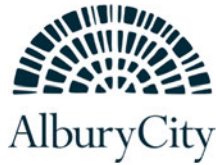


**Submission
No 11**

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

Organisation: Albury City Council

Date Received: 26 April 2024



Contact: Justin Finlayson
Reference: DOC24/71330

9 April 2024

Dear Public Accounts Committee,

**Inquiry into the assets, premises and funding of the NSW Rural Fire Service
AlburyCity Submission**

Thank you for the opportunity to contribute to your inquiry into the assets, premises and funding of the NSW Rural Fire Service. AlburyCity's submission specifically focuses on accounting for NSW Rural Fire Service firefighting equipment as included within the terms of reference of your inquiry.

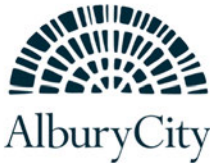
Who controls NSW Rural Fire Service rural firefighting equipment?

In accordance with the Accounting Standards, AlburyCity has assessed that in substance firefighting equipment deployed by the Rural Fire Service within the AlburyCity local government area are controlled by the Rural Fire Service and should not be recognised in the financial statements of AlburyCity.

An independent assessment by Colin Parker, principal GAAP Consulting (refer below) against the Accounting Standards strongly indicate that accounting for Rural Fire Service firefighting equipment should be based on control rather than legal vesting. AlburyCity has no substantive rights for the control of firefighting equipment – vesting by itself does not confer control.

AlburyCity acknowledges that the Rural Fire Service (RFS) plays a critical role in protecting the people of NSW from the dangers of bushfires. As the lead combat agency, the RFS has responsibilities for the provision of rural fire services including services for the prevention, mitigation and suppression of fires in rural districts. It works closely with local councils who have fire prevention responsibilities within their local government area and in which the RFS brigades operate.

The RFS do not account for their firefighting equipment assets, as they and the Treasury are of the view that rural firefighting equipment that has been vested to councils under the Rural Fires Act 1997 are the assets of councils.



AlburyCity re-affirms its complete support of and commitment to local RFS brigades noting that Council's action is entirely directed towards the NSW Government's nonsensical position that rather than being controlled by local brigades, RFS assets are somehow controlled by councils, which is considered by the local government sector as a cynical financial sleight of hand abdicating the NSW Government's responsibilities at the cost of local communities.

AlburyCity does not agree with the position of the NSW Government as the RFS has effective control over firefighting equipment assets, including buying and selling, access, deployment and use of these assets without the need for Council permission. AlburyCity should not have to incur and fund the depreciation costs associated with assets for which it has no control.

Office of Local Government position

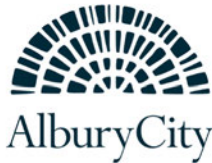
Previously the Local Government Code of Accounting Practice and Financial Reporting confirmed the State's view that it does not control these assets and that councils need to assess whether they control any rural firefighting equipment, in accordance with Australian Accounting Standards.

The direction included within the Local Government Code of Accounting Practice and Financial Reporting has been updated for the upcoming 2023/24 financial year end to '*councils should recognise material rural firefighting equipment in their financial statements. Councils derive benefits from the rural firefighting equipment's service potential on the basis they have delegated their legal responsibilities for bushfire prevention, under Part 4 Bush Fire Prevention of the RF Act, to prevent the transmission of fire from council landholdings (particularly asset protection zones) to private land holdings through the District Service Agreements with the RFS.*'

AlburyCity does not support the recent change made to the Code of Accounting Practice and Financial Reporting by the Office of Local Government on the basis that it is not in accordance with the Accounting Standards, as independently assessed by Colin Parker, principal GAAP Consulting.

Review of accounting for 'red truck' assets and other firefighting equipment in NSW - 'Parker Report' April 2018

The Office of Local Government engaged Colin Parker, principal GAAP Consulting to undertake a review of current arrangements to assess, identify and make recommendations on the appropriate recognition of Rural Fire Services (RFS) assets, including how they should be treated for accounting purposes to create better clarity and consistency across the local government sector.



Colin Parker is well regarded being former member of the Australian Accounting Standards Board and independent from the NSW Government, NSW Audit Office, local government sector.

The independent assessment concluded that:

- *The authoritative pronouncements strongly indicate that the firefighting equipment should be based on control rather than legal vesting (and related assessments of risks and rewards of ownership).*
- *The service potential of an asset is specific to an entity in meeting its objectives. An asset cannot be controlled by two entities. The firefighting equipment in question benefits both the councils and the RFS in helping them to comply with their legislative requirements.*
- *The RFS has the substantive responsibilities for the prevention, mitigation and suppression of bush and other fires in local government areas of NSW and controls firefighting equipment to meet its statutory objectives. It is the reason for the RFS's existence.*
- *On the other hand, councils have their own unique responsibilities under the Local Government Act 1993 such as prescribed functions (s.21) and service functions, including the provision of goods, services and facilities and carrying out of activities (s.24), public land, environmental upgrade agreements, and regulatory functions. The councils also have what I would consider as secondary or ancillary obligations under Rural Fires Act 1997 to those of RFS.*
- *Through its service standards and rural fire district service agreements, the RFS has decision making authority over firefighting equipment under the Act. The RFS exercises this authority through them, including the functions of zone managers and rural fire brigades. Many of the decisions are delegated by the RFS commissioner.*
- *Furthermore, control of fire-fighting equipment by the RFS is evident by procurement (and replacement and retirement) decisions, service standards for care and maintenance, access, and deployment within the district and elsewhere. These are substantive rights of RFS. The RFS also has a protective right that prevents councils from selling or disposing of the assets without written consent of the RFS commissioner. There are instances noted by some councils where the 'delegates' of the RFS restrict council access to firefighting equipment.*
- *The councils have no substantive rights for the control of firefighting equipment – vesting by itself does not confer control.*
- *Firefighting equipment recognised by some councils should be derecognised.*



AlburyCity

The 'Parker Report' report focused on conforming with the Australian Accounting Standards and Generally Accepted Accounting Principles (GAAP), being standardised procedures and principles issued by the Financial Accounting Standards Board (FASB) that aims to improve the consistency, clarity, and comparability of financial information.

It is clear from this independent assessment that the Accounting Standards strongly indicate that accounting for Rural Fire Service firefighting equipment should be based on control rather than legal vesting. The findings of the 'Parker Report' on the appropriate recognition of Rural Fire Service firefighting equipment assets make complete sense, including how they should be treated for accounting purposes to create better clarity and consistency across the government sector.

While it is unclear why the Rural Fire Service and NSW Government would not want to account for the rural firefighting equipment that they control, amending the Rural Fires Act 1997 so that rural firefighting equipment are not vested to councils may provide the legislative circuit breaker required for the Rural Fire Service to begin accounting for rural firefighting equipment assets that are under their control.

For further enquiries, please contact Justin Finlayson AlburyCity's Service Leader Strategy and Performance on [REDACTED] or [REDACTED]

Regards,



Kylie King
Mayor