

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

Organisation: Northern Beaches Council

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Chair
NSW Legislative Assembly Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Lodged via online submission form

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Dear Chair

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

Thank you for the opportunity to provide a submission to the NSW Legislative Assembly Public Accounts Committee as it examines the assets, premises and funding of the NSW Rural Fire Service.

The Northern Beaches is home nearly 270,000 people, living in over 105,000 dwellings. The Council manages over 300 bushland and wetland reserves covering around 1,700 hectares of bushland, with a further 11,400 hectares of bushland managed by National Parks and Wildlife Service. Council supports the Northern Beaches Rural Fire Service District through the provision and maintenance of buildings to its 13 brigades and headquarters along with support services including financial services.

Northern Beaches Council acknowledges the critical role the NSW Rural Fire Service (RFS) plays in fighting fires and protecting the people of NSW from the dangers of bushfires.

As the lead combat agency for bush fires in NSW, the RFS has many responsibilities for bush fire management and mitigation in NSW. It works closely with local councils within their local government areas in the prevention, mitigation and suppression of bush and other fires in local government areas, the co-ordination of bush firefighting and bush fire prevention, the protection of persons from injury or death, the protection of property from damage, the protection of infrastructure and environmental, economic, cultural, agricultural and community assets and the protection of the environment.

The *Rural Fires Act 1997* establishes rural fire districts, constituted around local government boundaries, as well as the RFS to be comprised of the Commissioner, other staff and volunteer firefighters. The key objectives in the implementation of the Act were to strengthen operating capabilities and the organisational structure and to lay

the groundwork to simplify how the RFS was to be run. Further amendments should now be considered to the Act to achieve these objectives.

Council's responses to the inquiry's terms of reference are provided in the table below.

Responses

1. The mechanisms for:

a) Funding Rural Fire Service assets and premises

i) Premises

Council bears the cost of funding Rural Fire Service (RFS) premises within its Local Government Area and funds these costs from rates revenue.

Under the District Service Agreement, Council is required to allow the Commissioner and the RFS to occupy and use the following premises:

Brigade	Address
Northern Beaches Headquarters	Thompson Dr (Off Kamber Road), Terrey Hills
Beacon Hill	72A Willandra Rd, Oxford Falls
Belrose	Forest Way, Belrose
Coal and Candle	McCarrs Creek Road, Terrey Hills
Cottage Point	Cottage Point Road, Cottage Point
Coasters Retreat	Coasters Retreat
Davidson	43 Borgnis Street, Davidson
Duffys Forest	Anembo Road, Duffys Forest
Ingleside	King Road, Ingleside
Mackerel Beach	Diggers Crescent, Great Mackerel Beach
Scotland Island	Catherine Park, Scotland Island
Terrey Hills	Cnr Booralie Rd & Yulong Ave, Terrey Hills
Tumbledown Dick	2 Tumburra Street, Ingleside
West Pittwater	Elvina Bay & Lovett Bay

These premises are provided under licence to the Commissioner whereby Council will:

a) not interfere with the Commissioner's use and enjoyment of the premises during the term.

b) pay all rates, taxes, electricity, gas, oil and water charges separately metered and charged to the premises.

c) maintain the premises in good repair whereby Council will undertake all painting, maintenance and repairs of the premises involving:

(i) the roof and external structure of the premises.

(ii) any work that must be carried out by a licensed trades person, including, but not limited to electrical repairs and maintenance and plumbing repairs and maintenance and

d) effect and keep current at all times during the continuance of this agreement the following insurances:

(i) building insurance; and

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(ii) public risk insurance in an amount of not less than \$20,000,000.

The above premises have a carrying value of \$15.6 million, incur annual depreciation costs of \$194,000, annual insurance costs of \$26,000 and maintenance costs for the 2022/23 financial year were \$261,000.

In addition, Council is responsible for utility costs and the majority of maintenance costs.

What is not recognised is that a significant portion of the land and built area within the Local Government Area is exempt from rates under Section 555 of the *Local Government Act 1993*. This includes crown land (not under lease), national parks, water catchment areas, churches and associated residences, schools and associated residences and land vested in or owned by a public transport agency. Some of these community assets are also frequent users of RFS services and resources.

Recommendation 1

No changes are made to the present arrangements for the management and provision of the 14 premises provided by Council to the RFS within its local government area which are used for the local brigades and regional headquarters. However, consideration must be given to ensuring that the funding of these premises is not only borne by Northern Beaches ratepayers from rates income and includes all beneficiaries of this critical service.

ii) Red Fleet and Other Assets

Funding for the Red Fleet and other assets is currently provided through the Emergency Services Levy (ESL). The contributions come from insurance policy holders (73.7%), the NSW Government (14.6%) and NSW local councils (11.7%).

The levy on local government of 11.7% is legislated under Section 110(3) of the *Rural Fires Act 1997* and Council's contribution to the RFS amounts to \$1,322,195 for the 2023/24 financial year. It must also be recognised that Council also pays the emergency services levy on insurance of Council-owned property.

NSW remains the only mainland state which does not have a property-based levy to pay for emergency services. Alternative models should be considered to ensure that fire and emergency services are fully funded in a fair and equitable manner avoiding cost shifting to Councils. In looking at these alternative models consideration must be given to the fact that the entire community benefits from these services.

The ESL should be replaced with a broad-based land tax collected by the NSW Government.

The current ESL is not equitable for local councils as it does not apply consistently across all councils even though the entire community benefits from these services. The levy is now collected centrally through Revenue NSW however, each of the services have different budgetary structures and cost allocation mechanisms. The complex budgetary process is difficult to understand.

Recommendation 2

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<p>A broad-based land tax to be collected by the NSW Government should be introduced to replace all existing contributions to the ESL, as explored in the NSW Government's ‘Reforming the emergency services funding system’ consultation paper (Apr 2024).</p>
<p>b) Maintaining Rural Fire Service assets and premises</p>
<p>i) Premises</p> <p>As noted above under the District Service Agreement Council is required to:</p> <ul style="list-style-type: none"> • pay all rates, taxes, electricity, gas, oil and water charges separately metered and charged to the premises. • maintain the premises in good repair whereby Council will undertake all painting, maintenance and repairs of the premises involving: <ul style="list-style-type: none"> a) the roof and external structure of the premises. b) any work that must be carried out by a licensed trades person, including, but not limited to electrical repairs and maintenance and plumbing repairs and maintenance. <p>With regards to premises, Council budgets annually for any renewal works as requested and prioritised by the local district. This budget (around \$150,000 per year) is not sufficient to maintain the satisfactory condition of the buildings going forward. Further, the existing buildings are often too small to accommodate the larger modern firefighting trucks. Therefore, the buildings need to be adapted to be fit for purpose. These premises are generally located near bushfire prone areas and are likely to require significant fit outs to ensure they are resilient to bush fire risk as the impacts of climate change worsen.</p> <p>Recommendation 3</p> <p>As noted above, consideration must be given to ensuring that the funding of these premises is not only borne by Northern Beaches ratepayers from rates income but by all beneficiaries of this critical service. Consideration must also be given to funding renewals and upgrades to resilience as the impacts of climate change become more pronounced.</p> <p>ii) Red Fleet and Other Assets</p> <p>The RFS has an Asset Management Policy (P8.1.0) to set out principles that will apply to asset management to achieve their strategic direction. This policy applies to all current and planned non-financial assets managed and controlled by the RFS, including Council vested assets. The RFS Commissioner is responsible for this Policy. The RFS Strategic Asset Management Plan (SAMP) covers all – current and planned – non-financial assets under control of the RFS, including council-vested assets. The asset portfolio includes the physical assets, systems and processes that are required for the RFS to realise its vision of achieving a world standard of excellence in the provision of a volunteer-based community fire and emergency service.</p> <p>The SAMP notes that “while the net carrying amount of RFS-owned property, plant and equipment was just under \$90 million as at 30 June 2020, this does not reflect the total value of assets under control of the organisation. The RFS manages and determines standards for – but does not own – the majority of assets used in</p>

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the delivery of its services. Brigade stations, fire control centres, and various forms of equipment used to respond to emergency incidents, are vested in and ultimately owned by local government."

The SAMP further states "the RFS relies primarily on its fleet assets for delivery of frontline firefighting, rescue, and marine services, as well as on the support of other agencies. The organisation operates over 7,000 mobile assets including: firefighting appliances (4,100), aircraft (10), marine craft (35), bulk water carriers (500) and support vehicles (2,500)."

The SAMP further states that "the identified risk categories and their controls include Asset ownership – set up in legislation, RFS's fleet, equipment and infrastructure assets are primarily 'vested' with local government. This arrangement has led to RFS having little visibility on the reliability and status of an asset to perform its required service."

Lifecycle management of the assets specifies the required assets, the procedures for their operation and maintenance, supporting systems, information needs, decision-making criteria, improvement needs and unrestrained work/investment programs.

In terms of Asset Management Performance, the SAMP states "delivery of maintenance and renewal programs is dynamic, so these are actively managed to ensure that available funds are used to best value across the programs and to try and keep backlogs to levels that do not have risk consequences. Review of outcomes is also important – and so there is a check that scope and timing of the programs is adequate, especially if there has been delays or deferrals."

The RFS also has a Asset Disposal Service Standard (5.4.1) which states "the RFS is committed to the proper management of surplus or deficient physical assets that might otherwise reduce efficient, effective and safe service delivery. One of the key elements of asset management is the timely, appropriate and cost effective disposal of assets in a framework that ensures probity, honesty and conformity to Government Policy". Equipment covered by this Service Standard includes that purchased through/by/with funds from the Rural Fire Fighting Fund, and ownership vested in the local authority.

Council is not involved in the maintenance of the RFS Red Fleet and other assets. Nor would it be appropriate for Council to be involved in the maintenance of this equipment which is critical to the service.

Recommendation 4

The maintenance of the Red Fleet and other assets continues to be the responsibility of the RFS as part of its comprehensive asset management plans.

c) Accounting for the ownership of Rural Fire Service assets and premises

Council is required to control assets under the Australian Accounting Standards before accounting for those assets.

The Local Government Code of Accounting Practice and Financial Reporting (the Code) prescribes the forms of financial statements approved by the Office of Local Government (OLG).

Responses

The Code is intended to facilitate the practical and effective implementation of the Australian Accounting Standards.

In the 2016/17 financial year, the Code 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" and it clearly provided for councils to not recognise rural fire service assets including land, buildings, plant and vehicles that it did not control.

In each subsequent year changes have occurred in the Code. From the 2017/18 until the 2022/23 financial year, it stated councils need to assess whether they control any Rural Fire Services assets and recognise in their financial statements any material assets under their control.

In 2023/24 this has been revised to say "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".

i) Premises

It is Council's view based on Australian Accounting Standards that it controls the 14 premises within its local government area which are used for the local brigades and regional headquarters. As Council controls these assets it is appropriate for Council to continue to account for these assets at the fair value.

Under paragraph 4.2 of the Australian Accounting Standards Board's Conceptual Framework for Financial Reporting an entity controls an economic resource if it has the present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it. Control includes the present ability to prevent other parties from directing the use of the economic resource and from obtaining the economic benefits that may flow from it. It follows that, if one party controls an economic resource, no other party controls that resource.

Further under paragraph 4.21 an entity has the present ability to direct the use of an economic resource if it has the right to deploy that economic resource in its activities, or to allow another party to deploy the economic resource in that other party's activities.

Paragraph 4.22 goes on to say control of an economic resource usually arises from an ability to enforce legal rights. However, control can also arise if an entity has other means of ensuring that it, and no other party, has the present ability to direct the use of the economic resource and obtain the benefits that may flow from it.

Paragraph 4.23 states for an entity to control an economic resource, the future economic benefits from that resource must flow to the entity either directly or indirectly rather than to another party. This aspect of control does not imply that the entity can ensure that the resource will produce economic benefits in all circumstances. Instead, it means that if the resource produces economic benefits, the entity is the party that will obtain them either directly or indirectly.

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It does not appear that there is any contention as to who controls the land and buildings occupied by the RFS within its local government area which are used for the local brigades and regional headquarters.

Under Clause 6.2 of the District Service Agreement, Council grants in relation to those parts of the premises over which it has control and the Commissioner accepts a licence to enter and use the premises during the term of the agreement.

In terms of the requirements of AASB's Conceptual Framework in line with paragraph 4.21 Council has the present ability to direct the use of an economic resource as it has the right to allow the RFS to deploy the economic resource in its activities. In accordance with paragraph 4.22 Council maintains the ability to enforce legal rights under the District Service Agreement. Finally in accordance with paragraph 4.23 the future economic benefits from the land and buildings flow to Council indirectly through the benefits the services of the RFS provide to its residents and ratepayers.

Recommendation 5

No changes are made to the present arrangements in relation to the 14 premises provided by Council to the RFS within its local government area which are used for the local brigades and regional headquarters.

ii) Red Fleet and Other Equipment Assets

It is Council's view, based on Australian Accounting Standards, that it does not control Red Fleet and other RFS assets provided by the RFS to brigades within its local government area. As Council does not control these assets it is not appropriate for Council to be required to account for them as this determination must be made in accordance with Australian Accounting Standards.

The following papers have been prepared by a range of parties in an attempt to address the issue of who should account for Red Fleet and Other Equipment Assets.

- A report by Colin Parker, principal, GAAP Consulting in 2018 commissioned by the Office of Local Government (noting Carmen Ridley, Principal and Director, Australian Financial Reporting Solutions who works with the OLG in the development of Code provided a blind review to the report and was at the time a member of the AASB).
- FAQs-Guidance-to-Local-Government-on-Accounting-treatment-of-RFS-assets-Webinar – February 2023
- Attachment C NSW Treasury's Accounting Paper re Accounting Control of Red Fleet Assets Analysis – 2021

The RFS does not account for their firefighting equipment assets, as they, and NSW 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. The RFS financial statements state "the ownership of all firefighting equipment purchased by the Rural Fire Fighting Fund is vested in the relevant local government council. The cost of such equipment is therefore expensed by the Service in the year of purchase."

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It should be noted that the fair value of plant and equipment accounted for by the RFS on 30 June 2023 was \$105.146 million.

Key points from the GAAP Consulting report include:

- Councils have no substantive rights for the control of fire-fighting equipment-vesting by itself does not confer control.
- The 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 the RFS.
- Fire-fighting equipment vested in councils should be recognised at cost in the RFS's financial statements.

The FAQs-Guidance-to-Local-Government-on-Accounting-treatment-of-RFS-assets paper and the NSW Treasury's Accounting Paper re Accounting Control of Red Fleet Assets concluded that Red Fleet assets should be accounted for by Council but lacked detail to support their position in relation to control which is the essential test of the Australian Accounting Standards.

To support Council's interpretation of control under Australian Accounting Standards the following additional points are provided:

- The LGSA Review of Local Government Engagement with the NSW Rural Fire Service – A Discussion Paper February 2012 details many of the control issues experienced by Council. The RFS appliances and support vehicles (new and second hand) are purchased through the Rural Fire Fighting Fund and are vested in council. Councils contribute to the purchase of equipment through the Emergency Services Levy. These arrangements are required under section 119 of the *Rural Fires Act 1997*. The situation where councils "own" but do not have operational control of the RFS equipment raises issues in relation to insurance coverage and is in conflict with the Local Government Accounting Code.
- Since July 2011, the Treasury Managed Fund (TMF) has taken over the insurance for Council owned RFS vehicles. The new insurance arrangements are centralised and managed by the RFS with the insurance costs distributed to RFS areas where the vehicles are based. Councils contribute 11.7% to the insurance costs.
- Disposal of the equipment must be approved by the RFS Commissioner. The fund from the sale is to be returned to the Rural Fire Fighting Fund excluding GST.
- Councils have limited involvement in the process for determining the level of equipment and vehicles in their district. The purchase of equipment and vehicles is decided through the district budgeting process which councils are consulted on. However, the consultation process is at times tokenistic as Council's requests/opinions can be overridden by the RFS.
- The RFS makes all decisions regarding maintenance.
- The RFS makes all decisions about capital improvements and new assets. While Council may be consulted, it has no final decision.

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- Once a capital budget is in place, the RFS organises all contractors and purchases.
- Plant purchases are 'centrally managed' by the RFS.
- Council is not involved in any decision-making about RFS 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 keep the overall State Fleet age low across individual Local Government Areas.
- RFS plant and equipment is insured by the RFS and not by Council.
- Allocations from the NSW Rural Fire Fighting Fund are based on a whole of RFS basis.
- The RFS Service Standard 5.3.5 – Fleet Insurance for RFS Appliances and Appendix 4 Extract from Red Fleet Insurance Frequently Asked Questions states, by providing the coverage through TMF, the RFS has a consistent and standardised coverage of all mobile assets operated under the RFS Red Fleet Program providing security for its assets and the volunteer members of our communities who travel in them.
- This above standard further states that it is not possible to have a situation where a handful of councils can elect not to utilise this insurance arrangement.
- The most telling item is whether Council has any control or input in the insurance arrangements where it states the premium will be based on fleet items listed in the Service's fleet database and, as is the case with all insurers, premiums are based around claims history and risk. These matters are managed wholly by the RFS and is an explicit statement of control by the RFS.
- The asset register is maintained by the RFS and is only provided to Council through the District Manager employed by the RFS. This further demonstrates that control of these assets is maintained by the RFS and not Council.
- NSW Rural Fire Service Policy P4.1.6 – Financial Accounting for RFS Assets deals with all assets with the exception of the Red Fleet. This highlights Council's inability to have any control over the following issues:
 - Depreciation – while Council would incur an expense for depreciation the funding through the distribution of proceeds from the sale by of RFS firefighting equipment is allocated between the RFS and the councils in the same proportion as each entity's contribution to the purchase of the equipment. This creates significant anomaly and further highlights the issue of control.
 - Useful Life – the RFS assess the useful life at the time of initial recognition of a fixed asset based on available evidence. The useful life is the best estimate of the amount of time that RFS management believe the asset will be used by the organisation before the asset is superseded, replaced or retired. Council is not in a position to influence this decision, further highlighting the control issue.
 - Subsequent Expenditure – these assets may have subsequent costs associated with their maintenance and/or upkeep. Council is not in a position to

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determine if subsequent expenditure is distinguishable between regular maintenance (to be treated as recurrent expenditure when incurred) and replacement of parts which enhance functionality or extend useful life whereby demonstration of probable future economic benefits is possible.

- De-recognition of assets – an item of property, plant and equipment should be derecognised when it is disposed of and no future economic benefits are expected from its use or disposal. Gain or loss on de-recognition should be recognised in the income statement in the period in which de-recognition occurs. Council is not in a position to verify such information.
- Significant Components – an asset may consist of several different and significant physical components. Where an item of plant and equipment comprises two or more significant components (e.g. truck and tank), with substantially different useful lives, then each component should be treated separately for depreciation purposes and depreciated over its individual useful life. Where a component is replaced or restored, the old component should be written off, to avoid double counting and the new component capitalised, if its cost is recoverable. Council is not in a position of control with respect to these issues.
- As noted above Council is not in a position to effectively account for all aspects of the assets due to limitations which effect the determination of Useful Life, Impairment, Subsequent Expenditure, De-recognition of Assets, Componentisation and Depreciation. If Council truly had control of these assets then it could effectively utilise the non-cash expense of depreciation and proceeds from sale and not have these apportioned between the RFS and the councils in the same proportion as each entity's contribution to the purchase of the equipment.
- RFS Policy P8.1.0 – Asset Management applies to all current and planned non-financial assets managed and controlled by the RFS, including Council vested assets. Under this policy the RFS commits to applying effective asset management over the entire asset lifecycle to efficiently manage cost, risk and asset performance for the benefit of our stakeholders.
- A fire control officer is appointed for each local government authority and is employed under *Government Sector Employment Act 2013* (NSW) as part of the RFS. He or she is not employed by the council (*Rural Fires Act 1997* Section 10). The fire control officer has the supervision and direction of the functions for the district (*Rural Fires Act 1997* Section 38(2)):
 - (a) has the supervision and direction of ... all rural fire brigades and groups of rural fire brigades in the rural fire district for which the fire control officer has been appointed ...
 - (b) has the right to use any fire fighting apparatus in the rural fire district ...
 - (c) must inspect, or cause to be inspected, at least once each year all fire fighting apparatus in the rural fire district ...
- Section 119(6) of the *Rural Fires Act 1997* provides the Commissioner may, with the concurrence of the council in which fire fighting equipment is vested under this section, use any of the equipment not reasonably required by the council to

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deal with incidents in the area of the council to deal with incidents outside the area.

- As evidenced in Section 38(2), Council does not manage the fire response. The idea that a local government, that has no direct responsibility for firefighting can advise the Commissioner that the RFS cannot relocate a tanker or other appliance because in council's opinion the vehicle is 'reasonably required by the council to deal with incidents in the area' is simply not practical nor reasonable. It is the RFS, not council that is responsible for dealing with relevant incidents, in particular fires. The roles of councils are to:
 - convene Local Emergency Management Committees and Recovery Committees.
 - work with State agencies to identify and prioritise risk mitigation options.
 - undertaking an all-hazards approach to emergency risk management.
 - working with insurers to minimise disaster risk exposure. Recognising that Local Councils have many other tasks to perform.
- Councils are not responsible for dealing with incidents/bushfires in their LGA. Councils do not use fire appliances to provide services to the community, the RFS does.
- A council cannot dispose of an appliance without the Commissioner's approval (section 119(3)) and cannot use an appliance to settle liabilities nor can they charge the RFS or anyone else for its use.

In conclusion Council has no right of use to the RFS equipment and hence does not economically benefit from them. A right not only includes the right of the entity to benefit from the asset but also the ability to deny other entities having any access to the use of rights. Council is unable to deny the RFS from using the equipment. State Government legislation including the *Rural Fires Act 1997* which is applicable to the RFS would stipulate they deliver their services using these assets.

What is most important is the operation of the RFS and its ability to own and control the assets it uses. Nothing should impede the magnificent work done by the RFS and its volunteers and the effective recording of these assets.

Recommendation 6

As is the case with the SES, the RFS should own and control the Red Fleet and other equipment assets which are critical to their operations and as such the *Rural Fires Act 1997* should be amended to ensure that rural firefighting equipment is no longer vested in councils to avoid any confusion in how it is accounted for.

d) Operational management, including the control of assets and premises, risks, and impacts to local government, and the ability to effect a response to emergencies

The current arrangements of shared responsibilities between Council and the RFS are inefficient and places financial and resource strain on the limited resources of both agencies. Other emergency services are provided full control over their functions,

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<p>including management of assets, finances and equipment, and the same should apply to the RFS.</p> <p>An example of this is the requirement for Council to review and approve RFS credit card spending and maintain monthly credit limits. This places an audit risk on Council as we are not fully able to maintain oversight over how these funds are spent, as well as potentially causing unnecessary delays to operations such catering for volunteers during a bushfire response.</p> <p>An additional matter that must also be considered with regard to management of assets and premises is that the operational space used as the Local Emergency Operations Centre (LEOC) for multiagency coordination during a disaster event and Local Emergency Management Committee (LEMC) functions in peace time, is often domiciled within an RFS base of operations or Fire Control Centre. This is a common arrangement across NSW. As such we do not support changes to current property and premise arrangements which would have potential implications for LEOC and LEMC functions and to ensure that a suitable space for multiagency coordination is continued to be provided separate to RFS operations.</p> <p>Recommendation 7</p> <p>No changes are made to the present arrangements in relation to the 14 premises provided by Council to the RFS within its local government area which are used for the local brigades and regional headquarters and ensures provision and access to facilities required for Local Emergency Management Committee (LEMC) and Local Emergency Operations Centre (LEOC) functions.</p> <p>The RFS should own and control the Red Fleet and other equipment assets which are critical to their operations and as such the <i>Rural Fires Act 1997</i> should be amended to ensure that rural firefighting equipment is no longer vested in councils</p>
<p>2. Whether the following arrangements between Councils and the Rural Fire Service are fit for purpose:</p>
<p>a) Service agreements</p>
<p>The current District Service Agreement dates from 2010 and is outdated. A revised agreement is expected to be developed following the completion of a standard template by the Rural Fire Service.</p> <p>The District Service Agreement is required due to the current legislative constraints however it is grounded on outdated practices from when the RFS (then Bush Fire Service) was born from local government. Consequently, the <i>Rural Fires Act 1997</i> has a number of sections for which local government is identified as responsible, but for which the RFS takes on function (except those sections listed) in accordance with the District Service Agreement. Items for which Council is responsible for under the District Service Agreement do act as a substantial drain on Council's already limited resources and Council often does not receive any subsidy or compensation for these responsibilities.</p> <p>This current Inquiry presents an opportunity to reform these arrangements through legislative changes that will allow for the RFS to take on all responsibility for their own fleet and equipment and other bush fire related matters. This would lead to enhanced control by the RFS over their assets and other functions. It would also remove the</p>

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<p>need for dated agreements with complex and inefficient transfer of responsibilities between local government and the RFS.</p> <p>Recommendation 8</p> <p>That the <i>Rural Fires Act 1997</i> be reformed to separate the responsibilities more clearly between RFS and local government, with a view of affording more control to the RFS to fund, own, manage and maintain their own assets and fleet and negate the need for complex district service agreements.</p>
<p>b) The division of responsibilities for bushfire management and hazard reduction</p>
<p>As the combat agency for fire incidents across most of the geographical extent of the Northern Beaches, in addition to all areas under Section 44 bush fire declarations, the RFS is better positioned than local government to retain total responsibility for bush fire management and hazard reduction activities. The current division of responsibilities between the RFS and Council in this regard is generally appropriate but does not appear consistent with the <i>Rural Fires Act 1997</i>.</p> <p>Abandoning the District Service Agreements as mentioned above would give greater autonomy to the RFS. Reforming the <i>Rural Fires Act 1997</i> and removing the service agreements, while requiring significant legislative change, would allow for a better reflection of the current functions of the RFS.</p> <p>Local government does not have sufficient resources or capability to take back the pre-existing responsibility that are currently managed by the RFS. For example, Section 100E of the <i>Rural Fires Act 1997</i> allows Council (or the RFS) to act as an 'Issuing Authority' in accordance with the Bush Fire Environmental Assessment Code to assess Hazard Reduction Certificate Applications. Council does not have sufficient resources to assess potentially hundreds of private land applications throughout the Northern Beaches. Hazard reduction complaints may also be made in regard to Council land, requiring independent assessment by the RFS.</p> <p>With regards to hazard reduction responsibilities, Council has outlined a wide range of hazard reduction activities in the Bush Fire Risk Management Plan. However, the planning, execution and reporting of these activities is resource intensive and reliant on grant funding. Any delays, changes or reductions to this funding would reduce Council's capacity to pro-actively address bushfire risks for our residents and communities.</p> <p>Recommendations 9</p> <p>Remove current service agreements and reform the <i>Rural Fires Act 1997</i> to better reflect the function and divisions of responsibilities of the RFS and other stakeholders.</p> <p>Review existing funding arrangements for activities outlined in local Bush Fire Risk Management Plans. Funding should be administratively efficient and more secure than current grant funding arrangements.</p>
<p>c) Upkeep of assets</p>
<p>i) Premises</p> <p>As noted above Northern Beaches Council provides land and buildings to the RFS for the local brigades and regional headquarters.</p>

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Council provides a vast range of community buildings and associated assets and has a comprehensive operational and capital works program for the upkeep of these assets. As it controls the RFS premises and given its significant skills and experience in the management of operational and capital works program it is appropriate that it continues to provide undertake the works for the upkeep of RFS premises used for the RFS headquarters and brigades within its local government area. However, consideration must be given to the funding of these works so that burden does not fall directly on its ratepayers from rates income alone that all beneficiaries of this critical service should contribute to the funding. Consideration must also be given to funding renewals and upgrades to resilience as the impacts of climate change become more pronounced.

Recommendation 10

No changes are made to the present arrangements for the management of operational and capital works program in relation to premises provided by Council to the RFS within its local government area which are used for the local brigades and regional headquarters. However, consideration must be given to ensuring that the funding of these premises is not only borne by Northern Beaches ratepayers from rates income and includes all beneficiaries of this critical service.

ii) Red Fleet and Other Assets

The upkeep of the Red Fleet and other assets should remain the responsibility of the RFS.

The RFS has a comprehensive Asset Management Policy (P8.1.0) to set out principles that will apply to asset management to achieve their strategic direction. This policy applies to all current and planned non-financial assets managed and controlled by the RFS, including Council vested assets. The RFS Commissioner is responsible for this Policy. The RFS Strategic Asset Management Plan (SAMP) covers all – current and planned – non-financial assets under control of the RFS, including council-vested assets.

Recommendation 11

No changes are made to the present arrangements for upkeep of the Red Fleet and other assets as these are controlled by the RFS and the current arrangements support the magnificent work done by the RFS and its volunteers.

d) The provision of insurance

i) Premises

As noted above in accordance with the District Service Agreement Council is required to effect and keep current at all times during the continuance of the Agreement building insurance and public risk insurance in an amount of not less than \$20,000,000.

Council insures the buildings and this is appropriate as we control these assets.

Many of the RFS brigade properties are situated within or nearby to bushfire prone land. If the risks associated with insuring these properties exceed insurers' risk tolerance, this may lead to increased cost of premiums or an outright refusal to offer policies for assets in these areas. This would shift significant risk onto Council which is required to provide and insure such premises under current arrangements.

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Recommendation 12

As Council controls the 14 premises provided to the RFS within its local government area used for the local brigades and regional headquarters, it is appropriate that these assets are insured by Council. However, consideration must be given to ensuring that the funding of these premises is not only borne by Northern Beaches ratepayers from rates income and includes all beneficiaries of this critical service.

ii) Red Fleet and Other Assets

Since July 2011, the Treasury Managed Fund (TMF) has managed the insurance for the Red Fleet and other assets. These insurance arrangements are centralised and managed by the RFS with the insurance costs distributed to RFS areas where the vehicles are based.

The RFS has a Service Standard (5.3.5) for Fleet Insurance for RFS Appliances. To ensure compliance with NSW Treasury Managed Fund (TMF) requirements, the RFS operates a centrally managed comprehensive motor vehicle insurance arrangement for appliances identified on the RFS Fleet Program.

The Service Standard applies to all RFS, Brigade and Council owned assets including firefighting appliances, passenger appliances, group and troop appliances, buses, logistical support appliances, vessels, communication and community education appliances, dedicated trailers and caravans and other specialist appliances.

We agree with comments in the Standard's Frequently Asked Questions which states by providing the coverage through TMF, the RFS will have a consistent and standardised coverage of all mobile assets operated under the RFS's Red Fleet Program providing security for its assets and the volunteer members of our communities who travel in them.

We also accept the Standard's statement as to whether councils have the option not to have the asset insured by TMF through the RFS that it is not possible to have a situation where a handful of councils can elect not to utilise this arrangement. In fact, advice from TMF is that unless all Councils participate, the program cannot be achieved.

Recommendation 13

As the RFS controls the Red Fleet and other assets it is appropriate for the reasons noted above that they continue to operate a centrally managed comprehensive motor vehicle insurance arrangement for appliances identified on the RFS Fleet Program which meets the requirements of the NSW Treasury Managed Fund.

e) Provision of land and construction management for RFS premises

As noted above Northern Beaches Council provides the land and buildings for 14 premises for RFS local brigades and the regional headquarters.

Council provides a vast range of community buildings and associated assets and has a comprehensive capital works program. As it controls the RFS premises and given its significant skills and experience in the management of a capital works program it is appropriate that it continues to provide construction management of RFS premises used for the RFS headquarters and brigades within its local government area. However, consideration must be given to the funding of these works so that burden

Responses
<p>does not fall directly on its ratepayers from rates income alone that all beneficiaries of this critical service should contribute to the funding. Consideration must also be given to funding renewals and upgrades to resilience as the impacts of climate change become more pronounced.</p> <p>Recommendation 14</p> <p>No changes are made to the present arrangements for construction management in relation to premises provided by Council to the RFS within its local government area which are used for the local brigades and regional headquarters. However, consideration must be given to ensuring that the funding of these premises is not only borne by Northern Beaches ratepayers from rates income and includes all beneficiaries of this critical service.</p>
<p>f) Bushfire Management Committees</p> <p>Northern Beaches Council is generally pleased with the current function and administration of the local Bushfire Management Committee (BFMC).</p> <p>Northern Beaches BFMC meetings are held quarterly, are generally well attended by most agencies, and provide an effective platform for coordinated bush fire risk planning and management.</p> <p>The current arrangement between RFS and local government require local government to provide a Chairperson (Councillor) for the meetings, supported by the RFS through the Executive Officer. The Executive Officer provides substantial support and assistance to the chair, including managing correspondence, agendas and minutes; with the chair guiding and facilitating the meetings, process and BFMC resolutions.</p> <p>Recommendation 15</p> <p>The current function and operation of the Northern Beaches BFMC is supported and should be maintained.</p>
<p>3. The appropriate role for local authorities in the provision of emergency services</p> <p>Council is not a combat agency but does act as crucial support agency to the combat agencies per the <i>State Emergency and Rescue Management 1987 Act</i> (SERM Act). This is true both during an emergency response, but perhaps even more so prior to an event to reduce risk and support multiagency coordination and planning, as well as following an event to facilitate long term recovery coordination.</p> <p>Under the SERM Act, Council is responsible for providing executive support to the Local Emergency Controller (LEOCON) and Local Emergency Management Committee (LEMC). Council is required to provide a Local Emergency Management Officer (LEMO), who will often also, under delegated responsibility, chair the LEMC. The recent release of various State frameworks and plans such as the NSW State Recovery Plan and the State Emergency Management Plan (EMPLAN) have placed increased planning requirements on LEMCs and subsequently on councils responsible for providing the executive and other support required to deliver on these requirements. Council is well placed to provide this coordinating function between the emergency services and to ensure a focus is maintained across risk prevention, preparedness, response and recovery. However, Council does not receive any funding support to fulfill these increasingly important functions.</p>

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<p>Furthermore, the SERM Act requires Council to provide facilities for LEMC operations as well as evacuation centres. The recently released State Welfare Services Functional Area Evacuation Centre Manual outlines essential criteria that Council is required to provide at these facilities, including food preparation areas, sleeping areas and recreational space. Again, no funding has been made available to meet these increasing requirements.</p> <p>These activities and responsibilities undertaken by local government, while being vitally important to ensure the resilience and wellbeing of our community, must be adequately resourced if they are to be provided in a sustainable manner.</p> <p>Recommendation 16</p> <p>Amend the emergency management legislation and funding arrangements to allow for greater resourcing for networks and functions such as the LEMC that support multi-agency coordination.</p>
<p>4. The sustainability of local government contributions to emergency service provision</p> <p>Council's contributions to emergency service provision reflect the unrelenting growth of cost shifting to councils. This coupled with rate pegging, is increasingly eroding the financial sustainability of local government and risking the capacity of councils to deliver grassroots services to their communities and maintain vital local infrastructure.</p> <p>The latest research commissioned by Local Government NSW (LGNSW) shows that the increase in cost shifting has been accelerated by various NSW Government policies. The latest cost shifting report produced by independent consultants, Morrison Low on behalf of LGNSW for the 2021/22 financial year (p11) highlighted that Northern Beaches Council paid the highest Emergency Services Levy in 2021/22 at \$6.4 million (\$62 per ratepayer), which is 28% more than the next highest Council (Central Coast Council at \$5.0 million). Our Emergency Services Levy has increased to \$9.3 million this financial year, equivalent to \$90 per ratepayer.</p> <p>With councils having to fund this ongoing subsidy for the State Government each and every year it means our communities get less or go without. They go without better roads, they go without better parks, they go without important community services that only councils provide, and they and their ratepayers are effectively paying hidden taxes to other levels of government.</p> <p>Recommendation 17</p> <p>Amend the emergency management legislation and funding arrangements to provide an equitable basis for funding emergency services and remove the ongoing cost shifting to local government, recognising the expected cost increases in the future as a result of climate change amongst other factors. The NSW Government should remove the ESL from councils and insurers, and replace it with a broad-based property levy, collected directly by the NSW Government.</p>
<p>5. Any other related matters</p> <p>Council currently provides a range of administrative and accounting services to the Commissioner and to the RFS for an annual fee of \$1.00. This includes access to Council's Purchasing System, processing of accounts for payment, Council Credit Card access with relevant delegations, Petty Cash reimbursement, the provision of IT support, access to SEA (GIS System) and to Council's financial system.</p>

Responses

This arrangement is not administratively efficient, nor does it provide an appropriate level of oversight and the maintenance of internal controls.

Recommendation 18

All administrative, information technology and accounting functions should be undertaken centrally by the RFS to ensure processes are administratively efficient and appropriate internal controls are maintained.

Should you require any further information or assistance in this matter, please contact my office on [REDACTED]

Yours faithfully

[REDACTED]

Scott Phillips
Chief Executive Officer