

6.1. MM01: Accounting Treatment Of Rural Fire Service ('Red Fleet') Assets

On 7 July 2022, the peak body, Local Government NSW ("LGNSW") wrote to mayors across the State expressing the sector's strong objection to the determination that Rural Fire Service ("RFS") assets are the property of councils for accounting purposes.

LGNSW has requested that metropolitan councils join with our rural and regional colleagues to call on the State Government to acknowledge rural firefighting equipment is vested in, under the control of, and the property of the RFS and

A long-standing dispute over the accounting treatment of the RFS "Red Fleet" has come to a head with the Auditor-General's 2021 Report on Local Government on 22 June 2022. The Audit Report reemphasises the State Government determination that RFS assets are the "property" of councils and must be recorded in Council's financial statements with Council required to therefore absorb all depreciation costs.

The *Audit Office Local Government Report* has reinforced the notion that RFS mobile and other fire-fighting assets can somehow be deemed to be council assets and applies more pressure on councils and the Office of Local Government (OLG) to conform with this determination, even though councils do not have effective management or control of these assets.

Councils across the State and Local Government NSW (LGNSW) refute this determination. Councils do not have any say in the acquisition, deployment, or disposal of these assets. Comparable assets held by Fire & Rescue NSW (FRNSW) and the State Emergency Service (SES) are not vested anywhere other than with the organisations that purchase, use, maintain and dispose of them.

Councils and LGNSW have also raised concerns that the requirement breaches Australian Accounting Standards. The State Government's own Local Government Accounting Code of Accounting Practice and Financial Reporting provides for councils to determine whether to record RFS assets on their books as council assets. This position has been confirmed by the Secretary of the Department of Planning and Environment in his letter to the Auditor-General dated 7 June 2022, presented in Appendix1 on page 47 of the 2021 Local Government Audit Report.

Council notes advice from LGNSW that many councils are refusing to comply with the Auditor General's instructions. Councils remained firm in 2021, resisting pressure to record RFS assets with the majority (68), choosing not to record the RFS mobile assets in accordance with the *Local Government Accounting Code*. This was the same number of councils as in 2020. LGNSW is encouraging councils to continue resisting pressure from the Audit Office and make their own determinations notwithstanding overtures that ongoing non-compliance with the Auditor General's instructions may result in future qualified financial reports.

The latest Audit Report has made further impositions on councils by:

- recommending councils undertake a stocktake of RFS assets and records the value in financial statements;
- warning that if councils do not recognise the assets, they will be found to be non-compliant and will have a high risk finding reported; and
- calling on the NSW Department of Planning and Environment (OLG) to intervene where councils do not recognise rural firefighting equipment.

The Government's blanket determination is not only nonsensical, but also inconsistent with the treatment of the comparable assets of other emergency service agencies such as Fire & Rescue NSW (FRNSW) and the State Emergency Service (SES). There is no rational reason for maintaining this anomaly.

LGNSW has been advocating this position on councils' behalf and has written to the NSW Treasurer the Hon. Matt Kean MP, Minister for Emergency Services, the Hon. Steph Cooke MP, Minister for Local Government the Hon. Wendy Tuckerman MP and the Auditor-General, Ms Margaret Crawford to express the local government sector's strong objection to the NSW Government's determination, applied by the Auditor-General, that RFS assets are the property of councils for accounting purposes and amend the *Rural Fires Act 1997*.

LGNSW has advised it will continue its advocacy efforts on councils' behalf and is asking all affected councils in NSW to consider adopting a resolution advising the Audit Office that Council will not carry out the RFS stocktakes on behalf of the NSW Government and will not record RFS assets on Council's financial statements.

I therefore recommend:

THAT:

1. Council writes to the Treasurer the Hon Matt Kean MP, Minister for Emergency Services and Resilience the Hon Stephanie Cook MP, the Minister for Local Government Wendy Tuckerman MP and Felicity Wilson MP and Tim James MP:
 - a. Calling on the NSW Government to take immediate action to permanently clear up inequities and inconsistencies around the accounting treatment of Rural Fire Service (RFS) assets by acknowledging that rural firefighting equipment is vested in, under the control of and the property of the RFS; and
 - b. Amending s119 of the *Rural Fires Act 1997* so that the effect is to make it clear that RFS assets are not the property of councils.
2. Council writes to the Shadow Treasurer Daniel Mookhey MLC, the Shadow Minister for Emergency Services Jihad Dib MP, the Shadow Minister for Local Government Greg Warren MP, the Greens Spokesperson for Local Government Jamie Parker MP and the leaders of the Shooters, Fishers and Farmers, Animal Justice and One Nation parties Robert Borsak MLC, Emma Hurst MLC and Mark Latham MLC:
 - a. Advising Members of (North Sydney Council's) position, including providing copies of correspondence to NSW Government Ministers; and
 - b. Seeking Members' commitments to support NSW Councils' call to amend the *Rural Fires Act 1997* as set out in correspondence.
3. North Sydney Council writes to the Auditor General advising that notwithstanding any overtures of future qualified audits, it will not carry out RFS stocktakes on behalf of the NSW Government and will not record RFS assets in (North Sydney Council's)

financial statements, noting that the State Government's own Local Government Accounting Code of *Practice and Financial Reporting* provides for councils to determine whether or not they record the RFS assets as council assets.

4. Council promotes these messages via its digital and social media channels and via its networks.
5. Re-affirms its complete support of and commitment to local RFS brigades noting that North Sydney Council's action is entirely directed towards the NSW Government's position that, rather than being owned and controlled by local brigades, RFS assets are somehow controlled by councils, which councils consider to be a cynical financial sleight of hand abdicating the NSW Government's responsibilities at the cost of local communities.
6. That North Sydney Council affirms its support to Local Government NSW (LGNSW) and requests LGNSW continue advocating on behalf of the sector to obtain clarification finally from the State Government about the accounting treatment of RFS assets.

COUNCILLOR ZOË BAKER
MAYOR