

Cairngorm Mountain's latest accounts raise more serious questions about HIE's decision to repair the funicular

Description

Cairngorm Mountain (Scotland) Ltd (CMSL) is Highland and Islands Enterprise (HIE)'s subsidiary
Chairman's Statement

Welcome to our fourth set of statutory accounts, for the year ended 31 March 2023.

Yet again, it has been an extraordinary and incredibly busy year. The highlight of which was the re-opening of the funicular railway and Ptarmigan Restaurant on 26 January 2023. Shortly after I had the pleasure of riding the funicular along with a full load of winter sports enthusiasts, and the atmosphere and excitement was electrifying. Seeing the Ptarmigan back in operation, at full capacity again, with the slopes full of people having fun, was a never to be forgotten occasion. But it was only one highlight in the journey we have been on over the last five years.

We now have:

- The funicular in its new branding of Hare and Eagle, with a new state of the art control system; closed
- The Ptarmigan, completely refreshed, with new dining and catering facilities, retail and exhibition areas. We were also able to improve the exterior and outdoor seating areas while also doing some much needed waterproofing work: Inaccessible
- Our popular playpark area has been extended and there is an improved outside seating area in front of the day lodge;
- The car park has been transformed with improved signage; Much work was after year end
- Our Mountain Garden had been refreshed;
- Our Mountain Biking Park was opened after the year end and is proving very popular.

would be ironic if Mr Mearns was one of the very last people to have travelled in the funicular *with a full load of winter sports enthusiasts* because its beams were constructed out of concrete rather than steel and are not fit for purpose ([see here](#)). Thank goodness, however, the funicular did not collapse under the weight of all those people and their equipment before HIE eventually decided in August it was unsafe to use.

Mr Mearns' statement tries to have it both ways. He mentions events that happened after year end when they can be spun as positive news but completely fails to mention the closure of the funicular. One month after Mr Mearns' statement, the funicular remains closed with CMSL unable to say when it might re-open ([see here](#)). The longer it takes the funicular to re-open the greater the scandal of the £25m repair bill.

Mr Mearns' head may be in the sand but his claim that the facilities at Cairngorm Mountain have never been better takes some brass neck. Another winter looms with almost no uplift for

snowsports. The remuneration of Mr Mearns and his four fellow directors, incidentally, is hidden in the accounts by including the Directors among the 72 employees listed at Note 5 instead of listing their emoluments separately.

Meantime, CMSL appears to have almost no income to pay Mr Mearns or anyone else: the Ptarmigan restaurant at the top of the mountain is closed; the tube park has been shut to enable the 72 staff to prepare for snowsports launching on 22nd December; the bike park was open weekends only in November and is now closed for the winter; and the car park is free again to use for the winter season.

Any other company in this position would have gone bust months ago but the CMSL accounts report that the business is a going concern:

Based on the work we have performed, we have not identified any material uncertainties relating to conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are for issue.

Statement from the Auditors

Effectively this says that however little income CMSL generates for the year from October 2023, when the accounts were issued, it will remain a going concern because HIE will spend whatever it takes to keep the business afloat.

This commitment is reflected in CMSL's latest accounts which, ever since the financial year 2020/21, have been designed to balance, showing no profit and no loss:

Cairngorm Mountain (Scotland) Limited

Profit and loss account

For the year ended 31 March 2023

	Notes	2023 £	2022 £
Turnover		3,067,171	1,773,454
Cost of sales		(2,598,891)	(1,845,523)
Gross loss		468,280	(72,069)
Administrative expenses		(1,707,275)	(1,051,636)
Other operating income	3	1,255,559	1,141,927
Operating profit		16,564	18,222
Interest receivable and similar income		2,738	-
Interest payable and similar expenses	6	(19,302)	(18,222)
Profit/(loss) before taxation		-	-
Tax on profit		-	-
Profit/(loss) for the financial year		-	-

This shows CMSL increased its turnover more than the cost of sales in the year to March 2023 but its administrative expenses increased significantly. No explanation is provided for this but the key line enabling the accounts to balance is "Other Operating Income". As Note 3 explains, this is mainly composed of "revenue grant" or the subsidy that HIE provides its subsidiary:

3 Other operating income

	2023	2022
	£	£
Coronavirus job retention support grant	-	47,203
Revenue grant	1,255,559	965,764
Total government grants	1,255,559	1,012,967
Insurance claims receivable	-	128,960
Total other operating income	1,255,559	1,141,927

The Revenue Grant figure is very precise as the amount was calculated to balance the books

The amount of revenue grant awarded by HIE increased by c£250k in 2023 compared to the previous financial year. This, however, is not like normal government grants, where fixed amounts are offered to organisations provided they meet certain conditions and the organisation concerned is expected to manage the shortfall. Instead, HIE effectively offers CMSL a series of blank cheques, the final one of which is filled in after year end to ensure the profit and loss line balances exactly.

It is worth contrasting HIE's largesse at Cairn Gorm which would surely be against the state aid rules if we were still in the EU with how they treat Scotland's other ski centres (Glen Shee is covered by Scottish Enterprise). According to their news release on 30th October ([see here](#)), HIE have recently awarded a capital grant of £135k to the Lecht to enable it to make efficiencies which will reduce its carbon imprint. Great stuff and no doubt appreciated by the Lecht but compare that with the sums HIE are pouring into Cairngorm Mountain.

The contrast between what the other ski centres can do with very little compared to the huge sums HIE spends on its own operation is striking but even more striking are the outcomes: the other ski centres are managing to maintain uplift infrastructure in the face of climate change but that on Cairngorm Mountain has collapsed.

Yesterday, one of the MSPs for the Highlands, Edward Mountain, was on Good Morning Scotland ([see here](#) at 1:42.00) calling for a public inquiry into the funicular and wanting to know where all the public money has gone. In my view it is HIE's and local MSP Fergus Ewing's obsession with the funicular that has destroyed snow sports at Cairn Gorm and destroyed Cairngorm Mountain as a viable business and created the need for endless public subsidy.

The projected figures for that subsidy were set out in the business case to repair the funicular which Mr Ewing, then a Scottish Government Minister, approved in 2020. The public subsidy came to £73.09m over 30 years ([see here](#)). That figure, however, assumed the funicular could be repaired for £16.16m, when we now know the costs are at least £25m.

Table 3.2: Preferred option costs – FBC compared to OBC

	Cost presented in FBC (£'s)	Cost presented in OBC (£'s)
Funicular capital costs	£16.16 million	£14.6 million
Additional Capital costs	£4.35 million	£5.2 million
Operating company revenue costs (30 years)	£141.35 million	£142.8 million
HIE revenue costs	£9.80 million	£9.6 million
CMSL project management revenue costs (30 years)	£2.55 million	-
Total	£174.21 million	£172.2 million

OBC = Original Business Case FBC = Full Business Case CMSL = Cairngorm Mountain Scotland Ltd

Oversimplifying, the approved level of public subsidy also needs to cover the Â£4.35m for other refurbishment works, Â£2.55m Project Management costs etc as outlined in table above. This means that cÂ£41m of public subsidy, or Â£1.36m a year, is left to cover all other capital investment and operational losses in relation to Cairn Gorm. That is barely enough to cover the Â£1,255,559 Revenue Grant provided by HIE in the last financial year.

With the funicular broken and no source of income, CMSL's losses for this financial year are likely to be considerably higher. This suggests that despite the mouth-watering amounts of public subsidy committed by the business case to repair the funicular, it won't be nearly enough. This is another reason why a public inquiry is now needed, with Mr Ewing required to give evidence under oath, but meantime concerned MSPs like Mr Mountain should be demanding HIE publish a revised business case.

Category

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Tags

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