Mr Simon Johnson  
Scottish Political Editor  
Daily Telegraph

SENT BY EMAIL TO:

Ar fidhle/Our ref:  FOI/10/00910  
4 August 2010

Dear Mr Johnson

Thank you for your request for information under the Freedom of Information (Scotland) Act received on 6 July requesting all information held regarding the £180,000 loan provided to The Gathering 2009 Ltd.

As set out in the statement made to Parliament by the Cabinet Secretary for Education and Lifelong Learning on 30 June 2009, the directors of The Gathering 2009 Ltd met with him in April 2009 in his then role as Minister for Culture, External Affairs and the Constitution. The meeting was to discuss broadcasting issues around the event but the directors also used the meeting to report cash flow difficulties resulting from WorldPay, the company contracted to process advance ticket sales, holding income from those advance ticket sales until after the event had taken place. The Minister asked officials to advise on the practicalities of underwriting the company's cash flow until the money from ticket sales was released.

The work carried out to investigate the options was carried out by officials in Promotion of Scotland and Tourism Division within the Culture, External Affairs and Tourism Directorate. Officials met with the Directors of the company for discussions about the WorldPay situation and the company's cash flow position and, following that work, concluded that the best solution was a short-term loan provided under the statutory authority of Section 23 of the National Heritage (Scotland) Act 1985.

The Minister for Culture, External Affairs and the Constitution agreed to the provision of the short-term loan to the company. The offer of a loan was made to the company on 1 June 2009 and accepted on 5 June 2009 by the company's director. I have enclosed a copy of the Scottish Government's letter of 1 June 2009 to The Gathering 2009 Ltd offering the short-term loan.

Following the event, the company's directors met with the Minister for Culture, External Affairs and the Constitution in early September, after failing to repay the short-term loan by
the due date of 31 August. The directors told the Minister that they had made substantial losses on the event and were unable to repay the loan.

The Scottish Government worked hard to protect the concept of the Gathering and secure the future economic benefits of the event. In was in this context that we took the decision to write off the amounts owed to it on the basis of a judgement that the debts were not recoverable. This willingness to write off sums owed by The Gathering 2009 Ltd to the Scottish Government was expressed in relation to proposals that could have secured the future benefits of the Gathering event. The attempt to secure the future of the event was unsuccessful. Now that the entity is in liquidation, all creditors have to register a claim with the liquidator and the Scottish Government are in the process of doing so. This is standard practice and essential to ensure that written-off VAT costs can be recovered. It is also in line with the Scottish Public Finance Manual requirement that all reasonable actions are taken to effect the recovery of losses; this would include participating in a liquidation.

In respect of other information that Scottish Government holds relating to your request, I consider that exemptions under section 30 (b) (i) and (ii) of the Freedom of Information (Scotland) Act apply. Section 30 (b) (i) and (ii) deals with information that would, or would be likely to, inhibit substantially the free and frank provision of advice; or the free and frank exchange of views for the purpose of deliberation.

If you are unhappy with this response to your request, you may ask us to carry out an internal review, by writing to Francesca Osowska, Director for the Culture, External Affairs and Tourism Directorate, Area 2 F, Victoria Quay, Edinburgh, EH6 6QQ. Your request should explain why you wish a review to be carried out, and should be made within 40 working days of receipt of this letter, and we will reply within 20 working days of receipt. If you are not satisfied with the result of the review, you then have the right to make a formal complaint to the Scottish Information Commissioner.

Yours Sincerely

MALCOLM PENTLAND
Ur faidhle/Your ref:
Ar faidhle/Our ref:
1 June 2009

Dear Lord Sempill

OFFER OF SUPPORT FOR THE GATHERING 2009 LTD

We discussed recently the conditions under which funding could be made available by the Scottish Government to The Gathering 2009 Ltd to release cash flow equivalent to ticket sales already achieved. I am writing to confirm that we have £180,000 (€207 276.972 Euros) allocated as a short term loan to the project in this financial year 2009/10. I have been advised to inform you, for your reference, that this support will be de minimis aid.

The funding is payable against receipt of an invoice, but we would, as agreed, expect this funding to be paid back to the Scottish Government during the current financial year. I am therefore requesting that The Gathering 2009 Ltd repay the £180,000 in full within 14 days of your receiving payment from World Pay, and no later that 31 August 2009. In this connection, it would be helpful to have from you a forecast of your expected payment date from World Pay, if the arrangement above is not in accordance with your contract.

In accordance with State Aid rules I am satisfied that this award does not breach the ceiling on de minimis aid. There is a ceiling of €200,000 on interest generated on aid (this has varied recently from £130,000 to £190,000 depending on exchange rates) for all de minimis aid provided to any one firm over a 3-year fiscal period. Under EC Regulation 1998/2006 (de minimis aid regulation) this funding support is a de minimis aid. I would therefore be grateful if you would confirm any aid received during the previous 3 years and whether any was de minimis aid.
Any de minimis aid awarded to you under this offer letter will be relevant if you wish to apply, or have applied, for any other de minimis aid. For the purposes of the de minimis regulation, you must retain this letter for 3 fiscal years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter for longer than three years for other purposes).

If you wish to accept this offer on the terms set out above, you should sign and date both copies of the Grant Acceptance below and return one copy of the offer of Grant and Schedules to me at:

**Promotion of Scotland and Tourism Division**  
**Culture, External Affairs and Tourism Directorate**  
**Scottish Government**  
**Area 2-J North**  
**Victoria Quay**  
**Edinburgh EH6 6QQ**

You should retain a copy of the offer of Grant and Schedules for your own records.

Yours sincerely

Carolyn Gardner  
**Promotion of Scotland and Tourism**
SCHEDULE 1

GRANT CLAIM FORM

Organisation: The Gathering 2009 Ltd

Bank details: Sort Code- Account-

Total agreed grant for 2009/10: £180,000

We hereby claim total grant of £180,000 in respect of the above period in accordance with the terms and conditions of the offer of Grant dated 18 May 2009 and the Schedules attached thereto.

Completed by:

Position:

Contact Details:

Date:
On behalf of The Gathering Ltd I accept the foregoing offer of funding by the Scottish Ministers dated 01/06/2009 and the whole terms and conditions as set out in the letter. In accordance with State Aid rules I am satisfied that this award does not breach the €200,000 ceiling on de minimis aid over a 3 years fiscal period. Details of de minimis aid received during the previous 3 years are attached. I confirm that I hold the relevant signing authority.

Signed:

Print Name: SEMPLI

Position in Organisation of Person Signing: DIRECTOR

Date: 5.06.2009