



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Richard Leonard MSP
Convener
Public Audit Committee
The Scottish Parliament
Edinburgh
EH99 1SP

20 March 2026

Dear Richard

Public Audit Committee: Scrutiny of Cairngorm Funicular Railway

Thank you for sharing with HIE the findings of the Committee's recent report on the Cairngorm Funicular Railway.

We appreciate the Committee's time taken to undertake this work and note the recommendations contained within its report, many of which sit with HIE. We would like to offer the following response to the Committee's findings:

- **Governance arrangements should be simplified and made more transparent.**

We will look to update and simplify these arrangements as recommended by the Committee. As we move into a new stage at Cairngorm – with remediation close to conclusion, commercial discussions progressing, changes at CMSL including the appointment of a new CEO last summer and refreshed Board membership, and a number of diversification investments having been made – this is now the appropriate time to review governance.

HIE acknowledges that its governance arrangements relating to Cairngorm are currently substantial. This has been of deliberate design and reflects the complex nature of the issues HIE has had to deal with in relation to Cairngorm, particularly since the funicular came out of service in September 2018 and the establishment of Cairngorm Mountain (Scotland) Ltd (CMSL) in December 2018 following the administration of the previous owner/operator. These issues included dealing with impacts of administration, establishing CMSL and ensuring it had effective operating and governance arrangements, dealing with issues affecting the funicular and having to make decisions around its future, development of a masterplan with significant associated public and stakeholder engagement, as well as pursuing complex multi-party legal actions. As you are aware, the latter resulted in HIE receiving an out of court settlement of £11m.

Given the complexity of these matters, the multi-disciplinary nature of HIE's response and levels of external scrutiny, a governance structure was required that would enable appropriate oversight and support effective decision making. That structure was simplified in 2023 when the funicular was initially brought back into operation but stepped up again later that year when it was taken out of operation to allow remediation works to be undertaken.

- **HIE should monitor the ongoing effectiveness of CMSL's governance arrangements and review these within two years.**



As previously discussed with the Committee, the appointment of a new CEO to CMSL in mid-2025 and refresh of the CMSL Board at the start of 2026 have introduced a period of change. As these new arrangements bed in, HIE and CMSL are taking the opportunity to review the governance arrangements which sit between the organisations and make any early necessary changes to these. This is a work in progress and includes performance and financial reporting arrangements. We will keep these arrangements under review in the meantime to ensure they remain fit for purpose and effective.

- **Scottish Government should have oversight of governance arrangements, as well as assuring itself that HIE's financial management controls are appropriate.**

HIE notes that this recommendation sits with Scottish Government, which will respond direct to the Committee. Nonetheless, HIE wishes to highlight that regular reporting arrangements exist between HIE and Scottish Government in relation to Cairngorm – these include through 'business as usual' formal reporting mechanisms as well as regular and informal reporting by HIE to Scottish Government on any key matters which arise or general updating on progress.

- **HIE should ensure it is sharing information about the funicular proactively and in a timely manner on its website, so the public has less need to rely on Freedom of Information requests.**

HIE always endeavours to be open and transparent on all matters, including those related to the funicular. Throughout the programme of strengthening works and more recently the remediation works, HIE has consistently advised the public and stakeholders of progress and setbacks, including through media releases and online updates, notably a dedicated funicular page that we maintained on the HIE website when the railway was out of service. Where we have had to be more circumspect, including redactions to HIE Board minutes, is in relation to matters which have either been subject to ongoing legal proceedings or ongoing commercial discussions. In these circumstances, HIE has taken the view that the public interest lies in it securing the best possible outcome for the public purse. However, as these matters are resolved, we will be able to be more open in the information we are able to publish on a proactive basis.

- **Scottish Government to provide information on its plans for the funicular, given the project does not appear in its infrastructure funding priorities for the next four years.**
- **Projects, such as the funicular, should be included in future Major Capital Updates provided by the Scottish Government and in its future Infrastructure Development Plans.**

HIE notes these recommendations are for Scottish Government. However, HIE would note that no further significant capital spend beyond routine inspection, monitoring and maintenance is planned for the funicular over the next four years or beyond. There may, however, be other significant capital spend at Cairngorm – e.g. relating to delivery of the masterplan – and we will liaise with Scottish Government in relation to this.

- **The Committee notes that HIE as owner and custodian of the Cairngorm Mountain Estate has responsibility for the costs of removal of the funicular and that HIE's 2024/25 annual accounts note that liability would arise in the event of permanent discontinuation.**



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We anticipate that, through planned inspection and maintenance, the funicular will have a significant operational life in line with other equivalent infrastructures, such as bridges and viaducts. As such it is not currently appropriate to provide for any decommissioning liability in HIE's accounts.

- **Scottish Government to set out a detailed plan including review dates where updated cost estimates for the project can be considered to ensure continuing value for money.**

HIE notes this recommendation is for Scottish Government. We would note that the business case undertaken by HIE to support the funicular reinstatement programme confirmed significant economic benefits and reaffirming the funicular's role as a significant economic driver for Badenoch and Strathspey. In addition, in HIE's submission and evidence to the Committee, we noted the importance of Cairngorm as a national asset and that the resort attracts on average 132,851 visitors annually, supporting 123 FTE jobs, £2.2m in wages, and £3.8m in GVA, with local visitor spend estimated at £10.2m per year. In addition, there is a range of wider benefits including health, wellbeing and sports related, environmental and educational. Notably, the Cairngorm Ranger Service plays a lead role in supporting delivery of educational and environmental objectives, including maintenance of a path network, tree planting and other initiatives aimed at improving the environmental sustainability of the estate.

- **CMSL should continue to engage with the local community and expert groups in a transparent way, particularly when it is reviewing its masterplan.**

CMSL is committed to continuing to engage closely and openly with the local community and all stakeholders. We fully expect that the recent appointment of new Board members from the local area and/or from important stakeholder groups will further support these efforts.

The Cairngorm Estate masterplan is due for review during 2026. HIE and CMSL will take this work forward jointly, engaging stakeholders in the process as recommended by the Committee.

- **Auditor General to consider undertaking further audit work on the funicular.**

HIE routinely updates Audit Scotland on Cairngorm matters both through formal reporting and audit processes as well as regular informal engagement. HIE will positively engage with and support any further review work that Audit Scotland may decide to undertake.

I hope you find this response helpful.

Yours sincerely

J Stuart Black
Chief Executive