



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Public Audit Committee

Wednesday 17 September 2025

Session 6



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Wednesday 17 September 2025

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PUBLIC AUDIT COMMITTEE

24th Meeting 2025, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Jamie Greene (West Scotland) (LD)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

Joe FitzPatrick (Dundee City West) (SNP)

*Graham Simpson (Central Scotland) (Reform)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stuart Black (Highlands and Islands Enterprise)

Stephen Boyle (Auditor General for Scotland)

Fiona Brannigan (Audit Scotland)

Keith Brown (Clackmannanshire and Dunblane) (SNP) (Committee Substitute)

Andrew Burns (Accounts Commission)

Sandra Dunbar (Highlands and Islands Enterprise)

Mike Gifford (Cairngorm Mountain (Scotland) Ltd)

Elaine Hanton (Highlands and Islands Enterprise)

Tim Hurst (Cairngorm Mountain (Scotland) Ltd)

Rebecca Seidel (Audit Scotland)

CLERK TO THE COMMITTEE

Katrina Venters

LOCATION

The Sir Alexander Fleming Room (CR3)

Scottish Parliament Public Audit Committee

Wednesday 17 September 2025

[The Convener opened the meeting at 09:30]

Interests

The Convener (Richard Leonard): Good morning. I welcome everyone to the 24th meeting in 2025 of the Public Audit Committee. We have received apologies from Joe FitzPatrick. I welcome Keith Brown, who joins us as Joe FitzPatrick's substitute. Keith, do you wish to declare any relevant interests?

Keith Brown (Clackmannanshire and Dunblane) (SNP): Thank you, convener. I have no relevant interests to declare.

The Convener: Thank you.

Decision on Taking Business in Private

09:30

The Convener: Does the committee agree to take agenda items 4, 5 and 6 in private?

Members *indicated agreement.*

Cairngorm Funicular Railway

09:30

The Convener: Our next agenda item is a mini-inquiry into the Cairngorm funicular railway. I am very pleased to welcome our witnesses to the committee. From Highlands and Islands Enterprise, we are joined by Stuart Black, the chief executive; Sandra Dunbar, director of corporate services; and Elaine Hanton, the Cairngorm programme lead. We are also joined by representatives from Cairngorm Mountain (Scotland) Ltd, which is a subsidiary of Highlands and Islands Enterprise. I am pleased to welcome Mike Gifford, the chief executive; and Tim Hurst, a board member and the former interim chief executive.

We have some questions to put to you, but before we get to those, I invite Mr Black to make a short opening statement.

Stuart Black (Highlands and Islands Enterprise): Good morning, and thank you for the opportunity to attend the committee to discuss matters relating to Cairngorm Mountain. Highlands and Islands Enterprise is the owner and custodian of the 3,500-acre Cairngorm estate, which sits in the United Kingdom's largest national park. The estate is bordered by several sites that are officially designated for environmental protection and scientific interest, and it is an environmental and economic asset for Scotland, particularly for the local area of Strathspey and Badenoch.

For decades, the Cairngorm Mountain resort has been a significant Scottish visitor attraction and economic driver for the local area and the wider Highlands, and it features Scotland's only funicular railway. The funicular provides mountain access for skiers and snowboarders in winter and for sightseers of a range of ages and abilities in all seasons. Crucially, the resort supports year-round tourism employment, in contrast to marked seasonality elsewhere in the region. Approximately 72 people are employed at Cairngorm Mountain in the summer, which rises to around 100 in winter, generating £1.8 million a year in gross wages for the local economy.

As the committee is aware, we have faced serious challenges at Cairngorm since September 2018, when the funicular was taken out of service following a routine inspection that raised safety concerns. I stress that safety has always been our paramount consideration in the operation of Cairngorm Mountain and the funicular. Shortly after that, the then operating company was put into administration, and HIE established Cairngorm Mountain (Scotland) Ltd to maintain operations and secure not only the jobs on the

mountain but the wider economic benefits that are underpinned by its activities.

Details of subsequent events, decisions and actions are summarised in our written submission, and I will not repeat them now. However, I emphasise the importance of the resort and the funicular in generating wider economic benefits in an area that has a high dependency on tourism. Thirty per cent of the area's economy is dependent on tourism, which is one of the highest figures in Scotland. That is a key factor underpinning our rationale for investment over the years and at the moment.

Our analysis shows that, since 2017, the average annual number of visitors to Cairngorm Mountain when the funicular was running was 132,851. The annual spend attributed to funicular visitors is estimated at £10.2 million, and that activity supports 123 jobs in the local economy, with wages totalling £2.2 million and gross value added of £3.8 million.

Cairngorm Mountain (Scotland) Ltd has broadened the range of activities to attract customers to Cairngorm, and I am sure that Mike Gifford will talk more about that later. We are trying to attract visitors throughout the year, while maintaining a focus on winter sports, environmental protection and education, which we deliver through a dedicated ranger service. The rangers play a key role in environmental protection, enhancement and education, including in relation to 30km of footpaths around the mountainside.

We have added a lot of attractions in recent years, including children's tube sliding, an adventure park, mountain bike trails and mountain karting, all of which have proven popular and strengthened the resort's year-round appeal. HIE has also invested in infrastructure, including improvements to car parking, refurbishment of the exhibition, enhancement of the retail and food and drink facilities in the Ptarmigan restaurant, and camper van facilities. In addition, more than 33,000 trees have been planted to develop a new forest on the estate.

I highlight that HIE was successful in gaining £11 million in an out-of-court settlement after bringing legal cases against the original designer and contractor of the funicular as well as the parent of the operating company and the principal shareholder.

As the committee is aware, there are still some remediation works to be concluded before we can progress discussions to close the contract with our main contractor. We might therefore be unable to provide certain details at this time. However, we aim to be as open as possible and will be pleased

to follow up in due course with any information that we are unable to provide today.

I reiterate that HIE and CMSL would be pleased to host a visit to Cairngorm by committee members and to facilitate meetings with stakeholders at the earliest opportunity. Thank you for your attention.

The Convener: Thank you very much indeed. Before we begin our questions, could you summarise when the funicular has been open since the time that it was closed in September 2018 for safety reasons?

Stuart Black: There was a significant amount of repair and remediation work to be done to the structure. It opened for a short period between January and August 2023, but routine inspections at that point again highlighted issues, and it was therefore closed on safety grounds. There was a six-month period between January and August 2023, and it reopened in February this year. It has been running quite successfully since then—in fact, it has had something like 70,000 visitors this year, which is really positive.

The Convener: I read somewhere that it was closed in May 2025.

Stuart Black: Yes—I am sorry. There was a three-week period of closure in May 2025 for some additional works.

The Convener: I understand that there are also more scheduled closures in September and November this year.

Stuart Black: There will be a short scheduled closure for three days next week. There is a routine maintenance period in November, which is usually a bit longer, but this year it will be just one week.

The Convener: Those are routine maintenance shutdowns. They are not to address substantive structural engineering issues.

Stuart Black: Next week's closure is to deal with some final remediation issues. The closure in November might also deal with some of those, but they are not substantive. They are relatively minor, and there is nothing to concern the committee with regard to the structure. The closures are really about minor remediation works.

The Convener: We are not the health and safety committee; we are the Public Audit Committee, so we will focus our attention on that. I just wanted to get that picture. If the area is being presented as a tourist destination and people expect the funicular to be there as part of the attraction of going there, but it is closed when they arrive, that has quite a damaging impact on the reputation of the area, does it not?

Stuart Black: There is certainly disappointment when the funicular is not running. When it is running, there is a real boost to the local economy in business confidence and community confidence. Our aim, and the company's aim, is to ensure that it is running and operating effectively.

The Convener: Let me turn to issues of governance and oversight. How does HIE ensure that it has effective oversight of the Cairngorm Mountain project and those who are running it? How does that work?

Stuart Black: There is a range of internal project management committees and project teams within the organisation. We also report regularly to our main board, which meets six times a year, and we always have a report on Cairngorm Mountain. We also report to our risk and assurance committee, which is our audit committee. In fact, it will meet tomorrow, and we will have a Cairngorm paper at that meeting. There is project governance at different levels throughout the organisation. There is also reporting between HIE and Cairngorm Mountain. We have a number of key performance indicators with Cairngorm Mountain, which we monitor monthly.

On the project itself, we are using a new engineering contract, which is a well-rehearsed and well-used type of contract in civil engineering in Scotland.

The Convener: I do not know whether one of the other witnesses wants to come in.

Sandra Dunbar (Highlands and Islands Enterprise): I can add to that. As Stuart Black said, we have different layers of governance. In HIE, we have a programme board of really experienced executives who are responsible for the oversight of all aspects of the Cairngorm programme. That does not just include the funicular remediation work; there is also wider diversification activity and the management of the operating company. We have a programme board, and we also have a funicular project board, which oversees all of that activity.

At a more strategic level, as Stuart said, the HIE board receives regular updates. Our audit committee, which is a risk and assurance committee, similarly receives updates. We also have a board sub-group, which we convened specifically for the purpose of supporting and advising on issues relating to Cairngorm. The project in Cairngorm is sufficiently high risk that we have added additional governance to support the effective activity that we are doing there.

We sought to work closely with CMSL to ensure that there is good governance within it. It has an experienced senior team, with a newly appointed chief executive in Mike Gifford, and a board that

represents the experience and capabilities that are needed to take the company through periods of challenge and diversification. As Stuart said, the funicular remediation project also has different layers of governance to support issues such as technical, health and safety, and environmental activity.

The last thing to say on governance is that we also have some formal stakeholder groups—for example, the Cairngorm advisory group, which evolved from a funicular response group that we put in place in 2018. We have tried to ensure that we have really good governance that demonstrates and meets all the requirements of Cairngorm in the widest sense.

The Convener: On first viewing, there seems to be quite a proliferation of governance and lots of different committees and programme boards and so on. Is that the most effective way of providing the oversight that is required? It would be useful for the Public Audit Committee to have a diagram that shows how those different parts of the governance fit together and what their different roles are.

The other question that arises is the extent to which that structure is a product of lessons learned from the previous private contractor that provided the services, which was Natural Assets Investments Ltd.

Stuart Black: There is certainly a higher degree of scrutiny of the project, and it also features regularly on our organisational risk register, which is one thing that Sandra Dunbar did not mention. It is pretty much at the top of the risk register. We took away the Public Audit Committee and Audit Scotland reports on previous exercises and considered them closely. We have strong project governance and have involved our board as much as we can. We also have regular liaison with Audit Scotland, because it is a nationally important project.

The Convener: I now invite Keith Brown to put some questions to you.

Keith Brown: I am the new boy on the committee, so my questions might not be exactly as they should be.

You talked about how you work with Audit Scotland. How does HIE respond to concerns about transparency and accountability? You will know that issues were raised in previous reviews. Will you outline what those concerns were and how you have responded to them?

Stuart Black: I will get Sandra Dunbar to come in on that one, if that is okay.

09:45

Sandra Dunbar: A key finding in the Audit Scotland review encouraged us to be more open in our engagement, particularly with wider stakeholders. We have done a couple of things in that respect. We have a stakeholder group of representatives from the community and business with an interest in Cairngorm, which meets regularly and is co-chaired by the convener of Highland Council and the chair of HIE. It is an excellent forum for two-way communication—it is not just about our communicating what we are doing, but is also about actual engagement.

We have also done significant consultation as a result of the masterplanning exercise. Elaine Hanton might want to talk more about that but, with regard to wider transparency, we have sought not only to be as open as we can be in communicating our business decisions and the papers supporting them—and as open as we can be in response to, say, freedom of information requests—but to be more proactive in presenting our business cases, which are on our website.

We have put in place different layers of openness. Indeed, a prominent feature of our annual reports is what we have done at Cairngorm and the associated costs. As I said, there are different levels of openness and transparency, and we have reflected on the findings of the Audit Scotland reviews.

Elaine Hanton (Highlands and Islands Enterprise): On the masterplan, we went through a process of almost two years that involved local consultation events. We had two different consultation stages and we ended up with over 2,000 responses. We had around 70 stakeholder meetings as part of that, too. It is very much about trying to engage with people with an interest—not just local people, but sporting interests, neighbouring landowners and others—to try to ensure that we are taking on board their comments, their feedback and their learning with regard to what has and what has not worked for them in the past.

Sandra Dunbar did not mention this, but we have also done a lot of lessons learned exercises, including with the Cairngorm advisory group that we mentioned earlier, and we have done the same with members of the CMSL team, ex-staff members of HIE and others who have been involved with Cairngorm over the years. It is all about trying to capture what has worked and what has not, and also what we need to bring forward into the future. We have tried to ensure that we have done all of that.

Keith Brown: Given those actions, do you believe that you have met the concerns that were raised previously about transparency and

accountability? I know that it will be an on-going thing.

Stuart Black: That is for others to judge, but we have tried to go to the highest degree in trying to meet the requirements.

I also stress that we have taken the lessons-learned approach that we have used on this project with wider project governance in the organisation, and we now have very clear guidance for any major projects. We have also put a lot of our senior team and senior staff through training. This is not just about the lessons learned for Cairngorm; it is also about how we apply those lessons across the organisation.

Keith Brown: It will be for others to judge, but it would be useful to know whether you believe that you have met the concerns that have been raised. I suppose that that was the point of my question. As for other recommendations made by Audit Scotland and the Auditor General, there will be different views on their impact and scope, but do you consider those recommendations to have influenced your current practices? If so, can you give any examples of that?

Stuart Black: Yes. One of the key issues was openness and transparency, and we have certainly tried to ensure that we have those things, as Sandra Dunbar mentioned. That has been reflected in the support that we have in the local community. At the start, there was a fair degree of scepticism about some of the things that were happening on the mountain, but now, when you speak to the vast majority of people in the local community, you will find them very supportive of what has been happening at Cairngorm. Mike Gifford, in particular, is seen as a very good appointment, and he has been very open and has been meeting a lot of the local stakeholders. That is one area that we have really strengthened.

As for our general project management—I am sorry; I should, of course, have said that I believe that we have met Audit Scotland's requirements in that respect.

Our general project management is well regarded, too—I think that we are seen as an effective and efficient organisation. As I said, we have tried to take the lessons learned from the Cairngorm project management and apply them across the wider organisation. We are dealing with many big projects at the moment; we have huge opportunities in our area, particularly in offshore wind, and we are taking some of the learning and experience from projects such as Cairngorm and applying them to big projects such as the Sumitomo investment at Nigg and other projects of that scale.

Keith Brown: I was interested to read about the £11 million settlement. Many people will be

reassured to hear that public authorities will challenge contracts that have not been properly delivered. Was any part of that process either informed by or done in conjunction with Audit Scotland? Did it help with that, or was it taken forward solely by HIE?

Stuart Black: We certainly led on that. I agree that it is important for us to take action when the private sector does not deliver for us. We discussed the outcome with our board, and we discussed the negotiations with our sub-group. We considered the magnitude of settlement that we might accept, and the sum was at the top end of where we thought we might get to. We were very pleased with the result, which was a significant result for us.

I will bring in Sandra Dunbar on the detail.

Sandra Dunbar: From the outset of the 2018 period when Cairngorm Mountain Ltd went into administration, there were challenges for our whole strategy, not just for what we did with the operating company and the funicular, but for how we preserved and protected our position with respect to any recovery of costs. We were very considered in that regard.

We engaged with Audit Scotland and kept it up to date. As Stuart Black said, we led on that, although we took counsel, I suppose, from examples of good practice that could inform us. We had an excellent internal team of experts and good legal counsel to support us. That was a factor that ran through all our decisions on the funicular activity.

The Convener: To what extent did you get help and support from the Scottish Government's central legal services?

Stuart Black: We got excellent support from our sponsor team and from the department. That is the way we work; we do not tend to work directly with other parts. We generally work through our sponsor team and through the economic development directorate, which was very supportive of what we were doing. As you rightly say, it is a matter of ensuring value for the public pound.

Sandra Dunbar: We did not have any specific advice from the Scottish Government legal team. As part of our wider openness and transparency, we did considerable consultation with the operating company on what we were doing and on the restoration of the funicular from 2018 to 2022. That involved articulating with the Scottish Government on how the legal cases factored into our decision making and our business case. We did not assume any recovery as part of our business case; we took a conservative approach. All our considerations ensured that we protected our position.

The Convener: Good. Thank you—that clarification is helpful.

I now turn to Graham Simpson, who has some questions on the subject of financial management.

Graham Simpson (Central Scotland) (Reform): I will, indeed, ask about finances, but my interest has been piqued by news that you want to open a toboggan. Will you tell me a bit about that? That might attract me up there. *[Laughter.]*

Stuart Black: I will ask Mike Gifford to comment on that.

Mike Gifford (Cairngorm Mountain (Scotland) Ltd): The toboggan would be a great project for the area. One has gone in near here recently, and it has been hugely successful. Ours would be a single-track toboggan that can be fully accessible so that young people and people with disabilities will be able to use it, which is really encouraging. We have found that a lot of the tourists who come to the mountain are not top-end mountain bikers or skiers, and they want activities where they can just jump on and have a go. We are very excited about it. We have some designers coming in two weeks' time to have a look. Once we get the designs, we will happily share them.

Graham Simpson: How long would the track be, and where would it be? Would it be accessed from the top of the mountain?

Mike Gifford: At the moment, the idea is that it will be accessed from the bottom and it will have its own lift. People will get into the cart and be taken up the track. We hope that we can put in the longest one in the United Kingdom. That is the plan, but we need to work with the designers to ensure that the ground will work for that. We need to be sensitive to other users on the mountain, too.

Graham Simpson: That sounds very exciting.

Mike Gifford: You are welcome to come up as soon as you wish.

Graham Simpson: Perhaps there will be another committee visit. I will certainly sign up for that.

I need to ask about the finances. Has the funicular ever made money? Has it ever made a profit, or has it always operated at a loss?

Stuart Black: I will start, and then I will bring in Sandra Dunbar. Around the early to mid-2010s, some profit was made. It was a relatively modest profit of about £400,000 to £500,000 a year at best. However, at that point, good skiing weather was needed, as the profit was very dependent on there being snow. We are trying to move away from that in order to offer something with a much more year-round appeal.

The double challenge is that it snows later and later in the season. We used to have snow around Christmas time, which would last beyond Easter. However, now, with climate change, we tend to get snow from mid-February to March. That poses a challenge for the Highlands and Islands Enterprise budget, because we have to allow for a fund of some size. We have to ask the company to predict what it would need and we make a judgment on that. That is why it features so highly on our risk register.

Up until 2023, the Scottish Government provided some cover. If the amount went above a certain level, we always received support, but we are now being asked to deal with that ourselves as a relatively small organisation, which creates some financial challenges for us.

Sandra Dunbar: I can be more specific, if that is helpful for the committee. Between 2008 and 2014, the company made a profit for four out of those seven years. Largely, those profits were made during years when there was good snow cover. The work that we are undertaking with CMSL to ensure that the product offering is diversified so that there is not just a reliance on snow sports but an all-year-round attraction that would create more resilience, as well as the work on cost-reduction measures, means that we are more comfortable that there will be a sustainable business model going forward.

Graham Simpson: It is fair to say that, for the vast majority of the time that the funicular has been in existence, it has made a loss. Have you managed to tot up what the loss has been over the years?

Stuart Black: We would need to go back and look at all the accounts. It was run by a charitable local trust for some time, which did not work. That is why HIE stepped in. It has been problematic. The challenge is that it has been far too dependent on winter sports, which is what we are trying to move away from. Every resort in Europe is having to move away from being reliant only on winter snow—very few resorts are not doing that.

Sandra Dunbar: As I said, the period of profitability was from 2008 to 2014. I clarify that HIE took ownership of the operating company in 2008—prior to that, it was not a subsidiary of HIE. We helped to restore the balance sheet and to consider issues including debt. From 2008 onwards, there was not an insignificant number of years of profitability. We developed a business case between 2018 and 2020 that looked at visitor numbers, sensitivities and diversification. We feel that the operating company has a credible plan for sustainability, which includes diversification and all-year-round weather facilities.

Graham Simpson: The facility is open at the moment; there are some planned closures, but it is running. Is it making a profit now?

Stuart Black: I will ask Mike Gifford to come in, as he has the most up-to-date figures.

Mike Gifford: This financial year, we have taken £1.8 million, which has pretty much covered the operational costs of CMSL, which is great. It shows that there is an appetite for what we are doing on the mountain. We have had more than 70,000 visitors to the funicular and there have been another 30,000 visitors through snow sports and adventure sports this year.

Going forward, we want to increase those numbers, and the toboggan run would really help with that. We are looking at having mountain bike tracks from the top of the mountain, and we also need to look at opening access for walkers from the funicular to the summit.

Currently, we have a visitor management plan in place, so we need to work with partners in a sensitive manner. The number of people who come to the area, including Aviemore, to go walking is exceptionally high, so it will be great if we can offer that. There will be challenges, and we need to look at the section 50 agreement.

10:00

Graham Simpson: Is the current position that you will break even?

Mike Gifford: Currently, we are at break-even position, but there is a lot more to do. I have lots of ideas and the team are all on board, so we are looking forward to getting to that point.

Graham Simpson: It sounds like it. Apart from the issues to do with snow, what main factors have contributed to the cost overruns?

Stuart Black: I will bring Sandra Dunbar in. Are you referring to day-to-day operations?

Graham Simpson: Yes. We could do with breakdowns as well.

Stuart Black: The cost of remediation came in higher than the initial estimates. That was related to a number of factors, including Brexit, the pandemic and the situation in Ukraine. A range of factors that affected the construction market also affected Cairngorm.

In relation to operations, we have talked about some of the issues, such as overdependence on snow. Moreover, the fact that you cannot get out at the top station puts off a number of visitors. Mike Gifford has done some work on that. We have some evidence that, when they find out that they cannot leave the funicular at the top station, people are turned away, and we do not know

about the people who do not come because they know that they cannot get out at the top. Those are factors.

An important point for the committee to note is that the current work on the mountain is being done at Balfour Beatty's expense. We have some project management costs, but the contractor is paying for the current remediation and repair work. We have paid a sum of £70,000 towards its work. It has been working on the hill, and the site, which is 2km long in a high mountain environment, is very challenging.

Graham Simpson: Will you explain that bit about people not being able to get out at the top? You will get the funicular up to a point—

Stuart Black: Yes—

Graham Simpson: There is a restaurant and so on. What do you mean when you say that you cannot get out?

Stuart Black: A visitor management plan, which has been in place since the opening of the funicular, restricts access. That was done to protect the high mountain area—there was a concern that people would travel on the funicular to the top and then go out on to the high plateau, which is where the protected species are. People are allowed out in winter for skiing, but summer visitors are not allowed out. You can walk to the top and get the funicular down, but you cannot do the opposite.

That measure has been in place as part of the planning agreement, when the funicular was granted planning permission; it was also a condition of the European funding. The funicular has been operating with that type of constraint since day 1.

Graham Simpson: That sounds bizarre. You can walk to the top and get the funicular down, but you cannot do that in reverse?

Stuart Black: That planning condition was put in at the time, but we are working with Highland Council and NatureScot to try to do something about it.

Mike Gifford: We are investing in technology to carry out a case study. We will give people pocket devices to track their movements. We will watch them going from the top station up to the summit and back down. We hope that they will use the paths to do that. If we can make the case that people are not disappearing on to the plateau, we could start opening up the top of the mountain—that is certainly the position that I would like to get to. We will work with NatureScot and the Cairngorms National Park Authority to try to make that happen.

Graham Simpson: Do you need to do something about the conditions around the planning permission?

Mike Gifford: Yes—absolutely.

Graham Simpson: Okay. That is a very odd situation; I think that you need to tackle that issue.

As we look ahead, what safeguards have you got in place to prevent future structural failures and ensure reliability?

Stuart Black: The on-going works are almost complete. We will have guarantees on the works from the construction company and we also have collateral warranties—so, many things are in place to ensure the completion. The aim of the work is to bring the structure back to its full life expectancy, which, when it opened, was 50 years, so it should be operational well into the middle of this century.

I ask Sandra Dunbar to come in with additional information.

Sandra Dunbar: First, as was mentioned, the contractual provisions give us some protections. Secondly, the operating company carries out on-going monitoring. We have exceedingly experienced staff on the hill as well, which plays a really important part. Mike Gifford and Tim Hurst might want to comment, but I think that that is our biggest strength with regard to the future resilience of the facility.

Tim Hurst (Cairngorm Mountain (Scotland) Ltd): We have reached the point at which we have remediated the structure and returned it to the standard that is required by the Department for Transport for its authorisation. As such, it is now an authorised structure, and we have an on-going maintenance process and inspection regime to ensure that all the critical components in the system are kept within the original specification. There are regular inspections to ensure that the sort of things that happened in the past cannot happen again, and we have an integrated safety management system for that, which gives us an assurance that the funicular can be maintained safely over its 30-year life. We are in a good position.

Graham Simpson: My final question is about the restaurant. I presume that it is not open if the funicular is not open, which must have caused real issues with that side of the business. Do you deal with that separately? How has it done over the years and how is it doing now?

Mike Gifford: The restaurant is doing very well right now. It has been full for the past couple of months and pretty much at capacity throughout the summer. There is no access to the cafe if the funicular is not running, so the top cafe was closed and all the food and beverage offerings were down at the bottom, where we have biking, carting and

the adventure playground. The food service still operated, but not on the whole mountain.

Stuart Black: It is important to say that there was some winter skiing, even when the funicular was not operating. People could walk up to the mid station and get a tow from there or they could get to the top without the funicular when snow conditions were good.

An important piece of new infrastructure was also added when a couple of magic carpets—that is, travelators—and a snow-making machine were put into the beginners' area. That proved to be extremely important for the local ski schools, which were able to keep operating. To its credit, the company did its best to try to keep open the resort and operate in the absence of the funicular, but there is no question that it was doing that with one hand tied behind its back. It is in a far better position now.

Graham Simpson: Magic carpets. That is something else to check out, convener.

The Convener: Okay. You are proving why it would be useful for us to be able to visualise the site and its component parts.

I will take you back to the financial management element of the reinstatement of the funicular. In 2020, Audit Scotland produced a section 23 performance report that cited a figure from a meeting in February 2020, when the board considered that the cost of basically tearing up and removing the funicular would be £13.3 million, and the cost of reinstatement was estimated at £10 million to £15 million at that time. That was February 2020, which we all recognise as being the point at which the pandemic set in, and we know that the world changed quite a lot after that.

I will move us forward to the note that you helpfully supplied to the committee, which cites a reinstatement cost figure of £20.5 million. I have also seen a January 2023 figure giving a capital cost of £25.4 million. Will you talk us through that? You told us that you have paid £70,000 to the contractor Balfour Beatty, which is paying for the current work. Who has had to bear the burden of that cost inflation? Is it HIE or the subsidiary? Is it the constructor or the Scottish Government?

Stuart Black: I can confirm that the correct figure for the reinstatement cost is £25 million.

As you said, a range of factors after February 2020 had huge impacts worldwide and affected the cost of the reinstatement. Moreover, when initial work was done on the structure, more issues were found with it. That, again, formed part of the legal issues on which we won the settlement—there was more work than had been first envisaged.

With regard to the reinstatement costs of £25 million, the costs of the work done subsequent to that by Balfour Beatty have been borne by it; that has not been paid for by HIE. We have paid £70,000 towards certain costs that Balfour Beatty has incurred, but it has been paying those other costs. Of the reinstatement costs—the £25 million—£18 million was paid to Balfour Beatty; the remainder was costs for consultancy and for our teams supporting that work. In short, £18 million of the £25 million was paid to Balfour Beatty.

The Convener: Again, just for the avoidance of doubt, this is public money that is being applied.

Stuart Black: That is correct—it is public money.

The Convener: That is fine. I will now bring in Colin Beattie.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Correct me if I get my figures wrong, but my understanding is that the last time that the funicular made a profit was broadly 10 years ago. Since then, most of the time, the funicular has been closed. You said earlier that the GVA of the funicular was £3.8 million, but how can you calculate that when it has been closed for such a long time?

Stuart Black: There have been periods when the funicular has been operating, and we have used the average number of visitors who have come and used it during those periods. So, it has been running some of that time, though not the most recent periods, obviously.

As Mike Gifford has said, we have had 70,000 visitors this year. Actually, the visitor numbers are slightly ahead of the business plan and financial case that we put together; indeed, they are ahead in every aspect other than that of winter visitors, which I think reflects the challenge with regard to the climate. However, the calculation is based on an estimate of around 11,000 visitors a month, on average, when the funicular has been running.

We know that 60 per cent of visitors are day visitors, and 40 per cent are overnight visitors; we apply spending figures to both, and then we take a view on the proportion of people who come because of the funicular. We have taken quite a conservative view on overnight stays. We multiply that, and that is how we come up with the spend figure of £10 million a year. I think that that is important, because, although we have said that the funicular has not been profitable, that visitor spend has actually had a very significant—indeed, huge—impact on the local economy.

Colin Beattie: I can understand the extrapolation that you have done, but clearly the funicular has not been giving a GVA of £3.8 million consistently, or even partly, over most of the last

10 years or so. Is this not a little bit like putting a finger in the wind, so to speak?

Stuart Black: Well, we have used the numbers from when it was running. I appreciate that it has not been running. In fact, going back to what Mike Gifford was saying about the 70,000 visitors, I would say that, if that were extrapolated, you would get more than 10,000 or 11,000 visitors a month.

Yes, we are using a metric—we are taking some averages and multiplying things—but you are right: the funicular has not been running for the past few years, so we are using previous figures.

Colin Beattie: And there has not been the benefit to the local economy from the funicular that you had hoped for.

You also stated there were 123 staff. Are they purely for the funicular?

Stuart Black: I am sorry—the 123 staff relate to the visitor spend. There are around 100 staff in the mountain resort. Mike Gifford can give you the precise numbers of those working on the funicular, but the important thing is that we are not just talking about the operation of the funicular itself; there is the restaurant at the top and all the staff there, too. There is a big knock-on.

Colin Beattie: What I am trying to get at is that you have calculated the GVA for the funicular, then you have given a figure for the injection into the local economy. You have talked about £1.8 million in wages for 123 staff. Are we talking about the same thing here?

Stuart Black: No, Mr Beattie, I am sorry—there are two different things here, one of which is the direct impact of the employment in Cairngorm Mountain—that is, broadly, the 100 staff and £1.8 million in wages. The secondary effects are those related to the spend in the local economy—that is where we are talking about the spend of about £10 million and the 123 jobs. We are slightly mixing up the direct employment and direct spend on wages with the indirect spend in the local economy.

Colin Beattie: How many staff work on the funicular?

10:15

Mike Gifford: During the summer, we have around 63 staff on the hill. That is to run everything from the funicular to the two cafes and all the adventure sports. During the winter, if we have a busy season, that number can go up to just over 100, but if we do not have a busy season, we will not have that many staff. It is quite a big range.

Colin Beattie: Were you still paying any of those workers in the period that the funicular was closed?

Stuart Black: The mountain resort has a certain staffing requirement. When the funicular is up and running, when there is more work to do at the top station and when there is more activity on the slopes, we have more staff. Generally, around 60 to 65 staff were employed.

Colin Beattie: Were they paid throughout the whole period that the funicular was closed?

Stuart Black: Yes. We were trying to maintain the company and maintain employment in the company. It is tricky because there is more of an economic impact and benefit when the funicular is operating, but there were still things for people to do without the funicular operating—there were upgrades, car park improvements and a range of on-going activities to try to bring in more revenue for the company. So, we generally stayed around that level of 60 to 65 employees.

Tim Hurst might want to come in on that, because he was on the board.

Tim Hurst: We were still operating when the funicular was not working. Mountain biking and carting were still going on, and food and beverages at the lower car park were still open. The resort was still running, but not at its normal capacity.

Sandra Dunbar: During the Covid period—the closed-down period—26 staff were put on furlough, so not all the staff were working during the Covid closures. There were two Covid closures—in 2020 and in 2021.

Colin Beattie: Is it easy to get seasonal staff?

Stuart Black: As you know, there have been challenges post-Brexit, which have affected lots of parts of Scotland, particularly tourism-dependent areas. I will let Mike Gifford talk about the recruitment issues.

Mike Gifford: It certainly can be challenging in the outdoor sector. It is also difficult for the food and beverage sector. We are currently fully staffed and we have seasonal staff on board who have been asked to stay for the winter season. Cairngorm is currently in a good position.

Colin Beattie: I would hope that you are embedded in the local community. How do you engage with and respond to community concerns, especially during the more sensitive periods when you are closed?

Stuart Black: As Mike Gifford knows, there is a huge amount of interest in what is happening with the funicular, and there is a lot of local interest in what is happening on the mountain. As you drive out of Aviemore, there is a sign that tells you when the funicular is open each day. The funicular has a big impact on the local community.

On the point about responding to concerns, Elaine Hanton talked about the Cairngorm advisory group, which is a mechanism that we use to respond to concerns. It met much more frequently in the past—now, it meets a couple of times a year, but I think that that is because we have gained more confidence among the community. We also work closely with the Aviemore and Glenmore Community Trust, which is a very active organisation in the local area. HIE works with it on a range of different things.

The communication is not just done through what is happening on the hill; it is also done through our wider integration with activity in the local area. We have also continued to work with lots of other businesses—we know the impact that the funicular being closed has had on other tourism businesses. We have been embedded with community organisations and small businesses in the area, so we are quite aware of what is happening.

Colin Beattie: Is there a formal process for communicating with the community other than through ad hoc organisations?

Stuart Black: There is lots of information on the Cairngorm Mountain website. That is updated every day with information about what is happening. We also have information on the HIE website. As I said, there is the formal Cairngorm advisory group, which used to meet much more often. I think that we are quite clear on what is happening, and if people want to raise issues, they can either raise them directly with the Cairngorm Mountain team or they can raise them with us.

Colin Beattie: Who is on that advisory group?

Stuart Black: It is chaired by the convener of Highland Council, who is also a board member of Cairngorm Mountain.

Elaine Hanton: The range of membership is wide. It includes local community interest groups, those with a local business interest, other public sector stakeholders who have an interest in outdoor or sports activities, neighbouring landowners and other mountain sport organisations. There are more than 20 members.

Not everybody comes to every meeting, but when we share information and have something to say, we make sure that all members of the CAG get that information in advance. We give them the opportunity to come back and speak to us and, if there is anything they want to raise with us, they can do that, too.

We have tried to be open and include as many people, local organisations and national sporting organisations with an interest in Cairngorm as we can. That also includes the section 50 stakeholders—the likes of NatureScot, Highland

Council and others—who are involved in the visitor management plan that we talked about earlier.

Colin Beattie: Remind me how often that group meets?

Elaine Hanton: At one point, it met very regularly. When it started off, it was called the funicular response group, and it was set up in response to the problem that we had. At that point, it met every six to eight weeks. It then went to quarterly meetings, as it evolved into the Cairngorm advisory group. During the past year or so, the frequency has been down to twice a year, but there are lots of touch points in between those meetings.

Our area team is active in working with businesses and communities in the Badenoch and Strathspey area. The group's meetings are not the only time that we speak to those stakeholders. There are lots of other opportunities, forums and meetings that many of the same people attend.

I would say that there is a really good relationship now with local stakeholders, local businesses and local communities. HIE is an open door. Stakeholders can speak to us or Mike Gifford's team about any issues that arise.

Colin Beattie: I have one last question. How do you measure the long-term economic impact of the funicular and its associated businesses?

Stuart Black: Studies are undertaken on the ski sector in Scotland from time to time. For example, the figures that we are using are based on a 2022 study. We can also do our own evaluation work. We get a lot of positive feedback from the local community and local businesses. We will ensure that you get to meet those people as well as some people from the CAG.

We have done a lot of modelling on the long-term economic impact. The business case looked at what the economic impact would be, and, even with the higher cost of reinstatement, the benefit is still very positive—it is more than 3 to 1. We know that the on-going economic impact is significant, but we could do a more detailed evaluation once it has been up and running for a period.

Jamie Greene (West Scotland) (LD): Let me bring you back to some financial questions. Mr Black, you have stated three times over the course of this morning—it is also in your written submission—that you are keen to stress that Balfour Beatty has absorbed the cost of the remediation work on the funicular. I presume that Balfour Beatty has not sprouted a charitable arm. In what circumstances is it undertaking that work? Presumably, it was paid to do it—that is why you are telling us that.

Stuart Black: Balfour Beatty was paid to do the reinstatement work. Subsequent inspections on

the structure have found issues, and we have sought to put those issues right. The contractor is doing that work. You can draw your own conclusion from that.

Jamie Greene: It was paid to do the job, and it is doing the job, but who paid for it? Where did the £18 million come from?

Stuart Black: The reinstatement work was paid for by the public sector. HIE and the Scottish Government paid for that work, but the subsequent work—the remediation work that is on-going—was paid for by Balfour Beatty.

Jamie Greene: So, it will cover anything over £18 million—is that correct?

Stuart Black: We are possibly getting into contractual matters, convener.

Jamie Greene: It is important; we are talking about public money.

Stuart Black: We have paid Balfour Beatty £70,000 to date for the work that was started following the closure in 2023.

Jamie Greene: You get the crux of my question, though. A huge chunk of public money has been paid to a private contractor to deliver the project and get it up to speed. It is clear that some work is still going on, although you say that it is minor rather than substantive. My point is that, as the Public Audit Committee, we are trying to work out what the overall potential liability to the public purse is.

Stuart Black: On the remediation work, the £2 million that we have paid covers contractors working on our behalf, our project managers, legal support and so on. The sum that has been paid to the main contractor is £70,000. The work that it is doing is being done at its cost to put right work that was not done correctly in the first place.

Jamie Greene: That makes a bit more sense—thank you. I will not press that matter.

You said something interesting in response to questions about HIE's risk factor and how you budget for planning ahead. You said, I believe, that the Scottish Government had provided some cover. I presume that you mean financial cover. If so, how much? In other words, when would your subsidy levels run out, and would you need to draw down Scottish Government money? You also said that that has been removed. My question, logically, off the back of that, is what happens when the operating company asks for more money than you have budgeted for?

Stuart Black: We would then have to get into a discussion with our sponsor team in the Scottish Government about how we could support that. At the moment, we have a budget allowance for Cairngorm Mountain (Scotland) Ltd in our budget

as a subsidiary. If it was to exceed that, we would have to have discussions with our sponsor team, and we might have to find the money from other parts of our budget, or we might be allowed an authorised overspend. Those would be the two mechanisms.

Jamie Greene: Okay, that answers that question—thank you.

My next question is more general; perhaps it is more of an observation that you can respond to. My understanding is that HIE took over the funicular in 2018, using the subsidiary that is here today, but it only fully went into operation in 2025, so seven years passed, although I appreciate that the Covid years were in the middle of that and life was difficult for everyone. Nonetheless, my understanding is that construction was still taking place during the Covid years in many sectors. Why did it take seven years to get it up and running? I find it hard to believe that any other snow-based resort in Europe would have put up with seven years of non-activity.

Stuart Black: The site is challenging. When you see it, you will start to understand the difficulty that the construction entailed. We are talking about very steep gradients and a high mountain environment. A lot of the work required temperatures of at least 5°C for prolonged periods, and you just do not get that for many of the winter months, so it was a challenging period.

There was a six-month period of operation in that 2018 and 2025 window. However, the challenging environment, the factors around Brexit, the cost of inflation in the construction sector and labour supply were big issues. There are a range of different factors. The construction site is 1.8km long and almost 4,000 feet up into the Cairngorm mountains. It is a very difficult environment, and the contractor has to get some credit for the work that was done. It has been a very difficult job.

Jamie Greene: I appreciate that.

Elaine Hanton: At the end of 2018, the funicular came out of operation. We spent a period looking at whether it could be reinstated at all and then considered what the design might look like. At the same time, we looked at whether reinstatement was the best option or whether it would be better to remove it or replace it with something else. We went through a business case process later in 2019, which concluded in August 2020. We entered into the contract with Balfour Beatty in October 2020, and work started in November 2020. There were a very few short weeks in 2020 before it had to demobilise for the winter period. You will appreciate that, in a mountain environment, the construction period is short. The contractor demobilised over that first winter, then

came back on site in April 2021. Therefore, it was not seven years of construction. It was a shorter period of construction. The reinstatement took two seasons to complete. That is, as we have said, because it is such a difficult environment to work in. You can only work during the better months of the year.

Jamie Greene: I appreciate that, and thank you for the additional information.

In the light of the convener's previous question, if the costs of starting afresh, rebuilding or building a new funicular were established, it sounds to me that the cost of doing the remediation was double the cost of putting in a new funicular. Who made the decision to remediate and why?

10:30

Elaine Hanton: We did a full business case, which was scrutinised by our board and went to the Scottish Government. The numbers that you mentioned—around £13 million—were revisited as part of the full business case. If you took the funicular out, you would also need to take out the infrastructure from the top and bottom of the mountain, which would push up removal costs. The key thing is that, if you removed the funicular, you would pretty much close down the business and lose all the local economic benefits. When we looked at the impact of the different options and balanced the cost of doing something and what we would get out of it at the end, the best impact came from reinstatement.

We tested that again because, by summer 2021, it was clear that costs were increasing and that we could not conclude the works in one season. We had originally hoped that we could, but it was not possible because of the challenges that Stuart Black talked about. It was clear at that point that the project was going to the right and that costs were going up. Therefore, we revisited the business case and re-ran all the numbers. We looked at different scenarios for the reinstatement. We based our analysis on what we understood the cost increase was at that time, but we also tested what the tipping point would be. We ran the numbers with a £15 million overspend and a conclusion of works in 2025-26. Even at that level, it did not tip the balance, and reinstatement still came out as the best option.

We tried to be really conservative when we did that. Although we factored in the additional time and costs of reinstatement, we did not make any changes to the other options that we had looked at, despite the fact that the cost of those would inevitably have gone up as well, due to pure price inflation, if nothing else. We took a pretty stringent approach to that process. We did not assume from the start that reinstatement would be the best

option. We considered what the right thing to do was for the local economy, which is why we ended up where we did.

Jamie Greene: It sounds as though you undertook an interesting due diligence process. What is the shelf life of the funicular once it is fully remediated? When will you have to start thinking about replacement?

Elaine Hanton: The remediation and reinstatement works take it back to its original design life, which is about 50 years from 2021. However, we know that, with good maintenance, the structures will last longer than that. The maintenance schedules and work that CMSL will do, which will involve very clear processes and procedures, will enable that.

Jamie Greene: Mr Gifford, I appreciate that our job is to look backwards, but let us look ahead and talk about some of the positives. Clearly, the issues that you face in the Cairngorms are shared right across Europe. I am sure that you speak to colleagues in the Pyrenees or the Spanish Sierra Nevada, whose resort periods have suffered a similar level of shrinkage due to increased climate challenges. For example, last January, the average temperature in parts of Andorra was 23°C, which is incredibly difficult for a ski resort to manage, for obvious reasons.

How are you underpinning the resort's long-term future? What are you doing to meaningfully diversify and bring in people and revenue?

Mike Gifford: I have been in the ski industry for about 25 or 30 years. Thirty years ago, we were discussing the possibility that there would be no snow in five years' time. It comes in cycles. One of the best seasons that we had in a long time was in 2020, which is not that long ago, so we are due another one. However, as you said, we certainly need to diversify in future.

The team has made improvements to the slope, such as by adding a mountain biking park, adventure play areas and a camper van parking area. I want to enhance all those and ensure that they are running well. We can do better with our camper van parking area by inviting in touring vans and putting in better facilities than we currently have. The toboggan run will certainly help because, if that goes in, it can run all year round. Here in Edinburgh, the toboggan ran throughout the winter and was fully booked. If you go to its website, it currently says that no walk-ins are available and you must pre-book. We want to ensure that our activities are year round, so that it does not matter whether we have snow on the ground.

The other thing that we can look at is ski touring. Cairngorm is the one centre in Scotland where we can get people very high up without needing snow

on the ground at lower levels; we use the funicular and do not need drag lifts. We can get people higher when the other Scottish resorts cannot, and we could allow people to go ski touring, depending on the section 50 agreement on planning. We need to look at that quite carefully. I certainly think that Cairngorm has a positive future as a year-round destination.

Jamie Greene: I can certainly attest to that because, a few times in the past few years, I have turned up in my Mazda Bongo to find that there is nowhere to park it and skiing is off because of the weather. After a very long drive up there, we just drove back home again. That is probably the experience of many people, particularly in the domestic market. When people make the effort to go up there in the morning when the weather is posted as being okay, and it takes a turn and the cafe shuts really early, which it did when I turned up, there is just nothing else to do. We all left. How do you convince people like that to come back?

Mike Gifford: If that happens when we have the toboggan run, you will have something to do. I look at the way that the whole business operates. If people are coming up, the cafes will be open.

It is important to start blurring the seasons so that we do not have a start and a stop, or a summer season and a winter season. We blur the seasons and, if there is no snow on the ground, there will be karting and mountain biking, and you will be able to use the toboggan run. We need to be a lot more flexible.

Jamie Greene: Do you offer local residents any discounts, and what are they?

Mike Gifford: We certainly do. For example, there is a car parking season pass for residents, which is £20. There is also a season pass for residents who are skiers, and we have kept the price of that the same as it was last year. We have added lots of other things for local residents, so they can use that pass all year round. They can come up in the funicular all year for free, and residents who are not season pass holders can access and ride the mountain biking trails for free every Friday.

Again, this has come about because of the feedback that we have received from engaging with the community. Community engagement is important to me, and we will be looking at ways that we can support the community.

Every year, we also have 300 pupils coming through schools, such as the Badenoch and Strathspey school skiing association, and we do not charge those schools for access to the mountain—they can come for free. That is very popular, and it is vitally important to what we are doing.

Jamie Greene: That is helpful, and it is good to hear. I hope that word of mouth will help to propagate traffic.

I have one final question about the long-term vision, and it might be a joint question for you and HIE. Investment has been very much piecemeal, for obvious reasons, because of the remediation works and adding bits to the resorts to improve it, such as car parking, the potential toboggan run and other improvements. It does not sound like a long-term strategy with a big-ticket ask at the top of it. What is the long-term plan? What sort of numbers are you looking at for long-term investment to ensure that, in 20 to 30 years, there is still a buoyant, self-sufficient, popular and busy resort?

Stuart Black: We have been working to a strategy that was jointly agreed between our organisations and the national park, which has also signed up. It might seem to be piecemeal, but a clear strategy has been put in place. It is due for review next year because it is a five-year strategy. Mike Gifford's vision is for Cairngorm to be the UK's premier mountain resort, and we share that vision.

Looking ahead, there are some quite big decisions to be taken. The day lodge building dates from the 1980s, and it is not very energy efficient, it is poorly laid out and it is not disabled friendly. There are a range of different things to deal with there, and that is a big question. The other question is about another new chairlift facility on the mountain. Those are two big-ticket items that need to be addressed, and they are beyond HIE's budget.

I would argue that this is a national resource. It is the only mountain railway in Scotland, and it is an important mountain because it is the sixth highest in Scotland and it is in the middle of a national park. It is a key tourism asset for the country, which is why it needs attention.

I will let Mike Gifford talk about his vision.

Mike Gifford: As Stuart Black said, we want to be a fully sustainable, year-round mountain resort. We want to be the best in the UK.

The current 25-year plan is up for review next year, which will be helpful for me because I am just coming into it, so I can add my views. We also need to get a year under our belts and look at the figures to see how Cairngorm is performing.

Community engagement will be important in shaping the future of Cairngorm; the community needs to be part of that. Cairngorm is hugely important, not just to ski schools but to mountaineering instructors and environmental groups—there is a national training centre that uses us every day. It is hugely important to the

local area, and all of that needs to help to shape the vision.

I have been in post for three months, I am working on a three-year plan and I will continue to look beyond that.

Jamie Greene: I presume that you will be knocking on ministers' doors next year, whoever forms the Government.

Mike Gifford: Absolutely.

The Convener: I am conscious that Stuart Black is joining the Economy and Fair Work Committee for its pre-budget scrutiny session, so we have been conscious of the time that we have had with you this morning.

I take this opportunity to thank Tim Hurst, Mike Gifford, Sandra Dunbar, Elaine Hanton and Stuart Black, the chief executive officer of HIE, for giving us your time this morning and answering the questions that we have been putting to you. As I said at the start of the meeting, this is a mini inquiry for the Public Audit Committee to look into the detail of how the project has performed and what the future vision and strategy for it is.

I thank you all for now, and we will see you again in the future, I am sure, when the committee organises its visit to speak to the community and other stakeholders, as well as visiting the site in the coming weeks.

I suspend the committee while we change witnesses.

10:42

Meeting suspended.

10:50

On resuming—

“Flooding in communities: Moving towards flood resilience”

The Convener: I resume today's Public Audit Committee meeting by welcoming our guests to discuss the recently produced report by Audit Scotland and the Accounts Commission, “Flooding in communities: Moving towards flood resilience”. I am pleased that we are joined this morning by the Auditor General, Stephen Boyle. Alongside him are Rebecca Seidel, who is a senior manager at Audit Scotland, and Fiona Brannigan, who is an audit manager at Audit Scotland. I am also pleased to welcome Andrew Burns, who is the deputy chair of the Accounts Commission. Good morning.

We have some questions to put to you about the report. Before we do so, I invite the Auditor General to make an opening statement.

Stephen Boyle (Auditor General for Scotland): Good morning to the committee. I am pleased to present this joint report from the Accounts Commission and Audit Scotland on flooding in communities. Flooding is a growing threat in Scotland, driven by climate change. More than 284,000 properties are at risk—projections indicate that that number will rise to 400,000 by 2080. The impacts of flooding are serious: damaged homes, financial strain and effects on physical and mental health, notably for vulnerable groups in society. Flood resilience means not only protecting people from flooding but helping them to prepare and recover. It requires strong collaboration across public bodies, councils and communities.

In our work, we saw good examples of joint working, but we also noted that progress is being held back at times, with unclear roles and responsibilities, data gaps and weak leadership arrangements. Community engagement also needs improvement. Major flood defence schemes are one part of the solution, but our audit found that costs have tripled from £350 million to more than £1 billion, and fewer schemes are being delivered than were originally intended. We concluded that the current funding model is not fit for purpose and does not adequately manage risks or delays, while future funding remains uncertain. Our report recommends that the Scottish Government and the Convention of Scottish Local Authorities agree on a more robust funding approach.

The national flood resilience strategy, which was published in December 2024, is a welcome shift to a broader set of resilience arrangements. However, it lacks the detail that is needed to

ensure timely and effective action. We also recommend that, over the next 12 months, the Scottish Government should establish clear implementation arrangements for the strategy.

I am delighted to be joined by Andrew Burns from the Accounts Commission, along with two of the report's authors, Rebecca Seidel and Fiona Brannigan. As ever, we will do our utmost to answer the committee's questions.

The Convener: Thank you very much indeed. I begin by asking you to elaborate on the direct and indirect impacts on communities of flooding. Could you develop a bit the argument in the report about the unequal effect of flooding on particular groups in society?

Stephen Boyle: I am happy to do that. I will bring in Fiona Brannigan, because she might want to set out more of the detail behind our analysis. As ever, if Andrew Burns wants to come in, I am sure that he will do so.

It might be helpful to direct the committee to exhibit 3 on page 14 of the report, in which we set out some of the impacts of flooding. I will not go through them all, but there are significant impacts on people's health and financial circumstances, not to mention the risk to physical safety when a flooding event happens while people are living in a property.

On the parameters of the report, we did not analyse individual flood protection schemes or go into the reasons why a flooding event that has happened has been more severe in a particular community in Scotland. We have included some case studies, most notably one that you will find on page 13, which deals with the impacts of storm Babet on Brechin.

I will bring in Fiona Brannigan to elaborate on the unequal impact, which we discuss at various points in the report. Public bodies are making choices about the quality of community engagement, but what is driving those choices? We know that community engagement must improve and that it can influence the decisions that are being made. Fiona may want to touch on that as she develops my response, particularly by looking at which schemes are being prioritised and whether those are inadvertently being driven by factors that can cause inequality. For example, higher property values might be seen as a driver towards more investment.

There is a range of factors, and we make associated recommendations. Principally, public bodies that are developing further implementation approaches should draw more widely on the national standards that are in place for community engagement. We explain some of that towards the end of the report.

I will pause there. Fiona looked closely at that matter as we pulled the report together and I am keen to bring her in.

Fiona Brannigan (Audit Scotland): The impacts have already been covered, and they deeply affect people. Anything that happens within someone's home can really undermine their lives because their place of security is impacted in a way that can leave them feeling anxious. That may well exacerbate long-term physical or mental health conditions, or trigger new physical or mental health problems. The trauma can last for many years, particularly when we take into account the fact that people may have to leave their homes for a long time if their community has been badly affected, or go back into homes where there is still a lot of clearing up to do and there are issues with damp and mould.

Flooding goes to the very heart of people's sense of security and community. There are examples of communities starting to break down because people leave and other people might not want to move into the area because of the flood risk. That long-term impact has a broader impact on society.

As we stress in the report, there is the risk of inequalities increasing. Some people are vulnerable, or are more vulnerable than others, to the impacts of flooding, and there can be differences in people's ability to recover from a flood event. Someone who does not have financial resources might find it much more difficult to move forward. For example, there will always be some expenditure that is not covered by insurance, and some people may not have been able to afford insurance in the first place and will find a flood very impactful indeed. Older people can be far more vulnerable because of health conditions or general frailty, and young children can also be more vulnerable. A range of vulnerability comes into play and can affect progress.

Our report finds that there is not a sufficient focus on those inequalities and vulnerabilities. Although there are some examples of areas of good practice, we did not find that that focus was there in general. As the Auditor General pointed out, the criteria that are used for determining flood schemes may well have had the unintended consequence of providing more protection for more affluent areas, because using the value of properties as the value-for-money criterion skews attention away from areas that might have more residents but where property values are not so high.

In our report, we make the recommendation that more specific attention be focused on inequalities in relation to not only the criteria for funding but the wider activity of community engagement and

development of plans, which should take inequalities into account more clearly.

11:00

The Convener: That is very clear, thank you. I suppose that the corollary of that is that there has been a skewing of prioritisation to schemes in which higher-value properties are at risk. Is that what you are saying? Do you have evidence of that?

Fiona Brannigan: Stakeholders have raised that issue with us and identified that that could have happened, but we are not aware that any analysis has considered whether it has actually happened. One of our recommendations is around data gaps. If public sector bodies feel that that is a particular data gap and that more data would help in the development of funding criteria, for example, we would expect them to prioritise that over the next six months.

The Convener: I think that Andrew Burns wants to come in on this question, too.

Andrew Burns (Accounts Commission): Thanks very much, convener. I would like to amplify—helpfully, I hope—some of the points that Fiona and the Auditor General have made. The Accounts Commission is one of the two sponsors of this piece of work and, although I am relieved to say that I have never been personally affected by a flooding incident, I have learned really quickly through the course of this work and the evidence that Rebecca, Fiona and other colleagues have collated that, in essence, it is a really traumatic experience, regardless of economic position or status. Anything that can be done to alleviate that trauma and make the process of recovery as smooth as possible is to be promoted and encouraged.

To amplify one point that the Auditor General has made, the national standards for community engagement are really crucial. I think that it was back in 2019-20 that Audit Scotland, the Auditor General and the Accounts Commission produced a piece of work on the principles for community empowerment. We enshrined five principles—I am looking at the document on my screen just now—and they are still valid. I really encourage the committee to look at the work that we jointly produced in 2019-20 as well as at the national standards, because they highlight how important it is to involve communities throughout the process to make recovery from the trauma as straightforward and as easy as possible.

The Convener: The question that is provoked by the evidence that Fiona Brannigan has given to us is, "But which communities?" Some communities will be better organised, more articulate and better resourced—they could

possibly have professional legal support—than others. The message that I have taken from the evidence so far is that there needs to be an equalisation. The criteria that are applied might need to reflect need rather than simply property values.

Stephen Boyle: That is a fair assessment, convener. I am sure that members of the committee, through their constituency work, will have seen examples of significant flood prevention proposals raising emotive issues for communities, with some that are in favour and some that are against. The report also touches on some of the unintended consequences—for example, a flood prevention scheme might offer safety to one part of the country but transfer risk to another part. Fiona might want to say a bit more about that.

Based on the work that we undertook, the recommendation is that there be better clarity of roles and responsibilities and better signposting for people. Those are required in particular to support the Government's ambition to implement a strategy that moves away from the 2009 legislation on flood management arrangements and towards flood resilience. For that to be about not only the role of public bodies, but how individuals and groups in society can better prepare and recover, real improvements will be required in signposting, clarity, and that equalisation of people's voices. All those elements play an equal part.

The Convener: Parliament passed the Flood Risk Management (Scotland) Act in 2009. However, in paragraph 23 of the report, you make the point that

"The Scottish Government did not introduce a way to monitor progress in addressing flooding in communities."

The outstanding question, then, is whether the Scottish Government has introduced ways of monitoring progress in addressing flooding in communities, in the context of the flood resilience strategy. Have lessons been learned? Do you get a sense that more oversight is in place or that there is a monitoring system to ensure that the right decisions are being made and the right priorities followed?

Stephen Boyle: I will bring in Rebecca Seidel, who has considered that part of the report in detail.

You are right. Something of a theme in our reporting is the need for good data, not just in and of itself, but to support decision making, evaluation, monitoring and any changes that policy makers and implementers of those decisions choose to make. We found that there were inconsistencies and data gaps. Your point, which we touch on in paragraph 23, is that, although the 2009 act was high level, it did not include any

objectives, indicators or measures with which to monitor progress towards its implementation, notwithstanding that elements of it require periodic updates.

As I said my introductory remarks, I welcome this national flood resilience strategy. It recognises that the circumstances brought upon us by climate change mean that, to be candid, it will not be possible to protect every community from the traumatic impact of flooding. However, the strategy has to be underpinned by good-quality data and an implementation plan.

I am keen to bring in Rebecca to say a bit more about what needs to happen now, beyond that welcome strategy.

Rebecca Seidel (Audit Scotland): On the monitoring of flood defence arrangements across Scotland, we highlight in the report that there is currently no national monitoring of the condition of flood schemes, so there is not really a full understanding of the level of protection that is being offered to communities across Scotland. That links to our recommendation, which the Auditor General has highlighted, that, within six months, the Government, councils, the Scottish Environment Protection Agency and Scottish Water should work together to identify the key gaps in information and data, and that, within 12 months, they should develop an action plan for addressing those gaps.

Linked to the publication of the new strategy, the Scottish Government has provided some funding to SEPA, in the current financial year, to develop a database of the more than 200 flood and coastal defence systems that are in place in Scotland. That is very much seen as a first step in pulling together information in that area, which will provide a much better understanding of the assets that are located across Scotland, the level of protection that they offer and the condition of flood defence schemes. More will need to be done on top of that, but we see that as a positive first step in plugging the data gap.

The Convener: I invite Colin Beattie to pursue strands around public sector collaboration.

Colin Beattie: Paragraph 31 on page 19 says:

"There are ambiguities, complexity and gaps in roles and responsibilities".

That is a fairly sweeping statement. Can you give us more detail on the impact on communities of those ambiguities and gaps?

Stephen Boyle: I am happy to start. Andrew Burns might want to come in, and Fiona Brannigan likewise. I highlight exhibit 6 on page 20, which Rebecca Seidel touched on. A number of organisations have a role and responsibility in flood management and flood resilience

arrangements, including the 32 local authorities and public bodies such as Scottish Water and SEPA. The expectation of the 2009 legislation was that those bodies would work together. However, through our audit work, particularly the engagement and feedback that we received from stakeholders, we have seen a lack of clarity at times about who was responsible for a particular part of how the system operates.

Paragraph 32 of the report, which comes with a short sidebar, highlights sustainable urban drainage systems—or SUDS ponds, as they are sometimes referred to—as an example of the lack of clarity about who is responsible. Waterway management issues are also cited in that respect. The question is: where do people go to get the advice or information that they might need? Again, what has come back in our audit work is that the signposting is inconsistent. An answer that you might get in one part of Scotland could be contradicted by another part—or, indeed, by a public body in the same local authority area.

We are clear that in order for this system to work—and I am talking not just about the previous legislation, but about the opportunity afforded by the new strategy—there will need to be effective collaboration. Indeed, the work will need to be done collaboratively, given the overlapping responsibilities; after all, water does not respect public sector body boundaries. It will need to be done more effectively and with more clarity than is currently the case.

However, I am keen to bring in Fiona Brannigan here, and then Andrew Burns.

Fiona Brannigan: The legislation took a proactive approach to flood management; it moved from a more reactive approach to places that had previously been flooded to having the intention to do something about the issue. The idea behind the 2009 act was to identify the risk for the future and then take action to address that future risk.

However, as happens with any legislation, not all of the roles and responsibilities were necessarily captured within the act, and there are, as the Auditor General has pointed out, particular gaps around sustainable urban drainage systems. They are particularly significant because, if new housing is developed where there is potential for run-off to cause a greater flood risk in an adjacent community, one intervention is to introduce SUDS, which allow water to be adequately absorbed by the land. However, if such systems are not maintained, the land's ability to absorb that water is reduced, and there is no clarity on who is responsible for maintaining that SUD system to ensure that the intervention fulfils the purpose that it was designed for. That area potentially requires

more work, because there is an ambiguity in that respect.

There are also difficulties when it comes to the responsibilities on individual property owners, because those responsibilities have not been clearly set out. That can lead to a level of anxiety and frustration in communities and among individuals, because they are not quite clear about what they are supposed to be doing, and they might get different answers to that question from different sources.

Also, the legislation contains general requirements on, for example, councils being responsible for clearing waterways. However, stakeholders have told us that, in their experience, different councils might interpret those requirements in different ways, which means that communities in different areas are getting different levels of service. There are also gaps in certain key areas such as coastal monitoring and coastal erosion, with no clear roles and responsibilities in that respect set out in the legislation in the same way that other roles and responsibilities are.

That is why, as the Auditor General has said, we have recommended real collaboration to prioritise any major gaps in information or major ambiguities, to ensure that the whole sector can prioritise the action needs to be taken to address them. We have also put in clear timescales for that to happen.

Colin Beattie: Now that you have mentioned SUDS, I have to say that it is something that I have never thought about. What maintenance do such systems need?

Fiona Brannigan: It depends on the individual system, but I think that, in general terms, if there are areas for absorbing water, maintenance will be needed to ensure that they do not get filled up with other things that prevent that water absorption happening in the way that was intended. Of course, we are not experts on the mechanics of that, but stakeholders who are more directly involved have told us that it is an issue in the sector.

Colin Beattie: Auditor General, do these ambiguities have to be resolved at Government level, through legislation, or do the different parties simply need to get together and work out between themselves what the parameters are?

11:15

Stephen Boyle: I think that it is the latter, rather than new legislation being required. We now have a strategy from Government that affords the opportunity for successful implementation of the 2009 act; it talks about the need for better collaboration, encompassing the ambition to move

away from flood prevention. There is a shared consensus that, with climate change, implementation of the legislation, 16 years after it was enacted, is not going to be achieved by individual schemes but requires a broader range of approaches.

Underpinning that is the need for clarity around roles and responsibilities—we have touched on a couple of examples already. It requires a clear implementation plan that sets out what is going to happen and how that is going to be monitored.

Andrew Burns might want to talk about this area, and the other point, as councils will have a fundamental role in ensuring that the strategy's ambitions are realised.

Andrew Burns: I thank Colin Beattie for the question.

On the general point about collaboration and communication, it is fundamental to get that right at a local level. You asked about the impact when that goes wrong. I would maybe posit the converse and draw the committee's attention to a supplement to the report that contains 10 case studies, or examples, of things that have gone well.

In particular, I highlight case study 3, on Dumfries and Galloway flood resilience activity. It sounds so simple, but the council employs 12 local ward officers at ward level who act as a liaison between the local community and the myriad other organisations, such as SEPA and the Government, and funding streams that have to make a positive impact once a flooding event occurs. The officers basically act as brokers between the local community and all the other organisations. We highlight that in the supplement as one example of really good practice.

To answer your question, therefore, we can just reverse the situation. Where such good practice does not exist, we can see the barriers—to which Stephen Boyle and others have already referred—that are thrown up in the way of local communities being able to access support quickly, which is crucial once a flooding event has happened.

As colleagues have said, such events are, unfortunately, going to happen more frequently in the future. The type of good practice that we have highlighted allows local communities to access help and support swiftly and smoothly. Without having an arrangement in place such as ward officers, as one example of good practice, it is obvious just how problematic it can be for local communities to recover.

I absolutely echo the Auditor General's latter point about the crucial need for collaboration and for a clear implementation plan, with a timeline, for the flood resilience strategy that the Scottish

Government brought forward last December, which we welcome.

Colin Beattie: I will move on—I was going to say move on to something new, but it is not new. Paragraph 35 on page 21 talks about the absence of a

“consistent, comprehensive national monitoring system”

and a lack of data and information. We have been talking about that for years, and it has not really been resolved.

Can you tell us a bit more about the data gaps in flood resilience? What, in your view, needs to be changed?

Stephen Boyle: You are right—it has been a recurring theme. Again, I will bring in Fiona Brannigan if she wants to add anything.

We see an opportunity to support the new strategy with a clear implementation plan that encompasses what data is necessary, who is going to provide it, the timeline for that and how it will be used. A strategy is only that—it might hold good for a number of years, but having good-quality data allows decision makers to know whether it is on track and whether any alternative interventions might be necessary along the way; for example, with regard to how effectively flood prevention schemes are performing.

You mentioned paragraph 35. An important component of that text is that there is currently no national information on how Scotland's flood prevention schemes are performing. Given the scale of the investment has been made—we may come on to talk about this—it feels fundamental that we do not have information to allow us to tell whether a particular scheme is working as intended. As I mentioned in my introductory remarks, the first cycle of major flood prevention schemes will cost £1 billion, and we are on the cusp of the next cycle.

In the climate change context—not to pre-empt any further discussion of it—the Brechin case study was designed as a flood prevention system to alleviate an event that happens as rarely as once every 200 years. After the devastating flood that was caused by storm Babet, that has been reassessed. It now holds good for events that occur once every 50 years, and maybe not even as regularly as that. Knowing that we have the right data to make good decisions is fundamental, and our report makes recommendations to that effect.

Fiona Brannigan: We recognise the extremely high level of expertise in the sector, including of organisations such as SEPA—clearly, this is SEPA's domain. We would expect that when those organisations—SEPA, Scottish Water, the Scottish

Government and the councils—come together, they are best equipped to identify the priorities.

In the report, we highlighted specific areas that we identified as key concerns. As the Auditor General said, coastal monitoring is one of them; another is the condition of flood schemes and whether they are performing as originally intended. Because of the information that we have received from stakeholders during the audit, we would expect that those areas would be in that list of priorities. We would expect those organisations to use their expertise to identify the priority order of the concerns and how they should be addressed, and put in place an action plan to do that.

Colin Beattie: What is the current process for post-implementation evaluation?

Fiona Brannigan: Currently, individual councils have a responsibility to assess their individual flood schemes. The level and extent of that was not clear to us during the audit; stakeholders felt that there was inconsistency across different council areas. We did not specifically evaluate that during our audit, but we identified it as an issue. That gap in the national understanding might potentially lead to ambiguity around the issue. As the Auditor General said, if you have that data, you are able to set clear action plans to address the issue—but without the data, you are not in a position to do that.

Colin Beattie: So, there is no common standard for measuring the success or failure of a flood scheme.

Fiona Brannigan: As we understand it, the condition survey is about the condition of the flood scheme as opposed to an arbitrary success or failure. That is not necessarily something that came through during the audit. We would not have sufficient detail on it to be able to respond to the specifics of that.

Colin Beattie: Does anybody?

Fiona Brannigan: Others in the team might want to elaborate on that.

Rebecca Seidel: Councils have responsibility for maintenance of the flood defence schemes in their local area, so they may have information on that for their own individual flood schemes. As Fiona Brannigan highlighted, we were not clear on the extent and consistency of that across councils. There is no national collation of that information. In the course of our audit, we could not see the evidence of how it was assessed at the level of an individual flood scheme. That is not to say that the information is not held by councils, but it is not collated anywhere centrally, which may mean that there is a lack of consistency across the piece in terms of how it is approached.

Colin Beattie: Moving on slightly, what has been done to ensure that public bodies such as SEPA have enough capacity and resources to effectively provide the services and so on to help people who are responding to flood issues?

Stephen Boyle: I am happy to start on that question, and I will bring in colleagues in a moment. We note in paragraph 36 of the report that there are limited financial resources—that is clear. You specifically asked about SEPA, Mr Beattie. In our engagement with SEPA over the course of the audit, it highlighted that, like all public bodies, it has had to prioritise and deprioritise based on the resources that are at its disposal. Therefore, SEPA prioritised the operational flood warning system.

I am not questioning the merits of one choice or another, but you can see why that prioritisation might be necessary, given the threat-to-life arrangements that we have become familiar with. However, that has been at the expense of some of the annual flood map updates. The potential implications of that prioritisation are that councils and other public bodies are missing some of the information that they might need to support their decision making. We recognise that resource constraints and prioritisation are a factor in how public services are delivered.

I will turn to Andrew Burns to draw on some of the commentary that the Accounts Commission has made about the financial pressures that Scotland's local authorities have been under and what the implications of those might be.

Andrew Burns: The debate that you have instigated with your question underscores the point that Stephen alluded to in his opening comments. We welcomed the publication of the “National Flood Resilience Strategy” last December. However, I draw the committee's attention to our fourth recommendation, which is about that strategy. It is a step in the right direction but there is not an implementation plan.

I will quickly allude to some of the things that are in that recommendation, which directly address several of the points that you have just raised. We are urging that the implementation plan should be published within 12 months

“with clear actions, targets, indicators and timescales”,

and that it should clarify

“roles and responsibilities”.

Those things, which is what you were getting at with your question, do not clearly exist at the moment. As the Auditor General said, that absence is not just at the national level but, regrettably, at the local level.

There is no doubt about the pressure that all 32 local authorities are currently under. A clarification of roles and responsibilities and the allocation of funding as part of the implementation plan would make a huge difference in creating certainty regarding what help and assistance is available when a flooding event takes place. As we have all said several times already, flooding events are going to take place, and, sadly, they will take place more frequently. Therefore, it is crucial that the implementation plan with the details that we are asking for is published within the 12 months that we have outlined in the recommendations.

Colin Beattie: Does SEPA have enough data to be able to effectively carry out its functions? We are talking about information being available at the council level but not necessarily being collated with any uniform methodology or, as it would appear in some cases, not being collated at all. For example, how does SEPA assess the flood risk in areas that have flood management systems in place? How does SEPA square that circle?

Stephen Boyle: I suspect that SEPA may be better placed to answer that question to reassure the committee about its work. We did not carry out an audit of SEPA's overall arrangements. Rather than being a particular analysis of that, our audit is about the more general need for better data, stronger collaboration between public bodies and consideration of funding arrangements in the future.

Colin Beattie: On a slightly different topic, can you tell us a bit more about what the impact has been on staff in councils and other public bodies who have been working with communities that are at risk of flooding?

11:30

Andrew Burns: I am happy to respond to that. The Auditor General referenced the national standards for community engagement, and I drew the committee's attention to the piece of work that was jointly undertaken in 2019 to 2020 on principles for community empowerment. When those principles or the national standards are followed, such as in Dumfries and Galloway, which I used as an example a few moments ago, the impact is wholly positive. I will not sit here and claim that the evidence shows that everything goes 100 per cent perfectly, but, locally, good communication, collaboration and good use of the national standards and community empowerment principles make a huge difference to how local communities can access data quickly and effectively and recover from flooding events.

I know that we have all said it a few times but, because of climate change, it is a question of when, and not if, those events will happen. They

will happen more frequently, so recovery will be increasingly important. That is why local community engagement can have a positive impact when it is done efficiently and effectively and in accordance with the national standards and community empowerment principles.

Colin Beattie: The Auditor General's report seems to make it fairly clear that, to some extent, each flood scheme is operating in a silo. There does not seem to be a lot of co-operation or transfer of best practice, although you have shown some examples of good practice in innovation and collaboration work. For example, case study 2 looks at the Tweed Forum and case study 3 refers to work done by the Metropolitan Glasgow Strategic Drainage Partnership. Why have those projects been successful, and why has that success not been reflected in other areas?

Stephen Boyle: You are right to reference those case studies. When we undertake an audit such as this one, we look to draw on examples from across Scotland of good practice, progress that is being made or arrangements that are working well. I will touch on three themes from the case studies, including the importance of relationships between public bodies and communities and embedding some of the principles of community empowerment, which Andrew Burns referred to. The case studies underline the value of joint working and building depth and economies of scale into local initiatives. Lastly, as you have touched on, when something is working well, we should share the principles behind it and the reasons for its success so that that can be applied across the country.

Our work offers assurance to support scrutiny, but another objective of our work is to support improvement, building on some of the opportunities and examples in the report. There are many good examples of cross working across the country, but we hope that implementing the recommendations in our report, particularly on better data and providing clarity on roles and responsibilities, would resolve any ambiguity about where responsibility lies for particular parts of the system.

Colin Beattie: Are there any mechanisms for sharing best practice?

Stephen Boyle: I will bring in colleagues to talk about some of the groups and governance arrangements that are in place and how the system operates. The implementation plan that supports the national flood resilience strategy will be so important.

Fiona Brannigan: There are groups that are operating in the sector that work to support each other on the action that is taken. We have found that there is not necessarily a systematic approach

or a formal structure for sharing good practice or reviewing how it could be replicated and scaled up in other areas.

For example, Dumfries and Galloway has a database of persons at risk so that, when a flooding incident happens, the major responders have an understanding of the particularly vulnerable groups. Stakeholders felt that there is the potential for that kind of activity to be replicated nationally, but there is not necessarily any mechanism in place to ensure that that happens.

One reason for that may be that the disjointed nature of organisations themselves affects how they address flooding. There can be a distinction at both national and local level between the actions that must be taken in line with civil contingency legislation and the work that flood teams might be doing or the community engagement work that might happen at council level. One of the recommendations in our report is to look at how services could be joined up for more effective delivery, so that there is an opportunity to put in place formal mechanisms and structures that will enable cross working and the sharing of ideas. That was one of the key things that our audit identified as currently being missing.

The Convener: The deputy convener, Jamie Greene, has some questions.

Jamie Greene: I will begin with a general question. The cycle 1 flood schemes were identified 10 years ago. There were 40 schemes in the plan, the cost of delivering which was estimated to be around £350 million at the time. You now estimate that cost to be around £1 billion, which is a lot of money. Is that your estimate of how much it would cost to deliver the 40 schemes if they were to be delivered in full today, or is that the amount that you understand that the Government has now allocated to their completion? It is a lot of money.

Stephen Boyle: Indeed. The growth to £1 billion represents a significant growth in the anticipated cost of delivering the schemes. I can confirm that that is the projected cost of delivering the cycle 1 schemes that are going ahead.

Jamie Greene: Is it correct that eight of the cycle 1 schemes are not going ahead?

Stephen Boyle: That is correct. The amount of money involved is not insignificant. I draw the committee's attention to paragraph 60 of the report. Some schemes have been abandoned, and around £30 million of public money has been spent on schemes that will not go ahead. I know that you are focusing on cycle 1, but that is also relevant to cycle 2.

It takes many months, or even years, for schemes to go through planning and preparation, and some of that work is undertaken at risk by local authorities. Our report recommends that there is a need for clarity on the funding arrangements, so that the cycle 2 funding is clear and we do not encounter the risk of further time and public money being spent on schemes that are subsequently abandoned.

Jamie Greene: We know of communities that have suffered terribly due to flooding and that are still waiting for Government support. We are talking about £30 million of sunk costs. That is a huge amount of money that could have gone some way towards supporting businesses and households that have really struggled in the past few years. What analysis has been done of where that money actually went? Who did it go to?

Stephen Boyle: Rebecca Seidel can say more about the detail behind why schemes did not go ahead.

Jamie Greene: Somebody has pocketed the cash somewhere along the line, that is for sure, because £30 million does not disappear overnight.

Stephen Boyle: To be clear, we are not alleging that there was any impropriety in relation to those sunk costs.

Jamie Greene: What about contractors? I cannot get my head around how such a large sum of money has not gone on building flood defences or supporting communities. That is my point.

Stephen Boyle: I understand the point. Perhaps Rebecca can provide a bit of clarity.

Rebecca Seidel: Absolutely.

As you recognise, Mr Greene, 40 schemes were initially deemed eligible for funding at the start of cycle 1. Over the past decade, eight of those schemes have fallen by the wayside—they are no longer progressing. The £30 million in sunk costs is the £30 million from the Scottish Government allocation towards major flood schemes. That does not include any additional money that councils may have invested in the schemes. The sunk costs will largely concern the design stage of projects that did not even get to the construction stage. There is a very long lead-in time for those projects, as you can imagine is the case for large infrastructure projects. Projects have a long period of design and redesign before they eventually get the green light and construction begins. A lot of sunk costs will have gone into the early design work for the projects that are not going ahead.

Six of the projects are not going ahead because they did not meet a deadline that was set by the Government and COSLA in 2024, in recognition of the fact that there needed to be some kind of cut-off point so that projects did not remain in

development for an eternity. The Government and COSLA had set a deadline for when councils needed to notify them that projects would definitely be going ahead, and six of the projects did not meet that deadline. As for the other two out of the eight, they were deemed no longer to be needed, or the council decided not to proceed with them.

Jamie Greene: That was helpful clarification. It makes sense that, where very few spades went in the ground, the costs in question were associated with the development, planning and design of the schemes that did not come to fruition. I am sure that local communities will reflect on that.

If the 40 projects that were originally planned had been delivered ahead of significant storm events, would those events have had less impact or could any of the substantial damage that communities faced have been avoided had those schemes been in place? Has any analysis been done of that?

Stephen Boyle: I do not think that we considered that as a counterfactual over the course of our audit work. If that is an area that the committee has a particular interest in pursuing, that would probably be a matter for SEPA, Scottish Water or local authorities.

I do not want to labour the point, but the case study in Brechin highlights that, even though the implementation of a scheme might have been completely perfect, with the costs running entirely to budget, it still might not afford the protection that the community required.

Jamie Greene: That was a significant event. To use the parlance, the scheme was designed for one-in-200-year events, but the event in question was worse than that. We cannot control the weather; I understand that point.

I was concerned by what I read in your report about some of the other funding issues. I was most surprised by what we do not know. Although we know in general terms how much the Scottish Government gives to flooding schemes, I was surprised to learn that that money is simply provided via the general capital grant funding model, and that there is no tracking of which councils get how much and what they do with the money. I was equally surprised to learn that the money is not ring fenced in any way, shape or form. Do you have any specific recommendations to make off the back of your findings?

Stephen Boyle: I will bring in Andrew Burns on that. The role of councils is fundamental to the implementation of flood defence schemes. For many years, the Accounts Commission has reported on some of the challenges that local authorities face. We recommend that clear model timescales should be published on the duration of the cycle 2 schemes. Clearly, we are not talking

about 12-month-cycle schemes, but we want the arrangements to be more consistent and reliable than those that we currently have. The need for that is evidenced by the scale of the change that took place in cycle 1, with the figure of £350 million, which was initially intended, increasing to more than £1 billion, but with fewer schemes and, therefore, fewer properties being covered.

The question of where the risk lies is a real consideration. Currently, the model transfers much of the risk to local authorities.

11:45

Andrew Burns: I absolutely agree—Jamie Greene draws out a crucial point, which I made reference to in response to Colin Beattie's questions. It is important that an implementation plan, with a timeline, is published for the flood resilience strategy. The publication of the strategy was a welcome development, as I and the Auditor General have said. An implementation plan with clear timelines and clear delineation of which schemes are to be funded, when and how, would go a huge way towards providing clarity to the 32 local authorities, or however many would be impacted by the plan.

At the moment, there is no such clarity; there is uncertainty. In the current climate for all local authorities and the Scottish Government, it is very difficult for them to plan ahead in any meaningful way. A clear implementation plan that gave timelines and specifically identified which schemes funding was being allocated to would be a huge step in the right direction. The recommendations clearly call for that within 12 months.

Jamie Greene: That is a short timescale.

Auditor General, your report is quite stark in its findings. It states explicitly that money that was supposed to go towards funding flooding schemes was redirected by councils. Was that a Scottish Government decision or a COSLA decision, or did individual councils take decisions to divert money from flooding to, for example, settle local government pay settlements? I think that you alluded to that. In other words, who made the decisions to divert that money away from vital flooding schemes?

Stephen Boyle: Andrew Burns might want to comment on the specifics of that, as might Rebecca Seidel, who looked at the issue in detail.

You mentioned how the funding flows from the Scottish Government to local authorities and whether it is ring fenced. We highlight the fact that there is ambiguity in approaches. Scottish councils face challenging financial positions, so prioritisation has taken place. I do not think that I have specific detail on whether those decisions

were taken at committee or council meetings or by officers. If we have that information, we can share it with you. However, the overall point is that the way in which the funding model for flood prevention schemes operates is not delivering what was intended.

I will pass over to Rebecca Seidel.

Rebecca Seidel: The allocation of funding for flooding is determined between ministers and COSLA leaders—there are joint discussions on how the funding should be distributed.

On the redirection of money towards the local government pay settlement, my understanding is that that will have been decided by ministers and COSLA leaders. I am not sure about the specifics of when and where that happened, but they are responsible for making those decisions on how the money that is allocated through the general capital grant is then distributed across councils in Scotland.

Jamie Greene: Understood. I am not passing comment on the decision that was made; I simply want to understand the diligence process by which those decisions are made. I know for sure that, if I lived in a community that had been ravaged by a flood, and a defence scheme should have been there but was not, and I then discovered that the local council had diverted money to cover other shortfalls, I would not be an overly happy resident. I am sure that many people are not happy about that.

I point to exhibit 7 in your report, which is a table. It is clear that the Scottish Government is spending significant amounts of money on the issue of flooding, and that that has increased since 2017. In that year, the figure was £42 million, and councils also spent £42 million on the issue. In 2023-24, which is the last year in the table, that figure had increased to £60 million. However, the same graph shows that councils' expenditure was nearer £80 million, so there is a delta of nearly £20 million there. How did that come about? Do you know whether that shortfall was made up or covered by councils dipping into other parts of their budgets to fund that difference?

Stephen Boyle: I will briefly say a word or two before passing over to Rebecca and Andrew. That illustrates who carries the risk if the costs of a project go beyond the funding that has been allocated. On a particular scheme, that risk is largely held by the local authority.

I should say that many of the reasons that the committee will have heard in many sessions in recent years for the costs of infrastructure projects growing are repeated in the report—they are set out in paragraph 54. The situation is the same for flood management projects as it is for other large capital projects. Under the existing model,

Scotland's councils will pick up the majority of the additional costs over and above the funding that is given, which will inevitably lead to prioritisation and longer periods of time being taken to implement particular projects.

That is why, when it comes to our key finding and recommendation for the Scottish Government, COSLA and other public bodies, we step back and ask: is there a better way of doing this that can deliver projects with improved value for money, implementation and timescales than we are seeing at the moment?

I am sure that Rebecca Seidel and Andrew Burns will want to say a bit more about that.

Rebecca Seidel: I can say a bit more about the figures that sit behind exhibit 7. First, it is important to note that the exhibit does not cover the entire period for which funding has been available or for which councils have been spending money on flooding; it covers just the period for which information on council spending is publicly available. Scottish Government funding started back in 2015-16, and it has been providing £42 million a year through the general capital grant. That money is for all flooding activity, with around £36 million going towards the construction of major flood schemes, and the remainder—about £8.5 million—going on broader flooding activity, which can include flood resilience activity, community engagement on flood activity et cetera. It captures all of that spending, not just the spending on major flood schemes.

As you will see, Government expenditure started to increase in around 2021-22, which was when the Government committed an additional £150 million between 2021 and 2026 in recognition of the increases in expected costs for some major flood schemes. As a result of that, it started to contribute more money to the general capital grant to fund those projects. Since 2023-24, that funding has continued to increase—it increased to around £88 million in 2024-25, and to £96 million in 2025-26. However, we do not have the corresponding information for council spending in those years, as that is not available yet.

As for where the line between Government funding and council funding diverges, the majority of spend is on the major flood schemes, and the split is that 80 per cent of it is Scottish Government funding and 20 per cent of it is the councils' responsibility. The split is set at the point at which a contract is signed; essentially, once everything has been legally signed and sealed, the Government will contribute 80 per cent of the funding towards that major flood scheme. Councils will be liable for, and expected to pay, any increase in costs, and to pay for the maintenance of the flood schemes once they have been built.

Therefore, some of the divergence that is shown in exhibit 7 comes from councils putting in their share of the funding towards the flood schemes; it also recognises that, given the long period of time that it takes to bring the schemes to fruition, the spend will vary from year to year, depending on the stage that those schemes are at.

Jamie Greene: That information was helpful. The bigger concern, though—I am playing devil's advocate here, because I have sympathy with the Government on this—is that if the original costs of cycle 1 have more than trebled to more than £1 billion, and if, as one might presume, cycle 2 is going to come with a huge price tag, where will the Government find the money to implement the cycle 2 schemes? After all, no Government can magic £2 billion out of nowhere. Where is the money going to come from? We have to invest in those schemes, so the Government will have to find that money from somewhere within its overall capital budget. We are talking about huge sums of money. Having seen eight of the previous 40 schemes being dropped, people will be concerned about the next tranche of schemes actually being delivered. When the worst happens, people will feel let down.

Stephen Boyle: I absolutely recognise that, which is why the infrastructure investment pipeline that sets out the Government's capital programme intentions will be so key in making it clear to public bodies and the public where the prioritisation will be drawn. Resources are limited, and that will be reflected in those priorities.

That takes us back to the flood resilience strategy. The approach is not only about major schemes; the sense is that, although they play an important part in flood resilience, they are part of a much broader strategy. Other public bodies, such as NatureScot, can play a role in relation to land use and natural flood defence arrangements. A wider scheme of options is available over and above the capital projects, which are a challenge to prioritise.

Jamie Greene: Is there a role for others to play? Councils face a lot of pressures, but there are two examples of flood prevention or flood curing systems in my local area: one is a Scottish Water project for a major A road, which costs £2.5 million; the other is funded by Amey, because it involves constructing wall defences on a coastal road. At the end of the day, it is all public money, but it has filtered its way through different agencies.

Do other parts of the public sector have a bigger role to play? Can they get involved in funding some of the flood prevention work so that there is less reliance on pressured local councils?

Stephen Boyle: I am very clear that that would be a policy decision for ministers and for the Parliament in its scrutiny of budget proposals. However, we make it clear in the report that there is a need for stronger collaboration and clarity around roles and responsibilities. That should bridge over into how projects are financed.

Jamie Greene: Thank you.

Graham Simpson: I want to follow on from Jamie Greene's line of questioning and ask you about a specific project that you mention in the report: the Grangemouth flood protection scheme. It is a very good example of what we have talked about, which is how costs have spiralled and responsibilities have changed. In 2015, the cost was estimated to be £108 million; now, it is as much as £672 million, and the scheme is not off the ground yet.

A task force has been set up that involves Falkirk Council, which clearly cannot afford even a fraction of that sum, and the Scottish Government. I will give you some figures that tell you about the scheme's massive size: it will provide around 17 miles of flood defences, which will involve walls, embankments and floodgates; and it will protect more than 6,000 people, 2,700 homes, 1,200 commercial properties and 14 miles of roads in the surrounding area. What is your understanding of the situation and how the scheme should be progressed?

Stephen Boyle: I am not sure that I have much more to add to what you have outlined, Mr Simpson. As we touched on in the report, ministers and COSLA have taken that scheme out of the overall list of cycle 1 flood defence schemes that they manage, because its scale, complexity and anticipated costs dwarf the remainder of those schemes. A task force has been created, and ministers and COSLA are now considering whether to commit additional funds to the other schemes. I do not have a view on that; it was not part of our work, and, ultimately, how best to progress flood defences in Grangemouth is a policy decision for elected members in Falkirk, along with ministers.

Andrew Burns, do you want come in on that?

12:00

Andrew Burns: I do not have any detailed comments to make on that project, because, although we have included some case studies in our report, we have not looked in detail at specific projects.

Paragraph 54 of the report draws out five reasons that stakeholders gave, as part of our evidence gathering, for the escalating project costs. Clearly, those increases have been

extremely significant in the case of Grangemouth. The five reasons make sense and ring true, but I do not have a detailed explanation as to why the costs have escalated so significantly in the Grangemouth example. You are right to highlight that, because it forms a large chunk of the £350 million to £1 billion increase in flood defence scheme costs that the Auditor General referred to in his opening comments.

Graham Simpson: The costs have spiralled because it is taking so long to start the work, and things tend to cost more the longer you wait—and we have been waiting quite a long time for the scheme.

I raised the issue because it is such a major scheme that I think it is of national significance—I do not mean only for Scotland; it is of significance UK wide. It is my view that, due to its significance, including for the economy of Scotland, we could involve the UK Government. The scheme shows the complexities of flood protection and the challenges for Government at all levels.

Stephen Boyle: Yes, undoubtedly. As I think that we set out in the report, climate change has undoubtedly brought about a change in the strategy not just in relation to major flood defences but with regard to broadening out the approach to flood resilience. The report also highlights some of the funding challenges—the value-for-money requirements and how difficult it has been to deliver on those in cycle 1. That is illustrated by the fact that the original sum of £350 million was intended to protect 15,500 properties, but the scale of cost growth means that, by 2025, the scheme is intended to protect 14,000 or so properties at a cost of more than £1 billion, representing a cost per property of £75,000 rather than £22,500.

The funding for that will be a matter and a policy decision for ministers, which is why the infrastructure investment pipeline—whether that is produced later this year or to coincide with the budget in early 2026—will be key to how the major flooding resilience schemes will be prioritised, along with the many other capital requirements that the Scottish Government will want to deliver.

Graham Simpson: Before I ask you about community engagement, I want to push back a bit on your view about flooding. You will correct me if I am wrong, but what I picked up from what you said is that you think that flooding is driven entirely by climate change. I am not disputing that climate change is a factor, but exhibit 2 in your report sets out various reasons for flooding. There is river flooding, surface water flooding, erosion-enhanced flooding, coastal flooding and groundwater flooding. We have also spoken about housing developments, which can exacerbate the risk of flooding. Therefore, do you accept that, although

climate change is a factor, it is not the only thing that can cause flooding?

Stephen Boyle: I accept that flooding existed before it became a recent scientific statement of fact that climate change exists and that flooding events are becoming more regular and more significant. The recommendations that we make in the report, which are based on the evidence that we discovered during our audit, are that public bodies can take many steps to support not just flood management—I have referred to the clarity of the strategy around the legislation—but flood resilience. A clear implementation plan, better data and clarity around funding arrangements will all help to prevent and alleviate flooding, and help communities to recover when they experience flooding.

Graham Simpson: I will go on to community engagement briefly. We have touched on it a bit. Paragraph 77 on page 33 of your report says:

“Overall, there are major barriers to meaningful engagement for both public bodies and communities. This includes issues and barriers around consultations on major flood schemes”—

we have just spoken about one—

“as well as engagement around broader resilience activity.”

Will you provide some detail on what the “barriers to meaningful engagement” are?

Stephen Boyle: I am happy to do so, but I will shortly pass over to Fiona Brannigan to develop what I say. Exhibit 9 on page 35 of today’s report sets out some of the barriers that were brought up by stakeholders to some of the community resilience actions that can be taken. As Andrew Burns has mentioned, the report finds that steps that need to be taken to ensure effective community engagement and the application of the national standards for community engagement so that there is consistency across Scotland and there is an underpinning framework that is used to support that engagement.

Fiona Brannigan: There are major barriers facing communities and those who engage with communities, particularly if we look at it from councils’ point of view. Public bodies are engaging with communities in multiple ways. The key ones to outline are around major flood schemes, but there is also engagement on broader resilience issues and flooding issues that are not necessarily addressed by flood schemes.

In the report, we note that communities can respond differently to attempts to engage. On long-term planning and what the local plans might be to address issues in the long-term, councils can be met with disinterest from communities, particularly if they have not experienced recent flooding. Communities might not necessarily

prioritise that and it can make the long-term planning approach more difficult.

Graham Simpson: Do you have any examples of that disinterest?

Fiona Brannigan: This is information that we have received from stakeholders. Multiple stakeholders who work closely with communities have confirmed that the development of local development plans can be a particular issue, for example. Those are not necessarily highlighted and prioritised by communities in the way that public bodies might look for them to be prioritised because of the evidence of the long-term risk.

A crucial factor that we highlight in the report is the long-term element and what the risk is likely to be. The Flood Risk Management (Scotland) Act 2009 switched to long-term planning rather than being reactive. That means that we are talking about communities that have not previously been flooded so they simply do not recognise it as a priority and they might be sceptical about whether there is a risk of flooding in the future. That can be a real barrier to overcome.

We have already looked at how major flood schemes can lead to polarised views in the community and highly emotive discussions, which can create difficulties and barriers for councils. In the report, we have highlighted that council staff can sometimes be on the receiving end of abuse in those circumstances because of heightened emotions and polarised views.

Councils have a lot of issues to deal with, including skills and expertise. It needs to be recognised that engaging with communities is a skill, and a level of expertise is needed in that respect. In our case studies, for example, we point out how the Scottish Flood Forum can support councils to develop engagement activities. There are issues around engagement for councils to consider.

From a community perspective, there can be major issues with getting access to the right information, and with getting the resources to gain information on alternative options. A community might feel that, to be able to consider what is presented to them, they would like to get independent advice, but not all communities can afford to do that.

If we look beyond flood schemes, there are also issues in which communities might be motivated to taking direct action in their local areas, but some might be better resourced than others to be able to do that. In addition, there is inconsistency across council areas in how public authorities might respond to such action.

There are also wider systemic issues that communities do not necessarily have access to

the means to overcome—for example, around the availability of insurance or the ability to access and afford quality flood resilience measures for their homes, and how they can take action if they feel that their local council is not being active enough in addressing the flood risk.

We note in the report that some communities have a sense of abandonment because they recognise the risk and want action to be taken—conversely to those communities that are sceptical—but they do not feel that the action that is taken is sufficient to meet the scale of the risk that they perceive or have experienced. There is not really any formal recourse for them to address that, as opposed to the planning process for major flood schemes.

There are those multiple barriers, which is why we are clear in our recommendations that much more work needs to be done around community engagement activity and to understand how the activity can be resourced and the timelines for its implementation.

Graham Simpson: That is a comprehensive answer. I am very aware of the time, and I know that Mr Brown is itching to get in, but I have one more question on this subject. When someone is a victim of flooding, they need instant information and help, probably from the council—they want it to step in. Have you uncovered any issues with community engagement, or lack of it, in that respect?

Fiona Brannigan: In this report, we did not focus on the emergency response part of the resilience spectrum—we were looking at the broader issues leading up to a flooding event, and the aftermath, rather than the emergency response itself. We felt that that was a topic in itself that would require us to take an in-depth look at it, rather than as part of the whole-system approach that we took with the report. My colleagues might be able to add something further on that.

Andrew Burns: I would only reiterate that I draw attention to the Dumfries and Galloway example. We are not claiming that that is, or was, 100 per cent perfect, but the implementation of ward officers helped communication at a very local level at a time of crisis, and is far preferable to not having such officers in existence and communities not having that conduit to information that could otherwise be quite difficult for them to find and access.

The Convener: I now invite Keith Brown to put some questions to the witnesses.

Keith Brown: First, I go back to the very start of the discussion, when reference was made—this is in the report, too—to instances in which some communities might be more likely to advance their

case more effectively, if I can put it that way, particularly where high-value homes are concerned. The convener was quite passionate when asking about that.

I think that we could all agree that, intuitively, that would make sense, but I am conscious that you said that there was no analysis and no evidence of that, unless I picked that up wrong. You said that the issue came up with stakeholders. Are you able to say which stakeholders raised that?

12:15

Stephen Boyle: I will start and then come to Fiona Brannigan. That might be a reference to paragraph 51 in the report and to cycle 1 schemes. We are coming to the end of those major flood schemes, and we said in the report that SEPA has a key role in prioritising particular schemes over others. That was part of the flood risk management strategy that goes back to December 2015. Schemes were prioritised in the strategy according to a cost to benefit ratio and criteria that related to the environmental and social impact of flooding.

Although there was a national prioritisation advisory group, we found that there was insufficient data about how the schemes might have been prioritised. That brought the possibility that the cost to benefit ratio would use higher-value properties, with the risk that that creates. If we have more detail on that, we can respond in writing to the committee.

We said that there is a risk in relation to the lack of clarity about how particular criteria were used. Therefore, now that the flood resilience strategy is in place, our recommendation in the report is that the implementation plan should be underpinned by clear criteria, thus avoiding the risk that more vulnerable groups in society do not get the benefit from some of the flood resilience or flood management schemes.

Fiona Brannigan or Rebecca Seidel, do you want to add anything?

Rebecca Seidel: I will just add a brief point specifically about the criteria for flood schemes. You asked which stakeholders the issue came up with, Mr Brown. We interviewed colleagues in the Scottish Government, SEPA and five case study council areas. The evidence that we gathered for the audit came from interviews with a wide range of stakeholders who are working in the sector to deliver the schemes across Scotland.

We made a recommendation in the report that the Government and COSLA need to agree their approach on how flood schemes will be funded in the future. As part of that, we want them to clearly

set out the criteria for assessing the value for money of those schemes. It would be fair to say that they recognise that the criteria that have been used in the past may no longer be appropriate. Therefore, as part of reviewing the funding model, we are calling on the Government and COSLA to look at the criteria that they will use to assess value for money. We hope that that would avoid unintended consequences—for example, action being advantageous to more affluent areas.

Keith Brown: Audit Scotland said that it wants the Government or public bodies to do that and that it wants clarity and more certainty around some of those things. However, it is odd, because there is no evidence or analysis around the issue that would back up that call—that is my concern.

My second question is about schemes. I am thinking about a scheme in Milnathort, which is an area that I used to represent. Just before I was elected, a £5.5 million flood defence was introduced—that was a hard flood defence—but it failed at the first time of asking. Subsequently, the World Wide Fund for Nature did a lot of work upstream, if you like, with farmers, by planting and so on, and we have never had a recurrence of that failure. Has any analysis been done of the efficacy of the different forms of flood defences that are mentioned in the report?

Stephen Boyle: I should say that our recommendations are only recommendations; the committee could choose to take evidence on our report from public bodies, and you will get clarity one way or the other on whether they accept the recommendations. They are not mandated in any respect, and there is an opportunity to comply or to not comply with any of the recommendations that Audit Scotland makes.

The report touches on the role that wider land use plays, which I think is essentially what you were describing. Colleagues might want to come in and say a bit more, but I will take this opportunity—perhaps building on your experience in Milnathort—to point out that it will not just be hard flood defences that contribute to Scotland moving from flood prevention to flood resilience arrangements; a wider suite of options is in place. NatureScot in particular emphasises the role that more natural flood defences, such as planting and forestry arrangements, can play.

Fiona Brannigan can say a bit more about our engagement with those organisations and how that feeds through into our report.

Fiona Brannigan: It is an important point—there are multiple approaches, and the efficacy of each approach will depend on the specific nature of the area in question. In our supplement on case studies, we provide an example of a nature-based approach for the River Tweed, looking at the

effectiveness and economic value of that approach. We look at how the land around the river is used to slow down the peak flow during a flood, which provides a greater opportunity to ensure that the flood does not have the same effect on communities downstream.

That sense of how the land can be used is recognised in the flood resilience strategy, which includes an intention that land use should be given more prominence, as should things such as blue-green infrastructure. Those things are key in the strategy.

Some issues were raised with us about how the criteria for flood schemes use nature-based approaches, and the difficulties with basing criteria purely on monetary value, because it can be difficult to quantify the benefits of nature-based interventions. Those issues need to be resolved, and in our recommendations we highlight specifically the need to address how such an approach is included in the criteria moving forward.

Keith Brown: My remaining questions are about the nature of Audit Scotland reports. I am the new boy on the committee, but I am well aware that the recommendations that Audit Scotland makes are not mandatory—I understand that point. I am equally aware that Audit Scotland is funded by the taxpayer, and it has to be accountable, like other public bodies.

I think that it was Nye Bevan who said that politics is “the language of priorities”. We have mentioned a number of times local authorities and their priorities, and the Scottish Government and its priorities.

It may be because I am new on the committee, but I am picking up on certain words that I am hearing—for example, that Audit Scotland “wants” or “expects” something. However, nobody elects you guys. The people whom we elect to councils, and to the Parliament and the Government, have to take decisions on priorities in pretty constrained circumstances. Is it legitimate, therefore, for Audit Scotland to come in and make those kinds of demands of elected public bodies?

Stephen Boyle: I think that that is one for me. Andrew Burns may want to say a bit about the role of the Accounts Commission, too.

I am an office-holder of the Parliament, so I am appointed by the Parliament to provide it with assurance on public spending, which amounts to around £60 billion. I do that in two ways. First, by appointing the auditors of public bodies to audit how well public money is spent and determine whether that spend is compliant with the requirements of the budget; and, secondly, by taking a wider approach through value-for-money

reviews. That is all set out in the Public Finance and Accountability (Scotland) Act 2000.

We have absolutely no powers of intervention. As you say, Mr Brown, our work is to support assurance and improvement. Our recommendations can be accepted and implemented, partially implemented or completely ignored. That is absolutely the right of public bodies, ministers and local authorities.

We are accountable—Audit Scotland’s work and our budget proposals are overseen by the Scottish Commission for Public Audit, which Mr Beattie chairs, and our work is reported publicly, both to this committee and on Audit Scotland’s website.

Of course, we welcome feedback. Like any organisation, we do not always get it right. If that is the case, we are keen to hear, either in today’s discussion or through further engagement, any specifics for how we can improve. We have clear criteria for not just members of the Scottish Parliament but members of the public who wish to engage with us, and we are delighted to receive any feedback.

Andrew Burns: I completely get the point that you are making, Keith. As you, and possibly other colleagues, know, I have spent a lot of time—18 years—on the other side of the table from the Accounts Commission and Audit Scotland, as a councillor, so I understand the pressures completely. I know that the pressures that the Scottish Government and local government in particular are facing have only got worse since I left.

I agree that the bunting does not go out, and there is not a celebration, when the Accounts Commission goes into a local council to audit the books—that is an absolute truth, is it not? However, I will make an important point. We have just conducted a consultation on our work programme for the next few years and we have had very significant feedback on that, which will be reflected at the commission’s meeting in November. Almost universally, the feedback has been positive.

I am not going to say that there has been no criticism—there has been some—but the feedback has been overwhelmingly positive. While there may not be a celebration of audit and its purpose, the findings of the Accounts Commission whenever one of the 32 local authorities comes before us are invariably followed up—they are listened to and respected, and they make an impact in the real world.

That is not to deny that our recommendations create pressure in an already pressured environment. Nevertheless, the overall response that we receive is constructive and positive, and while—as I have said—there is not a celebration,

there is a responsiveness to the commission's findings. We have overwhelmingly received that response in the feedback on our work programme. I think that I am right in saying that that feedback, and what goes before the commission, will be public in November.

I hope that that helps.

Keith Brown: Yes. I would just say that I am aware of some councils that have been so incensed by the Accounts Commission's work that they have threatened not to pay the fees for it; I know that that is a very problematic thing to happen. They feel that the burden of scrutiny, which relates to the question whether it is proper audit scrutiny, is now becoming very onerous.

I got involved in local government in the early 1990s, so my experience probably pre-dates yours, Andrew. Since that time, the range of things that the Accounts Commission and the auditors, and Audit Scotland, look at has grown hugely. For example, I have seen comments on the quality of politicians in different local authorities. Even in the report that we are discussing today, I note the wide range of commentary that goes beyond the two areas—which, I agree with the Auditor General, are crucial and important—of value for money and ensuring that money is being spent properly and legitimately.

The report before us mentions, for example—Andrew, you mentioned it, too—the need for a line of sight and some longer-term certainty on strategies. However, there seems to be no acknowledgement of the nature of the funding that goes to the Scottish Government, by which I mean the certainty of funding. The position now is certainly more uncertain than I can ever remember it being. Even this year, we are going to have to present a budget to the Parliament before we know what the settlement is from Westminster, and there is chopping and changing from year to year.

You now comment in your reports on a range of different things, but I question whether sufficient regard is given to the wider environment. I acknowledge that you have mentioned the very constrained environment in which local authorities are working. However, in general, whether it is the on-going effects of the financial crisis in 2008; the constrained public sector budgets—I will not say “austerity”—that we have seen for 15 years now, since 2010; or the effects of the pandemic, there seems to be no recognition of those constraints. To me, it would be of more value, if you want to go into those other areas and comment on what Governments, public bodies or councillors should do, to hear those constraints being acknowledged.

Stephen Boyle: I am happy to hear that. I recognise the significant financial challenges that

the Scottish Government faces, and I think that we reflect that in almost all our reporting. We reflect that the Scottish Government has to make very difficult choices, and we are clear on the funding environment and the history behind that, including the events to which you refer, Mr Brown.

I make the committee aware that we are currently completing a piece of work on fiscal sustainability and taxes that will be particularly relevant to the circumstances that you describe. I reassure you that we are very clear on the environment in which the Scottish Government is working, and we will consider how we reflect that in our reports.

12:30

Keith Brown: My final, very specific, question goes back to an exchange with Jamie Greene. It is about the nature of the local government funding settlement. Once upon a time, somebody said that only two people in Scotland properly understood the formula behind it—it is a bit like the Schleswig-Holstein question. You talked about how difficult you were finding it to track money that was allocated by the Government to councils for flooding. I do not want to put words in your mouth, so, if I am getting this wrong, please say so. There was mention of ring fencing. I assume that you would not support ring fencing as much as you would support there being more clarity about what money was being allocated and for what purpose.

Stephen Boyle: Andrew Burns will be better placed to answer that but, to be absolutely clear, how funding is allocated and what requirements the Scottish Government has on whether an allocation is ring fenced or otherwise are policy decisions; they are not for auditors to comment on.

There is a very important boundary for auditors. It is our role to consider how well a policy has been implemented, not to assess the merit of a particular policy, whether it is about structures or funding allocations, but we are aware of the wider environment. We note the Verity house agreement and the intentions around the placement of ring fencing and the strong views on that. We are very conscious of the particular boundaries that exist, Mr Brown.

Andrew Burns: To amplify what Stephen Boyle said, at Accounts Commission level, Jo Armstrong as chair and myself and other members have been very supportive of the development of the Verity house agreement and the principles behind it, because it could provide the clarity that we have variously discussed throughout this evidence session.

We have urged the Government and COSLA to come forward with the fiscal framework. As the committee probably knows, it is close to fruition,

but it is not in the public domain yet. Without stepping over the boundaries that Stephen Boyle rightly identifies, the Accounts Commission has been clear that the Verity house agreement is a step in the right direction, as was the publication of the flood resilience strategy last December, but we are keen to see the production and final publication of a fiscal framework to provide the clarity that is often lacking. That causes problems for all levels of government, not just local but national. A clear line of sight over where funding is coming from and how long it will last would be welcomed by the Accounts Commission.

Without straying into a series of other debates, there is a possibility that we might end up with a three-year settlement from the UK Government this year, which would hopefully feed through to the Scottish Government, local authorities and the voluntary sector. We discussed that yesterday at the Local Government, Housing and Planning Committee. From our perspective, that would be a positive step in the right direction.

Keith Brown: Just to clarify, if those things happen in the way that you hope that they will happen, is it your position that the uncertainty, vagueness or opacity around how, for example, flooding money is distributed among local authorities would be made clearer?

Andrew Burns: I would not like to say that one would automatically follow the other, but what I outlined in my previous response would provide the global certainty that would be required for local authorities and Governments to plan more effectively, and would allow them to look at the recommendations in the report on delineating an implementation plan and giving it a timeline. It would make it easier for them to do that. That is the argument that I am making.

The Convener: Thank you. We have exhausted our questions, and we are up against the clock, so I want to draw this morning's proceedings to a close. In so doing, I thank Fiona Brannigan, Rebecca Seidel, Andrew Burns and the Auditor General for their evidence this morning and for fielding our questions.

In accordance with our earlier decision, we now move into private session.

12:34

Meeting continued in private until 12:50.

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Official Report
Room T2.20
Scottish Parliament
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EH99 1SP

Email: official.report@parliament.scot
Telephone: 0131 348 5447

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