

**Cairngorm funicular railway: Written submission from
Highlands and Islands Enterprise, 4 November 2025**

SCOTTISH PARLIAMENT PUBLIC AUDIT COMMITTEE

4 November 2025

Supplementary written submission from:
Highlands and Islands Enterprise



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Introduction

Thank you for the opportunity to provide a further written submission to the Committee following HIE's recent evidence session on matters relating to Cairngorm.

During our appearance on 17 September, the Committee asked a number of questions relating to the timing and costs of works to the funicular. These works have been undertaken in two distinct phases, the first being the strengthening of the viaduct as a result of issues relating to its original design and construction, and the second being the remediation of defects arising from those strengthening works. The Committee also asked about historic financial performance, membership of the Cairngorm Advisory Group and governance arrangements for Cairngorm. We have sought to provide further information on each of these below.

Strengthening Works

Following approval by the HIE Board and Scottish Government of a Full Business Case, HIE entered into a contract with Balfour Beatty to undertake strengthening works to the 1.8km funicular viaduct in October 2020. As explained in our previous submission, the original programme envisaged works being completed within a single year, however factors including Covid restrictions, extreme weather, technical complexity and difficulties associated with working in a mountain environment made this unachievable.

Preparatory works commenced in November 2020 before a winter shutdown in December that year. Contractors remobilised in April 2021 and worked through until winter when the site was again shut down until the following April. The contractor completed all works towards the end of 2022, following which Safety Case authorisation to re-enter operations was submitted to the UK Department for Transport. Approval was received in January 2023 and the funicular returned to operations on 26 January that year.

The total cost to HIE of these strengthening works was £25.4m, of which £18m was paid to Balfour Beatty. The remainder mainly related to design work, professional fees and HIE's internal staff costs.

In June 2023, HIE was successful in securing £11m in an out-of-court settlement as a result of legal action that was taken against the original funicular contractor and designer, and the previous owner/operator and its majority shareholder.

Remediation of Defects

In August 2023, the funicular was closed for safety reasons as a result of tensioning issues identified in scarf joint assemblies (which had been the subject of the earlier strengthening works by Balfour Beatty). Following the funicular's closure, further defects in the strengthening works were identified and remediation works were carried out by Balfour Beatty under their existing contractual arrangements with HIE. The remediation works were sufficiently complete by February 2025 to allow reopening, with all safety-related defects having been addressed. The railway was handed back to HIE on 19 February 2025 and reopened to the public on 27 February 2025.

Some outstanding remediation was carried out during a planned 3-week closure in May 2025 (during which CMSL also undertook some annual maintenance activities) and during evenings for a further 2 weeks. There was a further 3-day closure in September. At the time of writing, HIE is in discussion with contractors and designers about the treatment of a number of remaining minor items which relate to the long-term durability of the structure.

During this remediation period, HIE has incurred direct costs of £2.2m, with £70k of this paid by HIE to Balfour Beatty. The remaining cost to HIE relates to professional fees, including design advice, and HIE's internal staff costs.

As we informed the Committee when we met, Balfour Beatty has met its own costs of the remediation to date (with the exception of the £70k payment referenced above).

HIE has also continued to provide revenue loss funding support to Cairngorm Mountain (Scotland) Ltd which includes funding related to the impact of the funicular not operating. Commercial discussions with Balfour Beatty are ongoing.

Cairngorm Advisory Group

The purpose of the group is to provide a forum for HIE and stakeholders to share information and views on strategic issues and opportunities for the Cairngorm Estate and surrounding area. Membership aims to be inclusive and reflective of interests that can advise on HIE and CMSL's management of the estate as an economic, environmental and sporting asset (recognising that operational decisions rest with CMSL), operating activities and benefits realisation. The membership includes local community groups, 3rd sector and business organisations, mountain sport organisations, neighbouring landowners, public bodies concerned with outdoor sports, the environment and planning matters, as well HIE and CMSL.

The group now meets twice per annum although it met more frequently when it was first established by HIE in 2018 in response to the funicular being taken out of operation. Minutes of its meetings are published on HIE's website. The last meeting was held on 10 July 2025.

A list of group members is attached at Appendix A.

Governance Arrangements

Robust governance arrangements were put in place on the establishment of Cairngorm Mountain (Scotland) Ltd, including the establishment of an advisory sub-group of the HIE Board and a stakeholder group, and these have continued.

Within HIE, this includes a project team approach supported by staff from across the organisation, a Cairngorm Programme Board, Funicular Project Board, and regular reporting to HIE's CEO, Leadership Team, Board, and Risk and Assurance Committee.

Governance between HIE and CMSL is also robust with an Operating Agreement in place, legal undertakings relating to all approved funding, annual Business Plan and KPI processes and monthly monitoring of performance. Alongside this, there are regular meetings between HIE senior staff and the CMSL Board, and CMSL also provides annual assurance reports to HIE for public sector audit purposes.

CMSL has a senior management team which reports to its own Board. We are currently recruiting two new members and a Chair to join that Board from January next year.

Externally, HIE reports regularly to the Scottish Government and provides updates to Audit Scotland.

An organogram of this governance structure is attached at Appendix B.

Financial performance and Sustainability

The Committee were interested in the historic financial performance of the operating company. Prior to 2008, ownership was not within the public sector – the operating company, Cairngorm Mountain Limited (CML) was owned by the Cairngorm Mountain Trust Limited. In 2008, HIE supported the company to restructure, and the operating company became a subsidiary of HIE.

During the period 2008 to 2014, when CML was a subsidiary of HIE (prior to the sale to Natural Assets Investments Ltd, a company within the Natural Retreats family), it achieved an operating profit in four out of seven years - achieving an overall profit of almost £1.1m over that period.

As we noted at our evidence session, operating performance has historically been dependent on there being a good snowsports season. For that reason, the Cairngorm Masterplan stresses the importance of diversifying the range of year-round activity - a goal that CMSL is delivering. Recent additions such as mountain biking, mountain carting, adventure play activities and tubing slides have all proven popular with a family market and further diversification is seen as the key to move the business into sustainability.

We would be happy to discuss these matters further with the Committee when it visits Cairngorm in November. We look forward to welcoming you there.

Appendix A

Cairngorm Advisory Group – Membership

Organisation (alphabetical order)
Abernethy Forest Estate (RSPB)
Aviemore and Glenmore Community Trust
Aviemore and Vicinity Community Council
Cairngorm Mountain (Scotland) Limited
Cairngorm Mountain Trust
Cairngorms Business Partnership
Cairngorms National Park Authority
Disability Snowsports UK
Forestry and Land Scotland
Highlands and Islands Enterprise
Mar Lodge Estate (NTS)
Mountaineering Scotland
NatureScot
Rothiemurchus Estate
Scottish Ski Club
Snowsport Scotland
Sport Scotland (Glenmore Lodge, Scottish Avalanche Information Service)
The Highland Council
VisitScotland
Voluntary Action Badenoch & Strathspey

Meetings are chaired alternately by HIE and The Highland Council.

Governance Structure

