guidelines (measured from first receipt of the call at the Communication Centre to arrival of the first appliance at the incident) are set at eight minutes for career crews and 11 minutes for volunteer crews at the 90th percentile. Further, for the purposes of internal performance management, guidelines are in place for the separately identifiable elements within response times: call processing, brigade alerting and travel time.

The Commission's approach to national service delivery guidelines is cautious. The rationale for minimising attendance times is clear: the rate of fire growth in structures is rapid and unless fires are suppressed early, conventional suppression strategies will have little effect on the outcome once a fire is large. Nevertheless, a narrow focus on response times risks underweighting other strategies likely to have a greater impact on community fire outcomes.

In addition to fire fighting, the Commission works in partnership with a range of government agencies to contribute to non-fire emergency outcomes through the provision of operational response services such as urban search and rescue. The Commission will continue to work closely with these agencies to ensure New Zealanders receive the emergency service they expect.

Output class 3: Rural fire leadership and coordination

The Commission in its role as the National Rural Fire Authority (NRFA) expects the advice, leadership and coordination services it provides will enable the 76 independent fire authorities to apply sound, well-researched approaches to forest and rural fire management. In turn better controls over lighting of fires during periods of elevated risk, improved operational readiness and increased response capability will minimise the consequences of rural fires.

The NRFA establishes rural fire policy at the national level. This includes developing and maintaining a schedule of minimum national standards, auditing fire authorities against those standards, evaluating fire authority performance and coordinating all matters relating to national rural fire control.

In 2010 Audit New Zealand recommended changes to the previous performance evaluation system in order to streamline and simplify it. A new performance monitoring framework based on these recommendations was developed in 2011/2012, and will be implemented from 2012/2013. The framework will provide more accurate, timely and useful information to the Commission as the NRFA, NRFA staff and the fire authorities themselves.

The NRFA will continue to promote the amalgamation of rural fire authorities, an active strategy since 2009. The key milestones are to:

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

To date, two regions have had a positive outcome - the new Northland enlarged Rural Fire District was established on 1 July 2011, and the new Marlborough-Kaikoura enlarged Rural Fire District will be established on 1 July 2012.

NRFA leadership and engagement has resulted in nine separate groups incorporating 54 existing fire authorities establishing steering committees with a view to developing firm amalgamation proposals for stakeholders to consider. The NRFA is optimistic that up to six of these groups may deliver a positive outcome by July 2013.

The benefits of amalgamation are:

- clarified rural fire management accountabilities and responsibilities
- stronger local stakeholder governance in relation to forest and rural fire matters
- improved capability and capacity of fire authorities by pooling and sharing resources and expertise
- increased safety of rural communities through better leadership and advice to the land owners and the public, and creating a greater awareness of fire threats and risks to the region
- improved ability of rural fire authorities to comply with statutory obligations and meet the performance standards of the Fire Service Commission, in its role as the NRFA
- enhanced integration of fire management principles, policies, plans and practices for fire management and administration across different land-users and owners.

To support this initiative the NRFA implemented in 2010/2011 a new administrative grant to assist with the establishment and management of enlarged rural fire districts. Payment of the grant to an enlarged authority is subject to certain criteria being met including the employment of a full time General Manager/Principal Rural Fire Officer and commitment to specified fire outcomes in the authority's business plan. Good governance is a key theme, which the NRFA further supports through the delivery of its Rural Fire District Governance course. The NRFA is confident that these initiatives will lead to a more efficient rural fire sector and better fire outcomes for rural New Zealanders.

The NFRA provides leadership to improve processes for fire weather prediction by fire authorities, and the use of fire as a land management tool.

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

In support of this, the NRFA will replace the current fire weather system, acquired from the Canadian Forest Service in 2002, to improve the features and usefulness of the

system, and address underlying technical deficiencies. The new system, expected to be implemented in 2012/2013, will:

- meet statutory requirements more completely and on a sustainable basis
- better inform emergency management decision making
- improve fire weather forecasting capability.

The NRFA will also co-ordinate national promotions during the fire season by organising and promoting advertisements for national television, radio and print media, and maintain skilled National Incident Management Teams for better responses to large-scale wildfires.

How we assess the impact of the Commission's outputs

Fire safety public education, prevention and advice

The following national goals establish the intended impact fire safety programmes will have on the level of fire safety knowledge and behaviour of the public.

National goals
4.1 Improve the fire safety knowledge and behaviour of the public: projections developed for 2015: • 98% of people will believe a fire can become unsurvivable in five minutes or less • 85% of people will recall a fire safety message • 96% of homes will have at least one smoke alarm installed
4.2 Achieve and maintain the estimated total number of fires in New Zealand to less than 1,600 per 100,000 population[2].

Readiness and emergency response

The following national goals set out the national service delivery guidelines for responses to fire and non-fire emergencies. These goals have been established to provide a balance between resource availability and early intervention to reduce or minimise the consequence of emergency incidents.

National goals (fire related)
4.3 Response times for structure fire incidents inside fire districts will be monitored for performance against the national service delivery guidelines of: • 8 minutes 90% of the time for career stations • 11 minutes 90% of the time for volunteer stations.

[2] The Fire Service has incident data on the number of fires it attends, but independent surveys show this number is between 9% and 25% of all unwanted fires people have in houses and between 19% and 44% of outside fires. The Commission estimates the total number of all fires in New Zealand each year by taking the annual number of fires attended by the Fires Service and dividing it by the by 5-year average percentage attended by the Fire Service. The effect of this calculation is to up-rate the Fire Service incident data as if it attended 100% of all fires.

National goals (non-fire related)

4.4 Meet or exceed national service delivery guidelines for non-fire emergencies:
• 30 minutes for motor vehicle accidents 90% of the time.
• 20 minutes for incidents requiring the specialist Hazmat unit 90% of the time within major urban areas.
• 60 minutes for incidents requiring the specialist Hazmat unit 90% of the time for the rest of New Zealand.
• for first response to medical emergencies:
  ○ 8 minutes 90% of the time for career stations
  ○ 11 minutes 90% of the time for volunteer stations.

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

Rural fire leadership and coordination

The National Rural Fire Authority is expected to achieve the following national goals in terms of establishing enlarged rural fire districts, improving fire authority preparedness and timely response to vegetation fires.

National goals
4.6 Reduce the number of fire authorities to less than 20 by June 2014.
4.7 100% of fire authorities will meet their legal obligations for adopting and reviewing their fire plans. The readiness and response parts of the fire plan will be reviewed every two years and the risk reduction and recovery parts of the fire plan every five years.
4.8 Contain ninety-five percent of all wildfires within two hours of being reported.

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

The Commission's performance story to date

Emergency incident trends

The Fire Service responded to 76,334 emergency incidents during 2010/2011. Note that due to industrial action by members of the New Zealand Professional Firefighters Union detailed information on 11,000 incidents in 2009/2010 is not available. In the table below the incident distribution for 2009/2010 was derived by extrapolation. Overall incident numbers for the last four years are as follows:

	2010/2011	2009/2010	2008/2009	2007/2008
Fires	20,625	21,832	22,511	25,039
Hazardous substance emergencies	3,466	2,691	3,476	3,724
Medical emergencies	5,972	5,986	4,905	4,402
Motor vehicle incidents (excluding fires)	4,780	4,861	5,460	5,709
Natural disaster emergencies	7,990	1,121	2,090	1,782
False alarms	27,113	26,085	26,562	27,125
Other emergencies	6,389	5,339	6,584	6,310
Total	76,334	67,914	71,588	74,091

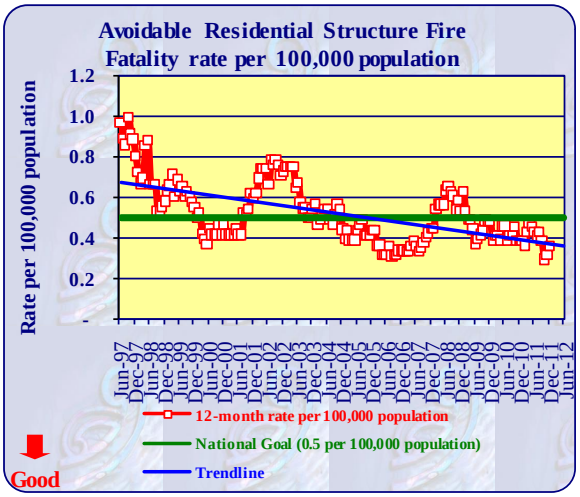
The dominant trend is the increasing proportion of non-fire related incidents the Fire Service attends. In 2010/11, 37 percent of fire service responses were to non-fire related emergencies compared to 24 percent in 2000/2001. Within the non fire incident trend there is strong on-going increase in calls to pure medical emergencies and a large number of incidents resulting from the Canterbury earthquakes.

Please note that when reading the current trend information in the following sections, some of the data has been estimated due to industrial action by Members of the New Zealand Professional Firefighters Union (NZPFU). For the purposes of showing graphical trend information the Commission has replaced missing data, September 2009 to December 2009 and August 2011 to March 2012, with the average values from the corresponding previous two years data.

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

Over the last ten years the Commission has placed increased importance on fire safety education as a key means of reducing the consequences of fire. In addition, the Commission has worked to improve its operational response. This twin approach has been successful with most of the Commission’s national goals showing improving trends over the longer-term.

The consequence of fire for people



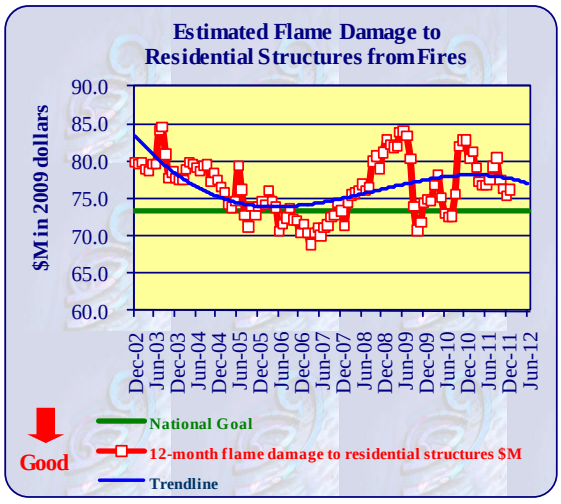
The Commission monitors avoidable residential fire fatalities and injuries to the public from fire against national goals to assess progress towards reducing the consequence of fire to people. Both categories have shown significant reductions over the last five to ten years. Based on research and data analysis the Commission believes the main reason for these reductions is improved fire safety education programmes. The graph (left) shows the results and long-term trends for avoidable residential fire fatalities.

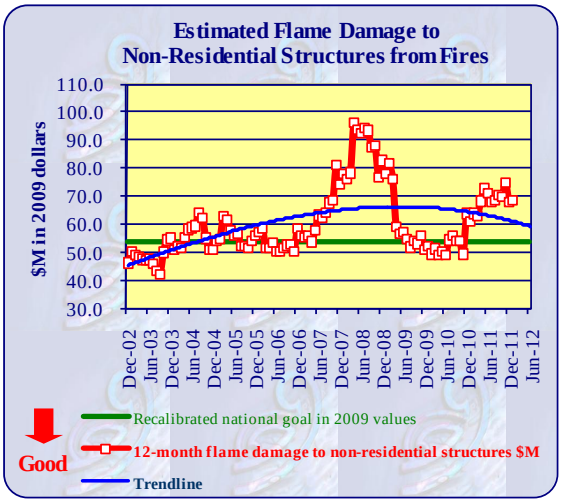
Avoidable residential fire fatalities per 100,000 population have reduced by over 45% and injuries to the public per 100,000 population have reduced 30% since June 1998.

The consequence of fire for property

In 2007/2008 the Commission introduced new national goals for property damage to monitor progress against its statutory mandate to protect property. The national goal levels were initially set at 10% below the previous five-year average to include a stretch performance element into the national goal. In 2008/2009 the Commission updated its national goal level for its latest estimates of residential property damage and in 2010 the Commission adjusted its base-year to 2009 dollars (from 2004 dollars) and the national goal was adjusted accordingly.

The graph below left shows the damage to residential structures from fire and the graph below right shows the damage to non-residential structures from fires.



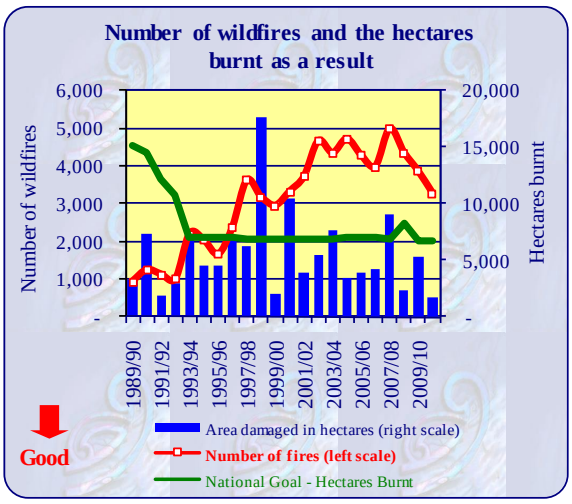


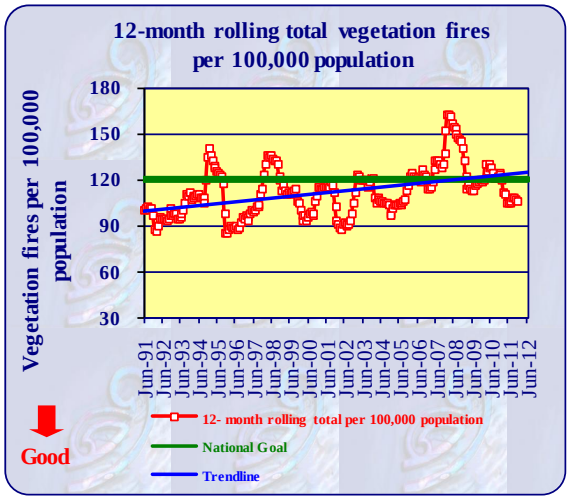
Performance against these national goals is established by estimating the dollar value of loss from fires in residential and non-residential structures. At present this reflects just the loss to the structure itself and does not include contents or any downstream economic or social losses.

The consequence of fire for the environment

The number and rate of vegetation fires per 100,000 population has increased over the last 15 years. Some of this increase is due to improved reporting of fires by members of the public and fire authorities. In addition, macro-climatic trends have affected the number and severity of vegetation fires.

The graph right plots results from annual fire authority returns and shows a steep increase in fire incidents reported, although this has declined over the last three years.



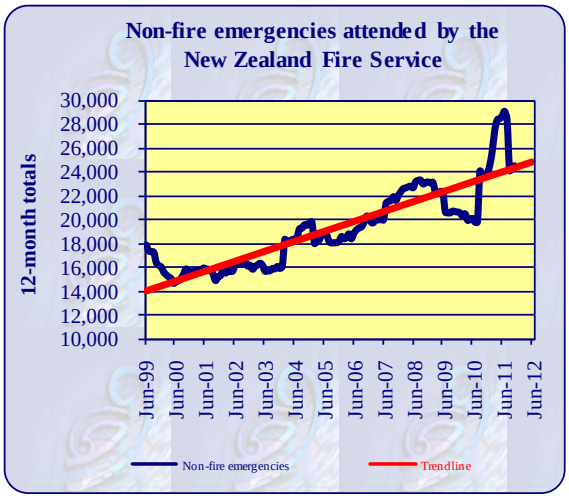


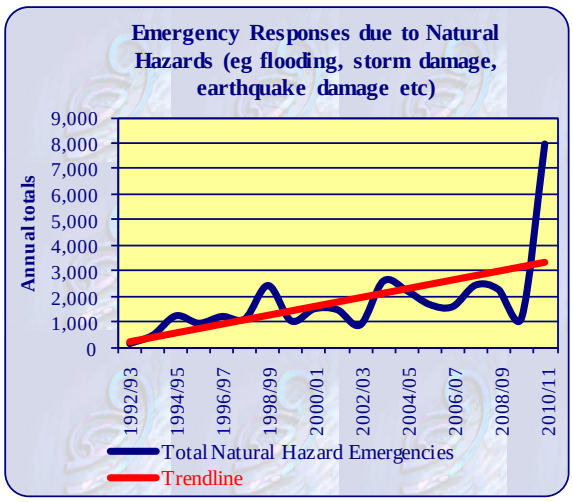
The graph left shows the increasing number of responses to vegetation fires by the Fire Service. Despite these apparent increases in the number of fires, the average number of hectares lost to wildfire annually has remained relatively static since 1999. The Commission considers that improved fire authority preparedness and earlier intervention through integration with Fire Service communication centres has contributed to containing the consequences of fires to the environment.

Trends for outcome 2: Reduced adverse consequences of non-fire emergencies

In 2010/2011 37% of all incidents the Fire Service was called to were non-fire related compared to 24% in 2000/2001. This reflects increasing community demand for the Fire Service to respond to a much wider range of emergency incidents than just fires.

The graph right shows the rolling 12-month trend for responses to non-fire emergencies. In the 12 months ended December 2011 the Fire Service responded to over 28,000 non-fire emergencies.

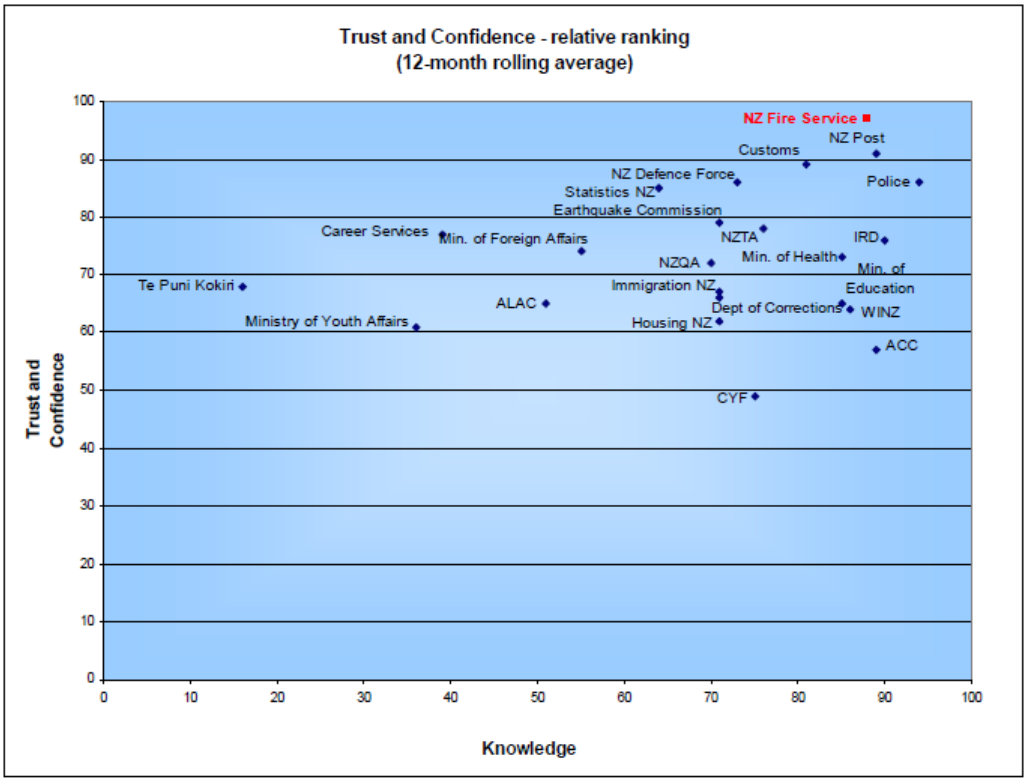




A significant trend within non-fire emergencies was the sharp increase in the number of responses to emergencies resulting from natural hazards (particularly weather related and the Christchurch earthquakes). The Fire Service plays a pivotal role in the initial response to emergencies but in recent years has also been called on to play a role in community recovery extending over days and weeks. The Christchurch earthquakes and significant flood events in Northland, Bay of Plenty, and Rangitikei/Manawatu are recent examples. The graph above left shows the increasing number of responses by the Fire Service to natural hazard emergencies.

Trends for outcome 3: New Zealanders have ready access to fire services and place a high level of trust and confidence in them

The Fire Service has enjoyed increased levels of public trust and confidence in recent years. The chart below compares the percentage of the public that have full trust and confidence in a broad range of public sector organisations. The chart shows that the Fire Service enjoys the full trust and confidence of 98% of the public. In addition, 89% of respondents reported having a reasonable level of knowledge of the work of the Fire Service.



Source: Research New Zealand Public Sector Trust & Confidence Poll. Special Report for the New Zealand Fire Service (June 2011). Please note: Confidence ratings include only those respondents who indicated that they knew at least "a reasonable amount" about what each public sector organisation does.

For reasons set out more fully on page 16 of this Statement these results are significant for the Commission. They demonstrate that New Zealanders are confident that their fire services will be there to assist them in their hour of need and that they are confident they know how to keep themselves safe from the hazard of fire. It also suggests that people accept the Commission's fire safety public education programmes as authoritative advice they are willing to receive, process and implement.

The Commission also places a high value on accessibility of fire services to New Zealanders. A new measure of accessibility has been added to the SOI this year. The initial performance against the new measure shows that 95% of the population and 95% of addresses are within 10 minutes travel time of a fire service response.

The operating environment

This section is intended to provide the reader with an overview of the context in which the Fire Service and the National Rural Fire Authority, in its leadership and coordination capacity of the 76 independent fire authorities, operate. It includes information on:

- how the Fire Service and National Rural Fire Authority are organised and managed
- the human, physical and capital resources the Commission has at its disposal.

Quantifying New Zealand's exposure to fire

The Commission's mandate covers the 4.4 million citizens and visitors at risk from fire in New Zealand every day. The total value of building stock at risk from fire is estimated at $238.2 billion[3] of which $161 billion is attributable to residential dwellings, $18.9 billion to industrial buildings, $35.5 billion to commercial buildings and $22.8 billion to other building types. Land use also presents a major fire risk in the New Zealand environment, with 6.4 million hectares in natural forest, 1.8 million hectares in plantation forests, 13.8 million hectares in pasture and arable use and 5.2 million hectares in other non-forested lands. Estimating the value of these land uses is problematic but the value of the plantation forest asset alone exceeds $35 billion.

The urban and rural fire environments

The fire environment in New Zealand may be considered in two distinct categories; the built environment (dominated by industrial, commercial and residential structures, community infrastructure and social amenities) and the land environment (dominated by large areas of cultivated crops, plantation forestry, forest, land reserved for conservation values but also covering isolated dwellings and rural amenities). The table below compares and contrasts the characteristics of the Commission's risk management approach to the two distinct fire environments.

Built Environment – urban	Land Environment – rural
A single national agency (the Fire Service) responsible for emergency response across almost all urban areas	Seventy-six fire authorities responsible for response to vegetation wildfires in association with the Fire Service
Fire safety education delivered to tightly defined at-risk groups in the general public through national media, schools, marae etc	Campaigns on the safe use of fire in the rural environment targeted at land managers, rural landowners and contractors
The Building Code specifies the performance standards buildings must achieve for fire safety purposes	The annual Fire Plan prepared by fire authorities prescribes the fire control measures that apply in the fire district

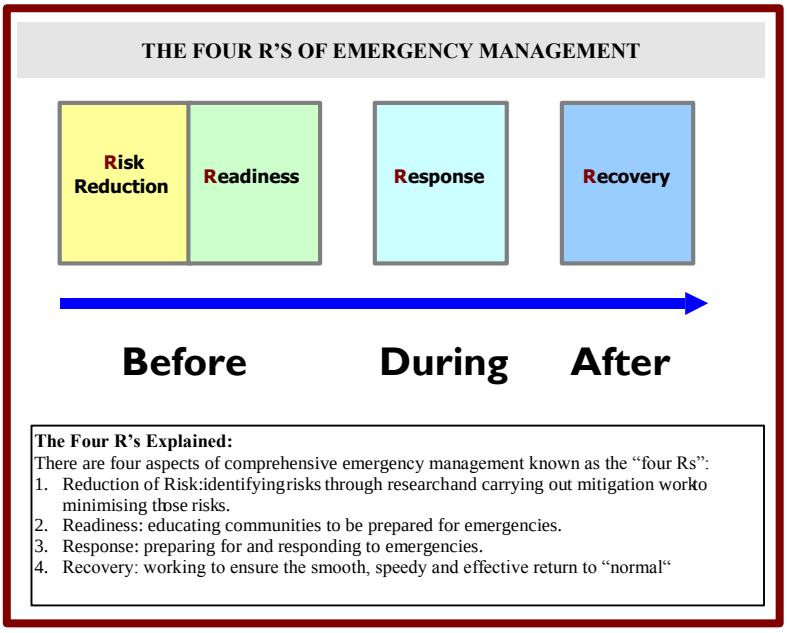
[3] Business and Economic Research Ltd (BERL) *Cost and managing the risk of fire in New Zealand*, March 2005.

Built Environment – urban	Land Environment – rural
Approved evacuation schemes prescribe the measures to be adopted in public buildings to ensure the occupants can safely exit the building in the event of fire.	A national fire weather monitoring system alerts fire authorities to periods of elevated fire danger so restrictions on lighting fires in the open may be imposed
Fires predominantly extinguished with water drawn from reticulated water supplies or tankers in special cases	Fires extinguished or contained with a mix of wet and dry fire fighting techniques or left to burn according to the risk
Specialist appliances required for particular urban fire risks (multi-storey buildings, tank farms, ports, etc)	Light 4 x 4 vehicles, off-road tankers and backpackable plant required for use in remote and rugged territory
Reliance on permanent staff and volunteers able to respond at a few minutes notice	Significant reliance on the Fire Service, the 3,500 rural volunteers and contractors able to respond at a few hours notice
All fire fighting plant owned or permanently controlled by Fire Service to ensure instant availability	Contractual arrangements in place to ensure contingent capability (helicopters, bulldozers etc) available at short notice
All costs associated with fire suppression carried by the Fire Service	Costs associated with fire suppression can be recovered from liable parties
Services funded by a Fire Service levy on contracts of fire insurance.	Services funded through territorial authority rates, liable party payments, parliamentary appropriation and levy

Commission's fire risk management framework

The Commission uses the Comprehensive Emergency Management model for managing the fire risk in New Zealand. The model shows the three phases of emergency management and the key interventions at each stage.

This framework is widely used internationally and in New Zealand for structuring emergency management activities.



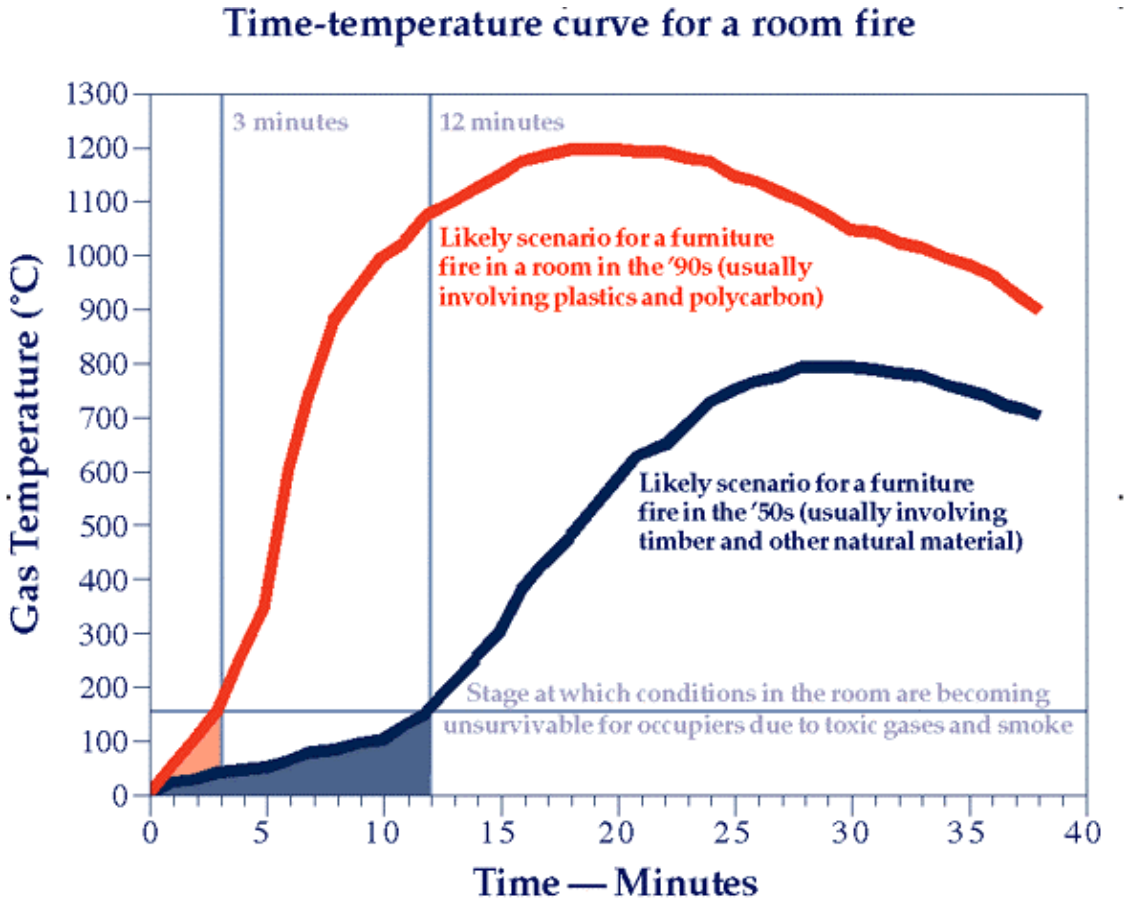
Why response alone is not an effective life risk management strategy

In considering strategies to reduce the consequences of fires for people it is important to understand the nature of fire and how it has changed over time. Since the 1950's there has been a significant change in the nature of urban fires:

- Flashover occurs sooner:
  - mid-1950s 12-15 minutes
  - mid-1990s 3-7 minutes.
- Temperatures recorded at the ceiling level have increased:
  - mid-1950s 750°C
  - mid-1990s up to 1100°C.

These key changes are attributable to:

- increased fire loading through the use of plastics and other polycarbonate materials in furniture and fittings. These materials also produce higher volumes of toxic gases like hydrogen cyanide, hydrogen chloride and carbon monoxide
- increased insulation. This has the effect of keeping the heat in, similar to an oven.



The time from when a fire starts to when it becomes unsurvivable has reduced, in some cases, to less than five minutes. Accordingly response is no longer effective in reducing the consequences of fire for people and to a lesser extent property. The change in the speed of fire growth highlights the need for an increasing focus on fire safety education. Fire risk reduction through education is critical and is a key driver for the services provided to New Zealand communities.

An equally critical determinant of community fire outcomes is the point in the fire growth curve when fire services are first notified of a fire. Every year, structures located relatively close to fire stations are lost because the service was notified late in the fire growth curve.

Resources

The Commission is able to call on the following resources to deliver its fire safety public education, risk reduction programmes, emergency response services and rural fire co-ordination.

New Zealand Fire Service

- 345 gazetted urban fire districts, each with a statutory officer authorised to exercise prescribed powers within the fire district.
- 436 fire stations and their associated plant and equipment.
- 1,700 career firefighters, 8,000 volunteer firefighters, 85 specialist fire safety officers and 10 professional fire engineers.
- 800 fire appliances and operational response equipment for dealing with fires and other emergencies.
- Three specialist Urban Search and Rescue teams located in Christchurch, Palmerston North and Auckland.
- 17 Hazmat Command vehicles, fully equipped with fit for purpose technology and serving as multi-agency incident command centres during major events or incidents.
- Three communication centres and 75 staff that receive emergency calls from the '111' and private fire monitoring systems and dispatch resources from local fire stations to emergencies.
- Signal transport & message handling network that connects automated fire alarms in over 6000 commercial properties to the communication centres.
- Eight regional offices and 25 areas located around the country to provide leadership and support services and to fire stations.
- A national headquarters located in Wellington
- 360 management and support staff.

National Rural Fire Authority

- The national rural fire officer and five regional rural fire managers.
- National fire weather monitoring system.
- Fire weather stations network that collates the data collected by over 180 weather stations (owned by station owners) for the production of the fire weather maps
- National alerting capability through the three communication centres.
- Three national incident management teams.
- Funding for grants to fire authorities for equipment and appliances.

Value for money

Any analysis of the value fire services deliver for the money they spend requires an understanding of the cost structure of an emergency response service. The majority of the costs incurred in operating any emergency response service lies in being ready to respond. It makes little difference to the overall costs of the Fire Service whether it responds to 10,000 incidents per year or 70,000 incidents per year. The marginal financial cost to the Fire Service of responding to another incident is very low relative to the cost already incurred in standing ready to respond.

While most of the costs of maintaining emergency capability are fixed, the Commission actively seeks to ensure its standing cost base is as efficient as possible. For example a wide range of goods and services including electricity, diesel, travel and protective clothing are purchased under national procurement arrangements that regularly test the market for best value. Significant capital items such as fire appliances, pumps, communications and IT equipment are all procured through competitive tender exercises and where appropriate whole-of-life costs are carefully factored into the tender evaluation process.

Although careful control of the cost base is important, the analysis above suggests that rather than focusing simply on reduced cost, the best opportunities to improve value for money lie in strategies designed to extract value from the existing investment. Examples of this approach include:

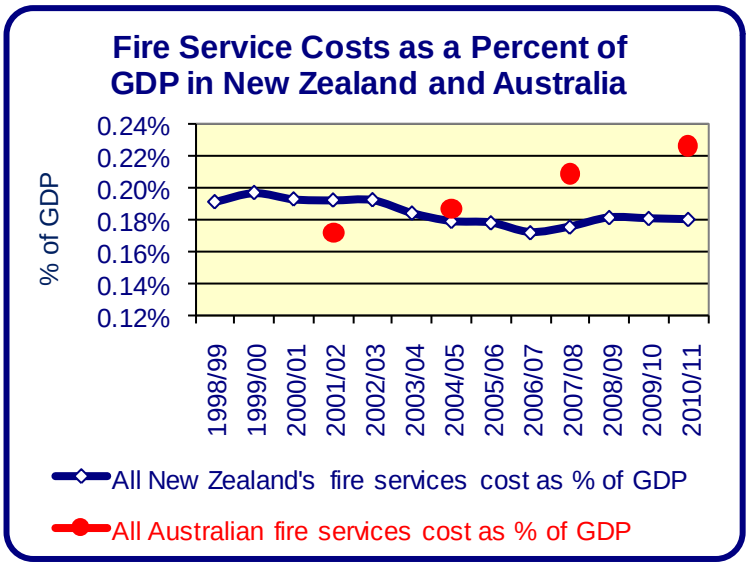
- agreements with fire authorities to provide an immediate response to alarms to vegetation and structure fires in rural areas and to provide the first hour of attendance free. This approach enables fire authorities to avoid the cost of establishing an immediate response capability to the benefit of their ratepayers
- agreements with ambulance service providers to automatically respond fire services to certain classes of incident where the ambulance arrival may be delayed or where the earlier arrival of a fire appliance with limited medical capability would still make a significant difference to the clinical outcome
- provision of a wide range of intervention services for emergencies as diverse as gas leaks, high angle rescues, motor vehicle extrications. Such added value services are estimated to save the agencies with statutory jurisdiction for the outcomes many millions of dollars. Work underway this financial year will enable the value of these services to be estimated more reliably.

This approach has its limitations as the marginal cost to a volunteer (or an employer of a volunteer) of responding to another incident may be significant in terms of loss of family/leisure time (or productivity).

Comparisons with overseas fire services

The cost of providing fire services in New Zealand compares favourably to providing similar services in Australia. Australian fire services are organised on a state by state basis and therefore provide reasonable comparators with New Zealand's fire services. Australian fire services also publish accurate and timely performance date. The comparisons shown in the graph below are illustrative and no attempt has been made to adjust for any purchasing power differences between Australia and New Zealand with costs shown for the Australian fire services in Australian dollars and the costs for the New Zealand Fire Service in New Zealand dollars.

The cost of the New Zealand Fire Service as a percentage of GDP has reduced from 0.191% of GDP in 2001/2002 to 0.183% of GDP in 2009/2010. This compares to 0.172% and 0.227% of GDP in Australia for the similar periods.



Supporting the favourable GDP comparison with Australia is the cost per capita comparison of fire services. From 2001/02 to 2010/2011 the cost per person of New Zealand's fire services increased 3.7% per annum to an estimated NZ$82. Over the same period the cost per person of Australia's fire services increased almost 12% per annum to Aus$141.

Shared Services

The Commission is committed to collaborating with other government agencies to ensure that an efficient and effective fire and rescue emergency service is provided to New Zealand communities. The main area of collaboration are shared services in the communication centres environment, radio networks, procurement, geospatial data and command and control vehicles.

Communication centres

- Premises and technology are shared with New Zealand Police. The Computer Aided Response and Dispatch technology platform, which is used to receive emergency calls and dispatch firefighting resources, is shared in the three co-located communications centres in Auckland, Wellington and Christchurch.

- The shared technology services with New Zealand Police are governed by the Shared Information Technology Environment (SITE) agreement, first signed in 1996 and last updated in 2011.
- Emergency call taking has been “virtualised” between the Fire Service, New Zealand Police and St Johns Ambulance. This means that any of the three agencies is able to answer emergency calls and create an emergency event for each other.
- The Fire Service's Auckland communication centre provides the early warning alert system (for example: tsunami alerts) for the Ministry of Civil Defence and Emergency Management (MCDEM). This arrangement is governed by a memorandum of understanding (MOU) between the Commission and MCDEM.
- Shared paging in-fill transmission sites with St Johns Ambulance to improve coverage of the paging network to firefighters.

Digital radio network

- The Fire Service currently shares Police’s nationwide analogue radio network.
- The Fire Service is currently transitioning to the Police metro digital radio network in Auckland, Wellington and Christchurch under the SITE agreement framework.
- The provision of a whole of government digital radio network (WGRN) for the rest of the country is currently at detailed business case stage and led by Police and Treasury.

All of Government initiatives

- The Fire Service current leverages off the Ministry of Economic Development syndicated procurement contract for PC devices.
- The Fire Service and Police have a joint emergency services geospatial data contract in place. This contract is offered as a syndicated procurement option to other government agencies.

Geospatial data

- Under the MOU with MCDEM, the Fire Service provides geospatial data, staff and resources to the National Crisis Management Centre in times of national emergencies.

Command and control vehicles

- The Fire Service has 17 Hazmat Command Units located strategically throughout New Zealand. The vehicles are fully equipped with fit for purpose technology and are used as multi-agency incident command centres during major events or incidents. They were recently utilised by Police and fire authorities for major events or incidents.

Efficiency

The Commission has reviewed its expenditure base for 2012/2013 and identified $4 million savings from back office functions. The savings will have no impact on the Commission's service delivery capability and are made up of:

- reduced funding available for new initiatives requiring operating expenditure by $1.8m from that provided for in the 2011/2014 SOI. Any further funding required for new initiatives will be from additional baseline savings.
- reduced vehicle leases to save $0.7 million

- reduced non essential travel to save $0.4 million
- efficiency gains in regional training $0.6 million
- efficiency gains in IT hardware $0.2 million
- a range of other initiatives to save $0.4 million.

The Commission will continue to explore options to reduce its base expenditure where appropriate.

Programme evaluations

The Commission is committed to ensuring all the services it delivers represent value for money. To underpin this commitment it regularly lets research contracts to independent organisations to evaluate the effectiveness and efficiency of key programmes. Over the past decade, the Commission's Contestable Research Fund has generated a significant body of research advancing our knowledge of fire prevention and fire management. Recent reports were published on:

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

The Commission has identified the following research topics as priorities for 2012/2013:

- Targeting Vulnerable Groups.
- Built Environment.
- Environment.
- Measuring our effectiveness.
- Incidence and control of vegetation fires in rural areas.

Organisational capability

This section describes the way the Commission will address its organisational health and capability requirements over the next three years.

People and partnerships

The Commission's staff and volunteers are central to the achievement of its mission and vision. Accordingly, the Commission employs an extensive range of programmes to ensure organisational capability is continuously enhanced and that our workforce of employees and volunteers are offered challenging and satisfying work. The Commission's people initiatives over the next three-years include:

Sustainable and integrated workforce

- Attraction and retention initiatives focused on specialist operational and support roles.
- Initiatives to ensure the long-term sustainability of our volunteer workforce.
- Return to work and rehabilitation programmes to reduce the impact of injury and illness on individuals and on our overall capability and capacity.
- Resource modelling to plan for our future capability and capacity needs.
- Enhancement of the employer recognition programme aimed at providing recognition to the employers of Fire Service volunteers.
- Development of recruitment resources and strategies to support volunteer brigades in attracting sufficient volunteers.
- Diversity initiatives focused on attracting and retaining a workforce that is reflective of the communities we serve..

Credible and effective leadership

- Talent assessment and development programmes for current and future high potential leaders.
- Introduction of development roles focused on ensuring sufficient future leaders are available to the organisation.
- Succession planning for core organisational, specialist and senior roles.
- Executive officer development programmes for volunteer officers.
- Enhancement of leadership component of our training and progression programmes for officers and executive officers.
- Individualised development initiatives for senior leaders.
- Induction programmes for new volunteer and career leaders.

Engaged and committed workforce

- Programmes to engage our people in business planning activities.
- A focus on enhancing organisational communication.
- Management processes to ensure contributions at an individual level are directly linked to organisational outcomes.
- Career development programmes for specialist, technical and support positions.
- Recognition and reward initiatives for our volunteer workforce.
- Maintenance of regular forums to work in partnership with workforce representative groups.
- A code of standards aligned to the State Services Commission Standards of Integrity that promotes appropriate behaviour and ethical conduct.

Accountable, capable and skilled workforce

- A comprehensive suite of training programmes to support staff throughout their careers.
- Operational skills development focused on ensuring core skills are effectively maintained.
- Streamlined, simplified recruitment processes to facilitate the selection and induction of capable, skilled staff.
- Provision of study grants annually to support up-skilling and qualification enhancement.
- Safety management initiatives focused on developing a positive safety culture.
- A review of the support services and programmes provided to staff to support their overall health and welfare.

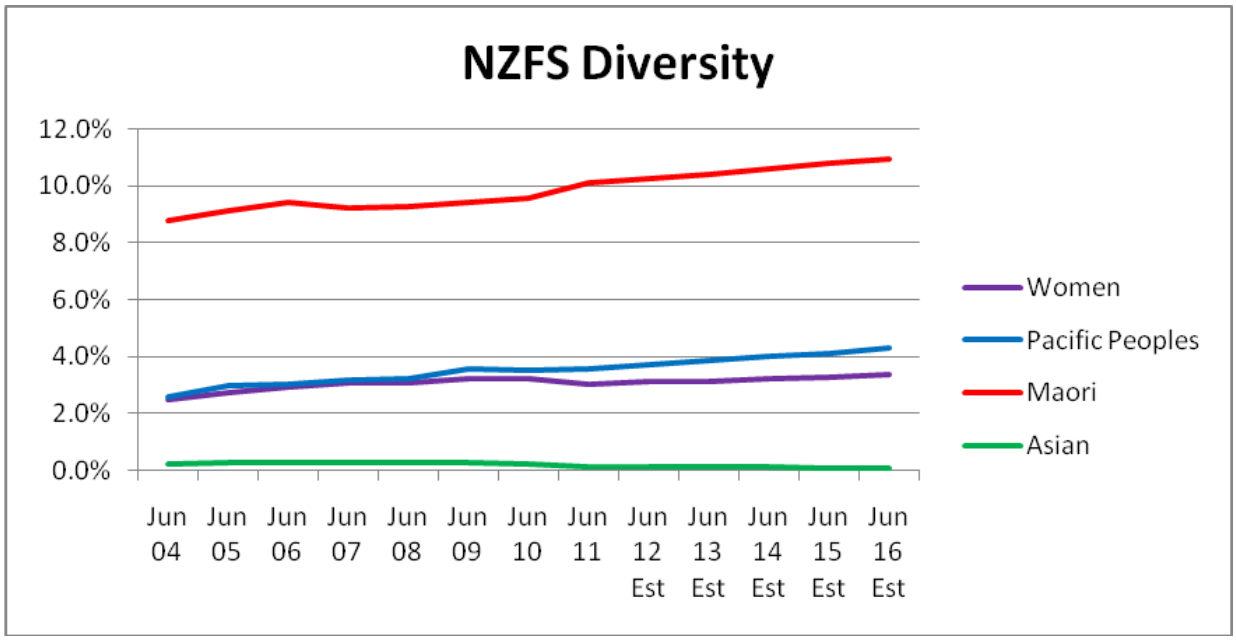
Flexible and responsive work environment

- Implementation of alternative brigade roles and structures for volunteer brigades to ensure they have sufficient personnel to undertake the full range of brigade activities.
- Alignment and integration of core terms and conditions of employment to ensure these are flexible enough to meet changing organisational and operational needs.

Sustainable and effective resource deployment

- Alternative resourcing models to enable more effective matching of resources to demand.
- Development of a capacity planning model to enable us to predict and respond to future changes.

This graph shows the current and projected diversity of career firefighters. Projections are based on the current staff turnover rates and the estimated recruitment pattern for the next three years.



Good employer

The initiatives outlined under the "people and partnerships" section above reflect the seven elements of “The Good Employer” set out in section 118 of the Crown Entities Act 2004.

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

Through these initiatives the Commission aims to attract and retain volunteers and career staff and build a motivated, competent and skilled workforce reflective of and responsive to the community.

Stakeholder consultation

The Commission is committed to consultation and open dialogue with a wide range of stakeholders. These include the UFBA (representing the volunteer fire brigade sector), the New Zealand Professional Firefighters Union, the Executive Officers Society, Local Government New Zealand, the Department of Building, and Housing and representatives from the forest and insurance industries.

In 2012/2013, the Commission will continue its long-standing programme of stakeholder visits with a series of functions in metropolitan and regional centres. These functions provide an opportunity for the board to meet a broad range of stakeholders and partners in fire safety including local government and community representatives, the private fire protection industry, public agencies and voluntary groups.

Asset management

The Fire Service is a capital intensive business. The 2010/11 Annual Report showed that the Commission held more than $500 million in property, plant and equipment. Ensuring these capital assets are properly maintained, updated and renewed is a critical issue for the Commission. The principles and philosophies underpinning the Commission's asset management strategy include:

- land and buildings should be owned and not leased, due to the strategic location of fire stations and the likely length of ownership. (>50 years)
- red fleet vehicles should be owned not leased, due to their long service life (20 – 25 years)
- white fleet vehicles should be leased unless it is determined they will to be held for extended periods i.e. >3years
- red fleet ownership targets

- type 1,2, 5 and 6 = 25 years
- type 3, 4 = 20 years
- leasing is an asset management tool as well as a financing tool and both have to deliver positive benefits
- level 2 protective clothing should continue to be leased due to the financial viability, end of lease management and integration with Total Care (end to end management of the garments)
- property co-location with other emergency services as a general rule are supported although actual decisions in any instance are considered on a case by case basis
- seismic strengthening is a priority and should be undertaken on a “riskier buildings first” basis with a schedule to get all properties up to standard over the next five years
- Canterbury earthquake relocation and rebuild decisions should be undertaken once final station locations can be confirmed
- interim decisions should place priority on safeguarding personnel and equipment until final relocation and rebuild decisions can be made.

Fire Appliances. The entire "red" fleet of 800 plus appliances is on a whole of life maintenance and replacement cycle. Each class of appliance has a target useful life based on anticipated work load, parts availability and obsolescence. To maximize their value appliances are cascaded throughout the organisation depending on the specific requirements of the stations and type of appliance. Under the terms of a procurement contract with a New Zealand-based assembler the Commission expects to take delivery of an average of 35-40 new appliances per year over the next three years.

Fire Stations. The Fire Service operates from some 437 fire stations. All fire stations are on a long term maintenance and replacement schedule. In 2012/2013 the Commission will expend over $20 million on its property portfolio. The Commission’s focus, in addition to ongoing replacement and maintenance continues with its seismic strengthening programme and stabalisation of its earthquake impacted properties prior to sourcing land and building new stations.
Overall the Commission monitors its performance against the national service delivery guidelines to assess whether it has sufficient resource to meet its demand for response services. National goals 4.3 and 4.4 are used as part of this monitoring process.

Greenhouse gas emissions

In 2008/2009 the Commission established its base level greenhouse gas (GHG) emissions through an external audit. The baseline GHG emissions level included all operational and support activities undertaken but did not include the GHG emissions resulting from the emergency incidents. A further internal assessment of GHG emissions was completed for 2010/2011. The table below shows the two results:

	June 2007	June 2011
tonnes of carbon dioxide equivalents	9,877	9,348

Research was completed in 2010/2011 that assessed the average level of GHG emissions released as a result of fires in residential structures. The research found that on average 40 tonnes of carbon dioxide was released from a fire in a residential structure that resulted in the total loss of the structure and its contents. The

Commission estimates that up to 56,376 tonnes of carbon dioxide were prevented from being released as a result of fire fighting activities that extinguished fires in residential structures before they were totally destroyed. This calculation represents the top end of the GHG emissions saved from release as a result of firefighting activities in residential structures. Further work will be carried out in 2012/2013 to refine the model. GHG emissions from fires in other property types such as commercial buildings and vegetation are not included in the calculation above and will be added as data becomes available.

How we will assess organisational capability

Organisational health and capability

Achieve improved diversity of the NZFS workforce so that it better reflects the communities we serve. Targets for June 2012 • 11% of operational firefighter will be of Maori origin. • 4.25% of operational firefighters will of Pacific People origin. • 5.5% of operational firefighters will be female.
Sufficient volunteers are available to volunteer brigades so they can meet their community obligations.
Maintain annual employee turnover rates below: • 15% for management and support and communication centre staff • 6% for firefighters.
Maintain at least 90% of fire appliances below the theoretical replacement age*.
Completion of the targeted fleet capital acquisition programme.

* Fire appliance age is an important factor in determining whether a fire appliance is "fit for purpose". This measure is used to assess whether fire appliances are being replaced in a timely manner to ensure that the fire appliance fleet remains current. Please note that in some cases fire appliances can last legitimately last longer (depending on usage) than the theoretical replacement age and therefore the measure is not 100%

Environment

GHG emissions will not exceed the 2007 base year of 9,877 tonnes of carbon dioxide equivalents.
GHG emissions prevented from being released through firefighting actions will exceed 50,000 tonnes annually.

Financial Health (main financial measures)

Managing the organisation's expenditure programme within actual revenue remains an important objective for the Commission. Uncertainty surrounding growth in the levy base, high fixed costs and internal and external demand pressures means the level of reserves held and the management of those reserves are critical for the Commission's financial health.

The Commission's revenue is used to:

- meet the ongoing cost of delivering all of its services day by day
- sustain the annual capital expenditure programme that replaces and maintains the asset base
- meet the annual requirements of the Rural Fire Fighting Fund.

The reserves reflected in the Commission's cash and investments are held to meet:

- national level emergencies and international deployments
- unanticipated shocks to income from the Fire Service Levy
- claims on the Rural Fire Fighting Fund
- net current liabilities of the organisation.

Over the last three years levy income has grown more slowly than in the previous ten years due to the external economic environment. To secure its funding base the Commission has applied additional resources to levy monitoring and compliance. Where levy is found to have been incorrectly calculated the Commission will pursue its full rights in law with respect to arrears, interest and penalties.

In order to monitor its performance the Commission reviews the following forecasted measures:

Measure	Purpose
Actual income (levy and other income), expenditure and surplus/deficit (measured against budget and forecast)	Monitor organisational progress and determine where action needs to be taken on a timely basis
Levels of debt and investments (minimum liquidity buffer of $10,000,000 and an operational reserves level Between $15,000,000 and $25,000,000)	Ensure that the Commission remains within the prudential limits it has set itself
Capital cash flows (measured against forecast)	An indicator that the capital programme established by the Commission remains on track
Rural Fire Fighting Fund	Ensuring sufficient funds are held to meet statutory & claimant demands.

New functions or programmes

The Commission has not planned to introduce any new functions or programmes in the period covered by this SOI. There have therefore been no additional costs for new functions or programmes included in this SOI.

Consultation and Reporting to the Minister of Internal Affairs

Consultation with the Minister

The Commission is committed to a "no surprises policy" for new initiatives, operational events and overall policies. The Commission will provide its responsible Minister with accurate, relevant, complete and timely information to ensure the Minister's decisions and responsibilities with respect to the Commission can be carried out on a fully informed basis.

Reporting to the Minister

The Commission will provide quarterly progress reports to the Minister against the national goals, 2012/2013 Statement of Forecast Service Performance and financial reports, key initiatives and other information as required. The quarterly reports will be provided within the following timeframes:

Quarter	Timeframe – no later than
1 July 2012 to 30 September 2012	19 October 2012
1 October 2012 to 31 December 2012	22 February 2013
1 January 2013 to 31 March 2013	26 April 2013
1 April 2013 to 30 June 2013	26 July 2013

Processes in relation to acquisitions

The Commission does not have any proposals or intentions to acquire shares or interests in companies, trusts or partnerships.

Other matters

The Commission has included all the information it believes is reasonably necessary for gaining an understanding of its intentions and directions.

Statement of responsibility

The information on future operating intentions of the New Zealand Fire Service Commission for the year ending 30 June 2013 contained in this Statement of Intent 2011/2014 has been prepared in accordance with sections 141 and 142 of the Crown Entities Act 2004.

As members of the New Zealand Fire Service Commission we acknowledge that, in signing this statement, we are responsible for the information contained in this Statement of Intent 2012/2015.

The New Zealand Fire Service Commission is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures.

The prospective financial statements and assumptions and the forecast statement of service performance have been prepared to meet the requirements of the Crown Entities Act 2004.

We certify that the information contained in the Statement of Intent 2012/2015 is a fair and reasonable reflection of the New Zealand Fire Service Commission's operating intentions.

Rt Hon Wyatt Creech
Chair
20 May 2012

Dave McFarlane
Deputy Chair
20 May 2012

Prospective financial statements and assumptions

Use of information contained in these prospective financial statements

Caution should be exercised when using the information contained in these prospective financial statements. The information has been prepared to meet the requirements of the Crown Entities Act 2004 and may not be appropriate for any other use. The Commission has complied with Financial Reporting Standard 42 Prospective Financial Statements (FRS-42) in the preparation of these prospective financial statements.

It should be noted that the financial statements included in this Statement of Intent are prospective. The prospective financial statements contain no actual operating results and actual achievement may materially differ from the prospective figures stated. These prospective financial statements are based on significant financial assumptions detailed below. Any change to these assumptions during the year will not be reflected in these financial statements.

Significant assumptions

To the extent known, the impacts on the Commission of the current economic climate have been factored into the prospective financial statements, including:

- conservative levy and income growth off the back of the Canterbury earthquake, uncertainty surrounding levy avoidance schemes and underpinned by low economic growth
- salaries and wages growing in line with CPI
- the demand for capital expenditure for high priority projects (seismic strengthening, earthquake repair work, replacement of appliances, stations and equipment, all of Government initiatives) continues to outstrip available funds resulting in reduced cash and investments and increased depreciation and financing charges
- increased cost of supplies and services including fuel, utilities and rates.

Other significant assumptions in the prospective financial statements for 2012/2015 are summarised in the following bullet points and table:

- the organisation structure will continue to evolve as the regional realignment is embedded
- the current range of services will be in place throughout the period however with growing emphasis on non-fire emergencies
- firefighter callbacks and long-term sick leave will be actively managed within the agreed budget parameters.

	Ref	2012/2013	2013/2014	2014/2015
Levy rate		7.6c	7.6c	7.6c
Levy base growth	1	0%	2.0%	2.0%
Cash rate		3.25%	4.25%	4.25%
CPI	2	2.3%	2.6%	3.2%
USD/NZD	2	0.85	0.77	0.72
EUR/NZD	2	0.64	0.56	0.52
AUD/NZD	2	0.84	0.81	0.82
Diesel price (excl GST)		$1.30	$1.40	$1.70
Petrol price (excl GST)		$1.80	$2.00	$2.10
Salaries and wages increases	3	1.5% + 2.9%	1.45%	2. 5%
No of Recruits	4	48	48	48
Additional Crews	5	0	0	0
Establishment - operational	6	1722	1722	1722
No of pumps		93	93	93
No of specials		12	12	12
Establishment - non-operational	6	573.2	573.2	573.2
Callbacks - sick leave, projects etc		12.8	12.8	12.8
Callbacks - long term sick		1.0	1.0	1.0
Statutory day adjustment (# shifts)		28	27	27
USAR International Deployment		1	1	1
Forecast Insurance proceeds		$2m	$0	$0
UFBA Funding	7	$1,820k	$1,865k	$1,805k
Contestable Research Fund		$550k	$550k	$550k
Enlarged Rural Fire District Grants		$756k	$1,256k	$1,256k

1. There is however a $4m increase to baseline levy in 2012/2013 from the 2011/2012 level
2. Base data is sourced from the BNZ Strategist 29 March 2012
3. 1.5% from 1 July 2012, 2.9% from 1 Jan 2013 for 12 months, 1.45% from 1 Jan 2014, 2.5% from Jul 2014 onwards
4. May vary from 12 to 24 recruits on a course
5. There will be no increase to firefighter establishment. New crews will be sourced by moving existing establishment.
6. Establishments are as per the organisation chart.
7. As approved at the March Commission meeting

Updating financial statements

The next planned update of the financial statements is the 2013/2016 Statement of Intent, which will be tabled in Parliament prior to 1 July 2013.

Prospective financial statements

Prospective statement of comprehensive income

for the years ending 30 June

	Budget 2013 $000	Forecast 2014 $000	Forecast 2015 $000
Revenue			
Levy	310,956	317,962	324,041
Other revenue	12,523	10,524	10,565
Total revenue	**323,479**	**328,486**	**334,606**
Income	2,849	2,746	2,197
Total revenue and income	**326,328**	**331,232**	**336,803**
Expenditure			
Employee and volunteer benefits expenditure	226,743	231,140	238,653
Depreciation	33,364	36,277	38,850
Amortisation	1,396	1,122	686
Finance costs	696	730	1,418
Other expenditure *	70,361	70,520	71,842
Total expenditure	**332,560**	**339,789**	**351,449**
Net surplus attributable to the Commission	**(6,232)**	**(8,557)**	**(14,646)**
Net surplus attributable to the Rural Fire Fighting Fund	**(760)**	**(547)**	**(35)**
Net surplus attributable to the owners of the Commission	**(6,992)**	**(9,104)**	**(14,681)**
Other comprehensive income			
Gains on revaluation of land and buildings net of impairment losses	-	-	-
Total comprehensive income attributable to the owners of the Commission	**(6,992)**	**(9,104)**	**(14,681)**
*** Other expenditure**			
Fleet	13,040	13,323	14,079
Communications and computer	13,500	13,234	13,406
Occupancy	13,559	13,758	14,005
Operational clothing, equipment and consumables	10,510	10,258	10,410
Travel	6,184	6,025	6,088
Publicity and advertising	5,106	5,106	5,163
Other	8,462	8,816	8,691
Total other expenditure	**70,361**	**70,520**	**71,842**

Prospective statement of changes in equity

for the years ending 30 June

	Budget 2013 $000	Forecast 2014 $000	Forecast 2015 $000
Equity at beginning of year			
Accumulated funds	433,855	427,189	418,017
Levy Variability Reserve	10,000	10,000	10,000
Major Emergencies Response Reserve	15,000	15,000	15,000
Revaluation reserves	58,700	64,561	71,974
Rural Fire Fighting Fund	2,383	1,623	1,076
Total equity at beginning of year	**519,938**	**518,373**	**516,068**
Changes in equity during year			
Transfers from statement of comprehensive income			
Accumulated funds	(6,232)	(8,557)	(14,646)
Levy Variability Reserve	-	-	-
Major Emergencies Response Reserve	-	-	-
Revaluation reserves	5,422	6,799	7,424
Rural Fire Fighting Fund	(760)	(547)	(35)
Total comprehensive income	**(1,570)**	**(2,305)**	**(7,257)**
Transfers from disposal of land and buildings			
Accumulated funds	(439)	(615)	(139)
Revaluation reserves	439	615	139
Total transfers from disposal of land and buildings	**-**	**-**	**-**
Total changes in equity during year	**(1,570)**	**(2,305)**	**(7,257)**
Equity at end of year			
Accumulated funds	427,184	418,017	403,233
Levy Variability Reserve	10,000	10,000	10,000
Major Emergencies Response Reserve	15,000	15,000	15,000
Revaluation reserves	64,561	71,974	79,537
Rural Fire Fighting Fund	1,623	1,076	1,041
Total equity at end of year	**518,368**	**516,068**	**508,811**

Prospective statement of financial position

as at 30 June

	Budget 2013 $000	Forecast 2014 $000	Forecast 2015 $000
Assets			
Current assets			
Cash and cash equivalents	39,861	28,683	26,880
Trade and other receivables	2,576	2,576	2,576
Prepayments	776	776	776
Inventories	27	27	27
Total current assets	**43,240**	**32,062**	**30,259**
Non-current assets			
Property, plant and equipment	570,832	586,498	607,050
Intangible assets	9,253	6,455	5,339
Total non-current assets	**580,085**	**592,953**	**612,389**
Total assets	**623,325**	**625,015**	**642,648**
Liabilities			
Current liabilities			
Trade and other payables	29,661	32,112	35,237
Employee and volunteer benefits	29,988	31,774	33,642
Borrowings	1,919	2,306	22,727
Provisions	1,265	1,265	1,265
Total current liabilities	**62,833**	**67,457**	**92,871**
Non-current liabilities			
Employee and volunteer benefits	30,227	30,227	30,227
Borrowings	8,715	8,351	8,014
Provisions	3,182	2,912	2,725
Total non-current liabilities	**42,124**	**41,490**	**40,966**
Total liabilities	**104,957**	**108,947**	**133,837**
Net assets	**518,368**	**516,068**	**508,811**
Equity			
Accumulated funds	427,184	418,017	403,233
Levy Variability Reserve	10,000	10,000	10,000
Major Emergencies Response Reserve	15,000	15,000	15,000
Revaluation reserves	64,561	71,974	79,537
Rural Fire Fighting Fund	1,623	1,076	1,041
Total equity	**518,368**	**516,068**	**508,811**

Prospective statement of cash flows

for the years ending 30 June

	Budget 2013 $000	Forecast 2014 $000	Forecast 2015 $000
Cash flows from operating activities			
Receipts from levy	313,042	319,294	325,670
Receipts from other revenue	13,919	12,692	12,736
Interest received	1,774	1,744	1,269
Net GST received/(paid)	2,402	2,456	2,417
Payments to employees and volunteers	(223,383)	(225,072)	(232,277)
Payments to suppliers for goods and services	(74,796)	(75,788)	(76,428)
Net cash flows from operating activities	**32,958**	**35,326**	**33,387**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	4,007	6,532	2,953
Purchase of intangible assets	(2,838)	(66)	(1,174)
Purchase of property, plant and equipment	(44,162)	(49,934)	(53,326)
Net cash flows from investing activities	**(42,993)**	**(43,468)**	**(51,547)**
Cash flows from financing activities			
Payment of finance leases	(1,919)	(2,306)	(2,476)
Proceeds from borrowings	-	-	20,251
Interest paid	(696)	(730)	(1,418)
Net cash flows from financing activities	**(2,615)**	**(3,036)**	**16,357**
Net increase/(decrease) in cash and cash equivalents	**(12,650)**	**(11,178)**	**(1,803)**
Cash and cash equivalents at beginning of year	**52,511**	**39,861**	**28,683**
Cash and cash equivalents at end of year	**39,861**	**28,683**	**26,880**

Statement of accounting policies

Reporting entity

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

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). They also comply with NZ IFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

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, plant and equipment at methods appropriate to the class of asset.

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

Functional and presentation currency

These prospective financial statements are presented in New Zealand dollars which is the Commission's functional currency.

Changes in Accounting Policies

There have been no changes in accounting policies.

Accounting Standards

Standards, amendments and interpretations issued which are relevant to the Commission are summarised below.

<u>NZ IAS 24 Related Party Disclosures</u>

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

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

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

Significant accounting policies

Revenue

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

Levy
Section 48(12) of the Fire Service Act 1975 deems the proceeds of the fire service levy on contracts of fire insurance to be revenue of the Commission upon receipt. Levy proceeds are therefore recognised on a cash basis. Levy receipts are regarded as non-exchange transactions as the payment of levy does not of itself entitle a levy payer to an equivalent value of services or benefits, because there is no relationship between paying levy and receiving services from the Commission.

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

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

Income

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

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

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

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

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

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

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

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

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

Interest expense
Interest expense is recognised using the effective interest rate method.

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

The prospective statement of cash flows has been prepared on a net GST basis, with cash receipts and payments presented GST exclusive. A net GST presentation has been chosen to be consistent with the presentation of the prospective statement of comprehensive income and prospective 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 prospective statement of cash

flows. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for prospective financial statement purposes.

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

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

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

Financial assets
The Commission classifies its financial assets in the following categories:

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

The Commission uses derivative financial instruments (forward foreign exchange contracts) to manage its exposure to foreign exchange risk in relation to the purchases of significant items of plant and equipment.

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

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

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

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

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

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

Financial liabilities

Financial liabilities comprise trade and other payables and bank overdrafts. These items represent unpaid liabilities for goods and services provided to the Commission before the end of the financial year. The amounts are unsecured and usually paid within thirty days of recognition. Financial liabilities entered into with a duration of less than twelve months are recognised at their nominal value. Financial liabilities with a duration of more than twelve months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. The amortisation and any realised gain or loss on disposal of financial liabilities are recognised in the perspective statement of comprehensive income.

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

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

Leases

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

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

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

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

Additions

Costs are capitalised as property, plant and equipment when they create a new asset or increases the economic benefits over the total life of an existing asset. This includes all costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. For existing assets, subsequent expenditure that extends or expands the asset's service potential is capitalised. Costs that do not meet the criteria for capitalisation, including costs of day-to-day servicing of property, plant and equipment, are recognised in the perspective statement of comprehensive income. An asset is complete when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended. Costs associated with incomplete assets are recognised in work in progress. When the asset is complete the costs are transferred to the relevant asset class and depreciated in accordance with that class.

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

Revaluations

After initial recognition land and buildings are valued annually to fair value by an independent registered valuer. Fair value is determined using market-based evidence and is determined by reference to the highest and best use of those assets. Where there is no market related evidence, fair value is determined by optimised depreciated replacement cost. The Commission accounts for revaluations on a class basis. On revaluation any accumulated depreciation is eliminated against the gross carrying amount and then the gross carrying amount is adjusted to equal the revalued amount. The result of the revaluation of land and buildings is recognised in the asset revaluation reserve for that class of asset. Where this results in the carrying value of the revaluation reserve having a loss this is expensed in the perspective statement of comprehensive income. Any subsequent revaluation increase is recognised in the perspective statement of comprehensive income to the extent that it offsets previous revaluation decreases already recognised in the perspective statement of comprehensive income. Otherwise the gain is credited to the asset revaluation reserve for that class of asset.

Disposals

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

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

Computer Software
Costs are capitalised as computer software when it creates a new asset or increases the future economic benefits of an existing asset. Costs capitalised for acquired computer software licences include the costs incurred to acquire and bring the software into use. Costs capitalised for internally developed computer software include the costs incurred in the development phase only. Expenditure incurred on research is recognised in the perspective statement of comprehensive income, as well as, costs that do not meet the criteria for capitalisation (including staff training and software maintenance).

Shared Information Technology Environment (SITE)
SITE is a systems and technology platform that supports receiving calls and dispatching resources to emergency incidents. These SITE assets include computer aided dispatch software, land mobile radio network and associated telecommunications structures. SITE is primarily housed in the communication centres shared with the New Zealand Police. The value capitalised reflects the Commission's proportional ownership. New Zealand Police maintain SITE and proportionally charge the Commission. This charge is recognised in the perspective statement of comprehensive income.

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

Impairment of non-financial assets
The carrying amounts for property, plant and equipment and intangible assets are reviewed annually to determine if there is any impairment. Impairment is where events or changes in circumstances occur that result in the carrying amount of an asset not being recoverable. An impairment loss is the amount by which the asset's net carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Current employee and volunteer benefits
Benefits to be settled within twelve months of balance date are calculated at undiscounted current rates of pay according to the amount of the accrued

entitlements. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and retiring and long service leave entitlements expected to be settled within twelve months. Non-accumulating absences such as maternity leave are compensated when the absences occur and therefore no accrual is necessary. Sick leave is paid when taken under the Commission's wellness policy and therefore no accrual is necessary.

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

Superannuation schemes

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

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

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

Specific accounting policies for major provisions are outlined below.

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

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

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

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

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

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

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

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

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

(a) Capital commitments – the aggregate amount of capital expenditure contracted for, but not recognised as paid or provided for, at balance date.
(b) Non-cancellable operating leases – future payments due under the lease contract. Operating leases are principally for property and motor vehicles.
(c) Other non-cancellable commitments – future payments due under other contracts (such as consulting and cleaning contracts).

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

Expenditure allocation
The Commission allocates expenditure to outputs as follows:
- direct costs are expenditure (including the Rural Fire Fighting Fund) directly attributable to an output that are charged to that output
- indirect costs are all costs other than direct costs and are apportioned across all the outputs based on the percentage of that output to total direct expenditure (excluding any Rural Fire Fighting Fund)
- the Rural Fire Fighting Fund receives an indirect cost allocation annually (of around $300,000).

Revenue and income allocation
Levy revenue is allocated to each output based on the proportion of gross expenditure allocated to the outputs. Other revenue and income that is directly related to outputs is credited to those outputs. Amounts that cannot be directly related to outputs is allocated based on the proportion of gross expenditure allocated to the outputs.

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

The estimates and underlying assumptions are reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they were revised. Any revision affecting future periods is recognised in the periods affected. Judgements that have a significant affect on the prospective financial statements and estimates with a

significant risk of material adjustment in the next year are discussed in the notes to the prospective financial statements when they occur.

Property, plant and equipment and intangible assets' useful lives and residual value
The residual value and useful life of property, plant and equipment and intangible assets are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires the Commission to consider a number of factors such as the physical condition, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact the depreciation or amortisation expense recognised in the perspective statement of comprehensive income, and the carrying amount of the asset in the perspective statement of financial position.

The Commission minimises the risk of this estimation by:
- performing asset verifications
- revaluing land and buildings
- impairment testing
- asset replacement programs.

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

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

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

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

Critical judgements in applying the Commission's accounting policies
Management has exercised the following critical judgements in applying the Commission's accounting policies.

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

The Commission classifies leases as finance leases under the following situations:
- the lease transfers ownership to the Commission by the end of the lease
- the Commission has the option to purchase the asset at a price lower than fair value and expects to exercise this option
- the lease term is for the major part of the economic life of the asset

- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets
- the leased assets are of a specialised nature and only the Commission can use them without major modification.

Classification as a finance lease means the asset is recognised in the perspective statement of financial position as property, plant and equipment, whereas for an operating lease no asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease agreements are finance leases.

Investment properties

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

Statement of forecast service performance for 2012/2015

To achieve the Commission's outcomes a range of services (outputs) are provided to the public. The three classes of outputs are:

- Fire safety education, prevention and advice
- Fire fighting and other Fire Service operations
- Rural fire leadership and coordination.

The output structure reflects the Commission's functions and operations in providing services that reflect the Commission's statutory functions and align with the needs of communities.

There are no exemptions for any outputs as per section 143 of the Crown Entities Act 2004.

Data limitations

Please note that when reading the current trend information in the following sections, some of the data has been estimated due to industrial action by Members of the New Zealand Professional Firefighters Union (NZPFU). For the purposes of showing graphical trend information the Commission has replaced missing data, September 2009 to December 2009 and August 2011 to March 2012, with the average values from the corresponding previous two years data.

Output quantities

The quantities in many of the outputs contained in this SOI are derived from the business planning process. Each fire station, both paid and volunteer, develops business plans annually that include linking local goals to the organisation's national goals, assessing fire risk in the stations geographic area, developing actions plans and specific service delivery targets. Nationally aggregated service delivery targets from these station business plans are used to establish the SOI targets each year. Other quantity targets are established using a similar annual business planning process covering technical for fire safety advice and fire engineering advice to consent authorities and national leadership and coordination of the rural fire sector.

Please note that due to industrial action by members of the NZPFU business planning for 2012/2013 has not been carried out by paid fire fighters. Quantity targets from the 2011/2012 business planning round have been used in this SOI where the information has not been updated.

Cost of the outputs for the year ending 30 June 2013

The following table summarises the output classes and associated outputs, and the cost of providing those outputs for 2012/2013.

	Forecast levy receipts $000	Forecast other revenue $000	Forecast gross expenditure $000	Surplus/ (Deficit) $000
Output Class 1 Fire safety education, prevention and advice.	**50,087**	**1,201**	**52,419**	**(1,131)**
Output 1.1: Fire prevention and advice to the general public	35,687	581	36,956	(688)
Output 1.2: Professional and technical advice to the Built Environment public	12,835	204	13,409	(370)
Output 1.3: Fire safety legislation	1,565	416	2,054	(73)
Output Class 2 Fire fighting and other Fire Service operations	**255,129**	**14,017**	**274,937**	**(5,790)**
Output 2.1: Operational readiness	203,164	7,799	215,548	(4,584)
Output 2.2: Operational responses to fire and other emergencies	43,200	6,080	50,161	(881)
Output 2.3: Wider emergency management capability	8,765	138	9,228	(325)
Output Class 3 Rural fire leadership and coordination	**7,826**	**804**	**8,701**	**(71)**
Output 3.1: Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and grant assistance schemes	5,948	778	6,876	(150)
Output 3.2: Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system	1,878	26	1,825	79
TOTAL COST OF OUTPUTS	**313,042**	**16,022**	**336,057**	**(6,992)**

Output classes

This section of the SOI sets out the detailed service delivery measures for the three output classes described in "The Commission's outputs and their expected impacts" section on page 17.

Output class 1 - Fire safety education, prevention and advice

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

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

Output 1.1 Fire prevention and advice to the general public

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

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

Performance measures

	Measure	SOI target	Average last 4-years actual performance
1.1.1	Number of fire safety education programmes delivered and the percentage that use the standard national promotion material. Targets are: • programmes for children using the FireWise programme • programmes for young people using the Fire Awareness Intervention Programme (FAIP) • home visits delivering fire safety messages • percentage using the standard national promotion material	 1,200-1,500 700-1,000 13,000-16000 100%	 1,085 822 15,163 100%
1.1.2	Number of smoke alarms installed by 30 June 2012.	20,000-25,000	22,914
1.1.3	The NRFA will co-ordinate an education and promotion campaign during the fire season, in partnership with rural stakeholders, to raise public awareness of the hazards associated with fire in forest and rural areas.	Campaign conducted between Dec 2012 and Feb 2013	-

	Measure	SOI target	Average last 4-years actual performance
1.1.4	Percentage of public satisfaction and level of expectations met with fire safety education provided by the Fire Service.*	At least 90%	94% 94%

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

Output 1.2 Professional and technical advice to the built environment public

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

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

Performance measure

	Measure	SOI target	Average last 4-years actual performance
1.2.1	Number of times technical fire safety advice is delivered and the percentage that meets the national technical fire safety standards: • number of times fire safety technical advice is provided • percentage of technical advice delivered that meets the national technical fire safety standards	 7,000-10,000 100%	 9,440 -

Output 1.3 Fire safety legislation

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

- building consent applications covering the fire engineering design in buildings
- evacuation scheme approvals and monitoring
- advice to territorial authorities on buildings, identified during routine building inspections for operational pre-planning purposes, considered dangerous because they are a fire hazard.

Performance measures

	Measure	SOI target	Average last 4-years actual performance
1.3.1	Number and percentage of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of being received and the percentage meeting the internal quality standards.	500-750 100% 100%	510 95% 100%
1.3.2	Percentage of evacuation schemes submitted to the Fire Service processed within 20 working days of being received. Percentage of evacuation scheme applications assessed to determine whether they have met the requirements of the evacuation regulations.	At least 90% 100%	76% 100%
1.3.3	Percentage of identified dangerous buildings notified to the relevant territorial authority.	100%	100%

Output Class 2 - Fire fighting and other Fire Service operations

(Sections 17N, 17O, 21A, 23 to 26, 27, 27A, 28, 28A, 29, 30, 32, 34, 35, 36, 36A, 40, and 41 of the Fire Service Act) and the provisions of the Civil Defence emergency Management Act.

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

Output 2.1 Operational readiness

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

The Fire Service achieves this through comprehensive staff training, regular equipment maintenance and accurate operational incident pre-planning. Additional information on training is included in the organisational capability section on page 38.

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

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

Performance measures

	Measure	SOI target	Average last 4-years actual performance
2.1.1	Percentage of stations assessed meeting the minimum standard for operational readiness, as judged by full operational readiness assessments.	100%	100%
2.1.2	Percentage of stations assessed on a five-year rolling basis.	100%	79%*
2.1.3	Number of operational plans developed or reviewed in accordance with the national commander's operational instructions.	700-1,000 developed 1,000-1,500 reviewed	703 developed 1,161 reviewed

*2010/2011 result covers the first year of a revised operational readiness audit process.

Output 2.2 Operational responses to fire and other emergencies

This output includes the operational responses to fire and other emergencies. National service delivery guidelines are in place for responses to a range of emergency incident types. The national guidelines are intended to provide stretch targets to ensure that stations are located optimally, resources are deployed in an efficient way and that processes are improved to minimise the overall response times to emergency incidents. Improvements in response times will be made over the long-term as moving fire stations and changing equipment is costly and time consuming. National goals for monitoring response times are included on page 23.

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

Performance measures

	Measure	SOI target	Average last 4-years actual performance
2.2.1	Percentage of alarms to fires, in fire districts, responded to by the Fire Service and appropriate action taken.	100%	100%
2.2.2	Percentage of alarms to fires, outside fire districts, responded to by the Fire Service and protection of life and property given.	100%	100%
2.2.3	Percentage of alarms to non-fire emergencies in fire districts, responded to by the Fire Service and assistance provided.	100%	100%
2.2.4	Percentage of alarms to non-fire emergencies, outside fire districts, responded to by the Fire Service and protection of life and property given.	100%	100%
2.2.5	Percentage of alarms to incidents that turn out to be false responded to by the Fire Service.	100%	100%
2.2.6	Percentage and number of post-incident operational reviews carried out, according to the national commander's operational instructions, for all incidents meeting the national commander's criteria.	100% Estimated at between 20-40	15 completed
2.2.7	Percentage and number of specialist fire investigations, according to the national commander's operational instructions, completed for all incidents meeting the national commander's criteria.	100% Estimated at between 220-300	212 completed
2.2.8	Percentage of the public's satisfaction and level of expectations met with the overall response services provided by the Fire Service. *	At least 90%	92% 92%

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

Output 2.3 Wider emergency management capability

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

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

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

Performance measures

	Measure	SOI target	Average last 4-years actual performance
2.3.1	Maintain membership on all Emergency Management Groups (EMGs) and participated in EMG meetings.	100% Between 30-50	Attended 34
2.3.2	Number of urban search and rescue teams maintaining the International Search and Rescue Advisory Group (INSARAG) heavy level.	3 by 30 June 2013	3
2.3.3	Number of exercises carried out with other emergency management providers and/or agencies involved in the management of community-scale incidents.	Between 250-350	301
2.3.4	The Fire Service will meet its national civil defence obligations when participating in national level civil defence and emergency management exercises as determined by post exercise review.	100%	-

Output Class 3: Rural fire leadership and co-ordination

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

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

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

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

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

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

Performance measures

	Measure	SOI target	Average last 4-years actual performance
3.1.1	Percentage of fire authorities advised of the results of their grant applications (estimated at between 40 and 80 and $1.7m in value) within two months of the application cut-off date.	100%	80% (63)
3.1.2	Percentage of approvals for grant assistance applications in accordance with the Commission's policy as verified by internal audit	100%	100%
3.1.3	Percentage of fire authorities advised of the results of their claim within two months of it being lodged with the NRFA under the rural fire fighting fund.	90%	88%
3.1.4	Percentage rural fire fighting fund claim decisions accepted without recourse to mediation	95%	100%
3.1.5	Percentage of members of regional rural fire committees indicating satisfaction with administrative support and meeting facilitation, as determined by an independent survey.	95%	77% 81%

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

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

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

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

Performance measures

	Measure	SOI target	Average last 4-years actual performance
3.2.1	Percentage of fire authorities provided with written reports, on the estimated 60 fire and equipment, weather station and training standards audits, within two months of the audit.	100%	86% (28)
3.2.2	Percentage of fire authorities provided with a written draft performance report, on the estimated five evaluations of fire authority performance under the Forest and Rural Fires Act 1977, within two months of the assessment.	100%	67% (5)
3.2.3	Percentage of performance reports accepted by fire authorities without recourse to mediation.	95%	100%
3.2.4	Percentage daily availability of fire weather information and the percentage updated by 3pm.	100% 95%	97% 95%