

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

**Organisation:** Shoalhaven City Council

**Date Received:** 9 May 2024

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To The Hon Jason Li MP  
Committee Chair  
Public Accounts Committee  
Parliament of NSW

Dear Public Accounts Committee,

**Inquiry into the assets, premises and funding  
of the NSW Rural Fire Service - Shoalhaven City Council Submission**

Shoalhaven City Council (Council) thanks you for the opportunity to provide feedback on the inquiry into the assets, premises and funding of the NSW Rural Fire Service.

Council appreciates that the Terms of Reference (ToR) has been constructed to include the financial sustainability impacts on local government, when contributing to emergency service provisions, which includes the accounting for ownership of Rural Fire Service assets and premises, which councils do not control.

Council cannot overstate the importance of this review. Councils are the level of government closest to our communities and perform a critical role in emergency service delivery. The ongoing financial sustainability and long-term funding models for this service provision is paramount to ensuring that communities continue to receive vital services, as and when they are needed.

Council requests that, to achieve a holistic and fulsome review of the assets, premises and funding of the NSW Rural Fire Service, the following must be included in the ToR for investigation and in devising a final report:

- Who controls NSW Rural Fire Service rural fire fighting equipment?

The argument surrounding accounting for the RFS assets has centred around who holds control of the assets under the Australian Accounting Standards. Most councils, if not all, agree that councils have no right to direct the use of RFS assets and therefore, do not have control. An independent assessment by Colin Parker, principal GAAP Consulting, further supported this position.

Councils risk receiving a qualified audit opinion from the NSW Audit Office where they fail to recognise the value of RFS assets on their balance sheets. Receiving a qualified audit opinion can erode community trust in local governments. The inclusion of these assets has increased Council's depreciation expense, impacting on the financial performance of Council's. As a result, it is considered the current requirements are in need of reconsideration.

- Revision of Rural Fire Service Agreements – clear lines of responsibility.

Council is party to a Rural Fire Service District Service Agreement (DSA) which was signed in July 2011 for implementation on 1 March 2012.

The agreement remains in force currently as there is no termination date or timeframe set for renewal; however, the agreement at the time of signing replaced a previous agreement dated November 2001. This would indicate that the agreements are generally reviewed and renewed on a ten year cycle.

If this is the review cycle, it would indicate that the Shoalhaven agreement is out of date; however, there has been no approach to Council to instigate renewal. Considering the continuous pattern of natural disasters over the past decade, a more frequent review and renewal of the agreement would enable relevant amendments to be captured. This would also ensure currency of the schedules, allocation of responsibilities and the associated RFS District Business Plan.

The agreement can be described as generic and identical in content to the agreement in place for the Illawarra Zone which covers Kiama Municipal, Shellharbour City, and Wollongong City Councils. The only difference between the two DSAs is the list of properties referred to in Schedule 1 of the document and the associated District Business Plan.

As the agreement is a rural fire service agreement under section 12A of the Rural Fire Services Act 1997, they are centred more towards the Rural Fire Service needs rather than an agreement that considers zone-specific or Local Government Area (LGA) needs.

The DSA requires the RFS to maintain a register of the district equipment; however, this register is not appended to the agreement. The agreement specifies that Council make the equipment available to the RFS for use which identifies that Council is the owner; whereby, the RFS will maintain the equipment.

It is unclear to Council how the annual Rural Fire Fighting Fund (RFFF) allocation for Maintenance & Repair is determined. It does not appear to be based on the actual district forecast needs, but rather a distribution of funding of available funding. Costs associated with equipment including appliances and vehicles track consistently above budget, currently 30% above budget for the Shoalhaven region. This results in a financial liability for Council which is unplanned and unbudgeted.

The Land and Buildings required by the RFS for operations, are included in a list of properties within Schedule 1 of the agreement. The list is outdated due to the age of the agreement. There are 34 premises occupied by RFS in the schedule; however, 45 parent buildings exist in Council asset register. It is considered the list should be maintained for relevance by the RFS in collaboration with Council. The suitability and relevance of clauses pertaining to land and buildings should be aligned to Council's standard lease conditions for consistency across the portfolio.

Councils' capacity to service operational maintenance and capital renewal for these facilities is dependent on available budget streams to program and complete the works.

Council will soon deliver extensions to Conjola RFS stations and a new station at Manyana funded through the Bushfire Local Emergency Recovery (BLER) Grant, which has been instigated and managed by Council. The commissioning of these facilities into operation which will add downward pressure to existing available budgets, which are already considered underfunded.

The provision of administrative support required through the DSA in the functions of finance management, asset management and project support propose difficulties for Council in terms of resourcing. There is an expectation not covered in the agreement regarding project development and delivery for new builds and refurbishment of buildings assets.

In the majority, allocations for Infrastructure projects are announced and notified generally to Council in December of the same year projects are budgeted for; therefore, it is unlikely that available Council resources can be identified to deliver projects.

Council is proactively working with the RFS District Manager to foresee projects and forecast resources; however, confirmation of projects is only known upon notification from the RFS Commissioner. Ideally, budget allocations should be notified at least one year in advance for the following financial year to enable adequate planning from a financial and project resource perspective. This will reduce the risk of failure to deliver the projects within timeframes and help prevent unforeseen budget blow-outs.

- Provision of appropriate funding for the services Councils are required to provide.

The provision of services provided by Council to the RFS exceeds the annual finding allocation it currently receives. This results in the shortfall being funded through Council's general rates, diverting funds away from vital services and infrastructure Councils needs to deliver to the community.

There is currently confusion regarding Council's obligations to supplement the annual NSW RFFF funding and to what extent, if indeed, Council should provide funding at all, particularly for Maintenance and Repairs (M&R).

Numerous District Managers have remarked that the RFFF allocation is merely the RFS contribution to the annual funding required; however, Council is of the understanding that payment of the Emergency Services Levy (ESL) currently budgeted to the full tariff in 2023/24 at \$2,552,059 was for this purpose.

If in fact the ESL is not for this purpose, then the question of where the contribution spent arises. It is unclear on where Councils extra-over obligation for funding the annual RFS costs is specified.

Forecasting the annual M&R budget is currently difficult for Council as there is no insight into the budget bid put forward to the commissioner on behalf of the district by the RFS District Manager.

Council is required to provide an up-front budget which is best estimated on the RFS's previous year's allocation with adjustments for CPI only. Council is not able to adjust the forward budget for the previous years over expenditure nor reasonably assume what may be required based on previous costs trends. This is not without placing Council in a position of financial exposure. Indeed, some may argue that this is the status regardless.

It is recommended that there be a clear forecast information provided from the RFS to Councils to ensure adequate budgets are set and that they are realistic.

Management and control of the annual M&R budget has proved to be a consistent issue for both the RFS and Council. M&R budget performance over the past three years is as shown in **Table 1**.

**Table 1 – M&R Yearly Performance**

Financial Year	M&R Budget	Actual Expenditure	Variance	% Budget
2020/21	\$678,116	\$755,154	-\$77,038	111%
2021/22	\$614,500	\$556,327	\$58,173	91%
2022/23	\$614,500	\$689,594	-\$75,094	112%
2023/24 @ 75%	\$664,253	\$624,326	\$39,927	94%

Unfortunately, Council has relatively minor control over the M&R expenditure; however, is required to fund budget over expenditures at the end of the fiscal year. From Councils experience management of these yearly results have been significantly impacted by the rate of change amongst the RFS senior staff cohort. Where there has been an extended tenure of District Managers such as in 2021/22 financial year, the resulting accountability is evident. This would suggest that the RFS require a more robust accountability framework and financial support for districts to control budget expenditure in line with annual budget allocations.

Significant natural disaster events such as the Currowan Bushfire that broke out on 26 November 2019 and lasted for over 74 days, caused a huge strain on many organisations. Council will forever acknowledge and appreciate the contributions made by the volunteer RFS brigade members and the RFS organisations in protecting community members, preserving life and properties.

Natural disasters of this magnitude place an unplanned financial burden on both the RFS and Council resources, the associated costs are significant. Declared as a Section 44 emergency and coupled with numerous subsequent natural disasters, Council continues to be impacted financially by these events. It is important to note that S44 payment for claims incurred for the event were settled in early 2022, actioned by the incumbent District Manager for the 2021/22 period.

It is considered the strategy surrounding funding reserves for these such disasters should be considered by the State Government to ensure that the cost burden is not imposed on councils. This presents a risk to the community particularly where costs cannot be met from Council funding sources.

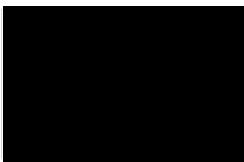
Competing priorities exist for Council funding within the emergency services facilities asset class. In Council's case allocated Operational Maintenance and Capital Renewal budgets are limited and distributed amongst RFS, State Emergency Services, Surf Life Saving and Marine Rescue facilities.

The recently drafted Emergency Services Buildings, Asset Management Plan identifies 55 building within this class with an estimated available funding level of 76% of the cost to sustain the current level of service. This represents a projected shortfall of over \$5million over the next ten years. Greater funding is required to maintain the increasing number of facilities to an acceptable level of service in regard to amenity and compliance. There is no current opportunities to increase revenue streams for this class of asset as the service costs increase.

It is considered this issue needs to be investigated more thoroughly, with Councils adequately compensated for the services they are providing on behalf of the RFS.

Shoalhaven City Council would welcome any opportunity to further discuss these matters further. Please do not hesitate to contact Council's Chief Financial Officer, Ms Katie Buckman directly on telephone [REDACTED] or [REDACTED] should further information on this submission be required.

Yours sincerely



**Robyn Stevens**  
Chief Executive Officer  
Shoalhaven City Council

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