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| REPORT REFERENCE NO. | APRC/17/9 |
| MEETING | AUDIT & PERFORMANCE REVIEW COMMITTEE |
| DATE OF MEETING | 24 APRIL 2017 |
| SUBJECT OF REPORT | GROUP ACCOUNTS FOR DEVON & SOMERSET FIRE & RESCUE AUTHORITY AND RED ONE LTD. |
| LEAD OFFICER | Treasurer |
| RECOMMENDATIONS | <i>That the accounts of Red One Limited are not consolidated in to Group accounts for the 2016/17 financial year.</i> |
| EXECUTIVE SUMMARY | Under the CIPFA Code of Practice, the Authority can take a view on materiality when preparing group accounts. Following discussion with our external auditors, Grant Thornton, it is the Treasurer's view that the activities of Red One Ltd are not material to the Authority's Statement of Accounts and therefore it is recommended that the accounts are not consolidated. |
| RESOURCE IMPLICATIONS | Nil. |
| EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA) | Not applicable |
| APPENDICES | None. |
| LIST OF BACKGROUND PAPERS | None. |

1 **BACKGROUND**

- 1.1 At its meeting on 11 April 2016, the Committee considered a report relating to Group Accounts in which the Treasurer advised that, as (following discussion with Grant Thornton – the Authority’s external auditor) the activities of Red One Ltd. were not deemed material to the Authority’s Statement of Accounts, the accounts for Red One Ltd. need not be consolidated into Group Accounts for the Authority. This approach was subsequently approved for the 2015-16 financial year (Minute *APRC/33 refers).
- 1.2 In 2011, the Authority agreed to the creation of Red One Ltd to trade commercially, in accordance with relevant legislation, with a view of generating income for the Authority. The Authority is the single shareholder in the Company.
- 1.3 The Resources Committee (prior to this, the Commercial Services Committee until that Committee was decommissioned on 19 February 2016) receives quarterly reports on the financial performance Red One Ltd. The Annual Accounts of Red One Ltd. are prepared and submitted to the Board of Directors of Red One.
- 1.4 This Committee has delegated power to approve, amongst other things, this Authority’s Annual Statement of Accounts for and associated Annual Statement of Assurance. Due to the fact the turnover for Red One Ltd is immaterial in relation to the Authority, the two Statements are produced separately. There is a note within the Authority’s Accounts mentioning Red One Ltd and the relationship of the Company to the Authority.

2 **GROUP ACCOUNTING**

- 2.1 From a commercial perspective, the Statement of Accounts for the Authority would reflect the ‘Group Position’ i.e. statements showing the performance of the two entities together. A definition of Group Accounts is:
- “Accounts showing the trading results and financial position of each company in a group individually or in combined form”. (F.T.com).*
- 2.2 The Authority has agreement from its external auditors, Grant Thornton, that it will not be required to produce Group Accounts until Red One has a deciding interest over the Authority; where the financial or operational circumstances of Red One would have a significant impact upon the financial or operational performance of the Authority. The external auditors are happy with this approach on the understanding that the Committee responsible for the approval of the Authority accounts (i.e. this Committee) is aware of the issue and agrees with the proposed stance.
- 2.3 This approach will not only save time and effort producing the Statement of Accounts on behalf of the Authority, but will also safeguard the commercial integrity of Red One Limited. The Committee is, as such, asked to approve excluding the production of Group Accounts within the Authority’s Statement of Accounts for the 2016-17 financial year.

KEVIN WOODWARD
Treasurer