NEW ZEALAND FIRE SERVICE COMMISSION

STATEMENT OF PERFORMANCE EXPECTATIONS 2015-16

PRESENTED TO THE HOUSE OF REPRESENTATIVES PURSUANT TO SECTION 149 OF THE CROWN ENTITIES ACT 2004

Statement of responsibility

The information on future operating intentions of the New Zealand Fire Service Commission for the year ending 30 June 2016 contained in this Statement of Performance Expectations 2015-2016 has been prepared in accordance with sections 149C and 149E of the Crown Entities Act 2004 as amended in 2013.

As members of the Fire Service Commission we acknowledge that, in signing this statement, we are responsible for the information contained in this Statement of Performance Expectations 2015-2016.

The 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 Performance Expectations have been prepared to meet the requirements of the Crown Entities Act 2004.

We certify that the information contained in the Statement of Performance Expectations 2015-2016 is a fair and reasonable reflection of the Fire Service Commission's operating intentions.

Rt Hon Wyatt Creech	**David McFarlane**
Chair	Deputy Chairperson
24 June 2015	24 June 2015

Introduction

The purpose of the Statement of Performance Expectations is to:

- Enable the Minister to participate in a process of setting annual performance expectations,
- Enable the House of Representatives to be informed of those expectations, and
- Provide a base against which actual performance can be assessed.

Each financial year Crown entities including the Fire Service Commission are required to provide concise explanations for appropriations and reportable outputs in terms of what is intended to be achieved and how performance will be assessed.

This annual Statement of Performance Expectation for 2015-16 aligns with the Fire Service Commission's strategy as outlined in the 2014-18 Statement of Intent and should be read in conjunction with that document.

Strategic priorities

The Commission and the Fire Service launched a new vision for the organisation, "Leading integrated fire and emergency services for a safer New Zealand" on 20 February 2014. It was followed by an extensive series of discussions with managers, career and volunteer staff around the country over a period of ten months.

The vision sets a range of ambitious goals to be achieved by 2020 and is backed by an extensive programme of work. It has identified the four key strategic priorities the organisation needs to focus over the next five years. These are Volunteerism, Leadership, ICT and Operations.

Leadership

Our people have told us good leadership is the foundation to everything we do. Effective leaders create effective teams that work hard and look after each other. We have therefore prioritised work in developing volunteer and career leaders.

While we are rethinking our approach to leadership development over the next twelve months, we are also rolling out our leadership development training to volunteer chiefs.

Volunteerism

Volunteers are at the heart of the Fire Service. About 80% of operational firefighters are volunteers and many parts of the country are almost exclusively reliant on volunteer fire brigades for a wide range of emergency services. For the most part, volunteer brigades are well staffed. However, some communities have difficulties attracting enough volunteers. This both makes it hard for the brigade to meet the demands of their community and places a very high burden on those firefighters who are volunteering. The Fire Service has put a programme in place to support volunteerism and in particular those brigades that need assistance. The programme is wide-ranging to reflect the varying reasons why a community may need support to maintain their volunteer brigade, ranging from helping recruitment drives to providing additional support to serving brigade members.

The Fire Service continues to closely monitor volunteer brigades. Action is taken as early as possible to support identified at-risk brigades (volunteer brigades below 70% of their establishment). This threshold needs to be considered in conjunction with other measures. In particular, more relevant tests of effectiveness are response times of volunteer brigades to fire and non-fire emergencies against national service delivery guidelines.

We will continue our efforts to make it as easy as possible for people to volunteer. In order to achieve this, we are:

- implementing an improved volunteer Training and Progression System (TAPS) from July 2015
- increasing the hands-on component and reducing the assessment element of volunteer TAPS courses
- making changes to the Volunteer Pump Operator course to reduce the amount of work required
- implementing changes to the Volunteer Qualified Firefighter programme, which will reduce the training time.

Information and communications technology

Information technology is an important strategic enabler for us. We are in a process of transforming our ICT delivery to provide a technical operating model for the Fire Service that is mobile, information enabled and supports a modern digital way of working. This transformation initiative will improve the efficiency of our people and our use of information, provide premium productivity tools to our people, simplify access to our people and improve our use of infrastructure. We will commence our delivery transformation through the following initiatives:

- upgrade 165 volunteer stations with ICT equipment that they can use for training sessions
- implement a single sign-in to the Fire Service online training system
- deliver the infrastructure needed for use of mobile devices in fire trucks, followed by tablet trials
- replace Incident Ground Communication (IGC) radios
- create one dedicated radio channel for Land Mobile Radio (LMR), to replace the one currently shared with the Police
- make 24/7 ICT Help Desk support available
- install free Wi-Fi at 50% of volunteer stations over the next 12 months

Operations

The Fire Service is acutely aware that the demands on emergency services in New Zealand may be significantly different in the future. Demands will be driven by demographic changes, pressure on resources, climate change impacts and a need for people to play a greater role in their own protection and safety. This will require that we become more flexible in our service delivery arrangements and resource allocation, work more collaboratively with other rescue and emergency services and help individuals and communities to become more prepared and self-sufficient in the face of emergencies and disasters. In order to achieve this we will:

- launch a First Responder course from July 2015 in partnership with St John
- deliver 'Safe working at heights' training to Level 2 stations
- agree and sign a Memorandum of Understanding with Wellington Free Ambulance
- complete the trial of the fire medical vehicle (FMV) and determine a future build programme
- fund an enhanced medical training approach for career personnel and commence upskilling
- complete medical branding for the Fire Service including uniform insignia for first and co-responders and markings for fleet vehicles
- integrate our medical response role in all our recruitment material and external marketing
- participate in the further development of the Chief Executive Forum (Ministry of Civil Defence and Emergency Management, Ministry of Health, New Zealand Fire Service, New Zealand Police, St John, Wellington Free Ambulance)
- develop resilience training for USAR, and deploy USAR offshore when requested

Looking further ahead there will inevitably be a continuing stream of operational upgrades and refreshers. The current Fire Services legislation review is expected to result in some significant changes to how New Zealand's fire services operate. For 2015/16 this work will mainly be focussed on preparing papers to Cabinet and the groundwork for change.

Financial sustainability

The Commission operates a $614 million asset base encompassing approximately 850 fire appliances, 439 fire stations and the associated operational plant, equipment and information and communications technology. All of these have to be maintained, upgraded and eventually replaced.

To meet the Commission's obligation to manage its finances responsibly, it has set strict financial parameters for senior management to prioritise spending. The Commission notes it is currently dealing with capital demands well in excess of what it can reasonably afford on present revenues and is working now on a prioritisation policy. Over the last two years the Commission has spent $51 million (2014) and $62 million (2015 projected) on capital investment. After allowing for asset sales in each of these years the net capex spend is approximately $50 million. The Commission considers $50 million as reasonable in terms of affordability at the current levy rate. It is inadequate however to meet the demands for capital funds to pay for the Christchurch rebuild and national seismic strengthening. If Christchurch were prioritised, the Commission would have no choice but defer regular capital expenditure that it would otherwise undertake.

Should this prioritisation policy be necessary, there will be some impacts as it bites that could present public difficulties. Unfortunately, the current levy provisions do not provide sufficient revenue for both our regular ongoing capex spend as well as extraordinary non business-as-usual costs like Christchurch and the national seismic strengthening programme. The Commission has sought a temporary (five years) small levy surcharge (surcharge of 0.4 cents taking levy from 7.6 cents to 8 cents) to cover the cost of the above business-as-usual capital expenditure programme. If approved, the prioritisation programme mentioned above will be unnecessary.

Fire Service fleet assets are well maintained and tend to enjoy long lives; on average fire trucks are replaced every thirty years. Book values reflect the original purchase price from years back and therefore tend to be low. Because depreciation is calculated as a percentage of these low book values, accumulated depreciation is a poor proxy for actual replacement capital costs. Costs above depreciation have to be covered by the Fire Service's balance sheet. The consequent effect is to reduce the cash reserves, or when cash reserves are exhausted, to fund purchases through taking on debt or asset sales.

If financial pressures leave no option for the Fire Service but to extend the life of our vehicle fleet and defer replacement of equipment, firefighters will be working with increasingly obsolete equipment. The Commission would face increased maintenance costs and risks to firefighters. Importantly, too, it would make it increasingly difficult to attract and retain volunteers, already one of the biggest challenges facing the organisation.

The projected capital spend in 2016, 2017 and 2018 is maintained at $50 million and therefore not a significant increase nor unreasonable. The Commission is forecasting operational deficits in the outyears. In the absence of new funding or the ability to borrow, the Commission might be forced to reduce this expenditure to an amount not exceeding the depreciation cost.

Outcomes Framework

The diagram (Figure 1) on the following page represents the Commission's outcomes framework including the services (outputs) the Commission provides, the impact those services have and the outcomes they seek to improve.

Increasingly, the Fire Service has been working closely with the wider emergency services management sector and it is possible that the way in which the Fire Service works with the sector will be impacted further by the outcome of the Fire Services review. Looking ahead, the Outcomes Framework will need to reflect those changes and the need to change some existing performance measures and introduce some new ones in 2016/17.

Figure 1: Fire Service Outcomes Framework

Vision	Leading integrated fire and emergency services for a safer New Zealand	
Measured by	•Avoidable residential structure fire fatality rate less than 0.45 per 100,000 population •Number of structure fires less than 120 per 100,000 population per annum	
Outcome	PREPARED CITIZENS New Zealanders are more aware of the risks of fire and take more effective steps to lower their personal risk	EFFECTIVE RESPONSE By delivering an effective response, the Fire Service and rural fire forces reduce the loss from fire and other emergencies
Measured by	•60% of people will believe a fire can become unsurvivable in 5 minutes or less (by 2017) •85% of homes will have at least one working smoke alarm installed (by 2017)	•100% of the land currently managed through RFAs is managed by ERFDs by 30 June 2017 •75% of vegetation fires in Rural Fire Districts contained within 2 hours of being reported •Decrease from previous year in the number of Fire Service workplace injuries to staff requiring more than seven days off work
Key Strategy	•National communications campaigns •Regional fire safety initiatives	•NZFS operational response •NRFA co-ordination of rural fire sector
Outputs	•100% of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of all required information being correctly received •100% of evacuation schemes submitted to the Fire Service are processed within the statutory timeframe (20 working days with provision for a further 10 days, if required) once all information has been correctly received	•100% of rural fire authorities provided with written draft performance report within two months of the performance assessment •Response times for emergencies will be monitored against national service delivery guidelines •Actions developed from annual stakeholder engagement survey by 30 June 2016.
Information measures	Firewise programme for primary schools (Years 1 & 2): •100% of schools approached over two years to deliver the programme; •65% of schools who agree to deliver the programme, and •60% of school who complete delivery of the programme	•Number of medical emergencies (including number where CPR/ Defibrillation carried out) •Number of motor vehicle accidents attended (including number where extrications performed) •Number of hazmat incidents attended (including number where Fire Service active management required) •Number of structure fires attended (including number where NZFS equipment required to extinguish the fire) •Number of non-fire emergencies attended
Capability Measures		•100% of Level 2 (serious incident) investigation reports completed within the required timeframe •100% of Site Reports reviewed within required timescale •98% meet of exceed critical & core skills requirements - career staff •95% meet of exceed critical & core skills requirements – volunteers •100% of applications and claims to NRFA are processed within 2 months •100% of fire authorities meet their legal obligations for adopting and reviewing their fire plans •100% of RFAs provided with written audit reports against national minimum standards within 2 months of the audit •90% of audits of RFAs meet the required standard

The two tables below give a more detailed breakdown of the intervention logic connecting the Fire Service's outputs and outcomes.

Intervention Logic for Outcome 1

Prepared Citizens: New Zealanders are more aware of the risks of fire and take more effective steps to lower their personal risk
What does the Fire Service do to prevent fires?
For residential homes: • Social marketing campaigns • Home safety visits & fitting smoke alarms • Firewise campaign for school children • Arson reduction programmes for fire setters For non-residential premises • Reviewing building consents • Approving evacuation schemes
How does it measure this activity? (output measures & information measures)
For residential homes: • Delivery of social marketing campaigns as per schedule on time and budget • Social marketing campaigns maintain or improve percentage of people motivated to change their behaviour • Percentage of schools approached over two years to deliver the Firewise programme For non-residential premises • Advice on building consents provided within required timeframes • Evacuation schemes processed within required timeframes
What difference does this make?
At a high level the outputs will improve the public's knowledge and awareness of fire safety. In addition, homes will become safer as more smoke alarms are fitted and more adequate preparation is made on what to do in the event of a fire.
How can the Fire Service measure this difference? (impact and quality measures)
For residential homes • 60% of people will believe a fire can become unsurvivable in 5 minutes or less (by 2017) • 85% of homes will have at least one smoke alarm installed (by 2017)
How does this affect the outcome?
Improvements in fire knowledge and behaviour will reduce the number of fires. Increases in the number of smoke alarms and improvements in knowledge about what to do after a fire starts will help reduce the impact of fire. For commercial premises, the provision of advice to ensure that fire safety standards are adequately catered for will ensure that buildings are less prone to and safer in the event of fire.
How does the Fire Service measure the outcome?
• Number of structure fires less than 120 per 100,000 population per annum

Intervention Logic for Outcome 2

Effective Response: By delivering an effective response, the Fire Service and rural fire forces reduce the loss from fire and other emergencies

What does the Fire Service do to reduce loss at fires?

Readiness:

- Training and skills maintenance is carried out to ensure that all firefighters' skills are current and fit for purpose
- Ensuring appropriate standards and co-ordination across the rural fire sector

Response:

- Fire service operational response

How does it measure this activity? (output measures & information measures)

Skills maintenance & risk awareness

- 100% of Level 2 (serious incident) investigation reports complete within required timescale
- 100% of Site reports reviewed within timescale
- 98% of career staff meet or exceed Operational Skills Maintenance (OSM) critical and core requirements
- 95% of volunteer meet or exceed OSM critical and core OSM requirements

Operational response

- Number of incidents attended and timeliness of response

Co-ordination of the rural fire sector

- Performance assessments carried out of the rural fire sector
- 80% of New Zealand's land is managed by an Enlarged Rural Fire District by 30 June 2016 (Number of ERFDs increased to 13)

What difference does this make?

By ensuring firefighters (rural and urban) are well trained and prepared for incidents, the number of injuries (and other Level 2 investigations) should reduce and fires are effectively managed. More effective understanding of our partnerships will result in more seamless working relationships and may facilitate cooperative initiatives such as the recent MOU with St John and the creation of Enlarged Rural Fire Districts.

How can the Fire Service measure this difference? (impact and quality measures)

- Decrease in the number of Level 2 investigations (serious firefighter injuries and near misses)
- 75% of vegetation fires in rural fire districts contained within 2 hours of being reported

How does this affect the Outcome?

A more effective response should better contain the physical loss from fire. The fire fatality rate is included here and is a result both of prevention measures and the operational response.

How does the Fire Service measure the outcome?

- Avoidable residential structure fire fatality rate less than 0.45 per 100,000 population

Linking outputs to outcomes

The table below shows which outputs correspond to which outcome.

PREPARED CITIZENS	**EFFECTIVE REPONSE**
Output 1.1 Fire prevention and advice to the general public.	
Output 1.2 Professional and technical advice to the built environment public.	Output 1.2 Professional and technical advice to the built environment public.
Output 1.3 Fire safety legislation.	Output 1.3 Fire safety legislation.
	Output 2.1 Operational readiness.
	Output 2.2 Operational responses to fire and other emergencies.
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.	
Output 3.2 Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system.	

Outcome and Impact Measures

Outcome 1: Prepared Citizens

	Measure	2015/16 Target	2014/15 Target	2013/14 Actual
1.1	• Number of structure fires less than 120 per 100,000 population per annum.	120 per 100,000 population	120 per 100,000 population	116 per 100,000 population
1.2	• Percentage of people will believe a fire can become unsurvivable in 5 minutes or less (by 2017).	60%	95%	88%
1.3	• Percentage of homes will have at least one working smoke alarm installed (by 2017).	85%	96%	92%

Note: Annual Fire Knowledge and Communications Effectiveness surveys have been replaced with a new quarterly combined Fire Knowledge and Communications survey. Lower targets for 1.2 and 1.3 reflect change in survey methodology and more accurate survey results.

Outcome 2: Effective Response

	Measure	2015/16 Target	2014/15 Target	2013/14 Actual
2.1	• Avoidable residential structure fire fatality rate less than 0.45 per 100,000 population.	0.45 per 100,000 population	0.45 per 100,000 population	0.22 per 100,000 population
2.2	• Percentage of the land currently managed through Rural Fire Authorities is managed by Enlarged Rural Fire Districts by 30 June 2017 (excludes 6 Defence Rural Fire Districts). • Number of ERFDs increased	80% by 30 June 2016 100% by 30 June 2017 13	59% by 30 June 2015 100% by 30 June 2017 11	59% by 30 June 2014 11
2.3	• Percentage of vegetation fires in rural fire districts contained within 2 hours of being reported.	75%	75%	75%
2.4	• Decrease in the number of Fire Service workplace injuries to staff requiring more than seven days off work.	Reduction from previous year	Reduction from current baseline	–

Output class 1 - Fire safety education, prevention and advice

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.

	Measure	**2015/16 Target**	**2014/15 Target**	**2013/14 Actual**
1.1.1	Firewise programme for primary schools (Years 1 & 2): • Percentage of schools approached over two years to deliver the programme; • Percentage of schools who agree to deliver the programme, and • Percentage of school who complete delivery of the programme	*information measure only* 100% 65% 60%	*See note*	*See note*
1.1.2	Number of individuals receiving the Fire Awareness Intervention Programme (FAIP)	*information measure only*	*Information measure only*	439
1.1.3	Number of homes which have received a home fire safety check	*information measure only*	*Information measure only*	6,089

Note: Previously, 1.1.1 measured number of schools who agreed to deliver the programme. Result in 2013/14 was 802.

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 and making sure buildings are used safely.

	Measure	**2015/16 Target**	**2014/15 Target**	**2013/14 Actual**
1.2.1	Percentage of advice (Fire Service memoranda) provided to territorial authorities on building consent applications within 10 working days of all required information being correctly received.	100%	100%	99%

Output 1.3 Fire safety legislation

In some cases, the Fire Service has a legislative responsibility to provide fire safety advice. This includes the processing of building evacuation schemes. The measure below sets standards of timeliness for processing these applications.

	Measure	**2015/16 Target**	**2014/15 Target**	**2013/14 Actual**
1.3.1	Percentage of evacuation schemes submitted to the Fire Service are processed within the statutory timeframe (20 working days with provision for a further 10 days, if required) once all required information has been correctly received.	100%	100%	89%

Output Class 2 - Fire fighting and other Fire Service operations

Output 2.1 Operational readiness

Operational readiness describes the activities through which the Fire Service prepares to deliver its outputs. Given the risk critical nature of its operations, firefighters are required to undergo regular and intensive training and preparation.

These activities are not outputs in themselves, i.e. they are not a service to the public. They are however a large part of the Fire Service's activity and it is important that they are measured both from a health and safety perspective and in allowing management to assess the organisation's readiness to respond to emergencies.

	Measure	2015/16 Target	2014/15 Target	2013/14 Actual
2.1.1	Percentage of Level 2 (serious incident) investigation reports completed within the required timeframe.	100%	_	_
2.1.2	Percentage of Site Reports reviewed within the required timescale.	100%	98%	_
2.1.3	Meet or exceed OSM critical and core skills requirements – Career.	98%	100%	_
2.1.4	Meet or exceed OSM critical and core skills requirements – Volunteer.	95%	100%	_

Note: In 2014/15 2.1.3 and 2.1.4 were combined.

Output 2.2 Operational responses to fire and other emergencies

The measures in this section address the Fire Service's actual operational response.
In most cases these measures should be treated as informative only and not regarded as indicators of performance. For example, the volume of services provided is demand driven and largely outside the Fire Service's direct control.

The volume measures are broken down to include the sub-category of incidents where a critical intervention was made, e.g. road traffic crashes where a rescue was made.

It is very hard to assess the quality of service at the point of delivery, e.g. how well or otherwise a fire was extinguished. Moreover, for many non-fire incidents the Fire Service's role is only to stabilise an incident and responsibility for resolution rests with other agencies.

Timeliness measures are therefore used as a proxy for quality. There is a strong correlation between how quickly the Fire Service arrives and incident outcomes for fire and medical emergencies. The assumption is made that if a well-prepared crew (as measured by the operational readiness measures) arrives in good time then the incident is likely to be successfully managed.

Timeliness measures are reported against national standards. These response times have been established to provide a balance between resource availability and early intervention to reduce or minimise the consequence of emergency incidents.

	Measure	**2015/16 Target**	**2014/15 Target**	**2013/14 Actual**
2.2.1	Number of structure fires attended (including number where Fire Service equipment required to extinguish fire e.g. one hose reel or more).	*information measure only*	*information measure only*	5,294
2.2.2	Number of non-fire emergencies attended (total):	*information measure only*	*information measure only*	28,131
	• number of medical emergencies attended (including number where CPR/defibrillation carried out).	-	-	8,295
	• number of motor vehicle accidents attended (including number where extrications performed).	-	-	4,627
	• number of hazardous materials incidents attended (including number where Fire Service active management required).	-	-	3,709
2.2.3	Response times for structure fire incidents inside urban fire districts will be monitored for performance against the national service delivery guidelines of:			
	• 8 minutes for career stations.	90%	90%	87%
	• 11 minutes for volunteer stations.	90%	90%	90%
2.2.4	Response times for non-fire emergencies will be monitored for performance against the national service delivery guidelines:			
	• 30 minutes for motor vehicle accidents.	90%	90%	96%
	• 20 minutes for incidents requiring the specialist Hazmat unit within major urban areas.	90%	90%	90%
	• for response to medical emergencies inside urban fire districts:			

	o 8 minutes 90% of the time for career stations. o 11 minutes 90% of the time for volunteer stations.	90% 90%	90% 90%	86% 85%

NOTE: All the targets in Output 2.2 align with the Fire Service's National Service Delivery Guidelines

Output 2.3 Wider emergency management capability

This output covers the Fire Service's wider emergency management activities. This includes the Fire Service's Urban Search and Rescue (USAR) capability which in March 2015 gained international accreditation.

A major initiative in 2014/15 was a new stakeholder engagement survey. This is an annual survey of the Fire Service's key stakeholders undertaken by an external organization. The results of the survey are developed into an action plan designed to further improve our communication, coordination and performance in working with other emergency services (Police, Ambulance and MCDEM) and a range of other key organisations that the Fire Service work closely with.

	Measure	**2015/16 Target**	**2014/15 Target**	**2013/14 Actual**
2.3.1	Annual stakeholder engagement survey completed and progress against action plan reported.	Survey completed and action plan deliverables meet timeline	Survey complete by 30 June 2015	–

Note: Previous description of 2.3.1 was Actions developed from annual stakeholder survey

Output Class 3: Rural fire leadership and co-ordination

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). 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.

	Measure	2015/16 Target	2014/15 Target	2013/14 Actual
3.1.1	Applications and claims to the NRFA are processed within 2 months of being received.	100% of applications and claims processed within 2 months	100% of applications and claims processed within 2 months	–
3.1.2	Percentage 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.	100%	–	–

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.

	Measure	2015/16 Target	2014/15 Target	2013/14 Actual
3.2.1	Rural Fire Authorities provided with written audit reports against national minimum standards within two months of the audit.	100% within 2 months	100% within 2 months	100%
3.2.2	Rural Fire Authorities provided with a written draft performance report within two months of the performance assessment.	100% within 2 months	100% within 2 months	100%
3.2.3	Percentage of audits of RFAs meeting the required standard.	90%	90%	–

Organisational capability – diversity and staff turnover

The organisational health measures are not outputs but are included in the Statement of Performance Expectation so that all measures are available in a single document.

Achieve improved diversity of the Fire Service workforce so that it better reflects the communities we serve. Targets for June 2018 are:

- **11.0% of operational firefighter will be of Maori origin.**
- **4.3% of operational firefighters will of Pacific People origin.**
- **5.5% of operational firefighters will be female.**

Maintain employee turnover rates below:

- **15% for management and support and communication centre staff**
- **6% for firefighters.**

Sufficient volunteers are available to volunteer brigades so they can meet their community obligations

Organisational Capability

Diversity

Career firefighter diversity	2014/18 SOI target	2013/ 2014	2012/ 2013	2011/ 2012	2010/ 2011	2009/ 2010	2008/ 2009
Maori	11.0%	10.4%	10.0%	10.3%	10.1%	9.6%	9.9%
Pacific People	4.3%	3.8%	3.5%	3.6%	3.6%	3.5%	3.3%
Female	5.5%	2.8%	3.9%	3.1%	3.2%	3.2%	3.3%

Volunteer firefighter diversity	2014/18 SOI target[1]	2013/ 2014
Maori		2.8%
Pacific People		0.2%
Female		14.1%

[1] Diversity numbers for volunteers have only recently been collected and the organisation is considering whether specific targets should be applied.

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 its five priorities, this Statement of Performance Expectations 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 2015 to 30 September 2015	30 October 2015
1 October 2015 to 31 December 2015	22 February 2016
1 January 2016 to 31 March 2016	29 April 2016
1 April 2016 to 30 June 2016	29 July 2016

Cost of the outputs for the year ending 30 June 2016

The following table summarises the output classes and associated outputs, and the cost of providing those outputs for 2015-16.

		Forecast levy receipts $000 GST excl	Forecast other revenue and income $000 GST excl	Forecast total expenditure $000 GST excl	Net surplus/ (deficit) $000 GST excl
Output Class 1 :	**Fire prevention and other forms of fire safety resulting in reduced frequency and impact of fires and other emergencies**	**58,902**	**1,211**	**60,185**	**(72)**
Output 1.1	Fire prevention and advice to the general public	42,838	606	43,646	(202)
Output 1.2	Professional and technical advice to the built environment public	13,922	185	14,014	93
Output 1.3	Fire safety legislation	2,142	420	2,525	37
Output Class 2 :	**Firefighting and other Fire Service operations**	**291,295**	**12,812**	**305,631**	**(1,524)**
Output 2.1	Operational readiness	229,895	6,936	237,920	(1,089)
Output 2.2	Operational responses to fire and other emergencies	49,620	5,716	55,613	(277)
Output 2.3	Wider emergency management capability	11,780	160	12,098	(158)
Output Class 3 :	**Rural fire leadership and coordination**	**6,783**	**1,121**	**7,959**	**(55)**
Output 3.1	Advice and support to fire authorities and rural fire committees and administration of the Rural Fire Fighting Fund and Grant Assistance schemes	6,069	1,111	7,214	(34)
Output 3.2	Rural fire standards, audit, evaluation of fire authority performance and management of the fire weather monitoring and prediction system	714	10	745	(21)
Total Cost of Outputs		**356,980**	**15,144**	**373,775**	**-1,651**

Prospective statement of comprehensive income

for the years ending 30 June

	Budget 2015/16 $000	Forecast 2016/17 $000	Forecast 2017/18 $000
Revenue			
Levy	356,980	360,457	365,153
Other revenue	10,437	10,806	11,003
Total revenue	**367,417**	**371,263**	**376,156**
Income	4,707	1,816	522
Total revenue and income	**372,124**	**373,079**	**376,678**
Expenditure			
Employee and volunteer benefits expenditure	244,996	257,478	265,834
Depreciation	34,607	35,607	35,711
Amortisation	3,517	3,631	3,645
Finance costs	533	205	451
Other expenditure	87,322	86,250	86,933
Rural Fire Fighting Fund claims expenditure	2,800	2,952	2,994
Total expenditure	**373,775**	**386,123**	**395,568**
Net surplus attributable to the Commission	**-1,651**	**-13,044**	**-18,890**
Other comprehensive income			
Gains on revaluation of land and buildings net of impairment losses	12,237	12,604	12,982
Total comprehensive income attributable to the owners of the Commission	**10,586**	**-440**	**-5,908**

	$000	$000	$000
*** Other expenditure**			
Fleet	14,289	14,913	15,072
Communications and computer	15,976	16,453	16,450
Occupancy	16,168	16,524	16,713
Operational clothing, equipment and consumables	12,992	12,036	12,373
Travel	10,640	10,204	10,122
Publicity and advertising	4,792	5,140	5,140
Other	12,465	10,980	11,063
Total other expenditure	**87,322**	**86,250**	**86,933**

Prospective statement of changes in equity

for the years ending 30 June

	Budget 2015/16 $000	Forecast 2016/17 $000	Forecast 2017/18 $000
Equity at beginning of year			
Accumulated funds	469,387	468,139	455,318
Levy variability reserve	10,000	10,000	10,000
Major Emergencies Response Reserve	15,000	15,000	15,000
Seismic Contingency Reserve	5,000	5,000	5,000
Revaluation reserves	95,264	107,501	120,105
Rural Fire Fighting Fund	2,100	1,697	1,474
Total equity at beginning of year	**596,751**	**607,337**	**606,897**
Changes in equity during year			
Transfers from statement of comprehensive income			
Accumulated funds	-1,248	-12,821	-18,900
Levy variability reserve	0	0	0
Major Emergencies Response Reserve	0	0	0
Seismic Contingency Reserve	0	0	0
Revaluation reserves	12,237	12,604	12,982
Rural Fire Fighting Fund	-403	-223	10
Total comprehensive income	**10,586**	**-440**	**-5,908**
Transfers from disposal of land and buildings			
Accumulated funds	0	0	0
Revaluation reserves	0	0	0
Total transfers from disposal of land and buildings	**0**	**0**	**0**
Total changes in equity during year	**10,586**	**-440**	**-5,908**
Equity at end of year			
Accumulated funds	468,139	455,318	436,418
Levy variability reserve	10,000	10,000	10,000
Major Emergencies Response Reserve	15,000	15,000	15,000
Seismic Contingency Reserve	5,000	5,000	5,000
Revaluation reserves	107,501	120,105	133,087
Rural Fire Fighting Fund	1,697	1,474	1,484
Total equity at end of year	**607,337**	**606,897**	**600,989**

Prospective statement of financial position

as at 30 June

	Budget 2015/16 $000	Forecast 2016/17 $000	Forecast 2017/18 $000
Assets			
Current assets			
Cash and cash equivalents	31,465	3,089	(26,580)
Trade and other receivables	1,965	1,933	1,933
Prepayments	781	781	781
Inventories	0	0	0
Total current assets	**34,211**	**5,803**	**(23,866)**
Non-current assets			
Property, plant and equipment	656,232	679,471	703,877
Intangible assets	8,951	9,078	8,298
Total non-current assets	**665,183**	**688,549**	**712,175**
Total assets	**699,394**	**694,352**	**688,309**
Liabilities			
Current liabilities			
Trade and other payables	24,096	20,461	20,169
Employee and volunteer benefits	28,749	29,144	29,539
Borrowings	1,362	238	111
Provisions	1,699	1,699	1,699
Total current liabilities	**55,906**	**51,542**	**51,518**
Non-current liabilities			
Employee and volunteer benefits	32,574	32,574	32,574
Borrowings	773	535	424
Provisions	2,804	2,804	2,804
Total non-current liabilities	**36,151**	**35,913**	**35,802**
Total liabilities	**92,057**	**87,455**	**87,320**
Net assets	**607,337**	**606,897**	**600,989**
Equity			
Accumulated funds	468,139	455,318	436,418
Levy Variability Reserve	10,000	10,000	10,000
Major Emergencies Response Reserve	15,000	15,000	15,000
Seismic Contingency Reserve	5,000	5,000	5,000
Revaluation reserves	107,501	120,105	133,087
Rural Fire Fighting Fund	1,697	1,474	1,484
Total equity	**607,337**	**606,897**	**600,989**

Prospective statement of cash flows

for the years ending 30 June

	Budget 2015/16 $000	Forecast 2016/17 $000	Forecast 2017/18 $000
Cash flows from operating activities			
Receipts from levy	356,980	360,457	365,153
Receipts from other revenue	13,009	11,281	11,354
Interest received	2,172	1,373	171
Net GST received/(paid)	(1,603)	(3,594)	(3,653)
Payments to employees and volunteers	(248,393)	(257,024)	(265,381)
Payments to suppliers for goods and services	(85,667)	(89,400)	(86,719)
Net cash flows from operating activities	**36,498**	**23,093**	**20,925**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	5,500	765	582
Proceeds from sale of Property Plant and Equipment - finance lease	0	0	0
Purchase of intangible assets	(5,418)	(3,758)	(2,865)
Purchase of property, plant and equipment	(50,082)	(47,006)	(47,718)
Net cash flows from investing activities	**(50,000)**	**(49,999)**	**(50,001)**
Cash flows from financing activities			
Payment of finance leases	(1,741)	(1,362)	(238)
Proceeds from borrowings	0	0	0
Interest paid	(437)	(108)	(355)
Net cash flows from financing activities	**(2,178)**	**(1,470)**	**(593)**
Net increase/(decrease) in cash and cash equivalents	**(15,680)**	**(28,376)**	**(29,669)**
Cash and cash equivalents at beginning of year	**47,145**	**31,465**	**3,089**
Cash and cash equivalents at end of year	**31,465**	**3,089**	**(26,580)**

Financial Assumptions

Business Assumptions surrounding the 2015/16 budget and the 2016/17 and 2017/18 forecasts

	2015/16	2016/17	2017/18
Salaries and wages	2.0%	2.8%	2.8%
New Recruits	60	60	60
Regions	5	5	5
Areas	24	24	24

Economic Assumptions surrounding the 2015/16 budget and the 2016/17 and 2017/18 forecasts

	2015/16	2016/17	2017/18
Levy rate	7.6c	7.6c	7.6c
Cash Rate **(1)**	3.5%	3.5%	4.0%
CPI **(1)**	0.1%	1.4%	2.4%
USD /NZD **(1)**	0.76	0.69	0.66
EUR/NZD **(1)**	0.69	0.67	0.62
AUD/NZD **(1)**	0.97	0.95	0.87
US 10-year Bonds	2.0%	2.75%	3.0%
Diesel price (excl GST)	$1.20	$1.35	$1.35
Petrol price (excl GST)	$1.80	$1.90	$1.90
(1) Base data from BNZ Strategist 26 March 2015 (March Year)			

Statement of Accounting Policies

Reporting entity

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

For financial reporting standards the Commission is categorised as a Public Sector Public Benefit Entity. A new regime of standards for Public Sector Public Benefit Entities (PS PBEs) has been introduced taking effect from 1 July 2014 with the comparative year being the year ended 30 June 2014.

These prospective financial statements for the Commission are for the years ended 30 June 2016, 2017 and 2018.

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 PS PBEs 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 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 during the financial year.

Accounting Standards

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

Standards for Public Sector PS PBEs after 1 July 2014

The Minister of Commerce has approved a new accounting standards framework (incorporating a tier strategy) developed by the External Reporting Board (XRB). Under this regime the Commission is classified as a tier 1 reporting entity (entities publicly accountable with expenses greater than $30 million) and is required to apply the full range of standards and other pronouncements for PS PBEs when preparing general purpose financial reports for the period beginning on 1 July 2014 (year ended 30 June 2015). The comparative reporting year for the NZ Fire Service is the year ended 30 June 2014.

The NZ Fire Service does not anticipate any significant changes to present policies will be required during the transitional to the new standards for PS PBEs.

The effective date of a standard indicates the annual reporting period from which that standard applies. A standard also applies to subsequent annual reporting periods until that standard is superseded by a new/amended/revised standard.

Accounting Standards

Accounting standards and other documents that may impact can be summarised as follows.

Standard	***Title***	***Effective Date***
PBE IPSAS 1	*Presentation of Financial Statements*	1 July 2014
PBE IPSAS 2	*Cash Flow Statements*	1 July 2014
PBE IPSAS 3	*Accounting Policies, Changes in Accounting Estimates and Errors*	1 July 2014
PBE IPSAS 4	*The Effects of Changes in Foreign Exchange Rates*	1 July 2014
PBE IPSAS 5	*Borrowing Costs*	1 July 2014
PBE IPSAS 9	*Revenue from Exchange Transactions*	1 July 2014
PBE IPSAS 12	*Inventories*	1 July 2014
PBE IPSAS 13	*Leases*	1 July 2014
PBE IPSAS 14	*Events After the Reporting Date*	1 July 2014
PBE IPSAS 17	*Property, Plant and Equipment*	1 July 2014
PBE IPSAS 19	*Provisions, Contingent Liabilities and Contingent Assets*	1 July 2014
PBE IPSAS 20	*Related Party Disclosures*	1 July 2014
PBE IPSAS 21	*Impairment of Non-Cash-Generating Assets*	1 July 2014
PBE IPSAS 22	*Disclosure of Information About the General Government Sector*	1 July 2014
PBE IPSAS 23	*Revenue from Non-Exchange Transactions*	1 July 2014
PBE IPSAS 25	*Employee Benefits*	1 July 2014
PBE IPSAS 26	*Impairment of Cash-Generating Assets*	1 July 2014
PBE IPSAS 28	*Financial Instruments: Presentation*	1 July 2014
PBE IPSAS 29	*Financial Instruments: Recognition and Measurement*	1 July 2014

PBE IPSAS 30	*Financial Instruments: Disclosures*	1 July 2014
PBE IPSAS 31	*Intangible Assets*	1 July 2014
PBE IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	1 July 2014
PBE IAS 34	*Interim Financial Reporting*	1 July 2014
PBE IAS 42	*Prospective Financial Statements*	1 July 2014
PBE FRS 43	*Summary Financial Statements*	1 July 2014
PBE FRS 46	*First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*	1 July 2014

Pronouncements that have Authoritative Support

Pronouncements	Title	Effective Date
PBE Framework	*Public Benefit Entities' Framework*	1 July 2014

Explanatory Material

This explanatory material has no legal status and has been issued for explanatory purposes only.

Explanatory Material	Title
Table of Differences	*Differences between Standards for Tier 1 For-Profit Entities and Tier 1 Public Benefit Entities*
Impact Assessment	*Public Benefit Entity Standards Impact Assessment for Public Sector PBEs*
IPSASB RPG 1	*Reporting on the Long-Term Sustainability of an Entity's Finances*
IPSASB RPG 2	*Financial Statement Discussion and Analysis*

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 the 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 prospective 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	3-10%
Motor vehicles	4-20 years	5-25%
Communications equipment	5 years	20%
Computer equipment	4-10 years	10-25%
Operational equipment	4-12 years	8-25%
Non-operational equipment	5-15 years	7-20%
Leasehold improvements	3-10 years	10-33%

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 prospective 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	4-10 years	10-25%
SITE	4-10 years	10-25%

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 statement of financial position. Commitments and contingencies are disclosed GST exclusive.

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 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 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 as follows.

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 property, plant and equipment. The Commission does not hold or issue these financial instruments for trading purposes and has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date the Commission entered into the contract and are subsequently remeasured to their fair value at each balance date.

Fair value is determined as the value of entering into a forward foreign exchange contract, for the same quantity of foreign currency with the same settlement date as the original contract, on the date for which the fair value is determined. Movements in the fair value of the forward foreign exchange contracts are recognised in the prospective 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 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 amount 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 prospective 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 prospective 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 duration of less than twelve months are recognised at their nominal value.

Financial liabilities with 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 is recognised in the prospective 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 is 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. Any impairment losses for write-downs of non-current assets held for sale are recognised in the prospective statement of comprehensive income.

Leases

Finance leases

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

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is recognised in the prospective 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 prospective statement of comprehensive income. Lease incentives received are recognised in the prospective statement of comprehensive income over the lease term as an integral part of the total lease expense.

<u>Property, plant and equipment</u>

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, and computer, operational and non-operational equipment and work in progress

Additions

Costs are capitalised as property, plant and equipment when they create a new asset or increase 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 prospective 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 prospective statement of comprehensive income.

Any subsequent revaluation increase is recognised in the prospective statement of comprehensive income to the extent that it offsets previous revaluation decreases already recognised in the prospective 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 prospective 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.

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

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 bespoke and internally developed computer software include the costs incurred in the design and development phase only. Expenditure incurred on research is recognised in the prospective 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 prospective 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 prospective 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 prospective statement of comprehensive income.

Trade payables

Short-term creditors and other payables are recorded at their face value.

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 prospective 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 prospective 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 claims’ costs for a period of four years.

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

The provision for the ACC Partnership Programme is calculated on an actuarial basis as the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Movements in the provision are recognised in the prospective 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.

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

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, other reserves, revaluation reserves and the Rural Fire Fighting Fund.

Rural Fire Fighting Fund (RFFF)

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

Prospective contingent assets and contingent liabilities

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

Prospective commitments

Prospective 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

Is the total of future payments due under the lease contract. Operating leases are principally for property and motor vehicles.

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 Rural Fire Fighting Fund).
- The Rural Fire Fighting Fund receives an indirect cost allocation annually (presently around $0.3 million).

Revenue and income allocation

- Levy revenue is allocated to each output based on the proportion of net expenditure allocated to the outputs. Net expenditure is total expenditure net of other revenue and income.
- Other revenue and income that is directly related to outputs is allocated to those outputs.
- An amount 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 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 prospective statement of comprehensive income, and the carrying amount of the asset in the prospective statement of financial position.

The Commission minimises the risk of this estimation by:

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

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

Long Service Leave and Gratuities

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

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

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

Critical judgements in applying the Commission's accounting policies

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

Lease classification

Determining whether a lease agreement is finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. The Commission classifies leases as finance leases under the following situations:

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

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

Investment properties

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

Glossary

ACC	Accident Compensation Corporation
CAP	Corrective Action Plan
ERFD	Enlarged Rural Fire Districts
FAIP	Fire Awareness and Intervention Programme
GAAP	Generally Accepted Accounting Practice
GST	Goods and Services Tax
Hazmat	Hazardous Material
IRD	Inland Revenue Department
MOU	Memorandum of Understanding
NRFA	National Rural Fire Authority
OSM	Operational Skills Maintenance
PS PBE	Public Sector Public Benefit Entities
RFA	Rural Fire Authority
RFFF	Rural Rire Fighting Fund
SITE	Shared Information Technology Environment
USAR	Urban Search and Rescue
XRB	External Reporting Board

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