Submission
No 4

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

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PUBLIC ACCOUNTS COMMITTEE REVIEW INTO THE ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

To the Members of the Public Accounts Committee and inquiry of the Assets, premises and funding of the NSW Rural Fire Service,

I thank the members for reading my submission and welcome any enquiries on both the problem and solution outlined below.

With any asset owned by any Company or Government I appreciate it must be accounted for. In simple terms this gets reported through an asset register and then in subsequent years depreciated over a period of time. For a simplistic example and the concerns that I know many Councils have is the transfer of vehicles to the Council. For this example a truck bought at $100,000 can be depreciated over 10 years for $10,000 each year down towards a nominated salvage value. On Council's books the vehicle is vested to Council from the RFS, paid through a range of funding often inconsistent across the state. Once on the books there is an 'Income' of the Asset as a non-cash transaction in the first year, then depreciated every year thereafter until it requires replacement.

This creates a range of issues including:

1. Some councils creating funds to prepare for renewal of the assets on their books
2. The depreciation of the assets often are higher than the income or actual functioning assets which have not been tracked due to the reporting requirements put on the Council and not RFS
3. The asset renewal cost and bottom line for the budgets of Councils are often taken into consideration through the ratio reporting requirements enacted by the Office of Local Government on Councils.

The solution to each of these issues would logically be to switch these to the State. However, removing the asset from the books of Council and putting it towards the State could cause conflict with brigades due to the ownership of the sheds by Council and the connection of the units to specific areas.

The sheds cannot be moved, but the fleet can. The historic reasoning for the connection of the brigades with local authorities is sensible as the physical asset of the shed obviously cannot be moved. Vehicles are tied to the shed and to the brigade through section 119 of the Fires Act 1997 No. 65. This mechanism allows for the asset when vested by RFS to be tied to the individual brigade within the specific Council area. For example, I would not for example want to see the assets purchased specifically for Wollondilly to be taken out of the area without the larger emergencies that require a Section 44 or similar determination.

While not the intention this can be seen to be a cost shift from the State who has legislated to have the assets tied to a Council, with the only jurisdictional oversight that is given to the Council in most cases, is just the existence of the

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equipment in the area to protect the area. The Councils have no real oversight of these assets, but nor does the State. The issue is not who pays for it, the issue is the cost of accounting for them.

The assets being on the books of Council creates two problems that could be overcome, this is the asset being counted towards the bottom line of Council thus affecting borrowing ratios and the time required in some Council areas for these assets to be audited. The Australian Accounting Standards, in particular AASB 116 requires a depreciable amount that reflects the pattern of the asset's future economic benefits or which then goes towards an end of ultimate replacement. The Council is not required in the act to replace the assets, they are only required to account for the asset. Councils must maintain these assets but are repaid the cost of the maintenance. Thus, the main issues remain are ones of accounting and of time required to audit the assets.

Solution: The solution to this problem would be for Councils to account for these assets based on lists provided by RFS annually, as assets that have a salvage of $0 and depreciation over a year with a value of $0. The renewal of the asset would be at the 12 month renewal of the register, again provided by RFS. Changing the manner of how these assets are accounted would remove the risk that Country Councils are affected by in particular, having RFS keep the register on these assets would prevent the cost of Councils keeping the accounting of these assets. As many Councils maintain these vehicles, agreements through the RFS and Council maintenance should be adopted and allow a collaborative approach.

How this is done is in a number of ways. I respectfully request the Committee investigate an amendment for the Act to have the requirement of the assets to be accounted for in this manner. There is no provision within the Act that prescribes exactly how the assets should be accounted for and kept. Alternatively, I respectfully request the Committee suggest a circular instruction from the Office of Local Government with the instruction of the Minister for Local Government of how OLG accounts for these specific assets within the register and the ratio for the smaller Councils that would not affect the borrowing power. I also respectfully request the Committee consider requesting the RFS draft agreements to highlight ownership, accounting and procedure for the assets on the basis of a collaborative approach with Councils and RFS.

Thank you once again for reading my submission and for taking the consideration of regional Councils who have the best interest of their community and the RFS at heart.

Kind regards,

[redacted]

Benn Banasik