

<b>REPORT REFERENCE NO.</b>	DSFRA/17/34
<b>MEETING</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
<b>DATE OF MEETING</b>	18 DECEMBER 2017
<b>SUBJECT OF REPORT</b>	COMMERCIAL GOVERNANCE – DEVELOPMENTS
<b>LEAD OFFICER</b>	Director of Corporate Services (Clerk to the Authority)
<b>RECOMMENDATIONS</b>	<p><b>(a). that, pending receipt of the appropriate resolution from the Board of Red One Ltd.:</b></p> <p style="padding-left: 40px;"><b>(i). the Authority (as sole shareholder [member] for Red One Ltd. (“the Company”)) approves the Written Special Resolution received from the Company that the existing Articles of Association in their entirety be removed and substituted for the new Articles of Association attached to the resolution; and</b></p> <p style="padding-left: 40px;"><b>(ii). the Authority authorises the Clerk to authenticate the Written Special Resolution for and on behalf of the Authority and signifying its consent to the Written Special Resolution;</b></p> <p><b>(b). that, subject to (a) above, the report be noted.</b></p>
<b>EXECUTIVE SUMMARY</b>	This report provides an update on progress in securing enhanced, robust and proportionate governance arrangements for Red One Ltd. (the Authority’s commercial trading arm).
<b>RESOURCE IMPLICATIONS</b>	Nil.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing equalities and human rights legislation.
<b>APPENDICES</b>	<p>A. Articles of Association for Red One Ltd.</p> <p>B. Red One Governance Arrangements – Overview of Actions and Progress to Date</p>
<b>LIST OF BACKGROUND PAPERS</b>	<p>Report DSFRA/17/22 (Red One Ltd. – Appointment of Directors) considered by the Authority meeting on 26 July 2017 (and the Minutes of that meeting).</p> <p>IoD Corporate Governance Guidance and Principles for Unlisted Companies in the UK.</p>

## **1. BACKGROUND**

- 1.1 Over the course of the past eighteen months or so, the Authority has received several reports relating to the operation of Red One Ltd., the company established by the Authority to deliver its commercial trading aspirations.
- 1.2 At its last meeting, the Authority was advised that, following a procurement exercise, Elemental CoSec had been commissioned to work with the Red One Board, on behalf of the Authority as sole shareholder, in developing and implementing an action plan to put in place a robust but proportionate corporate governance framework for the company. The Red One Board had nominated one of its Directors to lead on this work on behalf of the company and the work would be informed by the findings and recommendations from previous reports to the Authority and also by the principles as set out in the Corporate Governance Guidance and Principles for Unlisted Companies in the UK published by the Institute of Directors.
- 1.3 This report now advises on progress with this.

## **2. ARTICLES OF ASSOCIATION**

- 2.1 As part of the overall governance work, the opportunity has been taken to review the Articles of Association for Red One Ltd. to clarify a number of areas (e.g. matters reserved to the Authority as sole shareholder in the company) and to ensure the Articles are fully fit for purpose.
- 2.2 This has resulted in the production of new Articles, now attached at Appendix A. Advice has been sought on the most appropriate mechanism, compliant with the Companies Act 2006, for adoption of these new Articles. This has indicated the following approach:
1. the Company initially proposes a Written, Special resolution at a Board meeting for the Authority, as sole shareholder, to adopt in its entirety the new Articles of Association;
  2. The Board then circulates the proposed Written, Special Resolution to the Clerk to the Authority who will facilitate consideration by the sole shareholder;
  3. The Authority (as sole shareholder) duly signifies its consent to the proposed Written Special Resolution;
  4. The Authority (as sole shareholder) authorises the Clerk to sign the Written Special Resolution on its behalf (signifying consent) and return this to the Company (for forwarding on to Companies House together with the revised Articles).
- 2.3 It is understood that the Board of Red One Ltd. will be meeting prior to this meeting of this Authority. On this basis and in line with the above approach, the Board has been asked to consider the new Articles now attached with a view to proposing a Written, Special resolution for the Authority, as sole shareholder, to adopt in its entirety the new Articles of Association. The Authority will be apprised of the latest position at the meeting.

## **3. OTHER GOVERNANCE ISSUES**

- 3.1. Attached at Appendix B is a document setting out actions identified from previous governance reviews over the past 18 months and indicating progress to date against these actions.

- 3.2. Arrangements have been made for the Authority to receive, immediately on conclusion of its meeting, a briefing from Elemental CoSec on the role of the Authority as shareholder. Additionally, a session has been arranged for the afternoon of 18 December 2017 with the Directors of Red One Ltd. currently in post on to discuss, amongst other things, duties of a director and the new governance framework developed.
- 3.3. At present, therefore, 13 of the 31 actions identified are completed (42%) and, following this Authority meeting and delivery of the sessions referred to at paragraph 3.2 above on 18 December, a further 9 should be completed, bringing the total to 22 (71%).
- 3.4. At its last meeting the Authority established an Appointments Panel with delegated authority to consider and determine the appointment of two independent non-executive directors on the Board of Red One Ltd. – one to serve as Chair of the Board and the other to discharge a Finance Director function. The Minutes of the short-listing meeting of this Panel feature elsewhere on the agenda for this meeting and the Authority will be advised at the meeting on the outcome of the interviews held on 14 December 2017.
- 3.5. Once these independent non-executive directors are in post it will be possible to complete the outstanding actions in the action plan (GF17 and GF22 to GF28 inclusive).

**MIKE PEARSON**  
**Director of Corporate Services**  
**(Clerk to the Authority)**