

Public Audit Committee
Wednesday 17 September 2025
24th Meeting, 2025 (Session 6)

Cairngorm Funicular Railway

Introduction

1. As part of its scrutiny of the 2023/24 audit of the Scottish Government Consolidated Accounts, the Committee took evidence from the Auditor General for Scotland (AGS) on [7 November 2024](#) and from the Permanent Secretary on [22 January 2025](#).
2. Following the evidence session, the Committee identified three areas of potential future inquiry work. One of these was to undertake further scrutiny in relation to the Cairngorm Funicular Railway.

Previous scrutiny

3. In August 2019 Audit Scotland [reported on the 2018/19 audit of Highlands and Islands Enterprise Cairngorm mountain and funicular railway](#). In June 2020, [Audit Scotland further reported](#) on events leading up to CML entering administration and Highlands and Islands Enterprise (HIE) decision making. Specifically, the report examined:
 - HIE's decision to transfer CML to a NAIL in 2014.
 - The decision to place CML into administration in 2018.
 - HIE's relationship with CML during that period.
 - How HIE is planning for the future of Cairngorm Mountain.
4. Additionally, the Scottish Government published [a financial management review](#) of Cairngorm Mountain in June 2020 which made recommendations for HIE around the procurement of an operator of the resort, scrutiny of the operator's finances and costs and financial risk assessments for HIE.
5. In Session 5, the Committee's predecessor held [an evidence session](#) with the AGS following the publication of this report. While the Committee was restricted in the evidence it could take due to ongoing legal proceedings, the Committee's [legacy report](#) recommended that the successor committee may wish to continue scrutiny once proceedings had concluded.
6. At its meeting today, the Public Audit Committee will take evidence from representatives from Highlands and Islands Enterprise and from Cairngorm Mountain (Scotland) Limited (CMSL). A [written submission](#) has been provided to the Committee and is available at **Annexe A**.
7. During this session, Members are likely to focus on a number of issues including:

- governance and oversight of operations,
- whether recommendations from Audit Scotland have been addressed,
- how repairs to the railway have been managed,
- the economic impact of the railway on the local community; and
- its future plans.

Next steps

8. The Committee will discuss the evidence heard and decide on further action it wishes to take.

Clerks to the Committee
September 2025

SCOTTISH PARLIAMENT PUBLIC AUDIT COMMITTEE

17 September 2025

Written submission from:
Highlands and Islands Enterprise and
Cairngorm Mountain (Scotland) Ltd



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

17 September 2025

Written submission from Highlands and Islands Enterprise (HIE) and Cairngorm Mountain (Scotland) Ltd (CMSL)

1 Introduction

We are grateful to the members of the Scottish Parliament's Public Audit Committee for this opportunity to present a written submission to assist their scrutiny of the management of Cairngorm Mountain and its funicular railway. We aim for this document to provide a concise summary of actions undertaken by HIE and CMSL in recent years and the rationale and evidence base supporting them.

We have organised the information below under three headings based on the key areas that the committee has advised are of key interest. These are:

- HIE's management of Cairngorm Mountain, the funicular railway and strengthening works
- Impact of funicular closure on the local economy, and
- Future plans for Cairngorm

Two earlier Audit Scotland reviews of HIE's role in the design, build and management of the funicular railway can be found online and include a great deal of useful background information:

- [Review of Cairngorm funicular railway](#), October 2009
- [Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#), June 2020)

The Scottish Government also conducted a separate review, focusing on HIE's engagement with Natural Retreats in relation to activity on Cairngorm Mountain:

- [Highlands and Islands Enterprise: financial management review of Cairngorm Mountain](#), June 2020

2 HIE's management of Cairngorm Mountain, the funicular railway and strengthening works

2.1 Context

HIE is the owner and custodian of the 3,500-acre Cairngorm Estate, which sits within the Cairngorms National Park and is bordered by several sites officially designated for environmental protection and scientific interest. The estate includes Cairngorm Mountain resort, a significant Scottish visitor attraction and economic driver for Strathspey and Badenoch that features Scotland's only funicular railway. The funicular provides mountain access for skiers and snowboarders in winter and for sightseers of a wide range of ages and abilities in all seasons.

Since November 2018, activities at the mountain resort have been operated by Cairngorm Mountain (Scotland) Ltd (CMSL), a subsidiary of HIE that the development agency established after directors of the previous operator, Cairngorm Mountain Ltd, put their company into administration.

There have been several operating companies at Cairngorm over the years. The first was the locally-based Cairngorm Chairlift Company, which became Cairngorm Mountain Ltd (CML) after the funicular was opened in 2001. By 2008, however, CML was heavily indebted and HIE stepped in to transfer ownership from Cairngorm Mountain Trust and in order to keep the business going and maintain ongoing benefits to the region. This resulted in CML becoming a subsidiary of HIE.

HIE maintained this role until 2014 when, following significant international market testing, it ran a procurement exercise that resulted in the operator, CML, becoming a subsidiary of Natural Assets Investments Ltd. (NAIL), part of the Natural Retreats family of companies. This arrangement lasted for four years until that company fell into administration in 2018.

Working with HIE, the present operator, CMSL, has broadened the range of activities to attract customers to Cairngorm in all seasons of the year, while maintaining a focus on winter sports and environmental protection and education, delivered through the ranger service. The business is very conscious of the impacts of climate change and attractions that have been introduced in recent years include children's tube sliding, adventure playpark, family-friendly mountain biking trails and karting. All have proven popular, strengthening the resort's year-round appeal.

HIE has also invested in infrastructure, including improvements to car parking, refurbishment of exhibition, retail and food and drink facilities in the Ptarmigan building near the summit; campervan facilities, and an extension to a high-altitude viewing platform.

In 2023, parties involved in legal cases relating to the original design and construction of the funicular in the 1990s and early 2000s and guarantees in place with NAIL and its principal shareholder reached an out-of-court settlement, through which HIE received £11m.

2.2 Funicular since 2018

In September 2018, following an inspection that identified safety concerns, the then-private operator CML introduced restrictions on funicular operations. On 10 September, HIE appointed specialist engineers COWI to carry out a full structural investigation. The funicular was taken out of service on 25 September. Immediately after this, HIE set up the Funicular Response Group, comprising the development agency, CML, public partners and local and sectoral stakeholders and chaired by a local councillor who was also the Highland Council Convenor.

The following month, a planning application from CML to create an artificial ski area was turned down by the Cairngorms National Park Authority. The Board of HIE agreed to invest up to £1m in snow making equipment but turned down a request from CML for a working capital loan as the company directors could offer no security against borrowings.

In November, with the operating company clearly in difficulty, HIE proposed a managed exit to enable a smooth handover and deliver continuity, but directors of Natural Retreats and CML chose instead to put it into administration.

HIE set up CMSL as a subsidiary to acquire the business and assets of CML for c£460k in December 2018. CMSL then took over operations, thereby saving jobs, keeping the business running and continuing to deliver wider economic benefits. CML staff transferred to CMSL and HIE brought in a business turnaround specialist as interim chief executive. From April 2019, this interim post was filled by a secondee from HIE, Susan Smith, who took on the role on a permanent basis in November 2021 following open recruitment. Ms Smith retired in September 2024 and CMSL board member Tim Hurst was appointed on an interim basis until the present chief executive, Mike Gifford was recruited. Mr Gifford started in post in June 2025.

2.3 Governance arrangements: HIE and CMSL

HIE introduced robust governance arrangements on the establishment of CMSL and these have continued. Within HIE this includes:

- HIE Board sub-group focusing on Cairngorm,
- a project team approach supported by staff from across the organisation,
- a Cairngorm Programme Board, meeting weekly,
- Funicular Project Board, meeting monthly,

- regular reporting to HIE's CEO, Leadership Team, Board, sub-group of the Board, and Risk and Assurance Committee.

Governance between HIE and CMSL is equally robust with an Operating Agreement in place, legal undertakings relating to all approved funding, Business Plan and key performance indicator (KPI) processes and monthly monitoring of performance, as well as regular meetings between HIE senior staff and the CMSL Board. CMSL also provides annual assurance reports to HIE.

CMSL arrangements include its own Board and senior management team. HIE senior management and the CMSL Board meet on a quarterly basis to discuss performance, planning matters and any issues and challenges that need to be addressed. Externally, HIE reports regularly to the Scottish Government and provides updates to Audit Scotland.

2.4 Management of reinstatement and remediation works

As noted above, the funicular was taken out of service in September 2018 following a routine inspection that raised safety concerns over the strength of the viaduct and HIE brought in specialist engineering company COWI to carry out a full inspection. COWI were later appointed to design solutions. In line with industry best practice, COWI's designs were peer reviewed by another specialist engineering company, Mott MacDonald.

The funicular remained out of service while design work progressed and HIE prepared a [full business case](#), informed by appraisal from independent consultants RSM. This included an examination of the following options: to remove the funicular; to remove and replace with an alternative gondola model, or to reinstate the existing structure.

Following detailed appraisal, Reinstatement was recommended as the most efficient and effective way forward, with the business case concluding that, along with other capital investment at Cairngorm, it was expected to generate the greatest economic benefits, including Gross Value Added (GVA) totalling almost £162m over 30 years and 1,000 full-time equivalent jobs years in the same timescale.

The business case identified the project's strategic fit with important policy areas, including its vital support for the tourism sector at a local, regional and national level alongside contributions to health and physical activity, education and skills and environmental conservation. It also noted that, as a high-profile attraction for Scotland's mountain resort sector, Cairngorm operating effectively benefits the whole industry to grow and manage demand. Evidence supported the importance of the funicular as a major asset for the resort.

The business case was approved by the HIE Board and Scottish Government in 2020, with a total value of £20.51m, comprising £16.16m for funicular reinstatement plus a further £4.35m for additional capital investment in the resort. HIE engaged Balfour Beatty to provide Early Contractor Involvement and the company was later appointed as contractor through the SCAPE framework. The reinstatement programme got under way in November 2020.

Works had been intended to conclude in time for the 2021/22 winter snowsports season. This timescale proved unachievable, however, with the project affected by challenges including the impacts of Covid-19 restrictions and severe weather as well as technical complexity and difficulties associated with working in a mountain environment. When it became clear that the original deadline would not be met, HIE revisited the business case, using the same consultants, to determine what impact a longer timescale and resulting cost increase would have on outcomes. The key finding of this exercise was that the preferred option of reinstating the funicular was unchanged.

As a result, works continued throughout 2022 and the railway was reopened in January 2023. The total cost of the reinstatement works, including all professional and design fees, was £25.4m. The Committee should be aware that HIE is also incurring professional fees associated with the current remediation works – these currently sit at just over £2m – and that HIE is also continuing to support CSML with funding to cover

operating losses resulting from the funicular being out of service. The final cost to HIE will be determined at a later date following discussions with contractors and other parties. We will be pleased to update the Committee when that process has concluded.

Scarf joint strengthening

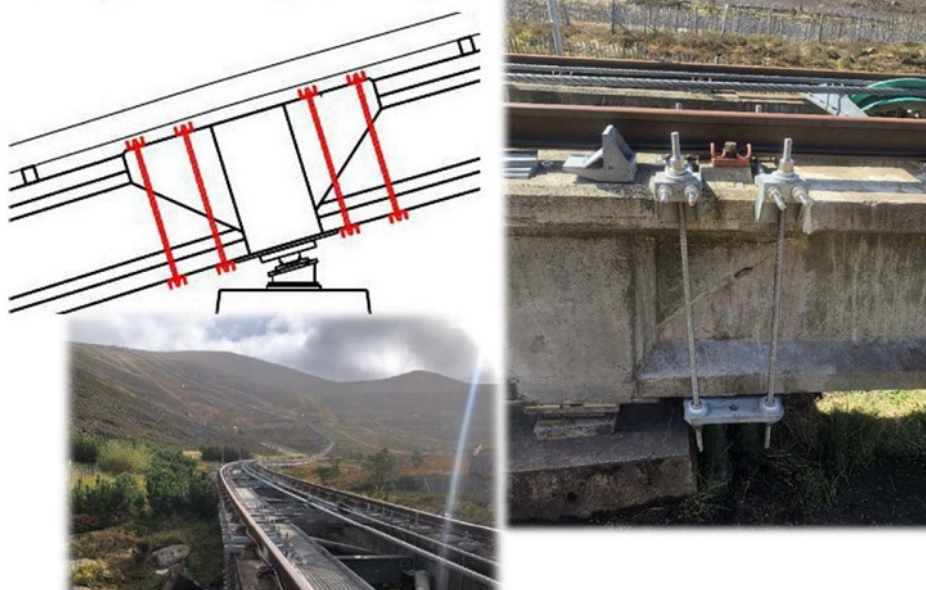


Diagram shows the role played by hundreds of scarf joint assemblies, a key component of the reinstatement works.

Routine snagging works were programmed for summer 2023. In August, inspectors found that some nuts on scarf joint assemblies that link piers and beams along the 1.8km structure were loose and these joints did not meet recommended tension levels. Following an emergency inspection, HIE and CMSL decided to withdraw the funicular from service.

Although HIE and CMSL had initially expected that these defects could be addressed within a matter of weeks, further investigations showed that they were extensive and identified other issues with beams, diaphragms and grouting. Balfour Beatty and its sub-contractors returned to site to begin a remediation programme that would ultimately extend until February 2025, when the funicular was able to be brought safely back into operation once again. Some further remediation work has taken place since then, addressing issues that do not impact safety but are concerned with long-term durability of the structure.

Project management arrangements have been robust and involved the following specialists in addition to HIE's in-house team:

Balfour Beatty	Main contractor
Pick Everard	Project manager Technical Approval Authority Principal designer NEC supervisor
COWI	Lead designer
Mott Macdonald	Design reviewer
SEQUS	Safety case
Ryden	Planning consultant
Atmos	Environmental consultant

An important point to note is that Balfour Beatty has borne the vast majority of the costs of remediation works. It should also be emphasised that contractual discussions remain ongoing at the present time, however HIE will be pleased to update the Committee at a later date once these have concluded.

3 Impact of funicular closure on the local economy

The Strathspey and Badenoch area is highly dependent on tourism and the visitor economy. In 2023, 32% of employment in the local area (800 people) was in accommodation and food services. This compares to 11% in the Highlands and Islands and 9% in Scotland overall. Unemployment in the local area is seasonal, with slightly higher unemployment rates in February compared to July.

Analysis by HIE shows that the annual number of visitors attracted to Cairngorm Mountain since 2017 when the funicular has been running totalled 132,851 on average.

The annual local spend attributed to funicular visitors is estimated at £10.2m. This activity supports 123 FTE jobs in the economy, with wages totalling £2.2m, and generates GVA of £3.8m.

The Cairngorm Business Partnership has stated that the funicular is hugely important to the local business community, particularly in the winter months, and observed that coach party visits to the area dropped off significantly when the funicular was not operating, and overall bookings picked up again when reopening was announced.

During the time that the funicular was not operational, the global economy experienced unprecedented economic shocks, including the impacts of Covid-19 lockdowns, Britain's exit from the EU and a cost-of-living crisis caused by rapid price inflation. The specific local economic impacts attributable to the funicular not operating are therefore hard to quantify.

Although it is not possible to separate out the impact of the funicular from the other economic factors impacting the area, we can see that the condition of the local economy has deteriorated at a rate greater than comparator areas since the funicular was taken out of service.

The GVA of the local area was 5.1% lower in 2022 (with Covid-19 restrictions lifted but the funicular closed) than in 2017 and 2018. By comparison, the GVA in Highland as a whole was 1.9% lower over the same time period and the GVA in Scotland was 0.4% higher.

In the local area, the numbers of people claiming Universal Credit averaged around 39 per month in the two years prior to the closure of the funicular. In the period since then, when the funicular has been open and excluding April 2020 to March 2021 due to Covid lockdowns, the monthly average has risen to 51. This increase of 33% in the number of unemployed people was greater than the increase in the Highlands and Islands (32%) but lower than the increase in Scotland (39%) over the same time period.

HIE continues to support a wide range of businesses and social enterprises in Badenoch and Strathspey, including many in tourism, food and drink, manufacturing and construction. Excluding HIE's direct investment in Cairngorm Estate and CMSL, we have invested c£6m with more than 250 interventions since the funicular came out of operation in 2018, resulting in an increase in turnover of c£40m and supporting around 300 FTEs.

Since April 2025, with the railway running again, Cairngorm Mountain has attracted over 64,000 funicular customers (at end August 2025) and generated turnover of more than £1.2m (at end July 2025).

4 Future plans for Cairngorm

Published by HIE in 2020, the [Cairngorm Masterplan](#) is a 25-year vision to develop the potential of the publicly-owned Cairngorm Estate as an economic, environmental, educational and sporting asset for Scotland. Our aspirations are for the whole estate, and equality, accessibility and inclusion are fundamental to our vision. By presenting an overarching vision and set of strategies, the masterplan aims to stimulate

new ideas and investment that will contribute to the effective and sustainable development of Cairngorm in ways that enhance the estate, enrich the visitor experience and strengthen the local economy.

The masterplan describes 10 strategic themes, each with a designated lead body:

Theme	Lead
All-year sustainable operating model	HIE / CMSL
Cohesive ecology and habitat restoration	CMSL
Promote active travel and sustainable transport	CNPA
A mountain for all (uplift focus on winter sports)	CMSL
Scottish Centre for the Mountain Environment	HIE
Excellent visitor experience	CMSL
Mountain biking	CMSL
Decarbonise the mountain	CMSL
Access from the Ptarmigan	CMSL / HIE

Progress is being made across all themes, cohesive ecology and habitat restoration; promoting active travel and sustainable transport; excellent visitor experience and mountain biking. Another key area is strengthening the operating model, both by enhancing efficiency and through diversification, with a greater range of family-friendly activities now on offer to customers outwith the snowsports season.

Stakeholder collaboration is strong, with regular engagement through the Cairngorm Advisory Group (CAG), which evolved from the Funicular Response Group, Section 50 group, and various working groups. Monitoring and governance structures are developing to support long-term delivery and accountability. A five-year review is scheduled for 2026, with ongoing updates to business plans and feasibility studies.

HIE and CMSL have recently reviewed operating and governance arrangements and CMSL is currently developing a new, three-year business plan, targeting 2026-29.

HIE continues to invest in path maintenance and path construction which has had a positive result in improving designated habitats and supporting mountain recreation. The path network across Cairngorm Estate and the maintenance regime conducted by the Cairngorm Mountain Ranger Service is seen as an exemplar by NatureScot.

Since 2021, CMSL has planted over 12,000 trees to increase montane woodland diversity within Coire Cas. The company is also working with partners including the Spey Catchment Initiative which is leading on planting 30,000 trees in Coire na Ciste.

CMSL is planning a new toboggan attraction at the mountain resort, subject to funding and planning consent.

The Visitor Management Plan, which was a condition of planning approval for the funicular, has proven effective in protecting the sensitive natural environment around the plateau and has evolved over the years to enable access with guided ranger walks. Proposals to amend restrictions further through the use of app-based solutions and movement tracking technology are currently being explored and may be trialled to establish their effectiveness in enabling greater access while continuing to ensure environmental protection.

5 Conclusion

Cairngorm Mountain has faced serious challenges over the years, not only relating to funicular reinstatement, but also the administration of the previous operator; Covid-19, dependence on winter snow, and, of course, our changing climate.

Evidence shows that Cairngorm continues to play a significant role as a major Scottish visitor attraction and key player in the economy of Strathspey and Badenoch, underpinning the area's tourism sector in particular and generating a positive return on public investment. While it is this potential to drive wider benefits that has always guided HIE's decision making, our role as the owner of the estate, on behalf of the Scottish Government, brings additional responsibilities including environmental management.

With the funicular back in service, HIE and CMSL are now in a position to prioritise business sustainability and masterplan delivery to ensure a strong future for Cairngorm as a leading Scottish mountain resort and an economic driver for the local area.

HIE would be pleased to host a fact-finding visit to Cairngorm by the Committee and arrange business and community engagement to enable members to gain a deeper understanding of how the mountain resort is operated, its economic and environmental impacts, the diversity of activities on offer, and the challenges and rewards that make it a unique Scottish attraction for a wide range of visitors.

Highlands and Islands Enterprise
Cairngorm Mountain (Scotland) Ltd

September 2025