

Gormless -Highlands and Islands Enterprise, its business plans and the funicular

Description

Longer Term Investments – 2021/23 High Level Summary



The high level summary of proposed longer term investments is twice as long as this, but all redacted

A month ago I obtained the Cairngorm Mountain Business Plan 1st April 2020 – 31st March 2023, along with Highlands and Islands Enterprise's operational agreement with Cairngorm Mountain Scotland Ltd, their fully owned subsidiary responsible for the plan, through Freedom of Information requests. Both documents are heavily redacted (sorry still too many MB in size to add to this blog) and Highlands and Islands Enterprise (HIE) has not yet published them on their website ([see here](#)). This post takes a look at what the Business Plan, which commenced just a year ago, adds to what we know about HIE's mis-management at Cairn Gorm.

The Business Plan (2020-23) and the Funicular Business Case

The Funicular is the key product in the business, because customers want to use to get to the top of the Mountain in the winter. It cannot be over emphasised that without this business model will remain broken and CMSL will remain a parent company, HIE.

This extract illustrates HIE's mindset. They had decided by last April that repairing the funicular was essential. This was before they had worked out whether this would be good use of public money, before they had presented their case to the Scottish Government last summer and before they were granted approval in October ([see here](#)). The claim that CMSL "will require continual subsidy from its parent company HIE" if the funicular is not repaired, is ironic given that the Cabinet Secretary, Fergus Ewing, subsequently decided to commit up to £73 million in public subsidy to keep the funicular going over the next thirty years ([see here](#)). The extract also shows that HIE are far more concerned about the funicular than snowsports, hence Cairngorm's decline from "Scotland's premier snow resort" to its worst.

The visitor numbers all year round are outlined in the table below :

	1 Apr 15 - 31 Mar 16		Total 2015-16	1 Apr 16 - 31 Mar 17		Total 2016-17	1 Apr 17 - 31 Mar 18		Total 2017-18	1 Apr 18 - 31 Oct 18		Total 2018-19
	Summer	Winter		Summer	Winter		Summer	Winter		Summer	Winter	
Visitor Numbers *	95,549	110,644	206,193	84,745	102,900	187,645	95,057	83,343	178,400	73,634		
Funicular Customers	93,817	43,959	137,776	83,017	55,695	138,712	91,305	40,483	131,788	62,267		
Skier Days		66,658	66,685		21,267	21,267		59,003	59,003		9,023	

*Total visitor numbers in the summer includes Funicular and walk and bike visitors.

Cairngorm Mountain's share of the Scottish snowsports market has fallen off a cliff since 2013 ([see here](#)). Note the 59,000 skier days recorded at Cairngorm in 2018. If market share had been maintained at the pre-2013 level, that number would have been around 100,000. That figure was confirmed by an analysis of the number of days it was possible to ski back to the Day Lodge that year.

Setting aside 2018, which is the year the funicular broke down, the visitor numbers reported in the Business Case are very interesting compared to those presented in the Full business Case (FBC) a few months later:

Table 5.10: Visitor and income per option

Option	Steady State Visitors per annum				CMSL Income	
	Skier Days	Non-ski Winter	Summer	Total	Total (30 Years)	Steady State
Option 1a	0	0	0	0	£0	£0
Option 1b	30,000	12,142	26,197	68,340	£39.60 million	£1.33 million
Option 2a	30,000	36,060	70,171	136,231	£65.24 million	£2.32 million
Option 2b	30,000	36,060	70,171	136,231	£65.24 million	£2.32 million
Option 3a	30,000	45,075	87,714	162,789	£77.22 million	£2.67 million
Option 3b	30,000	45,075	87,714	162,789	£77.22 million	£2.67 million

The figures presented above are exclusive of financial costs (e.g. inflation).

Option 3a was the one approved by Scottish Ministers on HIE's recommendation

The FBC projects 162,789 paying visitors a year, when in all three years before the funicular broke down numbers were significantly higher than this. This should result in income being higher than projected in future, so why didn't the Scottish Government challenge the numbers and reduce the amount of public subsidy it has committed releasing money to be spent elsewhere in the Highlands? The answer is either that HIE wants to claim in future that it is exceeding its targets or that it has underestimated income because it knows that it has not properly worked out what it will actually cost to operate the funicular in future and needs to set money aside for this.

Insight into HIE's past mis-management

Replacement Services – this relates to legacy costs where the previous operator should have undertaken a range of maintenance across the organisation but failed to do so. CMSL is undertaking this work and recharging the cost to HIE. This means that a range of costs are currently not being put through the company's Profit and Loss Account. When HIE define the end point for reclaiming Replacement Services CMSL will incur these costs on an ongoing basis.

This paragraph provides an admission, of sorts, that HIE failed to manage their contract with Natural Retreats properly, as Parkswatch pointed out time and again (see [here](#) and [here](#) for example), and once they took Cairngorm Mountain back into public ownership they had to pick up the tab for these failings. This contradicts the findings of the Audit Scotland report into HIE's management of their contract with Natural Retreats ([see here](#)): "HIE assured itself that CML had appropriate maintenance and repair procedures in place to meet its obligations".

6. Business Plan – April 2019 to March 2020: Achievements

Reflecting on the company's first Business Plan, CMSL has achieved everything it has set out to with the support of HIE funding of £210k, which was provided to enable CMSL to establish a product offering for summer visitors.

The table below reports the income and numbers generated from the new projects :

Detail	Timescale	Gross Income £s	Net Income £s	Numbers
Car Park	October Year to Date	£1,234	£1,234	2314
Exhibition	October Year to Date	£784	£784	784
Tubing	October Year to Date	£1,234	£1,234	2314

While the number of people paying customers have been redacted in the chart above, they were given in the paragraph below!

The achievements for the year 2019-20 look pretty thin, the car park having been already in existence, so that that "project" consisted in an attempt to levy charges on those who had not damaged their vehicle by inadvertently hitting one of the pot holes. The accompany text showed 2314 people had used the tube slide by the end of October 2019 and 784 had paid to see the exhibition. The latter was a paltry number and resulted in CMSL handing out free exhibition vouchers to local accommodation providers in the hope that that might increase custom at the cafe.

Gorm Speak

CMSL has created a new Brand and house style for its marketing collateral and this is working effectively across the site, from signage, to graphic information (brochures, social media) and how we promote the various aspects of our work. There is consistency in the use of our marketing and this is helping to embed our Brand. We are held to the following marketing strap line – **'These mountains are not ours but they are our responsibility to look after'**. This guides our thinking in all our activities and the way upon which we communicate and engage with our customers.

Far from acting as if Cairn Gorm is not theirs, HIE treats it as its own personal fiefdom – which is they the public road up to Cairn Gorm remains closed – and its record of looking after the mountain (apart from a short period in the 1990s when Adam Watson was employed to advise on how to restore past damage) is appalling. But rather than read past posts, consider the training programme set out in the Business Case:

CMSL Training Plan – 1 April 2020 to 31 March 2021

The company has prepared a Training Plan for 2020/21, the components of which are outlined below:

Detail	Cost £s	Volume	Total £s
First Aid			
Working at Height			
H&S Chainsaw			
Customer Care			
SVQ MA Expense			
Driving CPC 5 Year Refresher			
Online Food Hygiene			
Staff Training Day			
Contingency			
Total			

Just why HIE wants to redact how much training staff receive is unclear but it doesn't look good

There is no training for staff, not even for rangers, on the natural environment at Cairn Gorm or how it should be managed.

A significant proportion of the unredacted part of the Business Plan consists of ticking Scottish Government policy boxes to make ministers purr:

Sport Scotland has produced a strategic paper – 'Scotland Performs – A More Active Scotland' and we in CMSL, using the important sporting and cultural heritage which underpins our business, have the potential to contribute to the Active Scotland outcomes as follows:

Encourage and enable the inactive to become more active

- We support key messaging on the benefits of physical activity
- We support opportunities for sporting participation for all and people with disabilities (DSUK)

Encourage and enable the active to stay active throughout life

- Through Active Schools we will support the opportunities for more pupils to take part in snowsports (BSSSA programme and the High School programme)
- We will encourage and support clubs and communities to access Cairngorm Mountain for continued and varied physical and sporting activities

Develop physical confidence and competence from the earliest age

- We commit to working with local schools
- We continue to work with Snowsport Scotland and local clubs

How being transported up a mountain in a funicular contributes to a more active Scotland is not explained. It should only have taken a little thought to appreciate that, apart from snowsports enthusiasts, waiting for the funicular ride only to sit down in the cafe at the top, is likely to make visitors less active, not more so. And as every skier or boarder knows, funicular railways are frustrating precisely because they require so much hanging around.

We will look to sign up to the 'Scottish Business Pledge' and achieve the majority of the elements of this as outlined below :

Core Aspects	Menu – 5 from 7
Living Wage	Environmental Impact
Zero Hours Contracts	Skilled and Diverse Workforce
Gender Pay Gap	Workforce Engagement
	Innovation
	Internationalisation
	Community
	Prompt Payment

If public authorities like HIE cannot ensure people, whether directly or indirectly employed, have proper contracts of employment and are paid the living wage, as set out in the “core aspects” of the business pledge, so help us. It is likely that CMSL is only signing up to a “majority” of the commitments on the right hand menu in the pledge because it knows the “Environmental Impact” of the funicular repairs will cause yet more damage to the mountain.

The secrecy culture

Exceptional Costs

CMSL has a need to incur additional costs which we are identifying as 'exceptional' and these include the following:

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There is not a single financial figure in the Business Plan that has not been redacted. The reason HIE gave me for this was that:

"Information has been withheld under Section 33(1)(b) Commercial interests [of the Freedom of Information (Scotland) Act] and the economy where it is considered that disclosure would, or would be likely to, substantially prejudice the commercial interests of both CMSL and HIE"

AND

"Further information is also being withheld under Section 30(c) the Effective conduct of public affairs of FOISA as disclosure would undermine confidence in working relationships that HIE has with Cairngorm Mountain (Scotland) Limited (CMSL)."

This is a company that competes against nobody but is rather paid for by endless government subsidy. It is a matter of public interest that it should account for how that subsidy has been spent and how it intends to spend the government largesse it receives in future. Instead, here is the proposed capital expenditure budget:

Detail	2020/21 £s	2021/22 £s	2022/23 £s
Buildings / Infrastructure			
New Electrical Capacity for Mountain			
New Day Lodge			
Design / Planning Costs for New Day Lodge			
*New 24/7 Toilet Block in Lower Cas Car Park			
*Electric Hook-Up Points in Lower Cas Car Park			
Garage Facilities for Kassbhorers / Canons			
Snowfactory Relocation & Groundworks			
CCTV for Buildings			
New Floor for Café			
New Furnishings for Café			
Floodlighting for Evening Skiing			
IT			
Sage Payroll			
Online Booking System			
Replace Computers			
Plant / Equipment			
Magic Carpet & Groundworks (Beginner Area)			
2 x Coffee Machines			
Mountain Bike Pump Park (Trial)			
Car Park			
Resurface & Draining at the Cas Car Park			
Ticket Machines			
Adventure Play Park			
More Tubing Slides			
Zip Wire Slide			
Mini Kassbhorer			
Groundworks			
Contingency –			
Sub Totals			
TOTAL			

Many items may be impacted by currency or trading challenges post Brexit

All of this proposed expenditure should have been set out in the much delayed Cairn Gorm masterplan, which HIE last said was due to be published in January this year. The Business Plan

suggests everything was agreed over a year ago. Despite this, the Business Plan fails to make a single mention of the masterplan for Cairn Gorm or how the two documents relate.

Scenario 2 – worst case

The projected Profit and Loss, Cash Flow and Balance Sheet are detailed in Appendix are outlined in Appendix III. The key assumptions within these projections are:

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The three appendices to the Business Plan setting out financial projections were all omitted from HIE's FOI response and, as you can see from the above, the whole basis on which HIE has worked out projected cash flows and the need for public subsidy in future is blank.

Director's remuneration

A key means by which HIE avoids accountability for its secrecy is by off-loading responsibility for managing Cairn Gorm onto its subsidiary company, CMSL. The accounts of CMSL failed to mention of Director remuneration – had they done so they would have had to publish the sums involved – but the Business Plan does:

External Directors' are expected to commit two days per month to CMSL. Their remuneration is in line with the Scottish Government pay policy guidance for senior appointments at a rate of £[REDACTED] per day to reflect the higher risk nature of the requirements. The 'Chair' rate is [REDACTED] per day, again in line with Scottish Government guidance.

If senior appointments equate to Tier 1 under the Scottish Government's framework for Board pay ([see here](#)), it would appear that CMSL's independent Directors (i.e those not employed by HIE) are being paid somewhere between £233 and £442 a day. A handsome sum for managing a company that is not doing very much and, what's more, as I will show in a further post on the Operational Agreement between CMSL and HIE, is not allowed to do anything.

Category

1. Cairngorms

Tags

1. Cairn Gorm
2. funicular
3. Governance
4. HIE
5. snowsports

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Author

nickkempe

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