

REPORT REFERENCE NO.	APRC/18/2
MEETING	AUDIT AND PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	17 JANUARY 2018
SUBJECT OF REPORT	GROUP ACCOUNTS FOR DEVON & SOMERSET FIRE AUTHORITY AND RED ONE LTD.
LEAD OFFICER	Director of Finance (Treasurer)
RECOMMENDATIONS	That the accounts of Red One Limited are not consolidated in to Group accounts for the 2017/18 financial year.
EXECUTIVE SUMMARY	Under 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 the meeting of the Audit Performance and Review Committee held on 24 April 2017, the Committee considered a report relating to Group Accounts. The Treasurer recommended to the Committee that Group Accounts are excluded from within the Statement of Accounts for the Authority and this approach was approved in relation the financial year 2016-17. (Minute *APRC/31 refers).
- 1.2 In 2011, the Authority agreed to the creation of Red One Ltd which was tasked with trading commercially with a view of generating income for the Authority. The Authority is the single shareholder in the Company.
- 1.3 The Resources Committee (Commercial Services Committee prior to its dissolution on 19th February 2016) is to be presented with quarterly financial performance reports on Red One Ltd. The Annual Accounts of Red One Ltd. are prepared and submitted to the Board of Directors of Red One.
- 1.4 The Statement of Accounts for the Authority are presented to the Audit and Performance Review Committee. 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 (Audit and Performance Review Committee) is sighted on this issue and agree 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.

3. **RECOMMENDATION**

- 3.1 That the Committee notes the content of the paper and agrees with the extension of the proposal to exclude producing Group Accounts within the Statement of Accounts for the Authority for the 2017/18 financial year.

AMY WEBB
Director of Finance (Treasurer)