

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/16/15</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY(ORDINARY MEETING)</b>
<b>DATE OF MEETING</b>	<b>26 MAY 2016</b>
<b>SUBJECT OF REPORT</b>	<b>CHAIRMAN'S REPORT - RED ONE LIMITED</b>
<b>REPORT AUTHOR</b>	<b>Independent Chair of Red One Limited</b>
<b>RECOMMENDATIONS</b>	That the report be noted
<b>EXECUTIVE SUMMARY</b>	This report contains details of the roles and responsibilities of the Non-Executive Directors of Red One Ltd, and highlights some areas of activity during the first few months since the initial appointment to the role on 19 February 2016.
<b>RESOURCE IMPLICATIONS</b>	None
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	None
<b>APPENDICES</b>	None
<b>LIST OF BACKGROUND PAPERS</b>	Minutes of the Devon & Somerset Fire & Rescue Authority – 19 February 2016 (Minute DSFRA/53)

## 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 profits (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.
- 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 Chairman, Mr. Tony Rowe OBE, to serve as Chair of the Board.
- 1.6 The Authority, at its meeting on 19 February 2016 (Minute DSFRA/53 refers), recently appointed three Authority Members as Non-Executive Directors on the Board of Red One.
- 1.7 In this respect, the Authority had specifically approved a process (which was undertaken by the independent Chair) to identify and recommend to the Authority the three Members to serve as non-executive directors (Minute DSFRA/40 refers).
- 1.8 The selection process covered the following areas:
- 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.

1.9 The Authority appointed the following as Non-Executive Directors to the Board of Red One Ltd. with effect from 19 February 2016 for an initial term of office to run until the Annual Meeting of the Authority in May 2017:

- Councillor Mark Healey
- Councillor David Thomas
- Councillor John Woodman

## 2. **ROLE AND RESPONSIBILITIES OF THE NON – EXECUTIVE DIRECTORS**

2.1 Moving forward, the governance of Red One will be focussed through the Board, and an Independent Chair alongside the Executives. Non-Executive Directors have a key role to play in setting the strategic direction of the organisation, managing performance, people and risks. It is therefore an important role and key to the success of Red One Ltd. They also take on more personal liability for risk.

2.2 The major areas of strategic challenge and focus for the Board covers the areas previously undertaken by the recently dissolved Commercial Services Committee, namely:

- To approve both the overarching Business Case for commercial trading and, in line with the financial planning calendar, the Annual Commercial Services Business Plan.
- In relation to the Annual Commercial Services Business Plan, to consider and approve any business case required to facilitate commercial trading in accordance with the provisions of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (“the Order”) or any subsequent amending legislation.
- To consider and approve any trading activities of Red One Ltd within overall parameters to be set out in the approved Annual Commercial Services Business Plan and specifically, to authorise investments as required up to the limits as agreed by the Authority.
- To authorise the entering into of contracts
- In each case subject to legal advice and guidance that it is appropriate to do so, to establish additional trading entities
- To authorise any permanent staffing increases required to deliver the Commercial Business
- To monitor the financial status and performance of Red One Ltd in terms of expenditure on operating costs, costs recovered and profit generated and to take corrective action and report to the Authority on these issues as necessary, via the Resources Committee.

- 2.3 In addition to the above, it was agreed at the initial meeting of Red One Board on 2 March 2016 (and reaffirmed in the Non-Executive Induction Programme held on 23 March 2016) that the Non-Executive Directors would take a more in depth role aligned to their individual and collective areas of expertise and skill. These were as follows:
- Mark Healey - Networking and identifying collaborative opportunities with authorities, associations, industry bodies;
  - John Woodman - improving PR by helping to develop key business messages; increased sales and lead generation; trade shows;
  - David Thomas - lead on developing business opportunities on a project by project basis.

- 2.4 At its meeting on 19 February 2016, it was resolved that, in recognition of the workload and personal risk for the three Authority-appointed Non-Executive Directors associated with their role, they should receive a Special Responsibility Allowance of £6000 per annum. This was recommended in a report of the Independent Advisor commissioned to review the Authority's approved Scheme of Members' Allowances. The report recommended:

*“that each Authority Member appointed as a non-executive director to the Board of Red One Ltd. be required to submit a written review report on their activities to each full Authority meeting for the first twelve months of operating the new arrangements”.*

- 2.5 Since appointment, the Non-Executive Directors have been undertaking a variety of duties. This report sets out below some of the work that has been engaged in during the first few months of appointment, including but not limited to:
- Induction and governance;
  - Building the Red One brand;

- 2.6 Further on the agenda for this meeting, the Non-Executive Directors will give a verbal update in respect of more specific areas of work that they have been engaged in which are commercially sensitive and therefore not subject to publication in accordance with paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

### 3. **INDUCTION AND GOVERNANCE**

- 3.1 The Non-Executive Directors have attended an internal Induction Programme, and attended several Red One Board meetings. Red One limited is committed to high standards of corporate governance and responsiveness to stakeholder expectations. It takes full account of the principles of good governance, and in particular the UK Corporate Governance Code. Governance comprises the systems and processes for the direction and control of Red One Limited through which they account to their shareholders, engage with stakeholders and customers and lead the organisations activities.

- 3.2 Red One Ltd operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management policies and processes. As a limited company whose single shareholder is Devon and Somerset Fire and Rescue Fire Authority, it is important that the company is able to demonstrate that it complies with the principles of good governance.
- 3.3 It is natural whilst on the Board of Red One Limited that Non-Executive and Executive Directors will be mindful of the values and aspirations of Devon and Somerset Fire and Rescue Authority. It is important, however, to note that Red One Ltd is a body corporate in its own right, with its own values, aspirations, mission, vision and objectives and is regulated by its own constitution and Articles of Association. When appointed to the Board of Red One, Directors are there to promote the company's values to the benefit of the company as a whole and to act at all times in the best interests of the Company.
- 3.4 To strengthen the induction already undertaken and underpin foundations of strong governance, and the legislative framework within which we operate, further training is planned for 25 May 2016 by the Civil Service College which has significant experience in working with Local Authority Controlled Companies, Private Companies, Mutual's and Community Interest Companies. This is an opportunity for all Directors on the Board of Red One to train together as a team, and further their knowledge and experience by working through some case studies.
- 3.5 In recognition that there are differences in organisational knowledge and awareness, a refresher of the services and facilities that Red One uses and commission from the Service, by way of a tour, observation and talking to staff and other stakeholders is being organised so that Non-Executive Directors can talk, credibly and with authority to potential clients and organisations.

#### **4. BUILDING THE RED ONE BRAND**

- 4.1 In April 2016, the Board of Red One agreed within the approved 2016/17 Budget to initiate work on building the Red One brand. The purpose of this program (commencing in May 2016) is to build on the brand redevelopment work undertaken by Red One in 2015/16 which will further drive our business development activity and industry profile through 2016/17 and beyond.

#### **5. CONCLUSION AND LOOKING FORWARD**

- 5.1 Red One Ltd. continues to prosper and develop, with plans to further expand its service. There has only been a short time between the dissolution of the Commercial Services Committee, and the appointment of the Non- Executive Directors. The initial focus has quite rightly been spent on induction and helping to establish and progress key platforms.
- 5.2 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.

**MR TONY ROWE OBE**  
**Independent Chairman of Red One Ltd**