

<b>REPORT REFERENCE NO.</b>	DSFRA/16/8
<b>MEETING</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
<b>DATE OF MEETING</b>	19 FEBRUARY 2016
<b>SUBJECT OF REPORT</b>	APPOINTMENT OF AUTHORITY NON-EXECUTIVE DIRECTORS TO THE BOARD OF RED ONE LTD.
<b>LEAD OFFICER</b>	Chief Fire Officer (on behalf of Independent Chair of Board of Red One Ltd.)
<b>RECOMMENDATIONS</b>	<p>(a). <i>that the Authority approves the appointment of the following as non-executive directors to the Board of Red One Ltd. with immediate effect and for an initial Term of Office to run until the Annual Meeting of the Authority in May 2017:</i></p> <p style="padding-left: 40px;"><b><i>Councillor Mark Healey</i></b>  <b><i>Councillor David Thomas</i></b>  <b><i>Councillor John Woodman</i></b></p> <p>(b). <i>that, as a consequence of (a) above and in line with the decision of the Authority at its last meeting (Minute DSFRA/40 refers):</i></p> <p style="padding-left: 40px;">(i). <i>the Commercial Services Committee be formally dissolved with immediate effect;</i></p> <p style="padding-left: 40px;">(ii). <i>the Clerk be authorised to make those consequential amendments to the Authority’s approved Financial Regulations, Scheme of Delegations and to the Terms of Reference of the Resources Committee, as set out in Section 5 of the report DSFRA/15/28 to the Authority meeting held on 14 December 2015; and</i></p> <p style="padding-left: 40px;">(iii). <i>those powers previously exercised by the Commercial Services Committee be exercised as indicated paragraphs 5.9 and 5.10 of report DSFRA/15/28.</i></p>
<b>EXECUTIVE SUMMARY</b>	Further to the decision at the last Authority meeting relating to revised governance for commercial activities (Minute DSFRA/40 refers), this report invites the Authority to appoint three Authority non-executive directors to the Board of Red One Ltd. following a selection process undertaken by the Board’s Independent Chairman, Mr. Tony Rowe OBE.
<b>RESOURCE IMPLICATIONS</b>	The three Authority-appointed non-executive directors will each receive a Special Responsibility Allowance of £6,000 per annum, funding for which is contained within the approved budget for Members’ Allowances.

<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	Not applicable
<b>APPENDICES</b>	Nil.
<b>LIST OF BACKGROUND PAPERS</b>	Report DSFRA/15/28 ("Commercial Governance – Further Developments) as submitted to the Authority meeting held on 14 December 2015.

## 1. BACKGROUND

- 1.1 Red One was established as the Authority's trading arm in 2011 following the introduction of the Local Government (Best Value Authorities) (England) Order 2009. Along with existing legislation, this Order enabled public authorities to engage for the first time in commercial 'profit –making' activities, within a number of key constraints.
- 1.2 The legislation restricts commercial trading to a 'like-kind of business' for the Authority in question. For this Authority, this means specialising in fire, rescue and safety related activities. Any activity must be subject to a viable business case, approved in advance by the Authority. In Red One's case, there is also an over-riding caveat that no commercial activity should ever have a negative impact on the ability of the Devon & Somerset Fire & Rescue Service ("the Service") to deliver its core service remit of public and firefighter safety.
- 1.3 Red One Ltd. generates income from a wide variety of safety-related skills and services offered to commercial and industrial customers around the world. Net profit (after tax) generated by Red One activities is returned to its single shareholder, the Authority, to be used towards keeping local communities in Devon and Somerset safe, improving fire fighter safety and helping the Service be more effective and efficient. It does this primarily by funding vehicles and equipment thereby reducing the Service requirement to borrow.
- 1.4 Governance arrangements for Red One Ltd. at the outset provided for Authority oversight to be exercised by a Commercial Services Committee. Red One Ltd. has performed very successfully since its establishment, returning year-on-year increases in sales revenues, net profit and contribution to the Authority since start-up. Profit margins have risen as the business has effectively managed its cost base, controlled its pricing strategy and focused attention on products and services that yield the most profitable returns. This has occurred within an environment of increasing external competition and reducing internal capacity.
- 1.5 This increasing maturity prompted the Authority to revisit the governance arrangements for Red One Ltd. with a view to establishing these on a more business-like footing to further progress and promote the success of Red One. Changes to the governance structure have formed the basis of several previous reports and amongst other things have resulted in the appointment of an independent non-executive director, Mr. Tony Rowe OBE, to serve as Chair of the Board. At its last meeting the Authority considered a further report on commercial services governance and resolved (Minute DSFRA/40 refers):
- (a) ***that the proposed revised governance arrangements for commercial activities (i.e by an expanded Board of Directors of Red One Ltd. to include three additional non-executive directors appointed from Membership of the Authority), as summarised in paragraph 2.2 of report DSFRA/15/28, be approved;***
  - (b) ***that the process for the appointment of three Authority non-executive directors to the Board, as outlined in paragraph 3.2 of the report, be approved;***
  - (c) ***that the initial and subsequent appointment to, and term of office for, non-executive directors on the Board of Red One Ltd., as set out in paragraph 3.3 of the report, be approved;***

- (d) that, subject to (a) to (c) above, the Commercial Services Committee be formally dissolved upon establishment of the new, extended Board of Directors of Red One Ltd. (i.e. on 19 February 2016);**
- (e) that, upon dissolution of the Commercial Services Committee, the revisions to the Authority's approved Financial Regulations, Scheme of Delegations and to the Terms of Reference of the Resources Committee, as set out in Section 5 of the report, be approved with the powers previously exercised by the Commercial Services Committee exercised as indicated paragraphs 5.9 and 5.10 of the report;**
- (f) that the Clerk be authorised to make the consequential amendments to the constitutional governance framework documents resulting from (e) above;**
- (g) that the proposed process for the appointment, should this be required, of independent non-executive director (and Board Chairman), as indicated at Section 6 of the report, be noted.**

1.6 This paper now advises the Authority on the outcome of the process undertaken totally independently by Mr. Rowe OBE, with no involvement by Service Officers, to identify - in line with (b) above - three Authority non-executive directors. The report invites the Authority the Authority to approve the appointments now recommended by Mr. Rowe OBE.

## **2. PROCESS FOR APPOINTMENTS**

2.1 As outlined in report DSFRA/15/28, all Authority Members were invited to submit a written letter of interest (outlining, experience, skills capability, knowledge and motivation) directly to Mr. Rowe OBE prior to further discussions then being held.

2.2 Five applications in total were submitted, with in-depth discussions held between Mr. Rowe and each of the five applicants. The discussions focussed around:

- experience of working in a commercial environment;
- experience of being a Business Owner/Director;
- knowledge of how Red One Ltd. operates;
- demonstrate a commitment to the future success of Red One Ltd.;
- any specialist knowledge/networks that will help the Board, its aims and objectives;
- ability to be provide creative contribution to the Board by providing objective criticism;
- ability to exercise an independent judgement to bear on issues of strategy, performance and resources;
- capacity to undertake the Authority appointed non-executive director role; and
- an understanding of the legal, moral and ethical roles and responsibilities of being a Non-Executive Director

- 2.3 As a result of this process, Mr. Rowe OBE (independent Chair of the Board of Red One Ltd.) recommends that the following be appointed as Authority non-executive directors on the Board of Red One Ltd:
- Councillor Mark Healey
  - Councillor David Thomas
  - Councillor John Woodman.

### **3. CONCLUSION**

- 3.1 Red One Ltd. now has a diverse and growing client base, ranging from large multi-national organisations to small, local businesses and individuals seeking specific qualifications in order to enhance their careers. The company sells to customers in the immediate vicinity of Devon and Somerset and across the South West peninsula, with fire and Rescue Services and industrial fire teams across the United Kingdom and is also active in countries in South East Asia, the Middle East, Europe and Africa. Red One Ltd. currently receives more than 10% of its sales electronically via its website, enabling efficient order administration, improving cash flow and minimising transaction costs for the business.
- 3.2 Red One Ltd. continues to prosper and develop, with plans to further expand its service offer, using new facilities and providing new training courses, whilst tendering for the provision of large international contracts around the world.
- 3.3 In line with its agreed business strategy, the Board of Directors remain focussed on the continued delivery of high quality fire, rescue and safety services to its customers, through direct provision and, where appropriate, close collaboration with like-minded partner organisations. The appointment of Authority non-executive directors to the Board is intended to strengthen this approach in steering the company to secure further successes while also delivering appropriate oversight and governance from an Authority perspective. The recommended appointments are, therefore, presented on behalf of the Independent Board Chairman, Mr. Rowe OBE, to the Authority for consideration

**LEE HOWELL**  
**Chief Fire Officer**  
**(on behalf of Independent Chair of Board of Red One Ltd.)**