UP IN SMOKE

Is There a Failure of Governance by the Board of Fire & Emergency New Zealand and the Department of Internal Affairs?

TAXPAYERS' UNION

New Zealand Taxpayers' Union | March 2024

CONTENTS

SUMMARY

Fire and Emergency New Zealand was created from the merger of the New Zealand Fire Service, the National Rural Fire Authority and 40-plus Rural Fire Authorities on 1 July 2017. Its traditional role of firefighting has been formally expanded to include the provision of other emergency services.[1]

The New Zealand Fire Service was primarily funded from a fire service levy on fire insurance policies, whilst the Rural Fire Authorities were funded from local government, the Department of Conservation and a forest owner levy. The merger removed the funding from these last three and now Fire and Emergency New Zealand receives over 95% of its funding from the Fire and Emergency transitional levy.[2]

The levy is currently 10.6 cents per $100 of insured value, subject to various caps[3]. From 1 July 2024 the transitional levy will be raised to 11.95 cents per $100 sum insured – a 12.8% increase.[4]

The Taxpayers' Union is concerned with the necessity for this increase. Especially given that:

- the efficiency gains, expected by the 2016 Cabinet, have not materialised;
- expenses have continued to increase very significantly;
- spending on consultants and professional fees have grown substantially; and
- the instructions of the 2016 Cabinet, concerning financial efficiency, appear to have not been complied with.

We have previously reported on our concerns with the merger and subsequent performance of Fire and Emergency New Zealand in our publications *Bomb Fire* (2017)[5] and *Cash to Ashes* (2020).[6] This report updates the analysis in *Cash to Ashes* and provides a rationale for:

- stopping the 1 July 2024 levy increase and
- performing an independent examination into the operation, management and governance of Fire and Emergency New Zealand.

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1 https://www.beehive.govt.nz/release/budget-2016-303m-merge-and-modernise-new-zealand%E2%80%99sfire-services

2 Briefing to the Incoming Minister, Minister of Internal Affairs, January 2023, page 21: https://www.fireandemergency.nz/assets/Documents/Files/Briefing-to-Incoming-Minister-January-2023.pdf

3 https://www.fireandemergency.nz/about-us/about-the-levy/levy-rate/

4 Funding Fire and Emergency Services for all New Zealanders Consultation on a proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial years, 5 April 2023, page 6 https://www.fireandemergency.nz/assets/Documents/Public-Consultation-page/Transitional-levy-rate-increase-discussion-document-FENZ.pdf

5 https://www.taxpayers.org.nz/bomb_fire

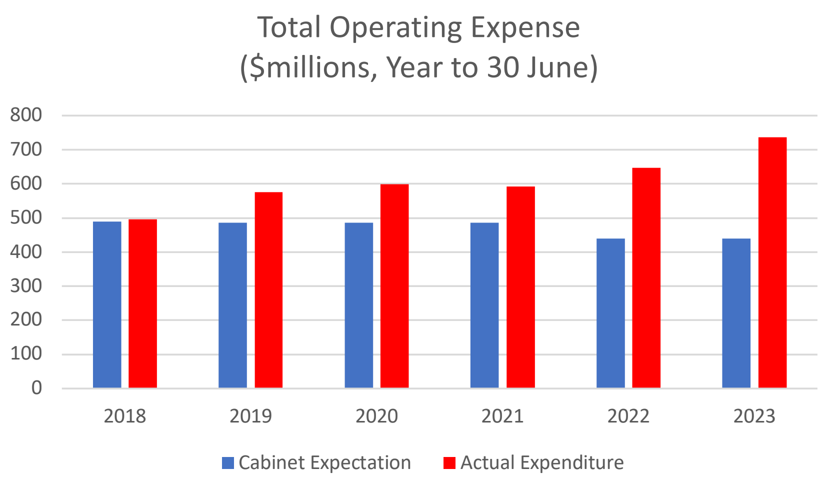
6 https://www.taxpayers.org.nz/cash_to_ashes

EXPECTED FINANCIAL GAINS FROM AMALGAMATION

On 6 April 2016, the Cabinet Economic Growth and Infrastructure Committee met to discuss the contents of the paper "Fire Services Review: NEW FUNDING ARRANGEMENTS".[7] This paper sets out the expected efficiency gains, new funding arrangements and the costs of the change to effect the merger.

Paragraph 21.3 of the Minute of Decision records likely efficiencies, with $47.7 million expected from Year Five (2021/2022). Paragraph 23 of the Minute of Decision records the Committee agreeing that after four years, subject to the 2021/22 funding arrangements and any detailed business cases, the Board must make sure that the new organisation funds the new support costs from efficiencies found from bringing the separate fire services together, which would be reflected by a drop in baseline costs from 2021 onwards. Figure 1 illustrates the huge difference in Cabinet's expectations and Fire and Emergencies actual operating expenditures[8].

Figure 1: Cabinet Expected and Actual Operating Expenditure



The variance of total costs from Cabinet expectations has been huge. Cabinet expected 2020/21 total costs of $486.7 million, but actual expenditure was $592.2 million - $105.5 million (22%) more. After this, Cabinet expected efficiency gains to reduce expenditure in out-years by $47.7 million, but it has actually increased further. Total costs have blown out from $496.3 million in 2017/18 to $737.3 million in 2022/23 – a massive increase of $241 million p.a. (49%) in five years and 68% in excess of Cabinet expectations.

The Cabinet Paper states that officials have high confidence in the costs of change.[9] Presumably, this means that officials have high confidence in the total cost estimates presented in the paper. This confidence was misplaced, and costs have blown out way beyond any reasonable expectation that Cabinet would have had. This must call into question whether Cabinet would have approved the merger in the first place had they been presented with forecasts that match the actual expenditure incurred by the merged entity. How has this happened?

7 Minute of Decision EGI-16-MIN-0064 refers: h#ps://www.dia.govt.nz/vwluResources/FSR-EGI-16-MIN-0064-Minute-funding-April-2016/$file/FSR-EGI-16-MIN-0064-Minute-funding-April-2016.pdf and https://www.dia.govt.nz/vwluResources/FSR-Cab-Paper-Funding-April-2016/$file/FSR-Cab-Paper-Funding-April-2016.pdf

8 Total expense as reported in the Statement of comprehensive revenue and expense for the relevant financial year.

9 Page 1, https://www.dia.govt.nz/vwluResources/FSR-Cab-Paper-Funding-April-2016/$file/FSR-Cab-Paper-Funding-April-2016.pdf

In its briefing to the incoming Minister of January 2023,[10] Fire and Emergency explains that the amalgamation of rural fire forces has required additional support function expenditure and greater investment in property, fleet and equipment than was originally anticipated.[11] Whilst that may be true, the extent of the extra expenditure deserves independent review, and it does not explain the large increases in expenditure in recent years.

Earlier Analysis

The Taxpayers' Union earlier analysis, *Cash to Ashes*, reveals that the significant spending growth, up to that point, is the result of growth in depreciation and staff costs due to service standardisation across the country. The $48 million increase in depreciation over the forecast period reflects massive upgrades to the Fire and Emergency property portfolio.[12]

Cash to Ashes reports that Fire and Emergency is gold-plating its property portfolio and approximately $43 million of 'other expenditure' over three years was on communications and computers. In an Official Information Act request whilst preparing *Cash to Ashes*, Fire and Emergency was asked for any reports, documents or advice they had received on the value of efficiencies found since centralisation. They did not produce any.[13]

It seems clear that up until the end of 2019, Fire and Emergency had little, if any, success at finding efficiencies. Were that Government's Cabinet directives being complied with?

Staff Numbers

As previously stated, Cabinet required that the Board of Fire and Emergency fund new support costs from savings derived from efficiency gains from the merged entities.

Management and support staff have increased by 31% over the five-year period from 2017/18 to 2022/23 whilst career firefighters and volunteer numbers have only increased by 5% over the same period. At the time of the merger, management and support FTEs supported 15 career firefighters and volunteers. By 2023, this had reduced to 12 career firefighters and volunteers.

However, there may be justification for some increase in management and support staff. Price Waterhouse Coopers reported that the corporate centre of the predecessor organisation might be too lean, leading to many operational and strategic planning deficiencies. The question remains has the increase in management and support staff adequately addressed these deficiencies.[14] or has it gone beyond what was efficient?

It seems clear that up until the end of 2019, Fire and Emergency had little, if any, success at finding efficiencies. Were that Government's Cabinet directives being complied with?

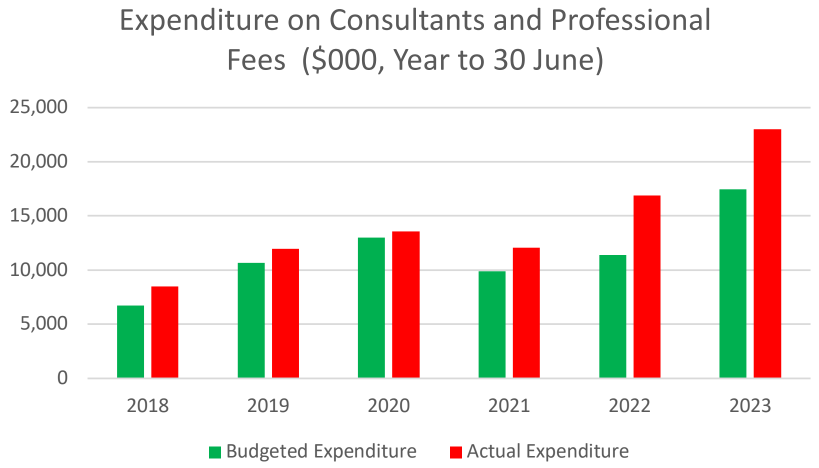
10 Page 23 of the Briefing to the Incoming Minister, January 2023.
11 Page 23, https://www.fireandemergency.nz/assets/Documents/Files/Briefing-to-Incoming-Minister-January-2023.pdf
12 *Cash to Ashes* page 8
13 Ibid page 9
14 Page 31, New Zealand Fire Service Commission: Operations and Performance review, Price Waterhouse Coopers March 2017.

Other Expenses – Professional Fees and Consultants

These expenses have shown a significant increase over the period as illustrated in Figure 2.

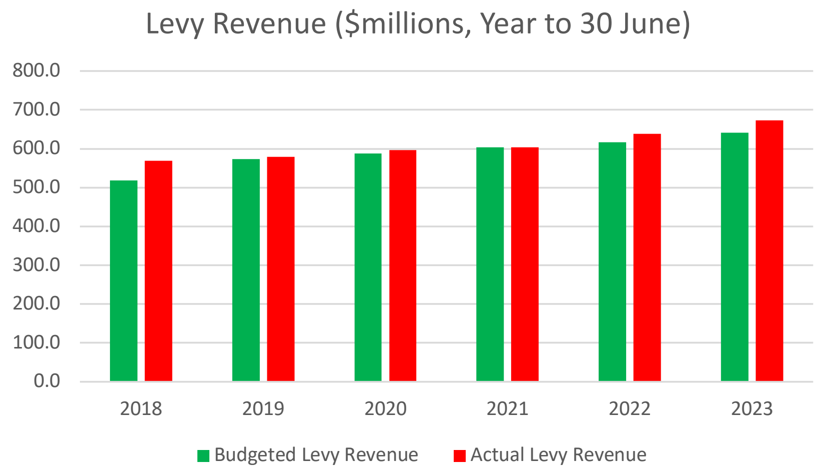
This is a large increase in professional fees and consultant expenses – especially in the last two years. It might be expected that these fees would be high in the early years to help bed down the merged entity, but that they would decline as the organisation matured. Instead, we have seen the reverse with the 2022/23 expense being more than double that in the first year of Fire and Emergency's existence. Why is this massive increase in expenditure on professional fees and consultants necessary?

Figure 2: Professional Fees and Consultant Expenses



Further, the actual expenditure greatly exceeds that budgeted for in the last three years. Over the six years tabled, budgeted expenditure on professional fees and consultants was set at a cumulative $69,172 thousand, but actual expenditure was $86,020 thousand – an average of 24% over budget every year. Is there a lack of planning, fiscal discipline and governance to ensure budgets are adhered to?

Figure 3: Levy Revenue Collected by Fire and Emergency



Revenue

Revenue collected by Fire and Emergency has steadily increased, despite there being no change to levy rates since 1 July 2017. The increase in levy revenue results from an increase in policy numbers and an increase in property values. Figure 3 sets out the budgeted and actual levy revenue collected by Fire and Emergency.

Figure 3 indicates that Fire and Emergency underestimates the revenue that it receives from the levy. These underestimates have become much more marked in the 2021/22 and 2022/23 financial years. Over the five years since 2017/18, levy revenue has increased by 18.4%, or a compounding 3.4% p.a. However, Fire and Emergency have budgeted for 2% levy growth each year. The Department of Internal Affairs estimates that from 2017/18 the annual levy growth has been around 3%.[15]

The significant positive variances from budget for levy revenue for 2021/22 and 2022/23 have been explained in Note 21 of the financial statements as being:

- primarily due to an increase in one-off contract payments for construction activity (2021/22); and
- largely due to the growth in the commercial property base and one-off contracts for new builds (2022/23).

In a further review, Price Waterhouse Coopers report that at inception Fire and Emergency had gaps in the information it needed to better forecast levy revenue[16]. It may be that these gaps still exist and budgeting levy growth at 2% p.a. now looks to be too low and needs to be revised.

Forecasting levy growth accurately is important as any excess over budget that is not spent, flows directly into the cash balance at the end of the year. Fire and Emergency maintain that it is important to maintain this cash balance above a substantial minimum level to fund operations during unexpected emergencies.

It is possible that the very large cash balance ($201.8 million on 30 June 2023) and the consistent underestimate of levy revenue has led to a degree of complacency regarding cost-control and efficiencies. Even the very substantial settlement of the Collective Employment Agreement with the New Zealand Professional Firefighters Union in December 2022 appears to have failed to shock the Board and management team into cost-control mode. Their possibly automatic, if not conditioned, response was to seek remedy through increasing revenue by increasing the levy rate.

15 Department of Internal Affairs, Stage 2 Cost Recovery Impact Statement, Proposal to increase the transitional levy for Fire and Emergency New Zealand, Note 20, Page 13. https://www.dia.govt.nz/diawebsite.nsf/Files/Regulatory-Impact-2023/$file/Final-Stage-Two-Cost-Recovery-Impact-Statement.pdf

16 Section 3: Levy Forecasting, page 17, Fire and Emergency New Zealand – Operations and Performance Review: Phase Two, March 2018.

INCREASING THE TRANSITIONAL FIRE AND EMERGENCY LEVY RATE

Background

Fire and Emergency New Zealand report:[17]

> *Settlement of the Professional Firefighters Collective Employment Agreement on 6 December 2022 increased operating costs, including firefighter earnings and back pay reported in note 3 to the financial statements, and has resulted in forecast operating deficits in 2022/23 and 2023/24. Earlier this year, Fire and Emergency sought an increase in levy rates to ensure that we remain financially sustainable into the future.*
>
> *On 31 July 2023, Cabinet approved a 12.8% increase in Transitional Levy rates, following public consultation. The increase is effective from 1 July 2024 and is forecast to return Fire and Emergency to operating surpluses in 2024/25.*

The settlement increased operating costs by $55.4 million in 2022/23.[18]

The increase to the transitional levy rate raises it from 10.6 cents per $100 sum insured to 11.95 cents per $100 sum insured, subject to the caps on residential buildings, domestic contents and light vehicles, amongst other things.

Addressing the Deficit

Fire and Emergency immediately opted for an increase in the transitional levy for the 2024/25 and 2025/26 years. A new levy system will come into effect from 1 July 2026, but the details of the levy rates have yet to be decided.

Fire and Emergency issued a public consultation paper on its proposals on 5 April 2023.[19] The paper quickly discounts decreasing operational or capital spending or reducing reserves leading to the only remaining option being an increase in revenue.[20]

Table 7 on page 15 of the consultation paper sets out the expected financial impact on the three main insurance sectors for the 2024/25 financial year:

- residential sector faces a total levy increase of $27.7 million;
- non-residential sector faces a total levy increase of $51.3 million;
- motor vehicle sector (less than 3.5 tonnes) faces a total levy increase of $6.0 million;
- with the total levy increase for all sectors being $85 million in 2024/25.

These are substantial sums to be further removing from the domestic and productive sectors of the economy, especially in the current economic environment.

Table 3 on page 10 of the consultation paper sets out the expected overall funding position after the settlement of the collective agreement. This table projects deficits of around $50 million p.a. out to 2026/27 if no increases to the transitional levy rate are made. Table 3 is reproduced below.

$ million (forecast)	2022/23	2023/24	2024/25	2025/26	2026/27
Total Revenue	661.2	673.8	686.8	700.0	713.5
Total Expenses	713.0	713.9	740.1	748.4	766.8
Surplus (Deficit)	(51.8)	(40.1)	(53.3)	(48.4)	(53.3)

17 Fire and Emergency New Zealand Annual Report 2022/23, page 65
18 Ibid, page 64
19 Funding Fire and Emergency Services for all New Zealanders Consultation on a proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial years, 5 April 2023. https://www.fireandemergency nz/assets/Documents/Public-Consultation-page/Transitional-levy-rateincrease-discussion-document-FENZ.pdf
20 Ibid, page 12

Table 1: Revised Deficit Projections

$ million	2022/ 23*	2023/ 24	2024/ 25	2025/ 26	2026/ 27
Total Revenue	710.0	724.3	738.8	753.6	768.6
Total Expenses	737.3	713.9	740.1	748.4	766.8
Surplus (Deficit)	(27.2)	10.2	(1.3)	5.2	1.8

** Actual*

The total revenue forecasts[21] in Table 3 of the consultation paper have a simple growth rate of approximately 2.0% p.a. which is consistent with Fire and Emergency's assumed total revenue growth rate of 2% p.a.[22]

If the actual 2022/23 data is substituted into Table 3 with the revenue figure projected forward at an annual growth rate of 2.0% and Fire and Emergency's forecast expenses are used, the data looks like Table 1. The revenue forecasts in Table 1 also do not assume an increase in the transitional levy rate and the expense forecasts include the full impact of the settlement agreement with the Professional Firefighters Union.

These forecasts suggest only very small surpluses or deficits in the near future. The consultation paper states[23] that the Government has provided a loan of $75.4 million over the 2022/23 to 2024/25 period. This is to be repaid over ten years starting from 2025/26. Fire and Emergency drew down $25.4 million of this loan in 2022/23[24] which has almost totally wiped out the actual deficit ($27.2 million) in that year. The impact of this loan is not reflected in these figures, but instead flows through to the end of year cash balance, which was $201.8 million on 30 June 2023.

These figures include non-cash expenses such as depreciation and amortisation. Fire and Emergency's main concern is with its cash position and in particular maintaining an efficient level of cash reserves, with it claiming that it needs to hold a minimum of $50 million.[25] It sets out its view of the impact of the settlement of the collective agreement on its cash position in Table 4 of the consultation paper that is reproduced in Appendix I. It is important to note that these forecasts use a 2% p.a. increase in levy income, which is unrealistically low. In fact, Fire and Emergency reports that levy growth is 2.7% p.a. in July 2023.[26]

Fire and Emergency claim that its figures show an unacceptably low closing cash balance in 2024/25, which becomes increasingly negative in future years, necessitating a revenue increase.

This is the rationale for the 12.8% increase in the transitional levy.

21 Total revenue includes levy revenue + interest revenue + $10 million govt contribution + other revenue
22 Statement of Performance Expectations 2022/23 (Amended March 2023), Page 42: https://www.fireandemergency.nz assets/Documents/Files/Amended-SPE-2022_23-Final-Digital.pdf
23 Funding Fire and Emergency Services for all New Zealanders Consultation on a proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial years, 5 April 2023, Page 5.
24 Statement of Cashflows, Annual Report for the Year Ending 30 June 2023, Page 72.
25 Funding Fire and Emergency Services for all New Zealanders Consultation on a proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial years, 5 April 2023, Page 11
26 Statement of Performance Expectations 2023/2024, Page 37, https://www.fireandemergency.nz/assets/Documents About-FENZ/Key-documents/FENZ-1664-Statement-of-Performance-Expecta]ons-2023-24.pdf

However, if the actual figures for 2022/23 from the Statement of Cash Flows are substituted, with future levy revenue forecasted at a growth rate of 2.7% p.a. after 2022/23, this table can be reconstructed with some much more realistic revenue projections in Appendix II.

The rework of Fire and Emergency's funding position improves so markedly that there is no justification for a levy increase on 1 July 2024. Although the 2026/27 closing cash balance is below their acceptable minimum of $50 million, this is driven by the delay in cash receipts once the new funding regime comes into force on 1 July 2026. As the development of this regime is not yet complete, there is time to address this situation without needing an increase in the transitional levy for the 2024/25 and 2025/26 financial years.

The overriding reason for Fire and Emergency projecting such a parlous financial future is due to its inadequate revenue projections. It is unclear why it started with the budgeted revenue figures for 2022/23, when it must have been clear at the time of preparing the consultation paper, that these significantly understated the true situation or why it escalated levy revenue at 2% p.a. when only a few months later it reported a growth rate of 2.7% p.a.

As we have demonstrated in this paper:

- using the actual data for 2022/23 (which must have been able to be forecast with reasonable accuracy when the consultation paper was being finalised in late March);
- and growing levy revenue at a more realistic 2.7% p.a. (which Fire and Emergency subsequently stated was the assumed growth rate[27]) then:
- Fire and Emergency can maintain adequate cash reserves until 2026/27 when the new, yet to be decided, levy regime is expected to come into effect.

On the basis of these more realistic levy revenue projections, the rationale for an increase in the transitional levy rate disappears.

Post-Implementation Review

This report and our two earlier reports should provide sufficient evidence of the need for a post implementation review to determine whether Fire and Emergency New Zealand has, amongst many other things:

- delivered the financial efficiency gains that the 2016 Cabinet expected;
- delivered the operational efficiency gains Cabinet expected and in particular ensuring regions have greater control over their fire services and how much they cost;
- exercised adequate control of operating and capital expenditure;
- developed and implemented effective strategic planning and budgeting processes;
- significantly improved accountability and oversight;
- effective governance and control exercised by the Board and Department of Internal Affairs; and
- provided any benefits above and beyond those provided by the former New Zealand Fire Service and Rural Fire Authorities.

27 Statement of Performance Expectations 2023/2024, Page 37

Price Waterhouse Review

The operations and performance review (phase two) of the New Zealand Fire Service Commission was completed in March 2018. This review focuses on the Commission's approach to planning and budgeting and on identifying the benefits that stem from the Commission's activities during its last full year of operation – 2016/17 – immediately prior to the creation of Fire and Emergency New Zealand. The review found many shortcomings and as Fire Service Commission staff made up the bulk of Fire and Emergency staff, the findings in this report are directly relevant to Fire and Emergency.

It is important to note that much has clearly changed in the nearly six years since the phase two report was completed. However, we are not aware that any comprehensive independent review has been conducted to document how Fire and Emergency has addressed the points raised by Price Waterhouse Coopers, how it has improved its processes and how it proposes to close any remaining gaps.

Efficiency and Effectiveness

Our earlier report *Cash to Ashes* identified some of the inefficiency of the 2017 reforms. It referenced, for example, the excessive use of costly aerial fire suppression and examples of gold-plated over-building of rural fire stations. Further correspondence with Murray Dudfield[28] has revealed evidence and views that:

- the cost of fighting vegetation fires is now three times greater than before Fire and Emergency was formed;
- average annual losses of forestry plantation from wildfires have doubled from 2009-15 to 2015-21,[29]
- in the three-year period 2019 – 2022, the Department of Conservation lost 4,087 hectares to wildfires, which is over five times the average of equivalent three-year periods over the preceding twenty years; and
- Fire and Emergency are likely too focused on response and insufficiently focused on prevention, which will likely drive excessive capital expenditure and the increase in wildfires.

The time for an independent review of the operation, management and governance of Fire and Emergency New Zealand is long overdue.

28 ONZM, FNZIF, Rural Fire NZ Ltd and former National Rural Fire Officer (1990 – 2014)
29 Page 5, 2022 Quantifying Forest Industry Investment in Fire Risk Management Study, Murray Dudfield, April 2023

CONCLUDING COMMENTS

There is no need to increase the transitional levy rate for the 2024/25 and 2025/26 financial years. $85 million does not need to be removed from the domestic and commercial sectors of the economy in each of those two years.

Any changes to levies can be considered prior to the new levy regime coming into effect on 1 July 2026.

The actual financial outturn for 2022/23 and its impact on subsequent revenue receipts should have been reasonably foreseeable at the time the levy consultation paper was being completed in late March of 2023. Similarly, why the financial models escalated levy revenue growth at 2% p.a. when only a few months later Fire and Emergency acknowledged levy growth was 2.7% p.a. is difficult to understand.

The use of outdated financial data and inappropriate escalators in the financial models used to generate Table 4 in the consultation paper reflects poorly on the management at Fire and Emergency.

The apparent inability of the Board and the Department of Internal Affairs to identify this major weakness in the financial modelling indicates a significant failing of governance by the Board and the Department.

The large growth in expenditure and repeated non-adherence to budget in certain areas suggests a significant failure of management and governance since Fire and Emergency New Zealand was created in 2017.

For all of this large increase in expenditure, the efficiency and effectiveness of the management of wildfires is clearly declining.

This situation cannot be allowed to persist.

A thorough and independent review of the operation, management and governance at Fire and Emergency New Zealand is long overdue and is now urgently required.

For all of this large increase in expenditure, the efficiency and effectiveness of the management of wildfires is clearly declining.

DISCLAIMER

This report was prepared using publicly available information and a small amount of non-public data. It is not an exhaustive analysis and thus may contain gaps. Neither Fire and Emergency New Zealand nor the Department of Internal Affairs were consulted on the contents of this report and no information or clarification was requested from them.

Ray Deacon
Economist

ray@taxpayers.org.nz

APPENDIX I: CONSULTATION PAPER TABLE 4

Consultation Paper Table 4 – Fire and Emergency costs and cash position if no change in transitional levy rate or costs and levy revenue escalated at 2% p.a.

$ million	2022/23	2023/24	2024/25	025/26	2026/27
Opening cash balance	**198.5**	**142.0**	**107.9**	**42.0**	**(48.6)**
Current transitional levy funding	641.9	654.7	667.8	681.2	694.8
Crown contribution (subject to annual Government Budget processes)	10.0	10.0	10.0	10.0	10.0
Other income and cost recoveries	9.3	9.1	9.0	8.9	8.8
Cost of operating Fire and Emergency[30]	(713.0)	(713.9)	(740.2)	(748.4)	(766.9)
Add net capex (Capex less depreciation and amortisation)	(8.1)	(7.1)	(6.0)	(16.7)	(18.6)
Repay borrowings	(15.5)	(15.8)	(16.0)	(24.1)	(9.1)
Other balance sheet movements	(6.5)	3.9	(15.5)	(1.5)	(2.8)
Part 3 levy impact (deferring 1 month of cash)	-	-	-	-	(69.0)
Repayable capital injection loan from the Crown	25.4	25.0	25.0	-	-
Closing cash balance	**142.0**	**107.9**	**42.0**	**(48.6)**	**(201.4)**

30 This includes depreciation

APPENDIX II: REWORK OF CONSULTATION PAPER TABLE 4

Rework of Consultation Paper Table 4 – Fire and Emergency costs and cash position if actual 2022/23 financial data is used, with levy revenue then escalated at 2.7% p.a.

$ million	2022/23 (Actual)	2023/24	2024/25	025/26	2026/27
Opening cash balance	**206.0**[31]	**201.9**	**200.5**	**172.7**	**125.9**
Levy Revenue	669.3[32]	687.4	705.9	725.0	144.6
Crown Contribution	10.0	10.0	10.0	10.0	10.0
Other Revenue	26.2[33]	9.1	9.0	8.9	8.8
Operating Expenditure	(648.6)[34]	(713.9)	(740.2)	(748.4)	(766.9)
Net Capital Expenditure	(69.4)[35]	(7.1)	(6.0)	(16.7)	(18.6)
Loan Repayments	(13.0)[36]	(15.8)	(16.0)	(24.1)	(9.1)
Other	(4.0)[37]	3.9	(15.5)	(1.5)	(2.8)
Part 3 levy impact	-	-	-	-	(69.0)
Repayable Crown Loan	25.4[38]	25.0	25.0	-	-
Closing cash balance	**201.9**[39]	**200.5**	**172.7**	**175.9**	**22.9**

The figures highlighted in yellow are the numbers that have come directly from the audited Statement of Cash Flows in the 2022/23 annual report. The figures highlighted in turquoise are the changes to the cash balances arising from using actual 2022/23 numbers with levy revenue escalated at a more realistic 2.7% and highlighted in green. All other numbers are those used by Fire and Emergency in Table 4 of the consultation paper[40].

31 Statement of Cash Flows 2022/23 Cash and cash equivalents at beginning of year.
32 Statement of Cash Flows 2022/23 Receipts from levy.
33 Statement of Cash Flows 2022/23 Receipts from other revenue + interest received + Net GST received – Crown Contribution of $10.0 million.
34 Statement of Cash Flows 2022/23 Payments to employees and volunteers + Payments to suppliers.
35 Statement of Cash Flows 2022/23 Net cash flow from investing activities.
36 Statement of Cash Flows 2022/23 Repayments of repayable Crown funding injection.
37 Statement of Cash Flows 2022/23 Payments on finance leases + Interest paid
38 Statement of Cash Flows 2022/23 Proceeds from Crown Loan.
39 Statement of Cash Flows 2022/23 Cash and cash equivalents at end of the year ($201.8 million) – difference due to rounding.
40 Note that the “Other Revenue” figures will be understated as the larger cash balances will generate more interest income.

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