

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

12 MAY 2016

Meeting Status: **Public**

Purpose of Report: For Decision

**TRANSFER OF RURAL FIRE ASSETS TO THE WELLINGTON
RURAL FIRE AUTHORITY**

PURPOSE OF REPORT

- 1 The purpose of this report is to seek the approval of the Corporate Business Committee to transfer the Council's rural fire vehicles to the Wellington Rural Fire Authority (WRFA).

DELEGATION

- 2 The Corporate Business Committee has delegated authority to consider this report under the following delegation in the governance Structure, Section B.3.7.

Without limiting the generality of this delegation, the committee has the following functions, duties and powers.

Financial and Asset Management

7.9 Authority to approve the sale of properties or assets that are not defined as strategic under the Council's Significance Policy.

BACKGROUND

- 3 The WRFA was formed in October 2013 to manage an Enlarged Rural Fire District across the Wellington region, excluding the Wairarapa.
- 4 The WRFA is governed by a seven member Committee, representing all the Wellington region's forest and rural fire stakeholders. There are three council members - Kāpiti Coast District Council / Porirua City Council, Hutt City Council/Upper Hutt City Council and Wellington City Council. The other members are the Department Of Conservation, the New Zealand Fire Service, the New Zealand Forest Owners and an Independent Member. The Kāpiti Coast District Council's Chief Executive is the current council member for Kāpiti Coast District Council / Porirua City Council.
- 5 Prior to the formation of the WRFA, rural fires not managed by the Department of Conservation were managed by the respective councils and volunteer rural fire forces¹. Between them, the councils and the rural fire forces own virtually all the rural fire assets in the Wellington rural fire district. Since its establishment the WRFA has been able to use all these assets but is now seeking to take ownership of them and to operate them under a single, centralised model.

¹ Many of the volunteer rural fire forces were established by, and with significant funding from the local community and are registered as charitable trusts.

Unified fire services organisation to be set up

- 6 On 13 November 2015 the Minister of Internal Affairs announced that the government had agreed to bring urban and rural fire services together into one unified fire services organisation. The new organisation will have regional committees that will ensure the particular interests of the regions are taken into account.
- 7 The new organisation will be a merger of the 52 rural fire authorities, and the National Rural Fire Authority, and the New Zealand Fire Service (which are both part of the New Zealand Fire Service Commission). The merger into the new organisation aims to ensure that the strengths of both rural and urban fire services are retained and enhanced.
- 8 New legislation to replace the current Fire Service Act and the Forest and Rural Fires Act is intended to be introduced to Parliament in 2016 with the aim of having the new fire service in place by mid-2017.
- 9 On 29 April an update on the principle funding mechanisms for the new organisation, to be called Fire and Emergency New Zealand was given by the Minister of Internal Affairs.
- 10 The Government is to provide \$303 million in total over four years, comprising \$112 million for transition costs (repayable to the Crown over 10 years) and \$191 million to address funding gaps in rural fire services and to provide more support to volunteers, such as equipment and training.
- 11 The fire levy (paid on insurance for contents, property and motor vehicles) will become the main source of funding for the new organisation. The fire levy will be widened to include insurance on all property damage, not just fire damage in recognition of the broader range of services that the new organisation will provide to the community. In addition, the fire levy on motor vehicle insurance will be extended to third-party insurance.
- 12 The announcement was also very clear that the review was about the structure, governance and funding of the fire service, rather than any changes to the number of fire-fighters.

ISSUES AND OPTIONS

The WRFA Proposal

- 13 The WRFA is seeking to take ownership of all rural fire assets and to operate them under a centralised model, with effect from 1 July 2016. There are two classes of rural fire assets proposed for transfer to the WRFA – vehicles and equipment. With regard to the Kāpiti rural fire zone, Council owns the rural fire vehicles while the rural fire equipment belongs to the Te Horo Rural Fire Force, the charitable trust with governance responsibility for the Te Horo fire service.

Rural fire vehicles

- 14 This report seeks the approval of the Corporate Business Committee to transfer the Council-owned rural fire vehicles to the WRFA for nil consideration. The book value of the vehicles is \$12,032 and the market value is \$103,900. If the vehicles are transferred to the WRFA for nil consideration, the Council's accounts would show a realised loss on disposal (expense) of \$12,032.

- 15 Similarly, all the other members of the WRFA are proposing to transfer their assets for a nil consideration. To put Council's contribution into context, the estimated market value of all the rural fire vehicles proposed for transfer (including Kāpiti Coast District Council) is \$623,390 with a book value of \$298,260. Council would be transferring 4% of the total asset book value.
- 16 The principal advantage of transferring the rural fire vehicles to the WRFA for nil consideration is that it would enable the WRFA to continue operating sustainably, without needing any additional stakeholder funding in the short term.
- 17 At 30 June 2016 the WRFA anticipates having reserves of \$483,000, as a result of achieving significant annual surpluses in each year since its establishment in 2013, assisted by a significant increase in its bulk funding from the National Rural Fire Association in 2015/16.
- 18 If the WRFA purchases all the rural fire vehicles at book value, this would use a significant portion of its reserves which might otherwise be spent on funding operations in the short term. If the WRFA were to purchase the rural fire vehicles at market value, this would use up all their reserves and in addition they would need to take out a loan of approximately \$141,000.
- 19 Transferring the vehicles for nil consideration means that the WRFA will be able to retain its reserves and still have sufficient funds to manage its operations over the next two to three years while the new unified fire service is being established.
- 20 The table attached as Appendix 1 shows the book values and market values of the Council's rural fire vehicles.

Rural fire equipment

- 21 As with the rural fire vehicles, the WRFA proposes that the stakeholders transfer their rural fire equipment to the WRFA. The total estimated market value of all the rural fire equipment as at 29 May 2015 is \$117,800. The rural fire equipment owned by the Te Horo Rural Fire Force had an estimated market value of \$8,600 as at 29 May 2015.
- 22 The same principle applies to the transfer of equipment as for the transfer of vehicles albeit on a lesser scale. That is, transferring the equipment for nil consideration would help the WRFA to continue operating in the short term, without the need for additional funding from its stakeholders.
- 23 As the Council does not own the rural fire equipment based at Te Horo, the WRFA has approached the Te Horo Rural Fire Force to discuss its proposal further.
- 24 The Fire Station at Te Horo is also owned by the Te Horo Rural Fire Service and is not part of the WRFA's asset transfer proposal. The WRFA is planning to lease the fire station at Te Horo.

WRFA stakeholder funding

- 25 The operating costs of the WRFA are apportioned in accordance with a hazard scape model. Based on this model, Kāpiti Cost District Council funds 16% of the WRFA costs.

- 26 Council's funding commitments to the WRFA, formalised by way of a five year agreement in 2013, requires the Council to pay the WRFA an annual grant of \$102,000 in 2015/16, \$105,000 in 2016/17 (CPI adjusted) and \$107,000 in 2017/18 (CPI adjusted).
- 27 In addition, the Council currently has a rural fire operating budget of approximately \$75,000 per year, which largely relates to the operation of the vehicles now proposed for transfer to the WRFA. Transfer of these vehicles will decrease this annual rural fire operating budget by \$70,000. This has already been factored into the draft 2016/17 Annual Plan.
- 28 The Minister for Internal Affairs has given an assurance that there will be a managed process involving all stakeholders to work out a way to deal with any asset transfers from the community to central government.

CONSIDERATIONS

Policy considerations

- 29 There are no policy considerations at this time.

Legal considerations

- 30 There are no legal considerations.

Financial considerations

- 31 The financial considerations are as discussed in the body of the report.

Tāngata whenua considerations

- 32 There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

- 33 This matter has a low level of significance under Council policy, and it is not significant.
- 34 The rural fire vehicles to be transferred to the WRFA are not strategic assets.

Consultation already undertaken

- 35 There is no need to consult on the matters discussed in this report.

Engagement planning

- 36 An engagement plan is not needed for this report to be considered.

Publicity

- 37 There are no publicity considerations.

RECOMMENDATIONS

- 38 That the Corporate Business Committee approves the transfer to the Wellington Rural Fire Authority of the Council's rural fire vehicles with a book value of \$12,032 for a nil consideration (subject to the other members of the Wellington Rural Fire Authority doing the same).

Report prepared by

Approved for submission

Approved for submission

**Mark de Haast
Financial Controller**

**Crispin Mylne
Acting Group Manager
Community Services**

**Wayne Maxwell
Group Manager Corporate
Services**

ATTACHMENT

Appendix 1 – Schedule of Council's rural fire vehicles

Schedule of Council's rural fire vehicles

Vehicles

Plate	Year	Make	Model	Mileage	Book Value* - \$	Market Value** - \$
FMK514	2000	MINISUBISHI	CANTER 4WD	108,756	12,032	30,000
CRC111	2005	ISUZU	NPS 450 4X4	15,799	0	55,800
ZG2349	2000	FORD	COURIER 4WD	20,635	0	7,500
CCE653	2004	MAZDA	BOUNTY 4WD	180,413	0	10,600
					12,032	103,900

*At 1 July 2016

**At 29 May 2015