

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

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SUBMISSION



INQUIRY INTO THE ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE



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

The Public Service Association of New South Wales is the primary union within the state's public sector, with coverage of almost 40,000, including the Rural Fire Service (RFS) and other Emergency Service Agencies such as SES. The importance of the role played by our members in the RFS has been starkly highlighted by the events in recent years, including the 2019/20 bush fires and catastrophic flooding in NSW. Without the selfless acts of our members in the RFS, there can be little doubt that the loss of human life would have been far worse. We have consulted widely within our delegates who work in the RFS in drafting this submission.

The unusual and even strange arrangements detailed in this report regarding RFS's ownership of assets and governance arrangements appear to be a historical anomaly tracing back to its origins as a voluntary organization, based off local council areas rather than a state owned and funded enterprise. Where as other local government assets that were taken over by State control, such as electricity assets, were properly incorporated and single entity the RFS seems to be an amalgam of state control and local responsibilities that leads to serious budgetary issues, operational confusion and a lack of clear oversight. Inefficiencies are easy to spot with the current processes.

As we make clear in the sections below, it is our considered view that the NSW RFS, as it is currently funded and organised, is not fit for purpose. There is no transparent, uniform structure in place and there are widespread examples of inefficient and ineffective structures with considerable resources not being targeted at critical front-line services. The ability of the RFS to provide the excellence demonstrated during the bushfire and flooding events of recent years is essentially a result of the endeavours of our members and their colleagues, rather than the systems and structures within which they must operate.

We also question if there are further similar efficiencies to be had within the State's emergency services agencies, particularly with the State Emergency Service.

Below we respond to each of the Terms of Reference individually.

1 The mechanisms for:

1a) Funding Rural Fire Service assets and premises

Current funding arrangements, such as vested assets, are inconsistent and seriously impede the ability of our members to perform their roles to the best of their professional capabilities. There are 44 RFS districts covering 128 councils. Some areas of the RFS are zoned and these zones can cover multiple councils. For example, while Wagga RFS zone covers four councils, only one council will manage the finances between all councils and the RFS. Furthermore, some councils will have a fully automated financial payments system such as Wagga Wagga, while councils such as Lockhart will be manual.

All invoicing is processed internally by the RFS then sent out to the relevant principal council for processing. The council will add an 'on cost', sometimes as much as 30 per cent. On top of this, the council will sometimes claim back the on costs. Statewide, there is no uniform accounting practice vis a vis the RFS. This lack of a uniform, statewide financial management system leads to incoherency, which effectively results in funding which would otherwise be used to enhance front-line service is consumed in administration costs. Over and above this, the lack of a uniform, transparent financial management governance framework leaves the RFS open to unscrupulous practices and the potential for corrupt behaviour.

The Maintenance and Repair (M&R) budget is used for any purchases not covered by RFS funding. It is not always appropriate to use this budget to cover expenses. However, there are no guidelines around how it is used, or for what. Any financial overruns or overspend are currently picked up by local councils. This means the RFS cannot get an accurate picture of how much it costs to run the organisation as it is using two financial systems at once: RFS and M&R.

Councils have no control over the RFS budget, and even when operating under severe conditions of financial duress, they must fund any RFS overspend in their area.

RFS zones and districts may deal with multiple councils, where one lead council controls the budget of the others in relation to RFS expenditure, in addition to the council managing its own budget. Despite being in the same RFS district, the RFS may have to process the M&R budget through the two councils; each one having its own system (manual and automatic as outlined above). Each council also has its own approach, one will not have an issue approving any expenditure whereas the other must approve before the expense. For the councils that do require preapproval for expenses, it is a lot harder for the RFS to overspend.

As councils control budgets, there is no system within the RFS that tracks all budgetary expenditure. If the RFS does underspend based on what the Council has budgeted, money is simply lost and cannot be carried forward one year to the next. Councils merely book the underspent money as a buffer in case RFS overspends the following year and the RFS will be none the wiser.

Previously, councils would give 11.7 per cent towards RFS procurement costs with regular dialogue between the two to negotiate what the RFS needed versus what council could afford. For example, the RFS may require six new trucks, so they would propose this to the council and the council could work out if they can cover the 11.7 per cent and if not, negotiations would begin.

However, the RFS has moved to a centralised budget process and bills councils annually, meaning councils have a much harder task budgeting because there is little or no dialogue between them and RFS. To counter this, the RFS argues that as each council's annual

bill is based on historic funding, then this is not a difficult task. However, in practicality this is not the case.

Prior to the RFS implementing centralised budgeting practices, the RFS would negotiate annually with the area command to advise how much it needed to pay for M&R. The estimate would then be sent to head office with the local council included in this exchange. In October the RFS would determine their actual allowance for the year and each council would receive its bill. The budget allocation was determined by RFS head office, but the local RFS would get some say on how the funds are allocated depending on local needs and circumstances.

Similarly, before the change to centralised budgeting, where council determined it would be over its budget and wants to pull back on its contribution of 11.7 per cent, the state government and emergency services levy would be available to cover the shortfall. However, councils no longer have the ability to do this, hence placing greater pressure on local authority funding. This is despite the fact the budget was essentially based on previous budgets, which meant some smaller rural councils were restricted by the smaller historic budgets and were under considerable duress.

Now the budget that would have been allocated to the bigger, wealthier councils can be distributed more fairly across the state. Although this change has been beneficial to the RFS, which is starting to see the average age of its fleet rise, it's a hard effect on councils as they are only sent a bill after the expense has been incurred.

This financial disparity leads to an imbalance in Work Health & Safety. Some sites have been in temporary accommodation for six years or are in buildings that are not fit for purpose. Also, some of the fire trucks do not meet the current standards due to the lack of funding. A significant benefit though is that the procurement system is now centralised so that any new kit is standardised across the state, however there are still some legacy issues with existing equipment and fire trucks.

1b) Maintaining Rural Fire Service assets and premises

Our members feel that the current maintenance set up is not fit for purpose and the only reason it works is due to the goodwill and hard work of the RFS workers, both paid and volunteer staff.

The major funding mechanism, as mentioned in 1a above, is the Maintenance and Repair (M&R) grants. These grants are given to the council to run the maintenance of RFS buildings, fleet, and conduct training yet it is the RFS that determines how the funds should be used. This haphazard funding and associated financial management system

effectively impedes our members and their colleagues from being as effective as they seek to be.

Under the *Work Health and Safety Act 2001 (NSW)* councils have a responsibility to look after RFS occupied facilities. However, the councils are not meeting with the RFS's Health and Safety representatives and working in tandem with them.

The core Recommendation 17 of the Royal Commission in 2019 was to upgrade the RFS brigade stations to a level where they can be used as neighbourhood 'safe places'. Despite the funding having been withdrawn this objective is still being pursued via alternative funding mechanisms. This has long-term implications for maintenance. The RFS feels there needs to be something outlining what an RFS brigade station is designed to do, as there are several issues arising from Recommendation 17.

Also with Recommendation 17, there is no budget feedback loop to ensure that where a brigade station is upgraded, such as by the addition of a training room or hall, this is then accurately reflected on the council's balance sheet rather than the historic figure. This is of relevance to agenda item 5 for any other related matters.

1c) Accounting for the ownership of Rural Fire Service assets and premises

As discussed above in 1b, there are serious issues for the RFS, both in terms of budget and functional control over their assets and premises.

Throughout the state, RFS uses council owned or privately owned facilities. The RFS needs permission from the owner to upgrade, maintain or repair its facilities. The arrangements for this occurs with Councils is contained in the Service Level Agreement (SLA) document, which the RFS has with either all councils in a zone or with each local council. The agreement is not reviewed regularly so, despite it having no expiry date, councils do not feel obliged to meet their requirements under it.

The RFS is not in a position to deal with many of the issues raised in other parts of this submission while this situation continues.

1d) Operational management, including the control of assets and premises, risks, and impacts to local government, and the ability to affect a response to emergencies

Local councils do not have any capacity to respond to an emergency. Councils have a LEMO (Local Emergency Management Officer) as a requirement, which is the link between the RFS and the local council. However, there is no operational decision making within the council. The RFS will take on board the LEMO's recommendations but the

LEMO's are not the decision makers. Local councils do not assist the ability of the RFS to respond to an emergency. There are issues about the consistency with which the LEMO role functions between different councils.

Historically, the amount of council funding going to each RFS district determined how many staff went to that district. This, however, has created a disparity between the districts. This funding mechanism was put in place in 1997 and there still has not been a review of the staffing arrangements. There should be a comprehensive analysis of resourcing done to determine the amount of funding and resourcing required for each district.

With smaller scale incidents there have been situations where on a weekend the RFS has had to ring the council to ask if they will pay an operator to collect a truck from an unstaffed brigade and the operator has refused, causing the truck to be offline all weekend. There needs to be better integration between RFS and councils with a better understanding of their obligations to assist the RFS in those smaller incidents. Under the current arrangement, the RFS is over-reliant on a council's goodwill and the relationship between individual local councils and the RFS.

The pressure is on the local RFS staff to build relationships with their local councils, and they find that the level of service and assistance the council provide will depend on that relationship. This is because there is nothing in place other than the outdated SLAs that outlines how councils must assist.

Historically, councils would have been excited to have a new station built and would have facilitated it being built. Now, however, they are delaying the applications and eventually the funding is handed back at the end of the financial year with the application not discussed. The RFS could act on it, but that could jeopardise their relationship with the council. This does impact both the operational capability and organisation of the RFS.

There are examples of good relationships between RFS and councils, however there are also cases where councils are putting up barriers for the RFS, despite it being in the SLA (for example information on land ownership details). RFS does not have to pay for land ownership data, but the process requires head office to contact the district then the district to request it from the council; this makes the process time-consuming and frustrating for all involved.

2 Whether the following arrangements between Councils and the Rural Fire Service are fit for purpose

2a) Service agreements

The current SLA model is **not** fit for purpose. There are 44 RFS districts and 148 councils. You can have RFS zones and teams. Zones can have one SLA that all councils sign up to or individual council SLAs. With teams they are all individual SLAs. There is no audit or compliance process to ensure councils are meeting the SLAs. In short, the current

arrangements are a mish-mash which only work because of the people who operate within the system.

2b) The division of responsibilities for bushfire management and hazard reduction

Under Section 63 of the *Rural Fires Act 1997 (NSW)*, individual local councils are responsible for managing the risk through a Bushfire Management Committee. However, as a general rule of thumb, they will not do this without RFS funding. Alongside this, RFS underwrites a lot of the council's hazard reduction activity. Also, the councils use the RFS mitigation crews to complete work the council should be doing themselves.

If the RFS was able to move away from them, it would be able to treat councils like any other public authority. This means when the councils are not doing the hazard reduction work they are required to do, the RFS would be better able to hold them to account. Under the current arrangements, the RFS cannot or will not risk the relationships with the councils by raising their failure to undertake hazard reduction activities.

2c) Upkeep of assets

The PSA has nothing further to add here. We feel our comments elsewhere in this submission cover this area.

2d) The provision of insurance

There is a clear issue with regards to the over insurance of assets used by the RFS, but owned by other parties. The RFS is required to insure all its facilities and assets but as many of these are owned by other, they also insure them separately.

There is an ability for a council to claim back an amount from the Treasury Fund Management (TFM) where this occurs but this does not always occur, and it is not available for other parties who also own RFS operated sites who may also be insuring the assets.

Technically, any break-ins on stations or brigade's facilities should go on council's insurance as it is the council which owns the buildings. However, the effective operation of this arrangement is wholly dependent on the respective RFS and council relationship.

It is quite common for council to make a claim back through the RFS's insurer. The lack of clarity around these arrangements effectively means that the parties are doubling up on paying insurance and the RFS is paying a higher premium based on claim rates that are inflated.

2e) Provision of land and construction management for RFS premises

The PSA feels that some councils are effectively holding the RFS to ransom. The union is aware of situations whereby a council owns a piece of land and is refusing to build a new control station. This feeds into a narrative which points to a general disinterest on the part of some councils towards the RFS. Across the state there is no set way of doing things. For example, some stations are set on their own lot and Deposit Plan (Lot and Deposited Plan) number, which will be controlled by council and be registered to council as the landowner. Other stations will be on Crown Land under the management of council. Some other stations will be on private land with no formal contract, so if the land was sold it could jeopardise the station. There is no consistent approach. Historically, it would cost \$50,000-\$60,000 to build a single bay shed but now it costs up to \$600,000 to build a standard brigade shed. If this shed is on private land without a contract, it could mean that the asset is now lost. In some facilities built on private land, landowners were storing items in the 'RFS' building, whilst the fire appliance sits outside!

In Tumut, the RFS is paying the council rent (\$70,000 a year) despite the SLA saying it should be provided for free.

2f) Bushfire Management Committees

The effectiveness of Bushfire Management Committees was covered in the PSA's response to 2b.

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

Here the role of the Local Emergency Management Officer (LEMO) is critical. Under the *Local Government Act 1993 (NSW)*, the council has the responsibility to provide emergency services. Historically, councils were responsible for planning and development within their local government area. This meant they had to incorporate emergency services into their planning and development. That link has been broken as the state government has moved to take planning controls away from local government. The upshot of all this is that local councils do not have the ability to do the strategic planning and no longer have overall control anymore.

We would argue that there is a role for local government to be involved in the provision of emergency services, but how much of that role is still relevant (due to the lack of input local councils can have) is open to debate.

4) The sustainability of local government contributions to emergency service provision.

The ability of councils to operate in this area, especially smaller councils, is becoming increasingly difficult when faced with increased centralisation and resource constraints. The latter particularly impedes the ability of some councils to attract and retain higher calibre employees.

In an incident last year, the RFS brought a tip fire under control, only for the tip manager asked if the RFS could stay overnight to look after it as his facility didn't have the budget

to pay staff overtime overnight. Unfortunately, that isn't something the RFS could do. It is the same principle as mentioned earlier, councils not wanting to spend money they deem to be non-essential. Here there is a high-risk cost minimisation 'game' in play.

The RFS needs to move away financially from local councils and be a standalone statewide Agency in reality, as well as in name. The RFS needs to own and manage its own resources and manage its own station builds. It should not rely on a third party.

It should become the case that councils only become stakeholders within bushfire management. They should be a contractor providing resources for fires and engaging with the RFS through the LEMO.

5) Any other related matters

Brigades have significant difficulty if they are donated an asset as the RFS corporate (NSW Government) doesn't own it and the district may refuse to maintain it.

In a recent example, a brigade had a high-spec computer donated for use in its command vehicles. However, the district office would not register it or load basic programs such as MS Office or RFS programs onto the computer.

In another example, a large not-for-profit organisation was considering donating a new vehicle to a local brigade, but the district declined the offer because it could not go on its (the districts) (vehicle) asset register and the district would not pay registration or maintenance for the vehicle.

It would be remiss of the PSA to also not mention the clear similarities in the Operation and governance requirements between the Rural Fire Service and the State Emergency Service. It would be practical, and assist greatly in times of statewide crisis, if the two Organisations shared operational systems such as communications, and if their volunteer operational structures were geographically aligned and had local operational relationships.

Recommendations.

- The RFS be established as a standalone agency with a clear, transparent structure.
- End the reliance on local government for all emergency service provision.
- RFS funding is wholly determined and provided by the NSW Government
- Replace individual Service Level Agreements with a new, centrally determined standard requirement for Councils interaction with the RFS Levy councils at a standard rate, based on ability to pay, where the RFS operate and distribute funds through standard budgetary processes so that areas that need support receive it.
- The RFS to acquire all of its current premises and plant, through compulsory acquisition if required, to end the risk and wastage.
- Explore savings that could be made by creating a single leadership between the RFS and the SES, that aligns local command areas and provides a supporting local network, while making savings in administrative overlay and resource outlay.