

# Culture and Sport Committee

10am, Tuesday, 23 August 2015

## Edinburgh Mela – Cultural Grant Funding 2016/17

Item number	7.7
Report number	
Executive	
Wards	All

### Executive summary

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The report provides an update on the current cultural grant funding position for the Edinburgh Mela 2016/17. It follows the Culture and Sport Grants and Service Payments to Organisations 2016/17 report presented to Committee on 8 March 2016. The report included the recommendation to fund the Edinburgh Mela in principle to a grant total of £74,379.

This report sets out the factors which have led to the Council and partner funding stakeholders being unable to release grant funding to date to Edinburgh Mela Ltd and therefore to support the delivery of an Edinburgh Mela festival in 2016.

### Links

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Coalition pledges	<a href="#">P24</a> , <a href="#">P31</a>
Council outcomes	
Single Outcome Agreement	<a href="#">SO1</a> , <a href="#">SO3</a>

## Recommendations

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- 1.1 To note the current public funding position of the Edinburgh Mela festival for 2016/17.
- 1.2 To note that Council Officers and partner funding stakeholders Creative Scotland have assured Edinburgh Mela representatives that in principle support continues for the Edinburgh Mela festival, and that assurances continue to be sought from company representatives to confirm organisational stability. The Council and partner stakeholders Creative Scotland have offered to continue to work with the organisation to achieve this.
- 1.3 To note that the Executive Director of Place under Paragraph A4.1 of the Committee Terms of Reference and Delegated Functions, in consultation with the Convener of the Culture and Sport Committee, decided that given the current organisational instability, cultural revenue grant funding would not be released to Edinburgh Mela Ltd towards the delivery of a festival in 2016.
- 1.4 To note that Edinburgh Mela board representatives decided to withdraw their Creative Scotland Open Fund application towards the delivery of a festival this year; and that Scottish Government EXPO funding managed by Creative Scotland was ring-fenced, but not awarded.
- 1.5 To agree that funding could be released to Edinburgh Mela Ltd for the purposes of company review and stabilisation should the Council and Creative Scotland receive robust proposals.
- 1.6 To agree to re-allocate cultural grant funding that may remain in the latter part of 2016/17, subject to it being reported to Committee in due course. No re-allocation proposals will be considered until the final position with regard to Edinburgh Mela Ltd and any proposed company review and associated funding requirements is established.

## Background

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- 2.1 A recommendation for funding to a total of £74,379 for the Edinburgh Mela 2016 was included in the grants report to the Culture & Sport Committee on 8 March 2016.
- 2.2 At the time of the Committee report, concerns had arisen in relation to the governance and stability of the management of the organisation. Given the Council's in principle one year funding commitment to the Edinburgh Mela festival, and its successes to date, Officers took the reasonable view that in

partnership with Edinburgh Mela Ltd and the other funding stakeholders at the time, they would continue to seek to address these concerns, and the delivery of the proposed stakeholder funding package. Within this partnership, Officers therefore continued to seek to ensure, with Creative Scotland and the Scottish Government EXPO Fund, that the festival could go ahead in 2016.

- 2.3 As is the normal process, following the agreement of cultural grant funding awards for 2016/17 the Culture Service Funding Agreement process was implemented with each funded organisation, to allow the approved cultural grant awards to be released.
- 2.4 From early 2016, concerns had been reported by monitoring officers to both the Culture Service and Creative Scotland about the governance of Edinburgh Mela Ltd. Following this and an interim Transitional Funding Report submitted to Creative Scotland at the end of February 2016, a meeting was arranged on 1 March 2016 with the Chair and Director of the Edinburgh Mela Ltd, and officers of both the Council and Creative Scotland.
- 2.5 The purpose was to offer the organisation the opportunity to further clarify their position and to mutually agree a course of action. The meeting agreed that the Edinburgh Mela would produce a robust action plan for both the company and the festival; and would undertake a comprehensive board skills audit.
- 2.6 Subsequently, the Director resigned (14 March 2016), as did a second member of staff (around 15 March 2016), as well as five of 15 board members (around 24 March 2016). It was also brought to the Council's attention that the Scottish Charities Regulator (OSCR) would undertake an inquiry into the company's governance.
- 2.7 Following these events and subsequent Mela Board representatives' discussions with Creative Scotland, the Mela Board took the decision to withdraw the Open Fund grant application to Creative Scotland; and the Scottish Government EXPO funding, managed by Creative Scotland, was ring-fenced, but not awarded.
- 2.8 Further correspondence and a number of meetings with board representatives and stakeholder Officers took place over the next months in an effort to establish a stable basis on which to move forward, including the feasibility of producing a much-reduced 2016 festival.
- 2.9 Officers sought assurances that effective governance, leadership or capacity was in place within Edinburgh Mela. These assurances were not forthcoming, and therefore, it has not been possible for the Council to commit resources. To date no evidence of clear and realistic plans for the stabilisation and reform of the organisation have been supplied.
- 2.10 Officers have continued to assure Edinburgh Mela representatives that in partnership with Creative Scotland, the Council continues to be prepared to offer professional and financial support to deliver an urgent review of the company's governance, staffing, operational and financial capability; and to establish what resource may be required to facilitate this. It has also been shared that any

further future financial commitment from the Council will be subject to the outcome of such a review, and the approval of the Culture and Sport Committee.

- 2.11 In the absence of the necessary assurances, the decision not to release funds was reached in early July 2016 by the Executive Director of Place in consultation with the Convener as per Paragraph A4.1 of the Committee Terms of Reference and Delegated Functions.

## Main report

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### **Edinburgh Mela - Cultural Grant Funding 2016/17**

- 3.1 Governance and operational concerns were highlighted by Council and Creative Scotland Officers in early 2016 following both board meeting observer feedback, and an interim report to Creative Scotland as part of a Transitional Funding grant award.
- 3.2 The Director of the Edinburgh Mela festival and the Chair of the Board were both invited to a meeting on 1 March 2016 arranged by Council and Creative Scotland Officers to seek to address concerns. The company Director and Chair agreed: to produce a comprehensive action plan including plans to address organisational and governance concerns; a timeline for implementation; and to undertake a comprehensive board skills audit.
- 3.3 The Director resigned on 14 March 2016 citing insurmountable concerns which he asserted undermined the effective management of the business and the development and leadership of the festival itself. Given the very small core staff team, this was a further concern for stakeholders.
- 3.4 Shortly thereafter, another full-time staff member tendered their resignation, as did five (of 15) board members. These further changing circumstances and the reasons for the departures were not directly reported to stakeholders at the time by the Mela Board.
- 3.5 Since March of this year, meetings and on-going regular correspondence have taken place between Mela Board representatives, Council officers, Creative Scotland, and a subsequently Mela Board-appointed consultant acting as an interim festival Director. These have been in an effort to address principal concerns such as the Creative Scotland Transition Funding feedback which emphasised governance issues; and subsequent concerns such as staff and board resignations; and the inconsistency of requested information provided by the Mela Board in the intervening weeks and months. All parties have made every effort to work together to address concerns.

- 3.6 It is understood that OSCR has opened an inquiry into the charity The Edinburgh Mela Ltd in response to concerns received from third parties. OSCR is currently assessing those concerns in line with its Inquiry Policy.
- 3.7 Unfortunately, the information requested by stakeholders of the Edinburgh Mela Ltd and provided to date by the company representatives has not offered the necessary confidence to agree the release of grant funding towards the delivery of an event in 2016, or towards the review and delivery of a stable and well-managed company (appendix 1).
- 3.8 Alongside the current position on Council grant funding, in April this year, the Mela Board withdrew its application to Creative Scotland's Open Fund and also in April, the Scottish Government EXPO project funding, managed by Creative Scotland, was ring-fenced but not awarded for 2016.
- 3.9 Both Council and Creative Scotland officers have continued to assure Edinburgh Mela representatives throughout this challenging set of circumstances of the continued support of the festival in principle and of the stakeholder engagement in seeking to support the delivery of a renewed and reinvigorated company.

## Measures of success

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- 4.1 Agreement to the review Edinburgh Mela Ltd.

## Financial impact

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- 5.1 Funding had been allocated at the Culture and Sport Committee meeting of 8 March 2016 towards the delivery of an Edinburgh Mela festival 2016. Given the organisational difficulties it has not been possible to secure a Funding Agreement. The decision not to release funds was reached by the Executive Director of Place in consultation with the Convener as per Paragraph A4.1 of the Committee Terms of Reference and Delegated Functions. An apportionment of this funding could be allocated to a review of Edinburgh Mela Ltd outwith the delivery of a festival in 2016. The company has been invited by Council and Creative Scotland to prepare robust proposals. If a balance of grant funds remains for 2016/17, it is recommended that these are released for one-off project funding applications in the remainder of 2016/17 financial year to be reported to Committee in due course.

## **Risk, policy, compliance and governance impact**

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- 6.1 There are no compliance or governance impacts arising from this report's recommendations.

## **Equalities impact**

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- 7.1 The contents and recommendations of this report are assessed as relevant to the Equality Act 2010 public sector equality duty. Consequently, impact assessment work has indicated that the funding decision contained in this report may impact on community relations, and Officers continue to engage and offer support to address these in the longer term, alongside the direct communications with Edinburgh Mela Ltd representatives. Officers are also monitoring and will respond to any communications received from community representatives as a result of the funding decision. The Council ensures the release of public funding is overseen to the same standard for all potential recipients, and in this instance continues to advise on the strengthening of company governance and event management arrangements. The Council remains committed to facilitating the process of future planning options for Edinburgh Mela given its position to date as both a significant communities event and festival in the City.

## **Sustainability impact**

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- 8.1 Grants to third parties contribute to the city's Sustainable Edinburgh 2020 objectives and enable the Council to meet the public sector duties under the Climate Change (Scotland) Act 2009.

## **Consultation and engagement**

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- 9.1 Engagement continues with Edinburgh Mela Ltd.

## **Background reading/external references**

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[Culture and Sport Grants and Service Payments to Organisations 2016/17](#) to Culture and Sport Meeting, 8 March 2016

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## Links

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### Coalition pledges

P24 Maintain and embrace support for our world-famous festivals and events

P31 Maintain our city's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure

### Council outcomes

#### Single Outcome Agreement

SO1 Edinburgh's economy delivers increased investment, jobs and opportunities for all

SO3 Edinburgh's children and young people enjoy their childhood and fulfil their potential

### Appendices

## Appendix 1

The following overview provides the basis for the funding decisions reached to date with regard to the Edinburgh Mela Ltd.

Since the beginning of March 2016, meetings and correspondence, facilitated by City of Edinburgh Council and Creative Scotland Officers, have requested clarification from Edinburgh Mela representatives on governance and operational and company capability and stability. Unfortunately, this has not been provided to a degree which could allow funding to be recommended.

### Meetings

- 1 March 2016 Board members and Director, Edinburgh Mela; Culture Service representative, City of Edinburgh Council; Representatives, Creative Scotland
- 22 March 2016 Board members, Edinburgh Mela; Representatives, Creative Scotland; Representative, Scottish Government; Culture Service representative, City of Edinburgh Council
- 14 April 2016 Board members, Edinburgh Mela; Executive Director of Place, City of Edinburgh Council; Culture Service representatives, City of Edinburgh Council
- 4 May 2016 Board members, Edinburgh Mela and independent support representative; Executive Director of Place, City of Edinburgh Council
- 16 May 2016 Interim Director, Edinburgh Mela; Culture Service representative, City of Edinburgh Council
- 7 June 2016 Interim Director, Edinburgh Mela; Culture Service representatives, City of Edinburgh Council

Information has been requested of the Mela Board representatives, including addressing key governance concerns and subsequently the realistic delivery of an event in 2016 to allow consideration of funding options.

- Following the meeting on 1 March 2016, a brief governance note and start to a board skills audit was provided by the Mela Board, and the Council response was shared outlining the need for further detail and explanation for this at a meeting with Edinburgh Mela Board representatives which took place on 22 March 2016 at Creative Scotland offices.
- It was at this meeting that the Mela Board representatives withdrew their Open Fund application to Creative Scotland. It was also at this meeting that Creative Scotland reported to the Mela Board that ring-fenced Scottish Government EXPO funding would not be awarded.

On 24 March an e mail was sent by the Council to the Mela Board representative outlining the continuing unanswered concerns about governance, but also concerns about the deliverability of a festival in 2016 given the Creative Scotland funding position, and board and staffing resignations pressures. Therefore, if it was the board's intention to submit a funding proposal to the Council under the circumstances, then the following information would be required:

- a short term business continuity plan; a longer term business strategy; (note that both (1) and (2) should include a staffing plan); details of any financial liabilities and reserves held; detailed planning timetable and what was intended for the 2016 event and/or other options.
- If it was the intention to deliver a Mela event this year, information required: a programme; proposed scope of the event; the practicalities for delivery including staffing and full budget.
- It was reiterated that clarity was still needed on the governance position, in particular: plans with regard to the Constitution including the implications in terms of board membership.
- And if there were planned changes to the Constitution: provide these changes and the reasons for them; it was also important that the board concluded and reported on the outcome of the currently unresolved situation regarding a board member's status on the board as representative of a member organisation.
- It was also raised that there was concern about the lack of proactive information updates by the board to the Council's Officers. It was highlighted that it is good practice to update a key stakeholder about on-going fundamental issues affecting a company potentially in receipt of substantial public funds, such as a number of simultaneous board and staff resignations.
- Contact was also requested following a planned AGM & Board meeting to update on the current position and membership of the board, and any actions agreed.
- The Mela Board was again asked to consider providing all of the detailed information requested.

The Council also shared on 29 March that it was critical that the Mela did not enter into contracts, promise payments to third parties or make any financial commitments on the assumption that these would be covered by funding from the City of Edinburgh Council.

- It was reiterated that it was important that the information supplied by the Mela Board was comprehensive and satisfactory, as well as provided by the deadline stipulated.

On 5 April, an overview proposed Delivery Plan for a reduced event was provided by the Mela Board and acknowledged.

On 12 April, Council Officers fed back on the document entitled 'Delivery Plan MELA 2016' prepared by the Mela Board. Council officers noted the effort which had gone into the reply.

- While the Delivery Plan document made reference to some of the points of information requested, it did not address the full range of what had been asked for. For example, the document broadly outlined an ambitious approach to elements such as identifying temporary staff, general programming and continuity, but with no associated financial report or implications other than a reference to the need for funding from named stakeholders. With this in mind, and with the reality of aspects such as the time available, and existing staffing situation, there were significant concerns based on the information provided that the Mela Board were unlikely to be in a position to deliver an event in 2016 to the level that all concerned would aspire to.
- Unfortunately, there were also outstanding concerns which have not as yet been addressed. For example, the situation of an active board member who does not appear to be a representative of the membership organisation they state they are – according to the organisation concerned. This situation has to be explained and resolved. Also, at an AGM and board meeting (held on 24 March 2016), the absence of full disclosure as to the reasons and numbers of staff and board membership resignations reinforced concerns.
- Therefore, based on all of the information made available at this time, the Council Officers did not have the necessary confidence that the company was in a stable enough condition to enable the recommendation to release any funding.

Creative Scotland also fed back on 24 April following their review of the Delivery Plan and included the following key comments:

- We have significant concerns, shared by the City of Edinburgh Council, that the Delivery Plan has an extremely tight timetable and at this stage does not offer enough detailed information for us to have complete confidence that the Mela, and a quality artistic programme, can be delivered in 2016.
- It is important that the Board are confident that planning is realistic and achievable, and strongly encouraged the consideration of this year being focused on restructuring the organisation to produce a stronger and more vibrant Mela in the future.

A reply to an e mail of 8 June from the Council requesting finance and deliverability information was received on 10 June from the Mela Board. While key concerns remained about governance and other related issues, given the time constraints Council efforts focussed on a stable company, and the insistence by the Mela Board on

the delivery of an event in 2016. The Board replied with some financial outline event information and a 3 month cash flow.

A draft proposal was shared on 21 June with the Mela Board representatives by Council Officers based on the information supplied by the Mela Board. The intention was to establish if the Board would be prepared to address key issues and agree to a realistic way forward including addressing governance issues and the realistic delivery of a reduced event in 2016 whilst acknowledging the significant risk of the Mela's projected income targets, and the risk to the subsequent survival of the company.

A response from the Mela Board on 28 June made it clear that they were unwilling to agree to the draft proposal and given the unresolved nature of the exchanges up to that point, it was apparent that the effort to find a route to a mutually agreed way forward had been exhausted.

Following all of these efforts, including on-going informal dialogue in the interim to try to ascertain the position on both an event in 2016 and governance and company stability, on 8 July 2016 the Council concluded that the Mela did not have the necessary stable governance or management capacity in place.

- Therefore, it was not possible for the Council to recommend the commitment of resources in advance of these issues being addressed as no evidence had been provided of clear and realistic plans for the stabilisation and reform of the organisation, nor engagement to address the evident weaknesses which exist.
- As has been the case throughout the months of exchanges, the Council had re-stated that in partnership with Creative Scotland colleagues, Officers remained ready to offer professional and financial support to deliver an urgent review of the company's governance, staffing and financial capability and requirements, and to work with the board and Creative Scotland to determine what resource may be required to facilitate this process.
- Council and Creative Scotland Officers have also consistently re-stated that both remain supportive of seeking a mutually agreed resolution to the challenges faced by the company.