

13 September 2024

To the Public Accounts Committee

Via Email: PublicAccountsCommittee.PAC@parliament.nsw.gov.au

Re: Inquiry into RFS assets, premises and funding

Please refer below for responses to your supplementary questions:

1. Can you outline the way your council spends and receives money for rural firefighting, including equipment, premises and hazard reduction. Please include flow charts and note if there are any out-of-pocket expenses.

Hornsby Shire Council currently recognises NSW Rural Fire Services (RFS) assets in its assets register, operated by the local District of the NSW RFS, which supports the approximate 1,200 local RFS volunteers.

These assets include 15 RFS volunteer brigade stations, the RFS District Fire Control Centre, Support Station, Catering Station, 65 Red Fleet and support vehicles, as well as 6 fire boats. These have a combined replacement value of \$25.9 million.

In addition to the Emergency Service Levy (ESL), Council carries the responsibility for the upkeep of local RFS assets. In accordance with RFS operational readiness requirements, road worthiness inspection schedules and other on-going maintenance requirements, Hornsby Shire Council covers the cost to maintain the RFS fleet and its local premises.

In addition, Council supports the RFS by way of funding for catering of its volunteers at scheduled training, events and hazard reduction activities. Small plant and equipment may also be purchased by the RFS utilising Council funds. Council provides an annual budget allocation to the RFS District Office, which is in addition to the budget allocated to them, from RFS State Headquarters. The RFS District office staff have full access to Hornsby Shire Council's accounting system, allowing them to manage these funds.

At the close of the financial year, Council seeks to have these expenses reimbursed from the Rural Fire Fighting Fund, which is administered by NSW Rural Fire Service Headquarters. These reimbursements are subject to determination by RFS and over recent years, does not match the expenditure incurred by Council, leaving Council out of pocket. Refer to Diagram 1. Depicting the flow of funding as understood by Hornsby Shire Council.

The issue is that the local RFS District Office receives budget allocations from both local Council and from State Government via RFS Headquarters. Therefore, there is a lack of clarity on total budget allocations and expenditure, until after a reimbursement process is complete.

2. Does your council experience any unnecessary administration, duplicate processes, confusion, or waste as part of its operations related to the assets, premises, and funding of the NSW Rural Fire Service? If so, can you provide specific examples.

Confusion between Council and the RFS can exist in relation to roles and responsibilities of on-going maintenance, planning and development regulations for alterations, and ambiguity over who pays for the works.

One example of such confusion for Hornsby Shire Council is the Canoelands RFS Brigade facility. This Brigade station is located inside the Hornsby Local Government Area (LGA), close to The Hills Council LGA boundary. The management of the RFS Brigade and the resources stored inside the facility has over time, changed hands between Hornsby RFS District and The Hills RFS District and therefore have different budgeting arrangements. The volunteer membership was merged with the nearby brigade at Maroota, in The Hills District. The Canoelands Station remains an asset of Hornsby Shire Council, however ambiguity exists within the RFS regarding responsibility for the site.

Recently, The Hills RFS District office requested Hornsby District office to install a fence to reduce the instances of illegal dumped rubbish at the facility. A fence was installed in good faith, however other planning matters were not taken into consideration. The station, fire fighting resources stored within it, and the volunteer members, continue to serve the community regardless of the LGA boundaries. However, confusion persists over the ownership, future planning needs and cost implications of the facility and site.

Similar to this example, there are two other RFS Stations, Wisemans Ferry and Middle Dural, which are located within the Hornsby LGA, close to the boundary, yet managed and serviced by The Hills RFS District and The Hills Council. We assume that these two stations are listed as assets with The Hills Shire Council, although they are located in the Hornsby LGA.

3. What were your council's costs (direct and indirect) to maintain rural firefighting equipment and buildings for the 2023 and 2024 financial years?

The total cost incurred by Council to maintain rural firefighting equipment and buildings was \$282K in 2023 and \$428K in 2024. In 2024 this included direct building and equipment maintenance costs of \$244K, indirect costs for maintenance, staff time of \$112K and \$72K in ground maintenance costs.

In 2023, this included direct building and equipment maintenance costs of \$165K, indirect costs for maintenance staff time of \$46K and \$71K in ground maintenance costs.

4. How much funding did your council receive in the 2023 and 2024 financial years, for maintaining rural firefighting equipment and buildings?

Council received \$492K in 2023 and \$501K in 2024 as a reimbursement, which left operating costs of at least \$1.4M to be funded by Council. Council also pays \$1.086M per year for the RFS component of the ESL that is additional to this amount. In other words, Councils total approximate contribution to the RFS was \$2.5M and it received a reimbursement of approximately \$501K (2024). (Refer to diagram 1).

5. For the 2023 and 2024 financial years, if your council was out of pocket for any rural firefighting costs, how much was it out of pocket for these periods.

Accounting for the RFS is complex with a number of Council's internal operating sections incurring direct operating costs such as Fleet (for vehicle maintenance, fuel and registration), Building Services (for building maintenance and renewal) and Environment (to maintain Asset Protection Zones and undertake bushfire risk mitigation and vegetation works). Indirect costs for staff time are also incurred in these sections as well as in Corporate areas (such as for governance, budgeting, reporting and analysis and procurement). A summary of the largest costs only has been prepared, noting that total direct and indirect costs incurred are greater but require the completion of a time intensive analysis to quantify:

Operating Costs	2024 (\$'000)	2023 (\$'000)
RFS operating costs (e.g. fleet maintenance, fuel, ground works etc) that are not covered by the contribution from the RFS (2024 RFS contribution: \$501K received)	284	106
Building maintenance costs funded by Council.	244	165
Apportionment of Council staff time to undertake building maintenance.	112	46
Asset Protection Zone works funded by Council*	322	70
Funding Contribution from RFS APZ program	(\$307K)	(\$303K)
Administration of Council's bushfire team (staff and administration cost of all APZ works)	424	306
Total**	1,079	390

*Council's Bushfire Risk Management Strategy identifies further APZ actions across the Shire to be undertaken over the next ten years, which will increase out of pocket annual expenditure up to \$666K per year. Total out of pocket expenses incurred by Council will therefore increase over the next ten years as this work is completed.

**The RFS contribution of the ESL of \$1.086 million is additional to these operating costs.

As outlined in Hornsby Shire Council's original submission to the Inquiry, it is recommended that the hazard reduction grant funding processes be streamlined. The current approach of assessing hazard reduction grants on an event-by-event basis annually needs to be restructured into a comprehensive works program budget spanning the lifetime of the works program. A works program budget must support the on-going strategic initiatives, as outlined in the Bush Fire Risk Management Plan, and reactive measures, in accordance with the Bush Fire Hazard Complaint Process.

6. The Independent Pricing and Regulatory Tribunal's (IPART) reviewed the rate peg methodology in 2023. Following the review, IPART has introduced a council-specific emergency services levy (ESL) factor. The ESL factor is intended to allow councils to fully recover the annual increases in emergency service contributions without diverting funds required to maintain service levels and infrastructure for their communities. What is your council's opinion on this change and its effectiveness?

The total ESL payable for Hornsby Shire Council increased by \$1.78M (77%) from \$2.31M to \$4.099M between 2018/19 and 2023/24, which caused shocks to Council's budget over a number of years that directed funding away from core services and strategic needs. This created greater ramifications for Council with successive versions of Councils' Long Term Financial Plan noting these cost increases as a contributing factor to a

forecast decline in Council's operating result from surplus to deficit. The deficits forecast led Council to apply to IPART for a Special Rate Variation of 31.05% over four years, which was subsequently approved.

Council is therefore supportive of the changes and notes that the presence of an ESL factor in previous years would have alleviated some of the challenges that led to Hornsby's application for an SRV. However, the new ESL factor is currently ineffective for Hornsby as Council is locked into the SRV increases sought from IPART in its application until 2027/28. Council will therefore face further budget shocks and funding challenges should the ESL increase before the end of Council's SRV at 30 June 2027.

7. Some councils have suggested a broad-based property levy as a replacement for the ESL. From your council's experience would this significantly change the financial burden on your ratepayers?

It is unclear how a broader property levy could be applied appropriately to ratepayers. The RFS provides a range of services to the community, not limited to bush fire prone areas. Therefore, a levy placed only on bush fire prone properties would not be perceived as fair and equitable. In the Hornsby LGA, the RFS and metropolitan Fire & Rescue, both service the community through mutual response arrangements, often both supporting each other and attending the same incident. Motor vehicle accidents and bushland search and rescue incidents are two examples where both agencies attend, support each other, and provide service to the community equally. It would not be considered appropriate to impose an additional levy based on bush fire risk.

AS noted above, from a financial burden perspective, the new ESL factor is currently ineffective for Hornsby as Council is locked into the SRV increases sought from IPART in its application until 2027/28. Council will therefore face further budget shocks and funding challenges should the ESL increase before the end of Council's SRV at 30 June 2027.

8. Does your council conduct a stocktake of 'red fleet' vehicles and a condition assessment of their written down value?

9. If your council conducts a stocktake, does the NSW RFS provide the asset listing used for the stocktake? From your experience is the listing accurate?

Hornsby Shire Council is provided with details of annual stocktakes undertaken by the RFS District staff. Council staff do have access to RFS premises. However, it is not efficient for Council personnel to undertake the stocktake as they do not have comprehensive knowledge of RFS vehicles and equipment.

Hornsby Council relies on the information provided by RFS regarding the condition and assigned location of the vehicles. Whilst this information is provided it not in a consistent format and can be confusing leading to inaccurate figures. In other words, Council has no control or influence over the actual fleet detail. As previously mentioned, the combined replacement value of \$25.9 million is active assets depreciated over 15 years.

RFS vehicle condition reports are obtained at the time of vehicle servicing. Council's fleet mechanics conduct annual services and mechanical repairs of RFS Red Fleet and support vehicles.

RFS reserves the right to reallocate its operational and support fleet within the District as it sees fit.

10. Has your council purchased or provided land for rural firefighting purposes. If so, how was the land purchase funded and was the council or ratepayer out of pocket for this? Please quantify if possible.

Generally, RFS facilities have been allocated on land owned or managed by Council. These locations may not necessarily be ideal from a planning perspective and sites were previously chosen purely because they were a parcel of Council managed land.

The Hornsby District Fire Control Centre complex which includes the Emergency Operations Centre, Support Brigade and fire tower, is the most recent example of Council acquiring land for RFS in 2007. The parcel of land was previously managed by the Roads and Traffic Authority as vacant road reserve, adjacent to the Pacific Highway. In this instance, the land was transferred to Hornsby Shire Council, without Council or rate payers being out of pocket. However, any future station builds or relocations are unlikely to have similar opportunistic parcels of land available to Council, without land acquisition arrangements from state bodies.

In the past, the RFS has applied its internal assessment tools such as 'Standards of Fire Cover' and has classified brigades to identify an appropriate allocation of resources to serve the community. However, this has not necessarily translated to an efficient or consistent methodology of applying funding for new station builds, retrofitting old stations and does not link to town planning instruments. The current status of this methodology utilised by the RFS is unclear to Council.

In recent decades, Hornsby Shire Council has worked with the RFS to upgrade RFS fire station facilities, to be fit for purpose and compliant with modern building codes. This legacy represents several challenges for Council into the future as ongoing upgrades and improvements will be required and will be beyond Council's financial capacity to fund.