

**Submission  
No 13**

## **ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE**

**Organisation:** Glen Innes Severn Council

**Date Received:** 29 April 2024

**Public Accounts Committee Review into the  
funding, maintenance, accounting and  
operational management of NSW Rural Fire  
Service assets and premises**

**Glen Innes Severn Council Submission**



Public Accounts Committee, Parliament of New South Wales

Dear Honourable Ministers of the Parliament of New South Wales

Thank you for the opportunity to present a submission to the Public Accounts Committee's inquiry into the assets, premises and funding of the NSW Rural Fires Service. Glen Innes Severn Council intends to provide its position on the terms of reference listed below:

1. The mechanisms for:
  - Funding Rural Fire Service assets and premises;
  - Maintaining Rural Fire Service assets and premises,
  - Accounting for the ownership of Rural Fire Service assets and premises;
  - Operational management, including the control of assets and premises.
2. Whether the following arrangements between Councils and the Rural Fire Service are fit for purpose:
  - Service agreements;
  - The division of responsibilities for bushfire management and hazard reduction;
  - Upkeep of assets;
  - The provision of insurance;
  - Provision of land and construction management for RFS premises;
  - Bushfire Management Committees.
3. The sustainability of local government contributions to emergency service provision.

**Accounting Treatment of NSW Rural Fire Service assets and the mechanisms for funding and maintaining assets and premises.**

Glen Innes Severn Council released a position paper on RFS Assets on the 6<sup>th</sup> of October 2017 and to this date, Council's position has not changed. At the time of releasing the position paper, the Code of Accounting and Financial Reporting released by the Office of Local Government clearly stated:

"Councils have the option to continue to recognise or not to recognise Rural Fire Services assets in their accounts until such time as the control issue is agreed upon with the Rural Fire Service"

Without further consultation and notification, the Code was amended in December 2023 with the following:

"Councils should recognise material rural firefighting equipment in their financial statement. 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."

From Glen Innes Severn Council's perspective, the following are reasons not to force Councils to accept the approach from the Office of Local Government to account for RFS assets.

The definition of control of an asset is:

*The capacity of the entity to benefit from the asset in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.” (Statement of Accounting Concepts (SAC) 4).*

Clearly Council has no control over such assets as there is no benefit to Council in the pursuit of Council objectives from these assets and Council has no power to deny or regulate access to others of any benefits that may arise from these assets. If Council did have control over assets, one would assume that Council could call on RFS vehicles at any time to complete works outside of the normal RFS scope. This is simply not the case and does not take into account assets being available immediately in times of an emergency.

Decision making in relation to these assets' rests with the RFS.

In addition, the:

- RFS District Manager makes all decisions regarding maintenance. Council receives a subsidy each year for maintenance however effectively acts as an agent.
- RFS District Manager makes all decisions about capital improvements and new assets. While Council may be consulted, it makes no final decision.
- Once a capital budget is in place, the RFS District Manager organises all contractors and purchases. Council, under direction and for administrative ease, orders and pays for these assets but gets reimbursed for them after submitting a claim. Council acts solely as an agent.

Further:

- While legally all buildings are “owned” by Council, this is an ‘on paper’ arrangement only as Council’s care, maintenance or control of these assets is non-existent. Council does not make decisions about the use of these buildings nor earn any income from RFS buildings.
- The RFS pays for buildings on Council owned land (as evidenced by the agreement between Glen Innes Severn Council and the RFS for a newly constructed Fire Control Centre in Glen Innes) and therefore Council does not have care, management or control (or indeed real ownership) of these assets. Council does not make decisions about the use of RFS buildings nor earn any income from RFS buildings.
- Plant purchases are centrally managed by the RFS.
- Council is not involved in any decision-making about budgets, purchases or sales.
- The RFS can and does move plant and equipment between Local Government Areas so that the RFS can get best value for money, maximise utilisation and to keep the overall State fleet age low across individual Local Government areas.
- RFS plant and equipment is insured by the RFS Service and not by Council.

As an example, Council’s District Estimate Letter for the 2023 – 2024 Financial Year provides Glen Innes Severn Council with a total of \$955,000 in claimable funding for Infrastructure projects, namely \$600,000 for the Fire Control Centre Upgrade – Stage 2 and \$355,000 in ancillary costs across multiple brigades in the LGA. As noted above, Council has had no input around decision making in relation to these infrastructure projects and simply acts as an agent to order and pay and then submit claims for reimbursement.

Another example of RFS controlling their assets is recent communication from the District Manager – Northern Tablelands Team whereby the RFS had purchased and commissioned the build of a new “operational command vehicle”, and, after the fact, sought Council’s agreement to add the vehicle to the vested assets recognised by Council. In this instance, Council did not recognise the RFS vehicle as an asset as Council does not exercise control and was not consulted in the process of acquiring the asset. Council is also not provided data on the acquiring cost and useful life of assets therefore would find it difficult to recognise the assets in financial statements. Another issue occurs when RFS move assets between local Government areas. Council is not consulted on these moves and therefore this would present challenges in how these moves are accounted for.

Interestingly, the OLG commissioned a report by GAAP Consulting in 2018 to review the accounting for ‘red truck’ assets and other fire-fighting equipment in NSW. The independent expert’s report found that Councils have no substantive rights for the control of fire-fighting equipment and vesting, by itself, does not confer control. The report also recommended that:

- Fire-fighting equipment recognised by some councils should be derecognised.
- Fire-fighting equipment vested in councils should be recognised at cost in RFS’s financial statements.

Council is not required to account for assets of other emergency service agencies such as the State Emergency Service (SES), Fire and Rescue NSW or the Volunteer Rescue Association (VRA) with all asset ownership vested in the respective agencies. It is Council’s position that RFS assets are treated consistently in the same way as other emergency service agencies.

#### **Arrangements between Council and the Rural Fire Service**

OLG’s position is that Councils derive benefits from the RFS on the basis they have delegated their legal responsibilities for bushfire prevention through the District Service Agreements with the RFS and this is the reason that assets should be accounted for by Council. It is true that Glen Innes Severn Council has delegated their responsibility through a Service Level Agreement (SLA) however the current SLA dates to 2014 and many assigned responsibilities are no longer current. As an example, the SLA refers to Council maintaining comprehensive insurance for motor vehicles. RFS comprehensively insure their own motor vehicles. The SLA also refers to consultation with the Commissioner in providing an estimate of probable expenditure for the district for the next financial year. This does not occur. Another important point to note is that Council has the right to terminate the SLA with six months’ notice and re-assume responsibility for their bushfire management responsibilities. If this was to occur, does this mean that Council would assume total control for RFS plant and fleet and can utilise in any way they see fit? Council doubts that the RFS would happily allow Council to exercise real control over its fleet. If Council was to terminate the SLA, where would this leave the RFS? This is an interesting question to ponder.

As mentioned above, Council has no input into the RFS contributions they are required to pay Quarterly. The RFS have care and control over all decisions regarding the RFS expenditure including assets. It should be noted that even with the Emergency Services Levy, it is now proposed that the levy is reduced, and Councils are required to contribute to part fund the RFS. In the current Financial Year, Glen Innes Severn Council has been directed to contribute to the RFS a total amount of \$443,517. A reduction in the levy received by Council will affect Council’s finances with rate pegs not meeting inflationary pressures. Any future consideration of such a levy should remove the requirement of

Councils to contribute and all funding should be through the levy. This may require legislative changes to be considered.

The RFS provides a very important service to the community and is the world's largest volunteer firefighting organisation. A quick search makes mention of over 73,000 volunteers and more than 2,000 local RFS brigades. The RFS also have over 900 professional, paid employees who should have complete control to action their own purchasing and administration of invoices. The fact that individual Councils are, in theory, responsible for RFS assets is inefficient and not conducive to a professional operation. The RFS Organisational Chart shows areas including Finance and Procurement and Logistics and Equipment. Any modern professional organisation should seek independence and control of their own processes.

We appreciate the opportunity to provide Council's position on this very important topic. Now is the time to make change and treat the RFS like any other emergency services organisation.



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