

REPORT REFERENCE NO.	APRC/19/1
MEETING	AUDIT AND PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	18 JANUARY 2019
SUBJECT OF REPORT	GROUP ACCOUNTS FOR DEVON & SOMERSET FIRE AUTHORITY AND RED ONE LTD.
LEAD OFFICER	Director of Finance
RECOMMENDATIONS	<i>That the accounts of Red One Limited are not consolidated in to Group accounts for the 2018/19 financial year.</i>
EXECUTIVE SUMMARY	Under CIPFA Code of Practice, the Authority can take a view on materiality when preparing group accounts. Following discussion with the 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 17 January 2018, the Committee considered a report relating to Group Accounts. The Treasurer recommended that Group Accounts were excluded from within the Statement of Accounts for the Authority and this approach was approved in relation to the financial year 2017/18. (Minute *APRC/20 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 (and, previously, the Commercial Services Committee prior to its dissolution on 19 February 2016) should receive 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 this 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 (i.e. this Committee) is sighted on this 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.

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 2018/19 financial year.

AMY WEBB
Director of Finance (Treasurer)