

Terms of Reference for the Fire Review Panel

Purpose

The Fire Review Panel (the Panel) is appointed to provide independent advice to the Minister of Internal Affairs (the Minister) about how the Government can achieve:

- a clear mandate and operating platform for fire services' functions;
- effective, efficient fire service operations that will provide value for money in the future; and
- a sustainable, stable and equitable funding system for fire services.

The review is the first phase of any reform of New Zealand's fire services arrangements.

Context

There is an expectation that modern twenty-first century fire services operate effectively, efficiently, and seamlessly with the roles performed by other emergency service providers. Cabinet has agreed to a review of fire services to ensure fire services work efficiently and effectively and continue to provide value for money in the future [CAB Min (12) 21/6 refers].

Current context

New Zealand's dual urban and rural fire management systems are governed under two closely interlinked Acts – the Fire Service Act 1975 (FSA) and the Forest and Rural Fires Act 1977 (FRFA). The FSA establishes the New Zealand Fire Service Commission (the Commission) as a Crown entity and the New Zealand Fire Service (NZFS), for which the Commission is responsible. There are also 76 rural fire authorities, established under and operating in accordance with the FRFA. The Commission is also the National Rural Fire Authority (NRFA), and has responsibility for the coordination of rural fire management by the rural fire authorities.

Funding arrangements

The Commission/NZFS and rural services are funded from two separate systems. The Commission and NZFS are funded almost exclusively from a levy calculated on the amount for which property is insured against the risk of fire. Rural fire authorities are funded predominantly through local authority rates (or departmental appropriations for the Department of Conservation and New Zealand Defence Force).

The problem

New Zealand's fire services currently face a number of problems. The activities performed by our fire services, particularly the NZFS's capability to deal with non-fire emergencies, have developed over time in response to community demand. As a result, formal accountability for functions performed by the fire services does not match operational reality, and some of the activities they perform overlap with those of other emergency service providers. Funding arrangements for fire services do not align with the functions undertaken, and do not necessarily provide a stable and sustainable base.

Scope of work

Cabinet has agreed for the Panel to provide advice on how the following outcomes might be achieved:

- *Outcome 1:* that New Zealand's fire services have a clear mandate and operating platform for the functions they perform, and that it is clear how those intersect with functions performed by other emergency services providers;
- *Outcome 2:* that the Commission and fire services are organised and operating as effectively and efficiently as possible and will provide value for money in the future; and
- *Outcome 3:* that there is sustainable, stable and equitable funding for fire services, with the sources of that funding aligning with the functions that they perform

Outcome 1: Fire service functions and operating platform

The Panel will:

- assess the current NZFS and rural fire authority functions and how these intersect with roles of other emergency management agencies and services providers, including;
 - ambulance services and rescue organisations; and
 - the National Controller, Civil Defence Emergency Management (CDEM) Groups, and group and local controllers established under the Civil Defence Emergency Management Act 2002;
- analyse any gaps or overlaps in the delivery of first response emergency services involving the NZFS and other fire services, and identify options for future roles and functions of New Zealand's fire services; and
- provide recommendations on future statutory and non-statutory functions for New Zealand's fire services, including the impacts of those recommendations on other services and how they might be managed.

Outcome 2: Effective and efficiently organised fire services

The Panel will:

- assess New Zealand fire services by looking at:
 - current and future client bases, including demographic changes;
 - capability trends, including resources and human capital; and
 - strategic expenditure needs, including planning and asset management;
- consider and analyse options for governance and structure that would enable New Zealand's fire services to operate as efficiently and effectively as possible, while taking into account:
 - the historical assumptions about staff numbers and their location (to ensure that the NZFS has an optimal mix of paid and volunteer fire-fighters);

- the economic value that government and communities receive from volunteers in our fire services, and measures to enable and encourage volunteers' service, including considering competing demands by other emergency service providers;
- the Commission's capital investments including the building types and location of fire stations, and the types of fire appliances, communications systems and other investments;
- the appropriate mechanism for asset management (including depreciation) and renewal, including the level of reserve funds; and
- other activities, such as its training facilities and research grants; and
- provide recommendations on how the Commission's business operating model could be improved, and when and how any such changes could be implemented. This may include changes to:
 - provide a modern Crown agent organisational form that is consistent with the Crown Entities Act 2004,¹ or more substantial changes to organisational form; and
 - accelerate the amalgamation of rural fire authorities, in accordance with the objectives of the Enlarged Rural Fire Districts programme.

Outcome 3: Fire service funding

The Panel will:

- assess the Commission's funding base data and identify future funding options, based primarily on a levy on insurance contracts;
- undertake an analysis of future funding options against the following criteria:
 - provide sufficient funding to ensure the fire services can perform the functions agreed by Government;
 - be administratively simple to calculate and collect;
 - be stable and predictable;
 - be equitable so that:
 - (a) those who receive the various services performed by the NZFS contribute to the costs for both fire and non-fire related activities; and
 - (b) levy payers in rural fire districts receive benefits that reflect their needs and contribution; and
 - minimise distortions in investment decisions, insurance price and coverage; and
- provide recommendations for the Commission's future funding base so it can be more sustainable, stable, equitable and commensurate with future functions and business operating model, including:

¹ For example, organisational accountabilities are compromised because the two Acts allocate functions directly to local statutory officers, rather than to the responsible Crown entity to delegate.

- how improvements could be made to the current insurance-based levy;
- whether there are other viable funding sources; and
- the impacts of those recommendations on other services and how they might be managed.

In addition to the above, the Panel may also provide advice on any other issues it determines are relevant.

Outside scope

The Panel will not provide advice on whether:

- New Zealand needs a national fire service in the form of the NZFS;
- the NZFS should maintain its core fire-related roles;
- management of fire on forest and rural lands should be provided by rural fire authorities;
- the NZFS should be funded by the Crown; and
- the industrial relations framework applying to firefighters should be reformed.

Scope clarification

Where the Panel and Department of Internal Affairs (the Department) are unable to determine whether an issue is within scope, or become aware that an interested party has a different view than the Panel and the Department on whether an issue is within scope, the Panel Chair and Department may jointly seek a determination from the Minister as to whether he considers the issue to be within scope.

Deliverables

The Panel will develop a project plan to meet four stages of work:

- Problems identified and substantiated by evidence;
- Range of potential options identified;
- Key options identified; and
- Options fully developed and assessed, and recommendations drafted.

Interim report

The Panel will provide the Minister with an interim report by Tuesday 2 October 2012 outlining the analysis undertaken to date under the stages of work outlined above.

Draft final report

The Panel will provide a draft final report to the Department by Tuesday 4 December 2012.

Final report

The Panel will provide advice to the Minister no later than Tuesday 11 December 2012 in the form of a final report with recommendations.

Consultation

- It is not intended that the Panel will undertake extensive consultation. However, in undertaking its work the Panel is to adopt a collaborative approach with relevant stakeholders, and may invite focused input from selected organisations and individuals as appropriate, including but not limited to:
 - the Commission (including the National Rural Fire Authority), New Zealand Police, Local Government New Zealand, the United Fire Brigades' Association of New Zealand, the New Zealand Professional Firefighters Union, and National Ambulance Sector Office;
 - the Ministries of Civil Defence & Emergency Management, Defence, Health, Primary Industries, Business, Innovation and Employment, and Transport²;
 - the Departments of the Prime Minister and Cabinet and Conservation;
 - other central agencies including the State Services Commission (particularly in respect to the machinery of government), the Treasury, the Accident Compensation Corporation, Te Puni Kōkiri, Canterbury Earthquake Recovery Authority, and New Zealand Defence Force;
 - St John Ambulance, and Wellington Free Ambulance; and
 - any relevant professional, employer, or insurance industry bodies.

² The Ministry of Transport also includes *New Zealand Search and Rescue*, which represents the collective search and rescue interests of the New Zealand Defence Force, Maritime New Zealand, Civil Aviation Authority, the Department of Conservation and New Zealand Police.