

Office of Local Government - answer to supplementary questions

Legislative Assembly – Public Accounts Committee – Inquiry: Assets, premises and funding of the NSW Rural Fire Service

Ref: A928562

Question 1:

Are there any other implications or consequences of transferring the control and ownership of red fleet assets to NSW Rural Fire Service, including unintended consequences?

Answer:

This is a very broad question, with a necessarily broad response.

Firstly, there is a philosophical perspective on the extent to which councils have a responsibility to ensure public safety for their communities. This is an area where a council's responsibilities have shrunk, while the State government's responsibilities have expanded, for example in the provision of metropolitan fire brigades and policing. The application of a similar approach to rural fire fighting is a logical extension.

The current arrangements for the management and funding of NSW Rural Fire Service (RFS) assets reflect the evolution of roles and responsibilities time. There is a long history of cooperation of state and local governments in the provision of fire services, extending back as far as 1858, when the Act for *Establishing Municipal Institutions 1858* allowed municipalities to make by-laws for the prevention and extinguishing of fires. Over the years, subsequent acts of Parliament were passed to ensure that brigades could be formed through local shires and municipalities.

A second consideration is how a change in vesting arrangements may impact council management of land and fire risks for local communities. Local management of fire fighting assets in rural areas was considered important to manage the risk of and prevention of fires escaping from council property boundaries given the size and diversity of council land ownership. Local management was also seen as a way of managing fire risks

Over time councils have provided assets and equipment to bush fire brigades, and communities raised funding for their local brigades. These long-held arrangements had several benefits, including that councils and local brigades had a deep understanding of their respective local area, responsiveness to emergencies, and community connection and engagement.

Thirdly, the local nature of brigade formation also identifies a degree of partnership between councils and communities that helps to ensure landholders and land managers take responsibility to put in place bush fire hazard reduction measures to prevent the spread of fire from property to property. Given the increasing trend to a more centralised management of RFS, it is important to remember that local connection to communities through councils and the local brigades needs to be maintained.

Fourthly, in addition to RFS fleet and fire-fighting equipment, buildings used by the RFS, including brigades and fire control centres, are vested in local councils. The land occupied by these buildings are owned by either local government, state government or private owners. In some cases, sites may be shared with local councils and other organisations such as the NSW State Emergency Service (SES) through co-location.

Coordination of the change

A policy and process change to transfer control and ownership of RFS assets should be led by the Government, presumably the RFS, working closely with the local government sector. The experience of the similar change in vesting for State Emergency Services fleet showed the project would need to be appropriately scoped and funded and will take several years to complete. As outlined in the Whole of Government response, a change is likely to carry significant resource and cost implications including:

- legislative amendment (including relevant savings and transitional provisions)
- annual maintenance
- building project management
- centralised maintenance and asset management
- accounting and procurement resources
- insurance
- ownership and provision of land, including existing RFS buildings constructed on land provided by council, as well as any future premises earmarked for construction on council land.

The project would also need to consider and provide advice on how to mitigate any impact on those councils who have recorded RFS assets in their financial statements as opposed to the 36 councils that, at the end of the 2023 financial year, had not reflected RFS assets in their financial statements.

The [SES's 2012-13 Annual Report](#) references a project SES undertook to standardise and centralise their fleet as part of the SES's Centrally Managed Fleet Project. The project including the transition of SES operational vehicles from council control to being owned and managed by the SES, and the assets being recorded in the SES's financial statements. The scoping, timeframes, funding,

processes undertaken, and any lessons learned from this transition could help inform any similar decision to transfer RFS assets.

In addition, the analysis, findings and recommendations from the [2020 Bushfire Inquiry](#) conducted by Dave Owens APM and Professor Mary O’Kane AC and the [2022 NSW Flood Inquiry](#) conducted by Professor Mary O’Kane AC and Michael Fuller APM provide data and insight into the assets, premises and funding of the RFS and the SES that may be relevant to the transfer of control and ownership of RFS assets.

Overall, any changes should preserve the role of councils as a key partner of the NSW RFS, and the ongoing need for councils and the NSW RFS to maintain an effective relationship to ensure locally led strategic bushfire management planning, development control, experience, community understanding, risk assessment, preparedness and recovery. This should include an ongoing role for councils on emergency management committees.

Question 2:

What is the total carrying value of land and buildings used for rural fire-fighting obligations, including:

- a. Gross carry amount (land and buildings)?
- b. Accumulated depreciation (buildings)?
- c. Net book value (buildings)?

Answer:

Information about the value of council land and buildings used for the purposes of RFS premises is held at an individual council level and is not held by the Office of Local Government (OLG).

OLG releases an annual [Local Government Code of Accounting Practice and Financial Reporting](#) (Code). The Code prescribes the standard form for council financial statements. The information presented in council financial statements is at an aggregate level and does not capture information based on usage, such as use for the provision of RFS premises.

OLG collects and publishes aggregate council financial information each year on the [YourCouncil](#) website and in annual [Time Series Data](#).

The written down value of all NSW council land (excluding land under roads) and buildings at 30 June 2023 is provided below. It should be noted that this data does not separately distinguish land and buildings held for RFS premises:

Total Land	-Total Buildings - WDV
\$41,008,242,000	\$17,285,696,000

Question 3:

If operating expenses are reimbursed to Councils by the NSW Rural Fire Service is there any shortfall in annual funding for Councils? If so, what is the estimated shortfall in funding?

Answer:

Operating expenses vary on a council-by-council basis and would likely be dependent on the Rural Fire District Service Agreement (Service Agreement) entered between the RFS and each individual council.

Funding information is not held by OLG and the question about any funding shortfall is a matter for the RFS and individual councils.

Question 4:

To what extent do land and building assets form part of Councils' asset bases, against which Councils' may have secured loans, or are material to debt-to-asset ratios in Councils' loan covenants?

Answer:

Information about land and building asset bases and any relationship this has on securing loans is held at an individual council level and is not held by OLG.

Each loan is different depending on the nature of the loan and what the council has secured the loan against.

It is unknown how many loans are held that are dependent on the inclusion of RFS land and buildings in a council asset base, however it is unlikely to be a high number. Any security offered on this basis will mean any subsequent changes to the existing vesting arrangement need to be carefully considered and should include a long lead time to enable councils to manage appropriate transition arrangements.

Councils are required to provide their finalised and audited financial statements by 31 October each year. The audit process for the 2023-24 financial year has not yet concluded, however the Auditor General has stated before the Inquiry that for the 2023-24 financial year that the Audit Office anticipates that most qualified audit opinions will be removed from a council's financial statements based on immaterial impact of RFS fire-fighting equipment on the council's overall financial result.

In 2022, the Treasury Corporation (TCorp) amended its credit methodology to exclude depreciation (as a non-cash item) from operating expenses to give a more accurate view of a council's ability to contain operating expenditure within operating revenue, confirming that the recognition of RFS assets in council financial statements does not affect a council's ability to borrow or seek a loan from TCorp. It should be noted, however, that councils can obtain loans from lenders other than TCorp.

OLG is developing and refining key performance indicators, including a refresh of financial, asset management, governance and service delivery ratios. This review is considering using EBITDA (earnings before interest, taxes, depreciation and amortization) as an alternative measure of profitability and financial performance.

Question 5:

Are there any particular or unusual arrangements in respect of Councils' provision of land and buildings that are utilised by NSW Rural Fire Service?

Answer:

As noted in question 1, buildings used by the NSW RFS, including brigades and fire control centres, are vested in local councils. The land occupied by these buildings are owned by either local government, state government or private owners. In some cases, sites may be shared with local councils and other organisations such as the NSW SES through co-location.

It is possible from time to time for land to be dedicated to councils by developers for the purposes of fire facilities in new subdivisions, as part of a Voluntary Planning Agreement.

Question 6:

In addition to the vesting of red fleet assets in the NSW Rural Fire Service, (for example by removing section 119 of the Rural Fires Act 1997) what additional amendments to this Act are required to bring it up to date with current practice/conditions and to optimise bushfire preparedness and response?

Answer:

See response to question 1.

If the Government determines to make legislative amendments, it should not focus on section 119 of the *Rural Fires Act 1997* in isolation. Any legislative amendment should be based on a comprehensive review of how councils and the RFS work together to provide bush fire hazard reduction measures and emergency response to the NSW community.

A review should ensure that councils continue to have a key role in providing local experience and knowledge in emergency preparedness and response. The review should recognise that even if councils are removed from direct fleet or firefighting equipment issues, any bushfire risks on public land, land access and land maintenance responsibilities and should be based on a strategic approach to bushfire planning, development control and local bushfire responses.

Changes should also ensure there is no adverse impact or inconsistencies on other public land managers, or with other pieces of legislation including the *Local Government Act 1993* and the *State Emergency and Rescue Management Act 1989*.