

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

**Organisation:** Hawkesbury City Council

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## **Hawkesbury Council Submission to the Public Accounts Committee – Inquiry into assets, premises and funding of the NSW Rural Fire Service**

Council welcomes the inquiry into assets, premises, and funding of the NSW Rural Fire Service. This submission is made on behalf of Hawkesbury City Council, a peri-urban council on the fringe of Metropolitan Sydney, covering an area of 2,775km<sup>2</sup> with a population of 67,862. Council is required to maintain a large asset holding serving a dispersed population, with 27,608 rateable assessments.

The Hawkesbury is dominated by the Hawkesbury-Nepean River System and escarpment of the Blue Mountains to its west. The topography of the area varies widely, with 70% of the Local Government Area (LGA) located in National Parks with significant world heritage values and riparian and wetland communities. The LGA contains substantial areas of bushland which are prone to bushfire, and therefore the adequate funding of land management, including bush fire mitigation is of paramount importance to our community.

As Hawkesbury has broad expanses that are highly bushfire prone, Council strongly values the service of the Rural Fire Service (RFS). The funding and operations of the RFS directly impacts upon the liveability and safety of our community. Land management practices and hazard reduction work across the LGA is critical in the protection of our environment, assets, and our community.

Hawkesbury is regularly impacted by significant fires, including the State Mine Fire in 2013 and Gospers Mountain in 2019/2020. And as the council within which lies the boundary between wilderness bushland and urban development, in an arc from Yarramundi across the northwest of the Sydney Basin through to Ebenezer and Sackville along with many ridge-top developments, it is the Hawkesbury which claims one of the largest bushland/urban interfaces in NSW. The orientation of this interface, along with isolated communities and villages such as Bilpin, Colo Heights, Lower Portland and St Albans, gives rise to one of the highest bushfire risks in the State and perhaps Australia.

However, the current funding model is largely blind to this risk; the dominant driver for funding being based in the Hawkesbury community's capacity to pay, rather than risk it is exposed to.

In short, the current funding model creates a system in which the capacity and capability of an emergency services' response is more closely related to a community's affluence, rather than its need.

Based on this, it is Hawkesbury's submission that the current funding model fails to support the holistic management of bush fire risk mitigation, consistency of services and outlines the missed opportunity for economies of scale related to procurement. The service provision under the current model is intrinsically tied to the rates income of a LGA, which is driven by population density, affluence of the community, the geographical size of the area and other, non-emergency, but equally critical services needed to be provided by a council.

It is Council's stance that the RFS funding model should be aligned to that of the other state emergency services, including NSW Fire & Rescue and NSW SES. It is also Council's view that the Rural Fires Act should be amended to reflect that the responsibility of the services provided by the RFS are the responsibility of the RFS and not councils, and therefore all assets and premises should be transferred from councils to the NSW Government.

### **1. The mechanism for:**

#### **a. Funding the Rural Fire Service assets and premises**

Hawkesbury's LGA covers a broad area with a relatively small population, and encounters costs associated with provision of services to a dispersed population with significant distances. Therefore, the impact of changes in the levels of the Emergency Services Levy (ESL) has a significant impact on Council's ability to fund other services and to optimise asset renewal. It is to be noted that the ESL has increased by 62.9% since 2013/2014, as compared to the rate peg increase of 24.4% over the same period.



The ESL is only one aspect of the funding that councils contribute towards the operations, assets and premises of the NSW RFS. Council also directly funds a range of activities, including maintenance of buildings, insurance of white fleet and buildings, rates, printing, training, change over and purchase of additional personnel carriers and Group Office vehicles, a field day, printing, catering, cleaning, water, a portion of vehicle servicing, and general equipment purchases and maintenance. The net bottom line direct cost for Hawksbury Council's non-ESL contribution is projected to be \$0.6M for 2023/2024.

On top of the direct costs are indirect costs, which for 2023/2024 is estimated at \$356K and the impact of depreciation of assets totals \$3.2M. While depreciation is not a cash related expense, it does have significant impact on Council's achievement in relation to financial sustainability ratios. The total average renewal requirement of these assets is projected at \$102K per year over the next 10 years.

In summary, RFS costs account for \$3.5M from the general rates revenue of \$46.6M for 2023/2024, or 7.5%.

What the above demonstrates is that funding the RFS is a significant expense for Hawkesbury Council and the ability of Council to continue this funding is constrained by rate pegging, which impacts upon the ability of Council to provide the range of services demanded by the community and to keep infrastructure in satisfactory condition. Where the annual rise in these costs exceed the rate-peg amount – which they often do – other services must be cut to achieve Government mandated sustainability ratios.

The current funding model creates a system whereby a council's (and thus a community's) ability to fund the costs above the ESL, are determined by the financial position of a council and the range of services a community needs. The financial position of councils is driven primarily by their rate base (number of rateable assessments) and the population density, which drives costs and potential economies of scale. The funding model should be driven by a consistent framework that determines the appropriate asset base, staffing, operations, and premises required to provide the training, bushfire mitigation activities and emergency response congruent to the level of risk of an area.

The current funding model creates significant confusion as to what expenditure is covered by councils, the RFS and individual brigades. This confusion, and in some circumstances conflict, has been expressed by our community, RFS volunteers, RFS District Office staff and Council staff, this despite Council having a number of volunteers on staff (including senior staff) holding various positions in different Brigades across the District.

#### **b. Maintaining Rural Fire Service assets and premises**

Each council has different processes and systems for how it undertakes its operations, including maintenance of assets and premises, and procurement. With the hard linkage between councils and RFS Districts, this then leads to differences in how each District is operated, leading to reduced potential cost savings and efficiencies which can be generated through economies of scale, bulk purchasing contracts and enhancement of transferability of staff across the State. This is, of course, contrary to the expectations and interests of a state-wide, NSW Government Agency.

Each Council also has different asset management strategies and abilities to fund buildings and vehicles at optimal service levels. This leads to differences between RFS Districts in the condition, size and number of buildings and vehicles provided. Not only does this impact on the emergency response and operations of RFS Districts, it also impacts the attraction and retention of RFS staff and volunteers, resulting in capabilities and accreditations not always aligning to the risk profile, number of Brigades and number volunteers of the District.



For the reasons outlined above, the maintenance of RFS assets and premises should be undertaken solely by the RFS, with councils removed from the process in totality.

**c. Accounting for the ownership of Rural Fire Services assets and premises**

Council has previously resolved that RFS assets are not owned by Council. It has circulated correspondence expressing that stance and requested the amendment of S.119 of the Rural Fires Act 1997 to reflect that ownership of these assets are with the RFS and not local government.

Council does not have care, control, risk, or reward of RFS assets. Councils cannot access and use RFS assets, a pre-requisite threshold criterion for ownership. Nor are councils directly involved in the decisions in terms of the changeover and additions to the firefighting fleet (known as the Red Fleet).

There is also a range of equipment and contents within each Brigade that are purchased from donations made by the public and via the Rural Fire Service Association that are dependent upon volunteers advising of the purchase and value of these items. The stocktake of these items are undertaken once a year by volunteers to provide a listing for building and contents insurance purposes. This generates significant uncertainty regarding the contents within RFS buildings and hence impacts the verifiability of amounts reported in Finance Statements of local government.

Council receives a listing once a year with RFS's determined valuation of each Red Fleet item, which is not substantiated by invoices and is informed once per year of the value of the disposal of the Red Fleet, again without any verification of the resale value provided. This does not meet the reliability and externally verified requirements for accounting recognition. The NSW Audit Office would not accept the level of this evidence for an addition of a non-RFS vehicle purchased by Council.

The current methodology of recognising RFS assets as council assets does not meet accounting principles for recognition and inhibits the strategic and long-term growth of the RFS itself.

As the income of local government is restricted and the levels of income available to fund RFS assets and premises vary from LGA to LGA, the ability to determine the asset requirements on a risk-based approach is diminished. The size and condition of District Offices and Brigades quite often are inappropriate and fail to meet service operational requirements, changing demographics of volunteers (number, gender, and culture), training provision and lack the flexibility required to scale up to respond to a campaign fire (large sized, long running fire emergency).

As outlined above, the varying ability of councils to fund the requirements above the ESL, directly impact the consistency and quality of assets available for operations and therefore impacts upon the ability of the service to attract, train, and retain volunteers and staff.

The accounting methodology also impacts upon a council's reported financial sustainability, with higher depreciation resulting in higher annual renewal requirements and a deterioration in the main indicator of financial sustainability, the Operating Performance Ratio.

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

The expertise on the assets and premises required to effect a response to emergencies lies with the RFS. However, under the current arrangements, there are a range of decisions made by councils, mostly associated with the financial capacity of councils, to service the assets optimally, which in turn can impact on the ability to respond to emergencies. For example, without funding from the Rural Fire Fighting Fund (RFFF), Hawkesbury Council would not be able to construct a new Fire Control Centre, despite it being evident during the Gospers Mountain Bushfire, that the current facility was entirely inadequate to service the response required.



Another concern is that denoting these assets as belonging to councils, places risks on councils that they are unable to have oversight of, and therefore mitigate effectively. Councils do not have oversight on how the volunteers within each Brigade use the equipment and buildings to undertake their operations, which places an undue risk on councils. Brigades have made unapproved alterations in the past without consultation with councils that could have resulted in insurance claims for damages to buildings being refused by insurers.

The current model to align RFS Districts to LGA's also results in the distances covered by RFS staff, Council staff and volunteers fluctuating across the state, leading to inconsistent response times.

The capacity and staff of council and how the Rural Fire District Service Agreement (RFDSA) is affected in practice can have a significant impact on the ability to scale up during large campaign fires.

**2. Whether the following arrangements between Council and the Rural Fire Service are fit for purpose:**

**a. Service agreements**

The RFDSA is outdated, with the template used being dated from 2010. Many councils, including Hawkesbury have deferred the renewal of the RFDSA awaiting the finalisation of a review of the template document being undertaken by RFS. This has since been deferred awaiting the result of this inquiry.

The current RFDSA does not reflect that the RFS is a State Government Agency that has assumed responsibility for the mitigation and response to bushfire fighting and house fires in less urban areas. In practice, there is no consultation with councils prior to responding to events outside of the LGA, or even the state.

**b. The division of responsibilities for bushfire management and hazard reduction**

Council supports the principle that each landowner ought to be responsible for managing the risk of bushfire associated with their land, but also recognises that often it is the case that the funding of mitigation activities is beyond the ability of councils to fund.

As a landowner, Council is responsible for the maintenance of Asset Protection Zones (APZ's) which are located on Council's land, and when significant work is required, relies on grant funding via RFFF and the Bush Fire Mitigation and Resilience Grant Program, both funded by the NSW RFS, to undertake these works. In the past, Council has successfully applied for grant funding and completed mitigation work, only for the District Office to express dismay because Council's success in obtaining grants have diminished the pool of funds available to the District Office.

This places the two organisations that should be aligned in competition. Additionally, the process of applying for and acquitting grants to undertake work on behalf of RFS, introduces a range of non-value adding activities that could be streamlined by an appropriate funding model that assigns the responsibility for the task onto the RFS.

**c. Upkeep of assets**

Council manages assets in accordance with its Asset Management Strategy and associated processes. The asset portfolio is assessed by priority based on a range of factors, due to funding constraints. The funding constraints arising from rate-pegging diminishes the ability of Council to maintain, renew and modernise RFS assets as required to meet the operational requirements of the RFS.

The broader the range of and number assets under Council's remit, the more constrained Council's ability is to undertake renewal and maintenance at optimal (and thus lowest whole-of-life cost) levels. This in turn leads to unsatisfactory asset conditions and higher costs in the long term.



The inability of councils to meet the required upkeep of RFS assets, leads to friction between councils, District Staff, and volunteers. This in turn places pressure on a Districts' ability to attract and retain both volunteers and paid staff.

#### **d. The provision of insurance**

The insurance of RFS assets is split, with the Red Fleet being insured by the RFS and buildings and contents insured by councils. The assets under council's insurance policies are dependent upon the policies that each council has, which also reduces savings possible due to economies of scale if assets and responsibility for insurance are transferred to RFS.

Despite the Red Fleet being denoted as Council assets, no consultation is made with Council regarding how these assets are insured and no provision of currency certificates and value of insurance is provided. This again substantiates that these assets, should not be accounted for as council assets.

There is a strong potential for under-insurance for the assets under council insurance policies as contents and even some building modifications have been funded by brigade fund-raising and are not reliably reported. There have been occasions, due to the inability of Council to respond to requests for modifications or renewal to buildings, that Brigades have undertaken works, without permission or Council knowledge, which increases both the risk of under insurance, and refusal of a claim.

In relation to contents, Brigades undertake fund-raising activities to be able to fund equipment and furniture purchases. While there are practices in place where permission should be sought by District Office, it does not always occur and therefore, these additional contents are not entered into asset registers used for insurance purposes. Additionally, volunteers undertake stocktakes used to maintain asset registers, adding to the uncertainty and variability of information upon which insurance coverage is determined.

#### **e. Provision of land and construction management for RFS premises**

Generally, land is funded by councils and therefore highly constrained to available funding in an environment in which the major income source of councils is pegged. There is a perception in the community that councils have surplus land and should simply be able to dedicate a portion to RFS. Land held by councils is not always in suitable locations or have adequate access to be able to meet the needs of the RFS, resulting in the need to acquire land.

In our own situation, an amount of \$8M has been provided for the construction of a new Fire Control Centre for the Hawkesbury District. The agreement was that Council would provide land for the Fire Control Centre to be relocated, due to the size of the current location not being suitable for the expansion required in the event of a campaign fire.

Council located a potential site within its holdings, which subsequently was unable to be used due to the requirement to lodge a Development Application and participate in the Biodiversity Offset Scheme. This requirement only applies to infrastructure of the RFS, as the ability to construct an emergency services facility under clause 2.52(1) of the Infrastructure & Transport State Environmental Planning Policy (SEPPTI) specifically excludes the RFS.

On the basis of cost and risk, Council was not able to proceed with the original location and after trying to find a location for sale in a suitable location, has now had to proceed with a land acquisition process. A land acquisition is quite often an emotional and extensive process and can lead to significant friction within a community. Should compulsory acquisition be required, then the timeframe extends further, placing pressure on the ability to retain the funding allocation, leading to significant financial and reputational risk for Council, but over which Council has no control.

Regardless of whether the council-managed functions and assets are transferred to RFS, this clause within the SEPPTI need urgent review.



Due to the funding constraints of councils already outlined, many RFS District Offices apply for RFFF allocations to undertake upgrades and modifications to RFS buildings within the District. It has been Council's experience that these predominantly occur towards the end of the financial year, leading to very short timeframes between the allocation being awarded and the requirement to have the construction works completed and the claim for reimbursement acquitted prior to the closure of the RFS accounts at the end of May.

This has a series of deleterious impacts on Council; firstly, it often puts Council in the position of having to accept the funding and de-prioritise its own capital projects or maintaining its own capital projects as the priority and risk facing the reputational damage associated with being seen to not support its volunteers. In the vast majority of instances, this late-term funding has resulted in a diversion of resources away from the projects to be delivered within council's Operational Plans and losing credibility with its community in the process. Additionally, it has a follow-on impact in that it undermines Council's ability to undertake optimal asset renewal across our portfolio due to the change in priorities, leading to higher maintenance and renewal costs, which in turn further limits Council's ability to continue to fund the RFS and other critical community services.

Secondly, the requirements of the acquittal process for the RFFF are onerous and where the allocation is small, these requirements can cost Council more, in terms of resources associated with procurement, project management and reporting, than the value of the allocation. Additionally, councils forward fund these works, thereby introducing cashflow shocks and disrupting cash-holding projections and investment potential; all with little to no notice. Should works cost more than the RFFF allocation due to latent conditions, price escalations or unrealistic project budgets, then councils are required to fund the gap in works, which can only be done by the deferral or change in scope of planned works.

As councils generally manage the construction work, and the processes, systems and policies differ from council to council, this again leads to significant variations and inconsistencies across the State. Should these assets be transferred to the RFS, and delivery occurs within their remit, there is significant opportunity to streamline the management across the state and gain savings in costs due to economies of scale in relation to procurement.

#### **f. Bushfire Management Committees**

Council values the role of the Bushfire Management Committee and in turn its role within that Committee.

Bushfires do not discriminate on the basis of land boundaries and/or tenure and the risk of fire in the landscape often extends or has the potential to extend well beyond the boundaries of any one particular landowner. The management of this risk requires a tenure-blind approach, with a focus on risk mitigating actions that are assessed objectively and in a coordinated fashion, against the protection of critical community assets.

In its current form and structure, the Bushfire Management Committee supports this objective effectively, but the ongoing support is dependent on all major landowners and high-level stakeholders continuing to be represented and constructively engaged on the BFMC.

Council takes the view that, whilst the current form supports the objective of managing the risk of fire within the landscape adequately, there is a significant omission from the remit of the BFMC, which is firefighting capability and how the particular firefighting capability of a District/LGA reflects the scale and nature of the bushfire risk faced by the community within and beyond that District/LGA.

The recent audit by the NSW Auditor-General Planning and Managing Bushfire Equipment found that the NSW RFS could not produce evidence to demonstrate that any strategic fleet planning or assessment of the capability of the firefighting fleet required to respond to the current and emerging fire risks.





Council acknowledges the very great need to ensure that firefighting appliances are fit-for-purpose and safe for our volunteers, but supports the Auditor General's finding that there is an absence of overarching strategic planning for the RFS fleet in response to fire risk and would extend this by saying that not only is there a need to address this, but there is also a need to look at firefighting capability across all firefighting agencies (NSW RFS, Fire and Rescue, National Parks and Wildlife Service, Crown Lands and State Forests) and how this tenure-blind capability responds to the current and emerging fire risk and supports our community.

In respect of this task, the Bushfire Management Committee is already established and already has all responsible agencies present, along with the input from the local level to feed information, risks and needs into any overarching strategic approach.

The implementation of this scope increase in the remit of Bushfire Management Committees would provide a wholistic and coordinated approach to managing bushfire risk.

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

The only emergency service that local government has a management role for is the RFS, with densely populated, metropolitan councils, there is very little, if any involvement with the RFS. This results in disparity and discontinuity of service provision due to the variances in the operations, financial capacity, processes, and systems of councils. Additionally, it places greater pressure on councils that typically have lower financial capacity, as there tends to be higher RFS presence in LGAs with smaller populations and larger areas to service.

The role of local government in the provision of emergency services should be consistent, regardless of location and proximity to the rural/bushland interface. The RFS in the most part operates as a State Agency, and should also be responsible for the outcomes, operations, assets, and premises under its control.

The role of local authorities should be the provision of a central repository of information across all emergency agencies during an emergency event, to support the community. Councils are also responsible to assist the community in the recovery post an event and in building resilience in the community to enhance preparedness for the next event. This is done via liaison with emergency services agencies. This ensures that the way a council operates, and the financial capacity of the council does not impact on the way an emergency is dealt with.

The Principles of Emergency Management as outlined in the State Emergency Plan, are constrained by the current RFS funding model and to ensure consistency to facilitate an all-agency approach, change is required.

The roles and functions in relation to emergency management are stipulated within the Plan. Each LGA has a Local Emergency Management Committee (LEMC), chaired by either the General Manager of the local councils, or a stipulated delegate. Councils are also required to provide executive support to the LEMC and the Local Emergency Operations Controller. This are appropriate roles for local authorities and ensures the sharing of information and relationship development required to coordinate and manage emergencies.

The current funding model of the RFS could lead to a conflict of interest, friction, and a diversion from the all-agencies approach of the State Emergency Plan, as local government directly funds the RFS, but not other agencies.

### **4. The sustainability of local government contributions to emergency services provision**

Adopting risk as the dominant driver of asset investment/capability uplift (appliances, technology and buildings), which is the largest driver for emergency services provision, will almost certainly result in the value of assets (and correspondingly the cost of providing/maintaining these assets) increase within LGAs that are, by their nature, less sustainable (accepting that the key determinant in sustainability is population density).





By responding to the growing risk of fire in a meaningful way, the funding of emergency services and particularly the RFS, must be de-coupled from councils, otherwise local communities will be committed to a future in which they must trade firefighting capability against critical local services such as libraries, recreation facilities and roads. Taking this to its logical conclusion, the current system is one in which the firefighting capability protecting a community is not one reflective of risk, but reflective of how well off that community is and we find that an unacceptable future reality.

As outlined in the final report from the Review of the Rate Peg Methodology undertaken by the Independent Pricing and Regulatory Tribunal undertaken in 2023, there is significant concern regarding the long-term financial sustainability of local government under the current financial model.

The current funding model in relation to the assets, premises, and operations of the RFS is a contributing factor in this issue, and requires urgent intervention, not only for local government, but as outlined above, for the strategic growth and operational enhancement of the RFS.

#### **5. Any other related matters.**

The current requirements associated with the funding and claims process involved with a Section 44 event are onerous, inadequate, and highly inefficient. There is significant double handling, involving reviews of transactions being claimed by councils, District Offices, the District in which the event occurred, the Regional Office, before being processed by RFS.

Councils are again expected to forward fund the costs involved, and in relation to the Gaspers Mountain Fire, this was more than \$0.7M, which is a significant cash flow impact for a council of Hawkesbury's size.

Additionally, a range of expenditure cannot be claimed, a result of the urgency of the response impacting upon the ability to capture sufficient evidence, the fact that RFS staff and volunteers make decision that are outside the scope of what can be claimed, and councils try to service the event as quickly and effectively as possible.

Councils may not be able to source agency or contractors to provide support during an event, which can be claimed, and may need to rely on council staff to provide this support, which cannot be claimed. This ignores the fact that business-as-usual for council related programs still needs to occur and is deferred until after the event and typically results in overtime payments after the event to catch up. Additionally, the cost of council staff is generally lower than agency and contractors, resulting in higher costs to be claimed for the Section 44 funding.

By removing councils from this level of responsibility during an emergency event, there is enhanced oversight and control and removal of the double handling currently involved in the process. There are significant efficiency gains to be made by removing the council layer in this process.

Council looks forward to the outcomes of this inquiry, as there are great opportunities to enhance the financial viability and efficiency of both the RFS and local government, resulting in a stronger long-term outcome for our communities.

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