WRITTEN EVIDENCE FROM SIR JOHN ELVIDGE, FORMER PERMANENT SECRETARY TO THE SCOTTISH GOVERNMENT, TO THE PUBLIC AUDIT COMMITTEE.

My personal involvement with the issues under consideration by the Committee was concentrated within a limited time period from the second half of September to the second half of October 2009.

My involvement had 3 phases:

i. advising Ministers on issues relating to the possibility that The Gathering Ltd might be enabled to remain solvent over the period required to organise a repeat event in a future year;

ii. advising Ministers on issues relating to the possibility that The Gathering Ltd might be purchased by a third party; and

iii. considering, as Accountable Officer for the First Minister's portfolio budget and Principal Accountable Officer, whether the debt owed by The Gathering Ltd to the Scottish Government should be written off and assisting other Accountable Officers in parallel consideration in relation to the budgets for which they were responsible.

It may be helpful to the Committee if I make clear that at no point did I have direct dealings with The Gathering Ltd or either of its directors.

The first phase began in the second half of September 2009 when I became aware that Ministers were concerned that the commercial difficulties being experienced by the company could result in the company's liquidation, with consequent damage to the prospects of repeating the overall economic benefits derived from the 2009 Gathering. It ended when it became clear that the valuation placed by independent advisers on the intellectual property owned by the company was not sufficient to cover the gap between the company's estimated liabilities and its estimated future trading income prospects.

The second phase was triggered in early October 2009 by the end of the first phase. It rapidly reached the key point at which the City of Edinburgh Council gave indications that it would be willing to purchase the company, through Destination Edinburgh Marketing Alliance (DEMA). I had some subsequent involvement during October in exchanges with officers of the Council aimed at clarifying the basis on which financial support might be available from the Scottish Government in respect of a future proposal for a repetition of The Gathering, to assist the Council's continuing consideration of the position it would be in if DEMA were to purchase the company.

The third phase also took place in October 2009 and overlapped with the second phase but was distinct in the sense that it involved the discharge of my personal responsibility as Accountable Officer for the First Minister's
portfolio budget to decide whether it would be proper to write off the debt owed to the Scottish Government by the company. It was linked to the second phase, however, because the reason for giving consideration to that issue at an earlier stage than an Accountable Officer would normally do was that an early decision might assist a purchaser of the company to assess the risks which would transfer to them as a consequence of purchase. It was for this reason that I shared with the Accountable Officers for Historic Scotland and the Scottish Ambulance Service the information that I had received advice that the debt would be irrecoverable, and the basis on which I was taking a contingent decision on write off, so that they would be in a parallel position to me, in terms of being able to consider that analysis, in exercising their individual Accountable Officer responsibilities.