

**Submission
No 1**

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

Organisation: Berrigan Shire Council

Date Received: 19 February 2024

Public Accounts Committee Review into the Accounting Treatment of RFS Assets 2024

Berrigan Shire Council Submission



BERRIGAN SHIRE

BAROOGA • BERRIGAN • FINLEY • TOCUMWAL



Advocacy Against the Requirement for Councils to Account for Rural Fire Service Assets

TO: The Public Accounts Committee

To Whom it Might Concern

Council intends in this submission to present a compelling case against the current requirement for councils to account for NSW Rural Fire Service (RFS) assets, particularly in light of the Australian Accounting Standards and the findings of the GAAP Consulting Report, commissioned by the Office of Local Government and titled "Review of accounting for 'red truck' assets and other fire fighting equipment" (the GAAP Report). Additionally, the considerations outlined in the Berrigan Shire Position Paper dated 19 October 2022 underpin Council's reasoning in regard to these matters.

Berrigan Shire Council has a special interest in the operations of the RFS. The first formal RFS brigade was formed in Berrigan in 1900.

Control and Ownership

The argument surrounding accounting for the RFS assets has centred around who holds control of the assets under the Australian Accounting Standards.

The Berrigan Shire Council has meticulously examined two contrasting opinions on the control and ownership of the NSW RFS assets. The *Rural Fire Service – Consideration of the red fleet assets, a paper prepared by NSW Treasury* (that was neither authored nor dated), lean on the legal fiction that council can control the deployment and disposition of the red fleet. One phone call to any RFS station will refute council's ability to do any such thing. Further, it has been espoused that councils can utilise RFS assets when they are not in use. This too is a fiction, given many assets are not roadworthy in the normal sense, and therefore not registered. It is also impossible to know when the next emergency will be called and therefore councils do not have any sort of access to RFS assets.

The GAPP Report, written by Mr Colin Parker, support Council's position. Mr Parker, a qualified and experienced expert in the accounting field, asserts RFS, through its service standards and rural fire district service agreements, possesses decision making authority over fire fighting equipment under the Act. Procurement decisions, replacement and retirement determinations, service standards and the RFS's protective right preventing councils from selling or disposing of assets without written consent, all contribute to the conclusion that control of the assets rests with the RFS.

Subterfuge and Transparency

The Berrigan Shire Council strongly believes the continued pressure on councils to account for the RFS fleet is subterfuge. It creates the potential belief by the community that council in some way is responsible for delivering rural fire fighting services. Further it hides what are clearly State owned assets on council books, misrepresenting to the community the service

delivery responsibility of the State and completely ignoring the importance of subsidiarity in the Australian federal system.

The legal vesting of assets with councils, as stipulated by section 119 of the *Rural Fires Act 1997* (the Act), appears to be more a formality than a true reflection of control. Australian Accounting Standards have changed considerably since the Act was written, as has the way in which RFS and its assets are managed. The State government determination to base its argue on the single word “vesting” seems increasingly to be a desperate attempt to avoid the fact it has taken over control of RFS, its operations and assets since the time the Act was written. The Act itself therefore needs urgent reconsideration, as per the requirements of the Private Members Bill. The State government need to be transparent about the cost of operations and management of the RFS as a whole.

As stated, the apparent disconnect between legal ownership and operational control raises questions about the transparency of financial reporting. The mandatory inclusion of RFS assets in council accounts would lead to a distorted representation of council’s financial position, creating a scenario where assets are nominally “vested” in council, but effective control resides with the RFS.

Council for this reason, continues to refuse to account for RFS assets. The community deserves our honesty and not complicity in subterfuge.

Cost Shifting and Financial Sustainability

The practice of accounting for RFS assets would add to the broader issue of cost shifting from the state and federal government to local councils. The survey recently completed by Local Government NSW into cost shifting shows an average of \$460 per ratepayer is paid directly to services that should be delivered by the other tiers of government. Berrigan Shire Council’s response to that survey indicated this council incurs an annual cost of \$5.9 million due to cost shifting. To put that in perspective, council has a \$9 million rate base. 65% of council’s rates therefore go to delivering services not within our remit. Adding the estimated \$3.9 million worth of red fleet assets to our accounts would completely decimate our own source revenue, leaving our council and community relying for their survival on grants alone as all fees and services are quarantined for the use for which they are raised.

This level of cost shifting places an undue burden on our local communities, affecting their ability to maintain essential services and infrastructure. The fiscal responsibility of managing firefighting assets, which are under the control of the RFS, should not be shifted to councils, especially when we are already strained by existing financial pressures.

Community Affordability

The financial impact of councils being required to account for RFS assets, directly affects the affordability of services for all councils’ communities. With each rate payer in Berrigan Shire paying more than half of the rates to cover the cost of obligations imposed by state and federal government retreat, the community is at high risk of reduced access to vital services and infrastructure improvements.

In light of these concerns, Berrigan Shire Council urge the Parliamentary Accounts Committee to reconsider the requirement for councils to account for RFS assets. By doing so, the Committee would contribute to fostering transparency in financial reporting, alleviating the financial strain on local councils, re-establishing some small amount of subsidiarity in the federal system, thereby safeguarding the affordability of services for communities.

Common Sense

The RFS claim to be the “the world's largest volunteer firefighting organisation, with over 70,000 volunteers and more than 2,000 brigades”. Despite this, the RFS apparently does not own the overwhelming majority of its plant and equipment and has no control over its “independent” brigades and their volunteers outside the management of an incident.

Diffusing responsibility for the management of its assets across over 100 councils cannot be an efficient and accountable model for operating the world’s largest volunteer firefighting organisation”.

It is time to bring the operations of the RFS into the twenty-first century, make it clear that the RFS are accountable for the assets they control, and end the legal fiction that the RFS is merely a vehicle to deliver fire-fighting services on behalf of local government.

The lives and property of NSW residents depend on it.



Karina Ewer MBA, MCDR, MAHRI, MAICD

Chief Executive Officer

Berrigan Shire Council

Email: 

Phone: 