LETTER FROM DAVE ANDERSON, DIRECTOR OF CITY DEVELOPMENT, CITY OF EDINBURGH COUNCIL, TO THE PUBLIC AUDIT COMMITTEE, 17 NOVEMBER 2010

Evidence submitted by Dave Anderson, Director of City Development, City of Edinburgh Council.

My involvement with the attempts to rescue the future of the Gathering began when I received a call late one afternoon from my colleague Mr Jim Inch, the Council’s Director of Corporate Services.

Jim explained that whilst the inaugural Gathering Event had been regarded as a success, in terms of its impact in tourism and economic impacts, the company behind the event had incurred losses. He told me that initial attempts had been made to secure the future of the event by asking the Edinburgh Military Tattoo (EMT) to take over responsibility for organising future Gathering Events. This had proven unacceptable to the EMT because it was seen as incompatible with their core purpose as an organisation concerned with supporting ex-service personnel using funds raised by the Tattoo.

Jim went on to say that, in terms of securing the future of the Gathering, it had been suggested (I don’t know by whom) that the Destination Edinburgh Marking Alliance (DEMA) might be willing to run future events.

I had led the formation of DEMA, chairing the Task Group of representative organisation involved in setting it up. DEMA aims to bring greater coherence to efforts to promote Edinburgh, making best use of public and private sector funding to attract trade, investment, talent and tourists to the City, emulating the success of Destination Management and Marketing bodies adopted by other cities.

I had recently handed over the role of Chair of the Task Group to Mr Norman Springford, MD of the Apex Hotels Group. Norman was a member of the Task Group and had volunteered to take on the role of Chair, at least on an interim basis, to help establish DEMA as a company limited by guarantee and to pull together the early marketing campaigns that it would be responsible for co-ordinating. A number of Council staff were seconded into DEMA to set up its organisations.

Following my telephone conversation with Jim Inch I agreed to contact Norman Springford to elicit his thoughts on the prospect of DEMA taking over the Gathering and organising future Gathering events. In the course of the conversation we both agreed there would be potential benefit for both DEMA and the City if DEMA were to do this. Norman agreed, in principle, that DEMA should take on the proposed role and I agreed to revert to him with more information on the practical details of DEMA taking on this new role. Norman clearly also wished to consult DEMA Board members about the proposition.
The following morning I spoke to Jim Inch and let him know that DEMA would be willing to support the efforts to rescue the Gathering as an event and act as the principal organiser for a future event, notionally proposed for 2013 (four years hence) or 2014 to coincide with Bannockburn 700 celebrations.

Following the transmission of this news there was concern that a formal communication about the future of the Gathering should go out. Press reporting and speculation about the Gathering had begun to emerge and the Scottish Government and the Council were keen to clarify matters. The Council Leader, Jenny Dawe, in response to a question by Councillor Paul Godzik at the previous Council meeting had intimated that any Council involvement to rescue the Gathering as an Event should be done at no additional cost to the City of Edinburgh Council.

Following my initial discussions with Norman Springford I had delegated the practical arrangements for affecting the transfer of assets held by the Gathering Ltd to Greg Ward, the Council’s Head of Economic Development. Greg reports to me for line management purposes.

Greg liaised with Jim Inch and met Lord Jamie Sempill, founder of the Gathering Ltd, to begin discussions about the proposed transfer. Greg also acted as the key Council intermediary with Norman Springford.

Turning to the press release in question it is evident that whilst there was a desire, all round, to clarify the status of the Gathering Ltd, and the future of the Gathering as an event, the politics surrounding the release were more sensitive, given the assurance by the Council Leader that any rescue would be affected at no additional cost to the Council.

It had been asserted by Jim Inch that Lord Sempill believed the Gathering Ltd had significant assets and intellectual property, in both the brand and the extensive contact databases of Scottish Diaspora that had been built up to support the initial Gathering event, and that the commercial value intrinsic in these assets would justify their purchase by DEMA, ensuring that it could make early momentum in beginning preparations for a future event.

When the press release was prepared it is clear that there were many questions still to be answered about DEMA taking on the responsibility for the Gathering and protecting the event itself for the future.

On the day of the press release I was called to a meeting at the Council Leader’s office to discuss the draft of a release which, as I understand it, had been initially prepared in discussions between Scottish Government officials and the Council’s press office. There were concerns that the draft release might overstate DEMA’s position and the Council Leader remained concerned about the need to ensure that any resolution of the issues was at no additional cost to the Council.
At the end of the meeting I was asked to work with Stewart Argo, the Council Press Officer dealing with the case, to redraft the release. I agreed that I would relay any comments by e-mail on his final draft.

I left the City Chambers to return to my office base at Waverley Court. As is normal, I was dealing with a wide variety of other issues that day. Once I turned my attention to Stewart’s e-mail draft I found the wording was a considerable improvement on the earlier version. The section worded ‘remaining private sector obligations’ clearly did not raise alarm bells with me because I had understood that DEMA would be prepared to pick up the assets of the Company, take on the databases and liaise with customers. This was based on the core assumption that the assets would incorporate significant value.

It was for this reason that I subsequently agreed with Jim Inch to help source an accountant with relevant experience of company valuations to make an objective assessment of the intellectual and other property in the ownership of the Gathering Ltd as the basis for agreeing any sum that DEMA might pay for specific assets. However, I was clear in my own mind that there was no implication that DEMA would accept responsibility for the liabilities of the Gathering Ltd, only those assets with a commercial value which would, in turn, be used to reduce the extent of residual liabilities. At the time of the press release, the full extent of the liabilities, which subsequently crystallised, was not evident, and certainly not to me.

I met subsequently with Jim Inch, Lord Sempill and Peter Graham, a Partner with the accounting firm BTG Forensic that I had commissioned to conduct a valuation report on the assets held by the Gathering Ltd. Even at that meeting the extent of the creditors and liabilities was not clear.

In summary, I believe that the efforts of those involved, at the Scottish Government, the Council and DEMA, to rescue the Gathering as an event which had brought beneficial economic and tourism impacts to Scotland were well intentioned. However, the speed at which events unfolded created an environment in which fully informed decisions were not always possible. Had the full picture of the Company’s indebtedness been made clear from the outset I suspect that I would have advised against any attempt to rescue the event, at least in its current form.

LETTER FROM THE PUBLIC AUDIT COMMITTEE TO DAVE ANDERSON, DIRECTOR OF CITY DEVELOPMENT, CITY OF EDINBURGH COUNCIL, 11 NOVEMBER 2010

The Public Audit Committee received a briefing from the Auditor General for Scotland (AGS) on his report entitled “The Gathering 2009” at its meeting on the 23 June.

A copy of the AGS report can be accessed at the following link.
The Official Reports on the Gathering 2009 are attached at the following links: http://www.scottish.parliament.uk/s3/committees/publicAudit/meetings.htm

At its meeting on 3 November 2010, the Public Audit Committee took oral evidence from Councillor Dawe, Councillor Cardownie, Mr Tom Aitchison and Mr Jim Inch, from The City of Edinburgh Council. At that meeting these witnesses explained the circumstances which led to the press release titled “New Future for Gathering” being issued on 15 October 2009, by the City of Edinburgh Council on behalf of DEMA Ltd (hereafter referred to as the “press release”).

The Committee had previously received written evidence from the City of Edinburgh Council which included copies of emails seeking comment on the draft press release which were exchanged prior to the issue of this press release. The Committee discussed these email exchanges with the above witnesses all of whom confirmed that, although they had initially met to discuss broad changes to the initial press release, they had not agreed the content of the final press release or agreed to its issuing. They explained that this was contrary to the City of Edinburgh Council’s usual practices for considering and agreeing press releases for issue.

The Committee noted that you were one of the people identified in the email exchanges and therefore agreed that it would be helpful to seek your views on the clearing and issuing of the press release. In particular the Committee would welcome your response on the following matters:

- Whether you attended the meeting in the Council Leader’s room at noon on Wednesday 14 October to discuss the press release drafted by the Scottish Government; and if so
  - Could you confirm whether you were clear that any text confirming that DEMA Ltd would take on the private sector liabilities or obligations of The Gathering 2009 Ltd should be removed or altered to reflect that this was not the view of the Council or DEMA Ltd;
- What action, if any, you took to remove or alter the text which remained within the subsequent drafts of the press release (and which confirmed that DEMA Ltd would take on the private sector liabilities or obligations of The Gathering 2009);
- Whether you received any response (written, email or verbal) from Councillor Dawe, Councillor Cardownie, the Chief Executive and Mr Inch, to the exchange of emails issued following the above meeting and prior to the press release being issued;
- Who you cleared the final press release with, and who authorised its issuing;
- Whether you were content that the Council Leader, the Deputy leader, the Chief Executive and Mr Jim Inch had agreed the final press release and the timing of its issue;
- Why the press release was issued containing a statement confirming that DEMA Ltd would take on the private sector liabilities of The Gathering 2009 Ltd when this text was rejected at the meeting in the Council leader’s office at noon on Thursday 14 October.
It would be helpful if you could provide your response by Wednesday 24 November 2010. Please do not hesitate to contact the clerk should this deadline pose you any difficulty.

The Committee hopes to resolve this matter by correspondence although it may seek oral evidence from you, at a later date, should that prove necessary.

Our normal practice is to publish relevant evidence that is sent to us on our website and we may also include it in the hard copy of any committee report. Therefore, if you wish your evidence to be treated as confidential, or for your evidence to be published anonymously, please contact the Clerk to the Committee, before you submit your evidence. Further information on the publication of written submissions is contained in the enclosed policy on the treatment of written evidence by committees. Please take time to read this policy. We welcome written evidence in English, Gaelic or any other language.

Should you require any further information please do not hesitate to contact the Clerk, Jane Williams on 0131 348 5390 or by email at pa.committee@scottish.parliament.uk.