

**Submission
No 73**

ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE

Organisation: Wingecarribee Shire Council

Date Received: 16 May 2024

10 May 2024

Assets, Premises and Funding of the NSW Rural Fire Service Inquiry
NSW Government
Email: pac@parliament.nsw.gov.au

To Whom It May Concern,

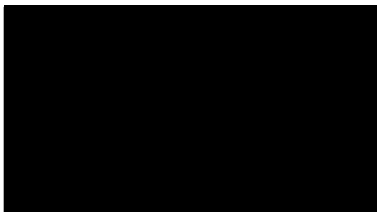
Assets, Premises and Funding of the NSW Rural Fire Service Inquiry

Thank you for the opportunity to provide a submission in relation to the assets, premises and funding of the NSW Rural Fire Service.

Please find enclosed Wingecarribee Shire Council's submission in relation to the Inquiry.

If you should have any queries, please to contact Council's Acting Director Corporate Strategy and Resourcing, Mr. Pav Kuzmanovski, on [REDACTED] or via email at [REDACTED]

Yours Sincerely,



Lisa Miscamble
General Manager

We're with you

**Wingecarribee Shire Council Submission:
Assets, Premises and Funding of the NSW Rural Fire Service Inquiry**

Council welcomes the opportunity to comment on the inquiry relating to the assets, premises and funding of the NSW Rural Fire Service (RFS).

Council's response focuses on removing the legacy arrangements, which are outdated and do not align to fundamental accounting principles and are inefficient for both Council and the RFS.

Council supports the services provided by the RFS to our local community and is advocating for an efficient model to ensure the RFS can operate efficiently without dependency on Council.

The following feedback is provided on the Terms of Reference:

1. The mechanisms for:

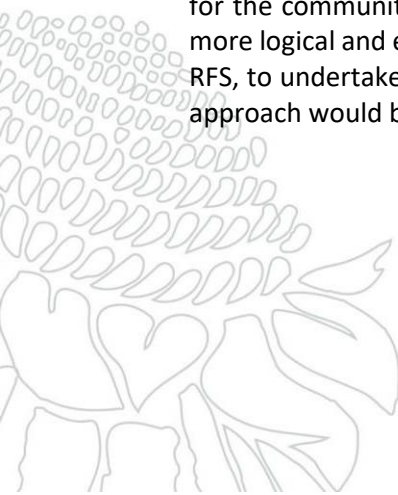
- a. funding Rural Fire Service assets and premises.**
- b. Maintaining Rural Fire Service assets and premises.**
- c. Accounting for the ownership of Rural Fire Service assets and premises.**
- d. Operational management, including the control of assets and premises, risks, and impacts to local government, and the ability to affect a response to emergencies.**

Councils no longer have a say in the acquisition, deployment, usage or disposal of RFS assets and therefore do not have management and control of the assets. In reality, management and control sit firmly with the RFS. Indeed, comparable assets held by Fire and Rescue NSW (FRNSW) and the State Emergency Service (SES) are appropriately vested with those organisations.

Wingecarribee Shire Council is of the view that there should be consistency in ownership between the services and cannot see any justification for maintaining local government ownership, which reflects historical arrangements that are no longer relevant.

Despite the evolution of the RFS and the clear case that ownership should be vested with the RFS, the NSW Government is maintaining an irrational position that RFS firefighting assets are the property of councils and must be recorded in councils' financial statements. This means that councils are required to record the assets in their financial statements and absorb the depreciation expense for these assets as well as the costs of inspecting, recording and booking these assets in their accounts, whilst having no control over these assets or operations of the RFS.

It is inefficient and ineffective use of ratepayers' funds with a requirement for Council to inspect these specialised assets that councils do not have any control over, and then make an assessment as to current condition and value. This diversion of resources distracts councils from their core work for the community and does not provide any value with the existing arrangement. It would be far more logical and efficient for a single specialised agency that owns and operates this equipment, the RFS, to undertake this stocktake and reflect these assets in its own financial statements. Again, this approach would be consistent with how FRNSW and SES assets are administered.



This NSW Government policy disproportionately impacts smaller rural and regional councils as they have a proportionally larger RFS presence.

The NSW Government and the NSW Auditor General argue that the depreciation expenses are merely book entries and not a cash expense. However, this view fails to recognise that the expense impacts on council financial performance ratios which has a negative impact on council's financial management.

Furthermore, dismissing the relevance of the depreciation expense does not answer the fundamental question of why the assets should be vested with councils, nor why each council should individually inspect and assess these specialised assets over which they have no control. This also provided uncertainty.

Up until December 2023, the NSW Government's Local Government Code of Accounting Practice and Financial Reporting provided for councils to determine whether or not they record the RFS assets as council assets based on their professional opinion. Despite this provision, for 2021-22 financial statements the NSW Auditor General issued 36 qualified audit opinions to councils who have made the principled and professional decision not to recognise RFS assets as council assets.

In December 2023, the NSW Government's Local Government Code of Accounting Practice was updated and now seeks to require councils, contrary to reality, to recognise material rural firefighting equipment in their financial statements.

The local government sector's position on this matter is further supported by an independent expert report by a former member of the Australian Accounting Standards Board (AASB), commissioned by the NSW Government, which found that *'councils have no substantive rights for the control of fire-fighting equipment – vesting by itself does not confer control'*. This expert report went on to recommend that councils should not recognise these assets, and that they should be recognised in the financial statements of the RFS.¹

The NSW Government has made reference to the responsibilities of local government under the Rural Fires Act as a justification for councils recognising RFS assets in council financial statements. The independent expert report commissioned for the NSW Government directly rebuffed this claim, highlighting that while councils have secondary and ancillary obligations under the Rural Fires Act, the RFS has the substantive responsibilities for the prevention, mitigation and suppression of bush and other fires in NSW.

Whilst Wingecarribee Shire Council's priority is to ensure a non-qualified audit is received whilst finalising its Annual Financial Statements for the Audit Office of NSW, the current position as prescribed in the NSW Local Government Code of Accounting Practice relating to the accounting of RFS assets needs to be reconsidered as a part of this review.

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

- a. Service agreements.**
- b. The division of responsibilities for bushfire management and hazard reduction.**
- c. Upkeep of assets.**
- d. The provision of insurance.**
- e. Provision of land and construction management for RFS premises.**
- f. Bushfire Management Committees.**

Councils Service Agreement with the RFS was signed on the 9 July 2009. A new template agreement has been under development for a number of years and a draft was recently due to be released for consultation.

Service Agreements are meant to give effect to the Rural Fires Act 1997 under which councils are responsible for rural fire fighting functions. This is spelt out in clause 4 of the existing but defunct agreement template:

Section 4

Commissioner to exercise Councils' Functions and manage the District This Agreement is a rural fire district service agreement under section 12A of the Act. The Commissioner will, in consideration of an annual fee of \$1.00 payable by the Councils:

- (a) exercise, for the Term, all of the functions imposed on the Councils by or under the Act*
- (b) undertake the day-to-day management of the Service in the District.*

The existing agreements do not reflect the reality of the modern relationship between councils and the RFS. While the Rural Fires Act substantially modernised the relationship between the RFS and local government, a number of significant but outdated arrangements have persisted and were carried over into the new Rural Fires Act.

The Act and related Service Agreements are predicated on local government responsibility for bushfire fighting and localised ownership of assets, including premises, fire fighting vehicles and appliances.

In reality, the RFS has assumed the responsibility for bushfire fighting and in recognition of this reality, should logically have ownership of bushfire fighting assets.

RFS Funding

Section 12A of the Rural Fires Act and the related Service Agreements place the onus on councils to provide the RFS with suitable premises. Extracts from Rural Fire District Template Service Agreement 2010 also list the additional premises related costs that councils are responsible for:

Section 6.4:

- (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 in accordance with paragraph 6.7; and*
- (d) effect and keep current at all times during the continuance of this Agreement the following insurances:*
 - (i) building insurance; and*
 - (ii) public risk insurance in an amount of not less than \$20,000,000.*

Section 6.6:

The Council will undertake all painting, maintenance and repairs of the Premises involving:

- (a) the roof and external structure of the Premises.*
- (b) any internal or external fittings or fixtures placed by the Councils.*
- (c) any work that must be carried out by a licensed trades person, including, but not limited to:*
 - (i) electrical repairs and maintenance; and*
 - (ii) plumbing repairs and maintenance; and*
- (d) maintenance and repair of any air conditioning or heating system.*

Section 10:

The Councils agree that during the Term they will affect and keep current the following insurances "the Councils' Insurances":

- (a) Property damage and public liability insurance in relation to the Premises.*
- (b) Compulsory third party and comprehensive insurance in relation to any motor vehicles which form part of the District Equipment, except where otherwise agreed in writing between the Councils and the Commissioner.*
- (c) property damage and public liability insurance, third party and comprehensive insurance, in relation to all Premises and District Equipment controlled, occupied or managed by the Commissioner or the Service.*

These requirements place a considerable cost burden on Council, frequently surpassing the Emergency Service Levy (ESL) that Council already contributes to.

Council has noted the inconsistency and complexity of funding arrangements for premises. At some times, funding originates from the Rural Fire Fighting Fund (RFFF), at others it is funded fully or partially funded by council, and occasionally it may stem from a central source.

To alleviate administrative burden and streamline decision making, it would be more efficient if maintenance (and associated costs) of RFS occupied buildings be managed by the RFS.

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

The role for local authorities should be maintained as is with the exception that the management and control of the RFS should be structured in the same manner as Fire and Rescue NSW (FRNSW) and the State Emergency Service (SES). This will provide consistency in terms of status and asset ownership and efficiency in how local authorities engage with local authorities.

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

It is widely acknowledged that NSW councils are facing significant challenges in maintaining financial sustainability.

The ongoing increase in the Emergency Services Levy (ESL) on councils has placed additional financial pressures in maintaining financial sustainability with modest rate peg increases. This issue is compounded by the additional contributions that councils are obligated to provide, particularly to the RFS.

This is another cost shift experienced onto Council and ultimately ratepayers.

LGNSW’s latest cost shifting report was released in November 2023 and highlighted a total cost shift to councils of \$1.36 billion in 2021-22, which is the equivalent of more than \$460 per ratepayer annually. This is a dramatic increase of 78 per cent since the 2015-16 financial year, when the total cost shift was estimated at \$820 million.

The ESL on councils was identified as one of the major cost shifts at \$165 million.

The following tables also clearly demonstrate that the escalation of emergency services budgets and the ESL on councils far exceeded the rate peg over the past 10 years.

Table A – ESL Contributions

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
ESL Contributions	716	720	786	785	794	785	907	1086	909	1171	1392
ES Council Contributions				127	124	143	175	147	186	220	211
	716	720	786	912	918	928	1082	1233	1095	1391	1603
% Change / Year		0.6%	9.2%	16.0%	0.7%	1.1%	16.6%	14.0%	-11.2%	27.0%	15.2%

Table B – RFS, SES & FRNSW Budgets

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
NSW Rural Fire Service	343.1	342.8	374.9	390.7	422.8	478.8	910.4	630.1	573.6	705.7	808.4
NSW State Emergency Service	94.6	100.8	122.7	146.1	136.6	141.1	142.2	173.2	200.6	255.3	357.2
Fire and Rescue NSW	709.7	736.1	741.9	740.2	761.6	803.9	909.2	915.3	986.1	1086	1107.1
	1147.4	1179.7	1239.5	1277	1321	1423.8	1961.8	1718.6	1760.3	2047	2272.7
% Change / Year		2.8%	5.1%	3.0%	3.4%	7.8%	37.8%	-12.4%	2.4%	16.3%	11.0%

Table C – Rate Pegging Limit and CPI rates

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Rate Peg Limit	3.40%	2.30%	2.40%	1.80%	1.50%	2.30%	2.70%	2.60%	2.0%	Refer to table*	Refer to table*
CPI	3.00%	1.50%	1.00%	1.90%	2.10%	1.60%	-0.30%	3.80%	6.10%	6.00%	4.10%

LGNSW has conducted independent analysis with the following data obtained from NSW Budget Papers over the last decade and observed the following:

Total ESL council contributions rose by 124% in the 10 years from 2013-14 to 2023-24.

Total budgets for the three agencies covered by the emergency services arrangements have risen by 98% over the past 10 years.

Overall, the escalation of emergency services budgets and the ESL on councils far exceeded the rate peg over the past decade.

This cost shift demonstrates a non-sustainable arrangement with the existing funding arrangements.

5. Any other related matters

Nil