

**REPORT TO: ESEC POLICY BOARD – 9 MARCH 2022**

**REPORT ON: DISSOLUTION OF ESEC CONSORTIUM**

**REPORT BY: ESEC HOST AUTHORITY (DUNDEE CITY COUNCIL)**

## **1 PURPOSE OF REPORT**

- 1.1 To formally approve dissolution of the ESEC consortium in line with the requirements of the constitution and approve arrangements for completion of this process.

## **2 RECOMMENDATION**

- 2.1 It is recommended that the Board:
- a Formally approve dissolution of the ESEC Consortium.
  - b Approve arrangement outlined in this paper for completion of the dissolution process.
  - c Approve the delegation of responsibilities for signing of ESEC's 2021/2022 annual accounts to Dundee City Council's Executive Director of Corporate Services, Team Leader (Business Development), and either Councillor Dawson or the Convenor of Policy and Resources, and for the reporting of ESEC's 2021/2022 annual accounts to Dundee City Council's Scrutiny Committee.
  - d Note the process and timetable for dissolving the consortium.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 Audit Scotland have highlighted that the long-term funding and viability of ESEC is unsustainable and recommended a review of options to address long term sustainability, Dissolution of the consortium addresses the long-term viability issue and will allow for remaining reserves to be distributed amongst current members once accrued costs are deducted or for any deficit upon dissolving to be shared between the current members.

## **4 BACKGROUND**

- 4.1 The end of EU transitional arrangement on 31<sup>st</sup> December 2020 has had fundamental implications for UK's future relationship with the EU and the UK's status as a third country was an appropriate time to review the future role of ESEC and the ongoing commitment of members to delivery arrangements. At a meeting of the Policy Board on 20<sup>th</sup> January 2021, members considered an options paper and voted to continue with consortium arrangements for a further 2 financial years.
- 4.2 It was considered that this would afford the opportunity to progress the draft work plan, develop a longer-term role and remit for ESEC, explore in detail options to address the long-term financial sustainability of ESEC (given the challenge of diminishing reserves) and afford a new post-election Policy Board the time to fully consider ESEC's future from an informed position. It was noted that Aberdeen City had given note to leave the consortium at the end of 2020/2021 leaving 6 remaining Council members. (Angus, Dundee City, Fife, Perth and Kinross, Falkirk and Stirling).
- 4.3 It was agreed that the Host Authority should bring forward a further paper exploring options to address the future financial stability of ESEC given the diminishing reserves and the reduction in Member Councils.
- 4.4 An options paper was presented to the ESEC Policy Board meeting of 17<sup>th</sup> November 2021. Policy Board Members were asked to note that the ESEC Policy Officer had tendered

resignation and as such there would be no secretariat arrangements in place after 6<sup>th</sup> December 2021. The options review sought to address both the future financial position of the consortium and the loss of secretariat arrangements.

4.5 Four potential options we presented to the Board:

**Option 1 – Continue consortium with full-time secretariat arrangements by recruiting a replacement for the incumbent ESEC Policy Officer and raising Member Council fees to £10,000 per annum**

Pros

- Retention of a shared secretariat resource with the expertise and knowledge to enable member authorities to effectively and efficiently engage with the UK Government, the Scottish Government, and EU institutions, to seek opportunities for participation in existing and future funding programmes.
- Efficiency and expertise when responding to government consultations.
- Will enable Policy Board to agree on an alternative model for long-term sustainability of the consortium.
- The Officer will be a resource for supporting with funding proposals at a time when internal capacity is under pressure.

Cons

- Financial cost of £10,000 per council per financial year, an increase of £3,000 on current membership fees.
- The post may be difficult to recruit for, given the current conditions of the job market, and the uncertainty around the future of the consortium.

**Option 2 – Continue consortium with part-time secretariat arrangements by recruiting a replacement for the incumbent ESEC Policy Officer on the basis of 2.5 days per week and maintaining Member Council fees at £7,000 per annum**

Pros

- As above. Retention of a shared secretariat resource with the expertise and knowledge to enable member authorities to effectively and efficiently engage with the UK Government, the Scottish Government, and EU institutions, to seek opportunities for participation in existing and future funding programmes.
- Efficiency and expertise when responding to government consultations.
- Will enable Policy Board to agree on an alternative model for long-term sustainability of the consortium.
- The Officer will be a resource for supporting with funding proposals at a time when internal capacity is under pressure.

Cons

- As above. The post would be expected to face recruitment challenges.
- The board would need to be selective on what the Secretariat delivered, as the Officer would have less time available.

**Option 3 – The ‘WOSEF’ model. Maintain ESEC and the Policy Officer but change the legal status so that it is no longer a separately auditable entity but is underpinned by a Memorandum of Understanding between members with a new lead authority replacing current hosting arrangements (from May 2022) and a part-time secretariat of 1 day per week. Reduce Member Council fees to £2,000 per annum.**

**Pros**

- Ongoing support for member councils in terms of intelligence gathering and insights into funding opportunities.
- Retention of a shared secretariat resource with the expertise and knowledge to enable member authorities to effectively and efficiently engage with the UK Government, the Scottish Government, and EU institutions, to seek opportunities for participation in existing and future funding programmes.
- Efficiency and expertise when responding to government consultations.
- Saving of £5,000 per annum in annual membership fees.
- No need to launch an external recruitment process.

**Cons**

- Reduction in service – for example, support in developing proposals would no longer be viable.

**Option 4 – Disband the consortium**

**Pros**

- Savings of £7,000 per council per financial year.
- Opportunity to align lobbying and networking activity at a national level through SLAED Funding Group at no cost to member Councils other than Officer time to participate.
- Addresses concerns that ESEC is less relevant in a post Brexit landscape.
- Expected that this may be the longer-term direction of travel for WOSEF also but yet to be confirmed.

**Cons**

- Councils would lose lobbying and information support.
- Loss of a shared secretariat resource that can effectively and efficiently represent the interests of members councils.
- Loss of network and established relationships cultivated by the ESEC Secretariat.
- Loss of influence in matters of key importance to local authorities, such as making the case for continued engagement with EU funding programmes where possible and lobbying in respect to domestic replacement funding.
- Would create a gap in EU engagement while the future relationship is established, and while other constitutional issues are resolved.

- 4.6 The Board were advised that should they decide on Option 4, to disband the consortium, then the following constitutional procedures must be followed:
- Should the Policy Board be of the view that dissolution of the Consortium is necessary or advisable, an Extraordinary General Meeting must be called giving at least 28 days clear notice;
  - Any assets remaining after the satisfaction of proper debts and liabilities will be redistributed on a pro rata basis to member authorities;
  - Any debts or liabilities outstanding at dissolution will be shared by member authorities on a pro rata basis;

- Any debts or liabilities incurred as a result of probable maladministration or misappropriation will be investigated by a specially formed working group who will determine cause and final responsibility.

4.7 After due consideration and debate members agreed by a majority of four to one that the preferred option was Option 4, dissolution of the consortium. Factors considered were exit from the EU, the loss of secretariat arrangements (and ability to replace these) and the cost of maintaining the consortium against a backdrop of reduced membership and diminishing reserves. Fife Council asked it to be noted that their preference was to maintain the consortium and that they had offered to take over secretariat arrangements from Dundee City Council in the event that that a majority wished to continue.

4.8 In line with terms of the constitution it was agreed that a special EGM should be arranged to formally approve this decision and agree arrangements for dissolution of the consortium.

## **5 PROCESS AND TIMETABLE FOR DISSOLVING THE CONSORTIUM**

5.1 If the decision to dissolve the consortium is formally approved at the special EGM then the following delegated responsibilities require to be approved by the consortium:

- Delegation of responsibilities for signing of ESEC's 2021/2022 accounts to ESEC Treasurer, currently Dundee City Council's Executive Director of Corporate Services, Team Leader (Business Development), and either Councillor Dawson, the current Chair of ESEC, or the Convenor of Policy and Resources.
- Delegation to Dundee City Council's Scrutiny Committee for the reporting of 2021/2022's annual governance statement, annual accounts and annual audit report.
- Approval for ESEC's latest five year's Audited Accounts and Annual Audit Reports to be publicly available on Dundee City Council's website after ESEC's website has been closed.

5.2 The process and timetable for dissolving the consortium is as follows:

- Formal approval of the decision to dissolve the consortium – March 2022
- Audit Scotland's Annual Audit Plan to DCC's Scrutiny Committee – 27 April 2022
- Statutory public inspection notice for Unaudited Accounts advertised on ESEC and DCC's website – 9 June 2022
- Annual Governance Statement considered by DCC's Scrutiny Committee – 29 June 2022
- Unaudited Accounts considered by DCC's Scrutiny Committee – 29 June 2022
- Unaudited Accounts signed by DCC's Executive Director of Corporate Services – 29 June 2022
- Unaudited Accounts submitted to external auditor – 30 June 2022
- Unaudited Accounts published on ESEC and DCC's website – 30 June 2022
- Completion of audit and Audited Statement of Accounts to DCC's Scrutiny Committee – 31 October 2022
- Distribution or sharing of any remaining reserves or deficit between the current members – 30 November 2022. It has to be noted that if any further assets or liabilities become known after this date then the amounts due will require to be shared by all six current member bodies.

## **6 POLICY IMPLICATIONS**

6.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

**7 CONSULTATIONS**

7.1 None.

**8 BACKGROUND PAPERS**

8.1 None.

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