

The outsourcing of “Cairngorm Mountain” by Highlands and Islands Enterprise – what went wrong (1)

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IN CONFIDENCE

CAIRNGORM MOUNTAIN PROCUREMENT OF A

The following paper is presented for consideration in confidence – it cannot be discussed with any member of the public.

It is critical that the information contained within this paper is kept confidential as it forms part of the competitive dialogue procurement process which has not yet been concluded.

This agenda item will include a power point presentation.

- Charlotte Wright, Director of Business & Services
- Susan Smith, Head of Business Development
- Keith Bryers, Head of Property & Infrastructure
- [REDACTED], EY
- [REDACTED], HM

Extract from Board Paper in 2014 which led to the appointment of Natural Retreats. EY = Ernst and

At the end of last week Highlands and Islands Enterprise provided me with a number of documents relating to their decision to “appoint” “Natural Retreats” to “operate” Cairngorm Mountain Ltd. To give HIE credit, they have not tried to delay release of the information and relatively little of it is redacted. The documents confirm there are serious questions to be asked about the procurement process and I will take a look at these over several posts.

The extract above shows HIE were determined to exclude the Board and staff of Cairngorm Mountain Ltd, which had actually been doing well for a couple of years, from assisting with the tender process. That was a serious mistake. For the Board and staff of CML, whatever their weaknesses, were the main source of expertise available to HIE on the skills and knowledge needed to operate the facilities at Cairn Gorm. CML were people the best placed to comment on whether any of the organisations which bid to run Cairn Gorm, including Natural Retreats, had the expertise necessary. They could have quickly told HIE that Natural Retreats did NOT have appropriate experience.

Instead of getting advice from people who knew, HIE contracted outside business consultants to assist them with the process. While it was already in the public realm that Ernst and Young and Harper MacLeod were involved what was not public was how much they were paid:

Procurement Costs

HIE's external costs in procuring professional advisors – EY and HM – in working on three key aspects (market testing, options appraisal and the full competitive dialogue procurement process) are £368k. This is a complex project and it was important that HIE availed itself of specific commercial, technical, financial and legal expertise. The external Gateway Review, conducted for HIE in December 2013 (and commented on later in the paper) acknowledges the complexities involved and commends the project team for bringing the work in on time, without any slippages.

So, HIE spent £368k, money that could have been far better spent, buying business help with the procurement process, a process that has ended in disaster and considerable cost to the public purse.

That tells you a number of things.

- That the people responsible for supervising the procurement process, Charlotte Wright and Susan Smith, did NOT have the expertise necessary to procure an alternative operator for Cairn Gorm – otherwise why pay all all this outside advice?
- That HIE's senior staff and Board at the time had no idea about what constitutes value for money. Within the Public Sector in Scotland there are plenty of procurement professionals who, if consulted, could quickly have told HIE that they were wrong to tender with one company and then contract with another which was effectively bankrupt and that “Natural Retreats” did not have the expertise necessary to operate Cairn Gorm. They could have bought that inhouse advice for a few thousand pounds but instead chose to spend £368k.
- That neither the HIE nor their Senior Staff had any insight into the whole history of outsourcing since Margaret Thatcher. That history includes dozens of examples of private companies providing poor advice on outsourcing decisions, advice which has cost the public dear (See Brett Christopher's book “The New Enclosures” which contains many examples of how private consultancy businesses have profited from land sell-offs).
- That HIE's senior staff and Board had no idea of the role of EY in “casino capitalism” ([see here](#))

or how that might have blinded them to the obvious risks of engaging a company with so much debt to run Cairn Gorm.

If that was not enough, Charlotte Wright and Susan Smith then commissioned another consultancy to check whether the consultants had been doing a good job (or cover their own backs). The cost of this was not given in the report to the Board.

Independent Gateway Review

Consultancy firm, Valuta, was contracted on 9 December 2013 to undertake a Gateway Review (Gate 3) on HIE's Investment decision. The Review investigates the Full Business Case and the governance arrangements for the investment decision to confirm that the project is still required, affordable and achievable. The Review also checks that implementation plans are robust. The review conclusions are that the review team found that the project is on track to successfully complete a complex competitive dialogue procurement, with two bidders engaged through to the end of the process. At the time of this review, the project team expected that one of the bidders would be awarded preferred bidder status at a meeting of the HIE Board on 12 February 2014. The success of the project as a whole will be delivered over a longer period of time (the lease is for 25 years) by the company operating sustainably through good ski winters and bad.

Arising out of the review, the one specific recommendation is that the project team should prepare to carefully manage the transition period between award of preferred bidder status and contract start, and ensure that there is an appropriate amount of high quality data available to develop a credible benchmark to measure the impact of the new operator.

So, that's no less than three private consultancies which were involved in the appointment of Natural Retreats. In a fairer world, the Directors of those companies would now be paying back the cost of their mistakes. As always, since Thatcher, its been the public who have been left to pick up the bill of disastrous privatisation projects.

The two people responsible for the Natural Retreats debacle are now in charge

While HIE is at present trying to persuade people to forget about the past and look forward to the future, the problem is that the attitudes and ways of working which led to the disastrous appointment of Natural Retreats do not appear to have changed. Unless they do, or the Cairngorm Estate is removed from the hands of HIE, the mismanagement is almost certain to continue.

As evidence for this consider that Susan Smith, the Head of Business Development who led the procurement process is now acting as Interim Chief Executive of the new HIE subsidiary "Cairngorm Mountain Scotland Ltd". Meantime Charlotte Wright, who oversaw the outsourcing of Cairn Gorm, was appointed HIE Chief Executive in 2017 with a ringing endorsement from Fergus Ewing, Cabinet Secretary for the Rural Economy and Connectivity:

"Charlotte has proven herself as an exceptional leader who is absolutely committed to making a difference in every part of the region, and I am certain she will be a highly effective and inspiring Chief Executive for years to come,....."

Having brought Cairn Gorm and much of the wider Speyside economy to its knees this winter, I am not sure that many local people would agree. Does Fergus Ewing still stand by his assessment?

“The Scottish Government and HIE work closely together as part of Team Scotland on economic development and that arrangement works well.”

So what exactly was the Scottish Government and Fergus Ewing’s role in the outsourcing of Cairn Gorm to Natural Retreats?

Maybe, however, I am wrong though in my assessment of attitudes at HIE? Maybe Charlotte Wright and Susan Smith have been taking a critical look at their role in the whole process and will announce soon a new way of doing things? One perhaps that does not involve business consultants and does involve the people who have the knowledge and expertise to operate Cairngorm? I have my doubts. That is why I believe an independent inquiry by the Scottish Parliament is needed to get to the bottom of what has gone wrong.

Category

1. Cairngorms

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