

5.2 Mayoral Minute: Accounting Treatment of the Rural Fire Service ('Red Fleet') Assets

MAYORAL MINUTE
TO 21 SEPTEMBER 2022 ORDINARY MEETING
GOV400098, FIN300180

RECOMMENDATION

That Council:

1. **writes to the local State Members the Hon Dugald Saunders, the Hon Paul Toole, the Treasurer the Hon Matt Kean MP, Minister for Emergency Services and Resilience the Hon Stephanie Cook MP and the Minister for Local Government Wendy Tuckerman MP:**
 - (a) **Expressing Council's objection to the NSW Government's determination on ownership of Rural Fire Service assets;**
 - (b) **Advising of the impact of the Government's position on Council finances of this accounting treatment;**
 - (c) **Informing that Council will not carry out RFS assets stocktakes on behalf of the NSW Government and will not record RFS assets in Mid-Western Regional Council's financial statements;**
 - (d) **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**
 - (e) **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. **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 Mid-Western Regional 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. **Mid-Western Regional 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 Mid-Western Regional 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 Mid-Western Regional Council's action is entirely directed towards the NSW Government's nonsensical 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; and**
6. **That Mid-Western Regional Council affirms its support to Local Government NSW (LGNSW) and requests LGNSW continue advocating on Council's behalf to get clarification once and for all from the State Government about the accounting treatment of RFS assets.**

Executive summary

I am calling on Councillors to support the local government campaign on the financial Accounting treatment of Rural Fire Service (RFS) mobile assets known as the 'Red Fleet'.

A long-standing dispute over the accounting treatment of the 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 to this determination, despite the fact that 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 Appendix 1 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 (Council) by:

- recommending Council undertakes a stocktake of RFS assets and records the value in Council's financial statements;
- warning that if Council does not recognise the assets it will be found 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.

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.



CR DES KENNEDY
MAYOR
22 August 2022

Attachments: Nil