

## 8.1 MAYORAL MINUTE - SUPPLEMENTARY

**File Number:** M3  
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**Annexures:** 1. Position Statement

### COUNCILLORS

Background:

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 ahead with the Auditor-General's 2021 Report on Local Government on 22 June 2022. The Audit Report re-emphasises 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 Governments 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:

- recommencing 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.

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 FRNSW and SES. There is no rational reason for maintaining this anomaly.

In 2020 Coonamble Shire Council resolved to support Leeton Shire Council's representations, through the Country Mayors' Association on NSW, urging the Audit Office to review its approach to the accounting treatment of assets utilised by the RFS. Further, Council made a financial contribution towards Leeton Shire Council's effort to obtain both a Formal Accounting Stance Paper and legal advice relative to the situation. Council's action indicates its support to have the matter clarified and until such time, will not change its position and will continue to resist pressure to make its own determinations.

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 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.

#### *Positions Statement:*

Council adopted a Position Paper in October 2020 explaining its approach to the accounting treatment of assets utilised by the NSW Rural Fire Service. It should be noted that Council is a member of the North West Zone and shares a Rural Fire District Service Agreement with other member Councils of the Zone (Warren and Walgett). Council maintains buildings within its LGA; however, maintenance of RFS vehicles is co-ordinated by the RFS and carried out by third parties. Contributions to the North West Zone are split between member councils – Coonamble 24%; Walgett 51% and Warren 25%.

A copy of the Position Statement is attached to this report for Councillors' information and Council currently maintains this stance.

*Extract from Audit Office on NSW Report:*

The following information is included in the Audit Office of NSW report (in part):

**“APPENDIX ONE – GENERAL PURPOSE FINANCIAL STATEMENTS**

Table one: Uncorrected monetary misstatements and disclosure deficiencies:

*The following uncorrected monetary misstatements were identified and discussed with management. Management believes the effect of not correcting these misstatements is immaterial, individually and in aggregate, to the GPFS as a whole. We agree with management’s determination and do not consider the uncorrected misstatements significant enough to modify the opinion in the Independent Auditor’s Report. Management is required to attach the schedules of uncorrected misstatements to the Representation Letter:*

*Description Assets Liabilities Net operating Other comprehensive income*

<i>Effect of potential correction</i>	<i>Increase/ (decrease) \$’000</i>	<i>(Increase)/ Decrease \$’000</i>	<i>(Increase)/ Decrease \$’000</i>	<i>(Increase)/ Decrease \$’000</i>
<i>Judgmental misstatements</i>				
<i>Audit estimated potential Rural Fire Fighting assets Not recorded (‘red fleet’ assets)</i>	2,738	-	-	-
<i>Depreciation expense on Rural Fire Fighting assets</i>	(1,956)	-	183	-
<b><i>Total impact if misstatements were corrected</i></b>	<b><i>Net carrying Value 782</i></b>	-	<b><i>Net increase depreciation 183</i></b>	-

*The Local Government Code of Accounting Practice and Financial Reporting requires councils to assess whether they control any rural fire-fighting equipment and recognise, in their financial statements, any material assets under their control.*

*Council has not yet concluded that they control the rural fire-fighting equipment with an estimated carrying value of \$782,000 at 30 June 2021.”*

Tim Horan  
**MAYOR**  
 11 July 2022

**RECOMMENDATION**

**That:**

- Council writes it its local State Member, Mr Roy Butler, MP – Member for Barwon; 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 Coonamble Shire 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 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. 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 Shooter, Fishers and Farmers, Animal Justice and One Nation parties Robert Borsak MLC; Emma Hurst MLC and Mark Latham MLC;
  - (a) advising Members of Coonamble Shire 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. Coonamble Shire 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 Coonamble Shire 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 Coonamble Shire Council's action is entirely directed towards the NSW Governments' 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.**
6. **That Coonamble Shire Council affirms its support to LGNSW and requests LGNSW continue advocating on Council's behalf to get clarification finally from the State Government about the accounting treatment of RFS assets.**