

Our Ref: S012-T00030

27 September 2024

Alison Buskens
Committee Manager – Public Accounts Committee
NSW Parliament
SYDNEY, NSW, 2000

Dear Alison

Public Accounts Committee - Supplementary Questions for the Inquiry into the assets, premises and funding of the NSW Rural Fire Service

Thank you for email dated 30 August 2024 requesting responses to 10 supplementary questions in the relation to the above-mentioned inquiry. Please find below answers to these questions.

- 1. Can you outline the way your council spends and receives money for rural firefighting, including equipment, premises and hazard reduction. Please include flow charts and note if there are any out-of-pocket expenses.**

Annually in November-December Eurobodalla Shire Council (Council) receives notification of its annual budget allocation from the NSW Rural Fire Services (RFS) referred to as the 'Council District Estimate Letter'. As Council prepares and adopts its annual budget prior to receipt of this notification, Council estimates what the RFS expenditure will be for the year.

The District Estimate Letter or "Allocations" includes itemised details for infrastructure projects, firefighting equipment (red fleet) and maintenance and repairs costs for the year.

In the district estimate letter dated 12 December 2023, Council was advised of the 2023-24 allocations of the NSW Rural Fire Fighting Fund, detailed below.

Infrastructure Projects:	\$ 130,894
Firefighting equipment:	\$ 760,000
Maintenance and repairs:	<u>\$ 361,539</u>
	\$1,252,430

Council spends money only in relation to the infrastructure projects and the maintenance and repairs. Expenditure is a combination of labour and materials and contractors.

Infrastructure project expenditure is claimed on completion. The maintenance and repairs reimbursement is paid during the year, based on the allocations rather than actual expenditure incurred.

Council also receives funding for hazard reduction work. Council's fire mitigation officer applies for funding for site specific works through the RFS Guardian system. Costs are incurred by Council and then claimed through the same Guardian system. The funding is determined by the RFS and Council schedules its program of works based on the funding. If Council does not receive the funding for sites, Council must undertake the works at Council's expense. For sites that do receive funding, Council is only able claim the amount allocated, if the site costs more to do the works, then Council cannot claim any additional costs for the site. Two full time Council employees including the provision of a vehicle support this process. These costs are not claimable under the hazard reduction funding.

Council pays an annual Emergency Services Levy (ESL) to the State Government. For the 2023-24 financial year the amount was \$1,498,679, the RFS made up the largest component being \$1,032,945.

If there is a declared emergency by the State Government under Section 44, Council resources are 'deployed' to the firefighting effort, this may include administrative support and the deployment of plant and equipment. Some, but not all, of these costs can then be claimed from the RFS, which can result in cash flow shortages as the claims are often not processed for some time depending on the scale of the emergency.

2. Does your council experience any unnecessary administration, duplicate processes, confusion, or waste as part of its operations related to the assets, premises, and funding of the NSW Rural Fire Service? If so, can you provide specific examples.

The relationship between the RFS and Council is complex and can present administrative processes, that at times could be deemed unnecessary.

Accounts Payable

- Invoices for Maintenance and Repairs (M&R) are forwarded directly from the RFS to Council's accounts payable team and processed manually.
- Telephones charges are either sent directly from the RFS to Council or automatically added to the Council's corporate account.
- Electricity charges are included on Council's corporate account.

Noting, the RFS procures these expenditures and as such they do not fall within Council's procurement and purchasing governance framework as there are no approval workflows or reviews.

The RFS does not have access to Council's finance system to run reports or determine costs codes or monitor the M&R expenditure, therefore relies on financial reports to be produced and reconciled by Council. Expenditure related to fire mitigation and infrastructure projects is however subject to more oversight by Council employed officers as Council officers project manage and procure the services/materials.

Fleet

All vehicles are centrally purchased by the RFS, however, maintenance and operations of the red fleet is Council's responsibility. This includes the ordering of three different types of fuel cards). As the RFS does not have access to the fuel card system Council is responsible for ordering new cards should they be lost or need replacement, or if a PIN is forgotten.

When a vehicle is disposed of, at the request of the RFS, Council is notified, who in turn notify the auctioneers. When payment is received at Council, proceeds are sent on to RFS. This process requires Council to enter the monies paid and enter a payment into Council's system to then send to the RFS. Council is not always notified when vehicles are transferred between RFS sites, particularly as Bega Valley and Eurobodalla councils are in the same RFS group. As Bega and Eurobodalla share the same common expiry, Council has been caught out having to register outside of its usual processes.

From an auditing perspective, reporting for the red fleet can create confusion, for example, Council prepares an accounting position paper for the external auditors that must outline the reasons why Council is not recording the assets in its statement of financial position. Council then maintains a register of RFS vehicles, to calculate the historical cost and accumulated depreciation. An assessment is then made as to whether the impact of not recording these assets in its statement of financial position and depreciation costs in the income statement is material. Should the impact be deemed material and Council elects to not records these assets it risks receiving a qualified audit.

Administrative overheads

Examples of Council resources being redirected toward assisting RFS services include,

- Information Technology support for the use of the Guardian system for hazard reduction.
- Financial management and Accounts support for claims and complicated budget arrangements, for example, processing of financial transactions and expenditures that do not form of Council's core businesses (i.e. M&R).
- Local Emergency Management Officer

Council has engaged a full time Local Emergency Management Officer (LEMO) that represents Council in Service Level Agreement meetings with the RFS. Historically the RFS would contact the LEMO directly, rather than corresponding through Council's preferred communication method, this resulted in lost time for Council staff as enquiries needed to be redirected to relevant areas of the organisation. This has since been rectified to ensure incoming enquiries are formally registered in Council's records system and responded to in a timely manner.

3. What were your council's costs (direct and indirect) to maintain rural firefighting equipment and buildings for the 2023 and 2024 financial years?

FY23 Costs

Depreciation on stations	\$80,426
Depreciation on training centre	\$22,313
Operational costs	<u>\$379,995</u>
	\$482,734

FY24 Costs

Depreciation on stations	\$87,879
Depreciation on training centre	\$24,219
Operational costs	<u>\$416,681</u>
	\$528,779

4. How much funding did your council receive in the 2023 and 2024 financial years, for maintaining rural firefighting equipment and buildings?

FY23

M&R Funding	\$354,450
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FY24

M&R Funding	\$361,539
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5. For the 2023 and 2024 financial years, if your council was out of pocket for any rural firefighting costs, how much was it out of pocket for these periods.

FY23

Shortfall	\$25,545
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FY24

Shortfall	\$55,143
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- 6. The Independent Pricing and Regulatory Tribunal's (IPART) reviewed the rate peg methodology in 2023. Following the review, IPART has introduced a council-specific emergency services levy (ESL) factor. The ESL factor is intended to allow councils to fully recover the annual increases in emergency service contributions without diverting funds required to maintain service levels and infrastructure for their communities. What is your council's opinion on this change and its effectiveness?**

The introduction of an ESL factor for 2024-25 has allowed Council to recover the annual increase in the ESL, however the lagging in timing does not assist Council in its efforts to balance its budget on an annual basis.

The ESL factor does not provide the mechanism to allow Council to recover the shortfalls in funding for M&R or the administrative burden highlighted in Question 2. Council believes a far greater change would be to amend the outdated funding agreements with the RFS and discontinue the vesting of assets with councils.

- 7. Some councils have suggested a broad-based property levy as a replacement for the ESL. From your council's experience would this significantly change the financial burden on your ratepayers?**

A broad-based property levy would significantly increase the financial burden on ratepayers and as Council also levy water and sewer charges on the one rate notice, rates appear higher than other councils who bill for these separately.

Previous discussions around the introduction of Fire and Emergency Services Levy (FESL) proposed that capital improved values would be required for its introduction. Council currently rates on unimproved land value and if Council included a property levy for ESL on the rates it would need to change to capital improved value.

On top of an increase to the total bill, due to the addition of a new levy for emergency services, the impact of the redistribution of the permissible income because of the change to capital improve value is unknown and may unfairly disadvantage some ratepayers.

A specific ESL charge levied and collected by Revenue NSW from all property owners would be a fairer and more consistent approach.

- 8. Does your council conduct a stocktake of 'red fleet' vehicles and a condition assessment of their written down value?**

Council do not conduct a physical stocktake, and therefore does not make a visible assessment of the written down value of the vehicles. The RFS provide periodic notification of the acquisition (including costs) of any red fleet to facilitate operations of the vehicles (e.g. insurance and fuel cards).

9. If your council conducts a stocktake, does the NSW RFS provide the asset listing use the stocktake? From your experience is the listing accurate?

As above a desktop stocktake is undertaken rather than a physical stocktake.

10. Has your council purchased or provided land for rural firefighting purposes. If so, how was the land purchase funded and was the council or ratepayer out of pocket for this. Please quantify if possible.

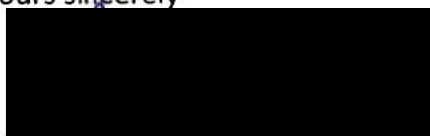
Many of the RFS buildings in the shire are on Council land. The occupation of them by RFS prevents their use for other purposes.

Land matters related to the RFS include:

1. In recent years, Council leased land from a private landowner for the Belowra RFS. The rental of \$850 per annum is paid by Council. This amount does not factor in the hours of staff time in setting up this arrangement including some legal costs.
2. At Runnyford, to accommodate an RFS shed Council closed part of a road and did a land swap. Council absorbed the associated costs for staff hours and all transactional costs.
3. RFS occupy a large Council site at Bimbimbie, this is used by a mixture of local and non-local RFS units for large scale training, including burning buildings. Currently, there is no rent paid by the RFS for the use of this land. This parcel of land is worth over \$1million and could be disposed of for the financial benefit of ratepayers (if not occupied by the RFS).
4. Council recently purchased land for a co-located emergency services precinct in Moruya at a cost of over \$1million. The ratepayer is currently out of pocket for this amount. On construction completion, occupation of the precinct will include RFS as well as Fire and Rescue NSW and SES.
5. Council provided operational land for the relocation of Surf Beach RFS station from a larger parcel of land, thus reducing the potential financial benefit of ratepayers.

Should you require further information, please contact Council's Local Emergency Management Officer, Angus Barnes on [REDACTED] or email [REDACTED]

Yours sincerely



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