

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

Organisation: Junee Shire Council

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The Hon Jason Li MLA
Chairman
NSW Public Accounts Committee
Inquiry into Assets, Premises and Funding of the RFS

By Email: pac@parliament.nsw.gov.au

Dear Mr Chairman

JUNEE SHIRE COUNCIL SUBMISSION TO THE NSW PUBLIC ACCOUNT COMMITTEE INTO ASSETS, PREMISES AND FUNDING OF THE RFS

June Shire welcomes the opportunity to make a submission to the Public Accounts Committee inquiry.

June Shire Council's responses to the Terms of Reference of the inquiry are as follows:

I. The mechanisms for:

a) Funding Rural Fire Service assets and premises

The responsibility for funding RFS assets is the responsibility of the NSW Government. Therefore, the mechanism that it uses to fund the RFS is the responsibility of the State Government.

The funding needed for emergency services currently comes from the Emergency Services Levy (ESL) on insurance policies (73.7 per cent), the ESL on councils (11.7 per cent) and the State Government contribution (14.6 per cent).

The three agencies covered by this arrangement are:

- Fire and Rescue NSW (FRNSW) is responsible for the provision of fire, rescue and hazmat services in cities and towns across NSW.
- The NSW Rural Fire Service (RFS) is responsible for combating bushfires in NSW and leads coordinated bushfire fighting operations across 95 per cent of the State's land mass including a growing proportion of the Sydney metropolitan area including multi-storey structures due to historical fire service districts.
- The NSW State Emergency Service (SES) is responsible for responding to flood and storm emergencies in NSW, with a majority of rescue efforts in rural parts of the State.

The arrangements concerning the determination and collection of the ESL are currently subject to an NSW Treasury review.

Junee Shire Council suggests that the current method of funding is not fair to Local Government as increases are often far greater than the rate cap. There seems to be very little budgetary control over the RFS and local councils end up paying for increases over which they have no control.

The current arrangements result in property owners making contributions to the Rural Fire Fighting Fund (RFFF) through multiple avenues. A typical homeowner for example makes a contribution to the RFFF as a NSW taxpayer through Treasury's contribution, as a ratepayer through the local council's contribution from consolidated revenue and as a policy holder through the insurance industry's contribution. And then of course there is the equity issue that arises when property owners do not take out insurance. This means that they receive the benefit of protection from the State's emergency services without making a contribution and, as fewer property owners take out insurance policies, the burden increases for those that do take out insurance cover.

Junee Shire Council recommends that the NSW fully fund the RFS from consolidated revenue, **or**,

that the Emergency Service Levy on both the insurance industry and Local Government be removed and replaced with a broad based property levy, which could be levied via a separate line item on the rate invoice.

This was proposed in 2017 but never eventuated. Councils would need to be paid to levy and collect the associated money. Furthermore, councils should only be required to forward the amounts collected, not levied, so that cashflow is not affected.

b) Maintaining Rural Fire Service Assets and Premises

Like many other of the issues addressed in the inquiry the key issue here is control. As the RFS controls these assets logic suggests that they must be responsible for the maintenance of them.

Any other system will not work as the assets need to be maintained to the level that the RFS requires. For example, if Local Government were responsible would the RFS accept a cut to Council's maintenance budget that affected RFS assets?

c) Accounting for ownership of Rural Fire Service Assets and Premises

Junee Shire Council is one of a number of NSW councils that has received a modified audit opinion from the Auditor-General because of its refusal to recognise the RFS assets, in its financial statements.

Council has adopted this policy position acknowledging that the assets are vested in local councils pursuant to section 119 (2) of the RFS Act but noting that the definition of an asset for accounting purposes is based on the element of control.

Once again, the key issue here is who controls the Assets. As the RFS has control they should account for them as their assets. So, the value of all RFS assets should be recognised on the RFS, (not Council's) balance sheet and the associated depreciation of those assets should be accounted for in the RFS Profit & Loss

statement. Inclusion of assets controlled by the RFS in council's Financial Statements would corrupt the validity of those statements.

The legal vesting of assets with councils, as stipulated by section 119 of the Rural Fires Act 1997 (the Act), appears to be more a formality than a true reflection of control. Australian Accounting Standards have changed considerably since the Act was written, as has the way in which RFS and its assets are managed.

The State Government determination to base its argument on the single word "vesting" seems to be an attempt to avoid the fact it has taken over control of RFS, its operations and assets since the time the Act was written. The Act itself therefore urgently needs to be changed.

Junee Shire supports the Rural Fires Amendment (Red Fleet) Bill 2024 introduced to parliament by the Hon Adam Marshall MP, which recommends that ownership of RFS assets be recognised in the financial accounts of the RFS.

The NSW Government needs to properly account for the cost of operations and management of the RFS as a whole and not hide these costs in Local Government accounts.

- d) Operational Management, including the control of assets and premises, risks and impacts to Local Government and the ability to effect a response to emergency service provision

Local councils are not set up to respond quickly to emergencies. This is the role of emergency service organisations such as the RFS and SES. Local Government can provide support to these organisations during an emergency as required.

2. Whether the following arrangements between Councils and the RFS are fit for purpose:

- a) Service agreements

It is the view of Council that service agreements are not required. They are simply wasteful, bureaucratic nonsense. The current service agreement serves no purpose, is rarely referred to and has not been updated since 2010.

The level of importance placed on service agreements has only recently emerged from the State Government. The fact is the RFS operations and practices have grown significantly and move well past the need to reactivate these agreements. The agreements were assigned to the shelf and have been collecting dust for a decade now. It would be embarrassing to promote reactivating them.

Local Government simply provides the RFS what it requests in times of emergency. It does not require an agreement to do this.

- b) The division of responsibilities for bushfire management and hazard reduction

The RFS have responsibility for bushfire management and Local Government provides a supporting role. Local Government has a role in hazard reduction and is funded to do so.

c) Upkeep of assets

The upkeep of assets should be the responsibility of the RFS. Local councils should not be required to pay or contribute to the upkeep of assets that they do not control. Furthermore, the RFS is in the best position to know what level of upkeep is required as it has access to these assets whereas Local Government does not.

d) The provision of insurance

Insurance of the RFS assets should be the responsibility of the RFS. They have a better idea of Risk mitigation requirements in the area of bush firefighting than Local Government. Once again, the RFS controls the assets and should insure them.

e) Provision of land and construction management of RFS premises

Council has some capacity to provide access to community land for the construction of RFS sheds, as does the NSW Crown Land Department. The land upon which fire sheds are built should be transferred to RFS. The RFS should be responsible for the construction, maintenance, management and accounting of these assets.

f) Bushfire Management Committees.

Bushfire Management Committees should be run by the RFS with Local Government and volunteer representation having a presence on these Committees so that they know what is going on. The current practice in place is fine.

3. The appropriate role for local authorities in the provision of emergency services

Local authorities are a support agency to the RFS who is the lead agency when dealing with bushfire emergencies. The same applies for any other emergency service organisations.

4. The sustainability of Local Government contributions to emergency service provision

Local Government has limited resources within which it is required to operate. Emergency Service costs can't keep increasing at levels that are above the rate peg as other local essential services are affected. This is cost shifting in its most basic form.

If the future funding model includes Local Government, then increases must not exceed the rate cap. If emergency service requires increases beyond that it should be funded from Treasury.

5. Any other related matters

The qualification of Council's statutory accounts due to the non-recognition of RFS assets is most upsetting to the Council staff who produce the financial statements.

They take great pride in producing figures in a timely manner which have integrity. To qualify them over a technical bureaucratic matter, which is clearly wrong, is upsetting to them.

Looking at past RFS annual reports their financial statements suggest a need for a deeper dive into RFS financial management practices. Since 2014 budgets have increased by an annual average of 9%, from \$294M to \$623M. Annually, actual v budget performance isn't that flash with an average budget overspend of 24% across the same period.

While there will be justification for unplanned events impacting expenditure such as the major fires in 2020, the NSW Public Accounts Committee may have the capacity to do long term financial analysis regarding RFS expenditure patterns.

Council would encourage the NSW Public Accounts Committee to examine the proportional increases over time across the following functions areas to establish where expenditure is being distributed.

- State RFS command and control management expenditure.
- Zone level command and control management expenditure
- Fire Fighting assets
- Local Volunteers support training and PPE

The funding and operation of Emergency Service across RFS, NSWFB and the SES is vitally important to NSW residents. There is no doubt overlap and duplication in managerial functions and underutilisation of some assets needs consideration. Therefore, an examination of bringing emergency services under a single agency may be a worthwhile exercise.

CONCLUSION

The Public Accounts Committee's Inquiry is welcomed by Junee Shire Council and the opportunity to make a submission is appreciated.

Council hopes that the opportunity is taken to make the legislative changes that are necessary to bring the arrangements relating to rural fire fighting assets in line with that of other emergency service organisations and reflect the reality of what is happening on the ground.

If the Committee have any questions, or want any of the points above expanded upon, please contact Luke Taberner, Chief Financial Officer on: [REDACTED]

Yours faithfully

[REDACTED]
JC Davis
General Manager