# Government policy – new funding for unified fire services organisation

## Fire and Emergency New Zealand will be funded mainly from the fire levy

The new organisation – Fire and Emergency New Zealand – will provide urban and rural fire services with a paid and volunteer workforce. It will have one main source of funding – the fire levy – with a small amount of revenue from the Crown and from other sources.

The fire levy is a levy calculated on insurance for contents, property and motor vehicles. Currently the fire levy funds only urban fire services. Rural fire services are funded from a variety of sources.

## $303 million committed to merge and modernise New Zealand’s fire services

The Minister of Internal Affairs has announced funding of $303 million over five years to combine urban and rural fire services into one organisation from mid-2017. The $303 million package will be funded through:

* A $112 million capital injection for transition to the new organisation over four years from 2016/17, which will be repaid over the next 10 years
* A proposed increase in the fire levy of approximately $151 million over four years from 2017/18
* $40 million of Crown funding over four years from 2017/18 towards the cost of public good non-fire activities, such as responding to medical emergencies, floods or other natural emergencies.

## $112 million to transition 40-plus services into new organisation

Fire services are currently provided by the New Zealand Fire Service and the National Rural Fire Authority, and 40-plus Rural Fire Authorities. The process of merging these fire services into a single organisation is going to be a challenging, involved process. It also involves bringing the volunteers from about 650 brigades and rural fire forces into a direct relationship with the new organisation.

The Government has set aside in a tagged contingency $112 million over four years to fund the transition. This funding will also be used to ensure that the fire services sector is appropriately engaged in the changes.

Funding will begin to be available from 1 July 2016 so work can begin on the transition to the new organisation, which will be set up from mid-2017 after legislation has been passed.

## The $112 million will be paid back to the Crown over 10 years

The $112 million is a repayable capital injection which is subject to conditions being met before the money is released. It is money from the Crown but it is to be repaid over 10 years. The new organisation will repay the Crown with revenue raised from the fire levy.

## Proposed levy increases will increase funding by $151 million over four years

The Government has signalled levy increases which will increase funding by $151 million over four years from 2017/18 for the new organisation.

## Funding of non-fire public good activities is now explicitly recognised

Fire services undertake non-fire activities that provide a public good (such as responding to medical emergencies, floods or other natural emergencies). These activities are currently paid for out of the existing funding sources (primarily the fire levy).

All New Zealanders benefit from our fire services providing these services. But only those paying the fire levy contribute towards the cost of it.

To recognise the importance of this public good, the Government has committed up to $40 million of Crown funding over four years from 2017/18 to Fire and Emergency New Zealand to help fund the cost of non-fire activities. This is the first time that there has been funding explicitly tagged solely for this purpose.

## $191 million for strengthening rural fire services, improving support for volunteers, Regional Committees and setting up a single organisation

The $191 million over four years ($151 million plus $40 million) will fund some new activities needed to build a unified fire services organisation. This will include:

* addressing gaps in rural fire services, such as fire reduction activities, urgent capital upgrades, personal protective equipment, training needs and maintenance gaps;
* supporting Regional Committees;
* supporting volunteers to improve recruitment and retention with activities such as additional support services, incentives for employers, self-employed and volunteers, employer recognition programme and wellbeing initiatives;
* scaling up the corporate functions, such as finance, information and communications technology, that will be required in a much bigger organisation.

***Nearly half of the $191 million will be spent on improving support for volunteers***

The new organisation – Fire and Emergency New Zealand – will ensure that both rural and urban, paid and volunteer, fire services have the resources and capability to be effective. Better supporting volunteers (80 percent of the workforce) is expected to benefit the whole workforce and does not detract from the support for career staff. The transition team will work with stakeholders on how best to support volunteers through activities such as:

* better connections to the new organisation through:
  + administration support, leadership and management development, etc;
  + better volunteer management to help ensure volunteers’ views are heard by the organisation;
  + a principled approach to the new organisation’s management and interaction with volunteers;
* greater recognition of volunteers’ employers;
* health and wellbeing support (things being considered include flu vaccinations, and subsidised health insurance); and
* other opportunities are under consideration, such as development pathways for volunteers.

## The fire levy will be fairer and reflect all activity that benefits New Zealand

The way the fire levy is calculated will be amended and updated. The levy will be the main source of funding for the new Fire and Emergency New Zealand.

In the 2017-18 year there will be some changes to the levy. The new legislation will allow a different levy to be applied to the residential and non-residential sectors because these sectors experience different costs. There will be a consultation process later in 2016 for public feedback on the levy.

From the 2018-19 year the levy will be broadened to include insurance on material damage, not just fire damage.

The levy changes will reflect that Fire and Emergency New Zealand will have the legal mandate to respond to a wide range of non-fire emergencies, and that all levy payers benefit from this.

The levy currently applies to the first $100,000 of the insurance on a property. This cap will be reviewed and will be regularly updated. The cap was set in 1994 and is now out of date.

There will be deterrents put in place for those who attempt levy avoidance, such as anti-avoidance powers, late payment penalties etc.

## Extending levy to third party motor vehicle insurance means nearly all drivers will be contributing

The fire levy on motor vehicle insurance will be extended from the 2018-19 year to include third party insurance. A recent Ministry of Transport survey found that 79 per cent of motorists have comprehensive motor vehicle insurance and contribute to the fire levy. A further 14 per cent of motorists who have only third party insurance do not contribute to the levy. Collecting the levy from those with only third party insurance will ensure that 93% of motor vehicle owners are contributing towards the cost of firefighters responding to a road accident.

## Money collected through the fire levy will increase in the short term

The average levy contribution may rise when the changes take effect in 2017/18. Over the next year more work will be done to understand the costs of a single fire organisation. This will include a review of the operations and performance of the New Zealand Fire Service Commission that will start this year, as well as a comprehensive analysis of the costs of rural fire services.

Initial modelling showed that the owner of a residential property would pay on average $15.40 more per year, although those with a property insured for less than $158,000 would pay less.

The initial modelling showed that a small-medium sized business with $230,000 of insurance would pay $32 more per year, and a large business with $10 million of insurance, would pay $1400 more per year.

This initial modelling is indicative because there are still too many unknowns about the cost of current fire services, the costs of the new organisation, and how much the levy base will expand because of the changes to how the levy is collected. Over the next couple of years there will be greater understanding of the costs of operating a unified fire services organisation providing both rural and urban fire services.

## The public will have a chance to have their say during the levy setting process

The Government sets the fire levy rate but in future the public will be consulted. The levy will be reviewed every three years and the funding cycle will be connected to the new organisation’s business planning and accountability process. In future the levy review process will be more transparent so revenue is better aligned with strategic planning assumptions of the new unified fire services organisation.

## Transition funding released in annual tranches

The transition programme will be designed to ensure that Fire and Emergency New Zealand can respond safely and effectively to emergencies from its first day. There will be strong Government oversight of the transition programme and up to one-quarter of the $112 million will be released each year from 2016-17 to 2019-20 to coincide with the transition programme of work required to unify the fire services during this period.

## Fire and Emergency New Zealand is expected to deliver efficiencies

Having one organisation responsible for delivering the bulk of New Zealand’s fire services is expected to be more efficient than the current arrangements. Fire and Emergency New Zealand will be expected to deliver efficiencies of $47.7 million from its fifth year of operations to provide ongoing funding for the activities announced today (eg. addressing rural funding gaps).

Efficiencies are expected to come from:

* Matching investment in people, resources, and services with community risks and needs
* New flexible service model – not a rigid “one-size fits all” approach
* Fire reduction activities leading to reduced fires
* Better management of health and safety risks across the sector
* Improved use of capital
* Improved strategic thinking that informs planning and service delivery
* Improved systems and processes.

## Investigation of current costs in urban and rural to inform future funding

A review of the operations and performance of the New Zealand Fire Service Commission will start this year, as well as a comprehensive investigation of the costs of rural fire services. At present there is no one national financial dataset for rural fire services.

The operations and performance review of the Commission will start in the next few months. The review will gather financial data to inform the process for setting the fire levy in the 2017-18 year, and for informing the funding of the new Fire and Emergency New Zealand.

## Having multiple sources of funding for rural fire ceases

Currently urban fire services, provided by the New Zealand Fire Service Commission, are funded from the fire levy (a levy calculated on property and motor vehicle insurance).

Rural fire services, provided by Rural Fire Authorities, are funded from either:

* Local Government through rates
* Rural Fire Grant Assistance Scheme
* Department of Conservation
* Forest owners and land holders through levies
* Cost recovery from people responsible for rural fires.

It is believed that about $22 million is currently spent on rural fire services. The New Zealand Fire Service Commission currently collects around $380 million per year in revenue.

There are also some privately-funded industrial fire brigades, for example, airport fire brigades, refinery fire brigades, and forestry brigades. These would remain and will be called industry brigades.