



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Public Audit Committee

Wednesday 14 January 2026

Session 6



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Pàrlamaid na h-Alba

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PUBLIC AUDIT COMMITTEE

2nd Meeting 2026, Session 6

CONVENER

Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Jamie Greene (West Scotland) (LD)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Joe FitzPatrick (Dundee City West) (SNP)

*Graham Simpson (Central Scotland) (Reform)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)

Gordon Bulloch (Parkswatch Scotland)

Lisa Duthie (Audit Scotland)

Carole Grant (Audit Scotland)

Nick Kempe (Parkswatch Scotland)

Dave Morris (Parkswatch Scotland)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Alexander Fleming Room (CR3)

Scottish Parliament Public Audit Committee

Wednesday 14 January 2026

[The Deputy Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Deputy Convener (Jamie Greene): Good morning, and welcome to the second meeting of the Public Audit Committee in 2026. We have received apologies from our convener, Richard Leonard, so I will deputise in his absence.

Agenda item 1 is to decide whether to take agenda items 4, 5, 6 and 7 in private. Do members agree to do so?

Members indicated agreement.

Section 22 Report: “The 2024/25 audit of Historic Environment Scotland”

09:31

The Deputy Convener: Agenda item 2 is consideration of the Auditor General for Scotland’s section 22 report into the 2024-25 audit of Historic Environment Scotland.

I welcome our witnesses. Stephen Boyle is the Auditor General for Scotland and Lisa Duthie and Carole Grant are both audit directors at Audit Scotland.

Before members get into their lines of questioning, I invite the Auditor General to make a short opening statement on his report.

Stephen Boyle (Auditor General for Scotland): Good morning. I am presenting this report on the 2024-25 audit of Historic Environment Scotland under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

The report brings to the committee’s attention what we regard as unacceptable governance at Historic Environment Scotland, including weaknesses in procurement, personal data breaches and unclear processes for the distribution and use of complimentary tickets to events at its venues.

Historic Environment Scotland has more than 400 electronic purchasing cards, which incurred £1.9 million of expenditure in 2024-25. Despite that, the policy has not been updated since 2019 and audit testing identified a lack of compliance with the policy, including cases where expenditure above the £1,000 threshold was incurred without the required three quotes to provide assurance for value for money. The auditor also reported that almost half of the foreign travel cases that were reviewed had either not been appropriately authorised or that the expenditure incurred had exceeded the originally authorised amount.

We also report on the archive house project. We again take the view that it is not acceptable that the project continues to incur expenditure despite being cancelled in 2024 and that the decision to end that key project was not supported by appropriate governance or scrutiny.

I note that Historic Environment Scotland is currently navigating a period of significant instability and challenge. During 2025, it operated without a chief executive or an accountable officer for almost six months of the year. Although I recognise the complexity of the situation, I believe that the Scottish Government should have

appointed a substitute accountable officer to provide the necessary leadership and accountability. I further note that a new chair was appointed in September, and an interim chief operating officer has also recently been appointed.

It is clear that it is critical that strong controls are put in place to prevent the risk of fraud and to demonstrate that value for money for the organisation is being achieved. The external auditor will, of course, monitor developments, including the implementation of the audit recommendations. As ever, I will take a view regarding any necessary further public reporting following the conclusion of that work.

As we usually do, Carole Grant, Lisa Duthie and I will do our utmost to answer the committee's questions.

The Deputy Convener: Many thanks, Auditor General. We have a wide range of questions, so we will get straight into them.

I will kick off—perhaps I am abusing my new position of power. I am quite intrigued by your opening comments. You used a number of phrases and a lot of terminology that, unfortunately, the committee has heard before in section 22 reports, on governance instability and unacceptable levels of governance in a public body. Based on your understanding, what is the root cause of this period of instability at Historic Environment Scotland? How did it get itself into such a situation at the time of your audit?

Stephen Boyle: I will shortly turn to Lisa Duthie, as I suspect I will several times today. I drew my conclusions in the section 22 report from her work because she is the appointed external auditor. She can give her own view, but it might help the committee if I refer to the report's appendix, which sets out the timeline of some of the changes on the board and in the senior leadership of the organisation. It also references some of the instability and the volume of turnover.

I cannot escape that there was an absence of a chief executive or accountable officer for a prolonged period in 2025. Towards the end of the year, the organisation reported that the chief executive had returned from a period of leave to resume responsibility for the accountable officer elements of the annual report and the accounts. The role of the senior leader is broader than the annual report and accounts; it encompasses leadership and personal responsibility for value for money across many of the organisation's transactions. That there was an absence of leadership in the organisation is such an important factor.

In the report, we also refer to concerns about the organisation's culture. The public response to the

section 22 report by the chair of Historic Environment Scotland, which I welcomed, included the important contribution that the organisation will initiate a review of its culture and effectiveness, and we understand that the intention is to report on that in May. The committee will be sighted on much of the public commentary, media reporting and contributions from staff members of the organisation regarding concerns about some practices in the organisation's governance and leadership. It is essential that all those concerns are fully investigated and reviewed, so that the organisation can understand what it is dealing with and, as all public bodies must, deliver what is needed to ensure value for money and the effective use of public funds.

There are a range of strands to consider, but it is important for the committee to hear directly from Lisa Duthie about her audit work, so I will bring her in at this point.

Lisa Duthie (Audit Scotland): As the Auditor General said, throughout 2024-25, we saw a significant amount of change and instability in the organisation, which included interim appointments at director of finance level and chief executive level and, following that, the appointment of a permanent chief executive. In part, that might have contributed to what we see and what we have reported today.

It is important to point out that some of the risks that we have followed up through the audit process emerged at the beginning of the year and might have been noted in the previous audit appointment. That includes the risk that is associated with the volume of electronic purchasing cards held by Historic Environment Scotland, which was brought to my attention as part of the audit planning process. In my annual audit report, I also comment on board effectiveness and the absence of a self-assessment in the year that we audited. One of my report's recommendations is that a self-assessment is carried out in the next year.

At the time of auditing, the archive house project was a known risk to the organisation and that is reflected in the internal audit's limited assurance opinion, which noted that the "implementation of management actions" was disappointing, which is, in part, a reference to a review of that project that took place.

The Deputy Convener: Thank you very much for that further update. Members have questions on many of the areas that you have identified in your report, so we will come back to you on them.

Auditor General, to go back to your summation of how HES got itself into this mess in the first place, do you understand it to be twofold in nature? There are internal problems with staff turnover and

leadership at the very top of the organisation but, in parallel, there is a lack of oversight from the Scottish Government, given that HES is a public body. To put that in context, Historic Environment Scotland, which employs more than 1,600 members of permanent staff and has a turnover of £140 million in just one year, is also in receipt of significant amounts of public money by way of grant funding—around £70 million in the year that the auditors identified.

The importance of the role of the body and what it does on a day-to-day basis has surely been somewhat compromised by the instability and lack of leadership. Perhaps that has led to some issues of trust in the body from the public and those it assists on a day-to-day basis.

Stephen Boyle: There are a number of strands to your points. No organisation will embrace, or want to be subject to, a section 22 report. I absolutely recognise that. We think very carefully about the publication of such a report, but we felt that there were matters of public interest and significance here that warranted reporting to the Parliament on the conclusions that the auditor reached in 2024-25.

I might turn to Carole Grant in a moment to address the sponsorship point that you make regarding the role that the Scottish Government has played. It is a welcome development that the chair of the board has identified the need for some consideration of the body's culture and effectiveness. It will be really important to have that full, proper exercise, exploring some of the issues that have been identified and that remain unresolved, such as staffing concerns and the position of the executive team, together with issues around policy and the use of public funds.

In terms of Historic Environment Scotland's financial structure—Lisa Duthie can correct me on this—the ratio of income is roughly one half public funding, while, for the other half, it is a very significant revenue-generating organisation. That is perhaps not surprising, given the nature of its facilities, how attractive they are and their use for events and conferences.

Importantly, it is clear that the body's framework document, which was agreed towards the end of 2024, places a significant emphasis on its role in generating other income. There is a clear mandate, almost, for Historic Environment Scotland to bring in additional revenue by quite rightly exploiting its attractive resources. Those may be additional factors as to how the organisation got into the circumstances that it finds itself in.

There are internal factors concerning instability, including leadership and governance, but there is also the role that the Scottish Government played.

As I have already mentioned, I do not think that it was the right decision not to bring in an interim accountable officer, given the vital role that is set out in the Scottish public finance manual for an accountable officer.

I will turn to Carole Grant, if that is helpful, so that she can say a wee bit more about how that all works and about how events unfolded from the Government's side.

The Deputy Convener: In your comments, Carole, it would be helpful if you could tell us what conversations you had with the Scottish Government, including any directorate or sponsorship team members, in advance of the production of the section 22 report, so that we get a feel for what the Government's response was to the questions that you put to it.

Carole Grant (Audit Scotland): Picking up on what the Auditor General has said and on the further questions from the committee, I had direct engagement with the sponsor team involved with Historic Environment Scotland: I had two separate meetings to explore what was happening. My understanding from those conversations was that there was regular engagement. As you will know, sponsorship entails an on-going relationship and engagement. Within the Scottish Government there are quarterly reviews, which involve taking a step back and assessing the relationship.

We talked a little bit about the sponsorship approach at the previous committee meeting that I attended, just before Christmas. Regarding the timeline for Historic Environment Scotland, I can confirm that, in the May assessment, it was moved from a green rating to an amber rating. The assessment of a sponsorship arrangement and how a body is operating uses the red, amber or green—RAG—status system. For HES, that rating moved to red later in the summer, in August, because of the issues that were emerging.

From an audit perspective, I had specific meetings with the sponsor team. I also had regular engagement through the director general assurance process, attending and engaging with meetings as well as providing evidence and having discussions about some of the issues that were raised.

To answer your question, I spoke to the specific directors and the directors general who were involved with the sponsorship.

09:45

The Deputy Convener: Who was the lead Scottish Government sponsor who would be directly responsible for deciding to move the rating from red to amber to green? Who, in your

understanding, provided oversight of the body's sponsorship arrangements?

Carole Grant: I might get the job title wrong, but my understanding is that it was Kenneth Hogg, the director of culture and external affairs, who provided the oversight of the sponsorship arrangements. He works across the culture space for the Scottish Government.

The assessment for the quarterly reviews of sponsorship arrangements is initiated by the central public body sponsorship unit and goes out to the sponsorship teams for completion. Then the process is that the assessments come back in and are considered in the round and that is what should be fed up through the DG assurance process to get a sense of the landscape and the risks that sit within it. That enables the director general to ask further questions and review where there are opportunities for wider learning or support that could be provided where particular issues are identified.

The Deputy Convener: You may not know the answer, but is Audit Scotland aware of any other public bodies that are currently in amber or red on the RAG status list, in terms of their sponsorship?

Carole Grant: There are other bodies that have amber or red ratings. The RAG status considers elements of culture, governance and finance. Fairly regularly, when we look at the assessments, we see that the financial position drives some of the considerations for the assessment. We have suggested that there should be more of a focus beyond the financial position. That should absolutely be considered where there are known financial pressures and a need to deliver efficiencies and savings, but there is an opportunity, as part of the assessment, to have more of a focus on governance and culture, and on staff survey results. All those elements form part of the questions that are asked.

The Deputy Convener: In your professional opinion, was the move from green to amber to red a result of a lack of action or response to issues that the sponsorship team flagged? Or was it perhaps a result of issues within the sponsorship division in relation to the way in which it oversees or governs the body? Or perhaps the blame lies in both lobbies.

Carole Grant: It would be difficult for me to give a clear assessment of that. It may be something that would be better explored with the Scottish Government. I will say that one of our proposals is that there should be more focus on positive assurance statements as part of the assessment. At the moment, many questions are asked and answered in the assessment but the actual impact is not always identified and fed through. Something about the statement, "I am reassured

that there are no issues within this body," might increase the emphasis and the focus for people when completing the assessment.

The Deputy Convener: That is helpful. Auditor General, I have a final question before I pass on to my colleagues. The issue regarding the accountable officer seems to be the key one. We want to get our heads around why there was no accountable officer, even one who was appointed or internally chosen on an interim or substitute basis. Who was the actual principal accountable officer at the time of the external audit that your report is based on? Was any explanation given to Audit Scotland, either by HES or the Scottish Government, as to why there was no accountable officer for six months? What was the formal explanation?

Stephen Boyle: As I hope that we set out in the section 22 report, there was a fluid set of circumstances. The first absence of the chief executive in May 2025 is referred to in the appendix to the section 22 report, which also notes the interim arrangements in the executive leadership team. The arrangement that the executive leadership team agreed with the former chair of the board was that a duty director would provide leadership in the organisation.

I will bring in Lisa Duthie if there is anything that she wants to add to this. When somebody goes off sick, we understand that you are never necessarily sure how long they will be off, and we recognise that, for the early period, the executive leadership team might have felt able to deal with the circumstances. However, there is guidance in the Scottish public finance manual that, if an absence of the accountable officer is going to go on for a period longer than a month or so—I think that that is right, but I can happily clarify it—that brings into play the likely or appropriate prospect of a substitute or interim accountable officer. As I mentioned in my opening remarks, there was a period of almost six months without such an arrangement.

When the accountable officer returned to work towards the end of 2025, it was in a limited capacity, only to finalise the annual report and accounts of Historic Environment Scotland. I would not diminish that; it is an important part of the accountable officer's responsibilities. There are dedicated pages in the accounts in which the accountable officer asserts that they have done their job properly and that they are content with the transactions. However, that is clearly not all of their responsibilities, which include the day-to-day running of the organisation, both as the chief executive and in performing the prescribed key duties that are set out in the SPFM for the accountable officer.

It is the responsibility of the permanent secretary, as the principal accountable officer of the Scottish Administration, to appoint the accountable officers of public bodies, guided by advice from the sponsorship team and contributions from the governance of public bodies. We have seen a lack of clarity in why the Scottish Government chose not to appoint an accountable officer, notwithstanding the fact that there was uncertainty—it was a fluid environment—about how long the postholder would be absent. It is my view that a clearer intervention ought to have happened at a far earlier date. Further, the current circumstances are that, although the accountable officer is back at work, they are not yet fully exercising all the responsibilities of the chief executive or accountable officer.

The Deputy Convener: Those are questions that we might rightly wish to ask of the Scottish Government in response to your comments. I will bring in a colleague in a second. Has Audit Scotland had any conversations with the chair or any members of the board of the agency? Presumably, the role of the board is to provide oversight of the governance arrangements, but it sounds as though there was a distinct lack of that.

Stephen Boyle: I will bring in Lisa, who, as you would expect from her role as appointed auditor, has regular engagement with both the executive and the non-executive. She can set out some of the detail.

Lisa Duthie: As we say in paragraph 8 of our report, we are aware that Historic Environment Scotland had on-going discussions with the Scottish Government and that various options were explored at the time. I point you to a particular email that I received from the former chair of the board following a request for an update on the position of the accountable officer. It clarifies that options were considered from the four-week period when Historic Environment Scotland became aware that the accountable officer would not be returning to work.

We know that, under normal circumstances, it is likely that a member of the executive leadership team would have stepped up into that role, but, given on-going matters, that was not a possibility at the time. Other options that were explored that we are aware of were the appointment of an existing board member, the appointment of an ex-board member and several appointment proposals that the Scottish Government put forward. We do not have a definitive answer for you on why an option was not agreed on at that time. It might have been partly due to the fact that the accountable officer intended to return to work, which we believe might have been a barrier.

The Deputy Convener: Thank you for that further information. Mr Simpson has a supplementary question on this theme.

Graham Simpson (Central Scotland) (Reform): Auditor General, the section 22 report came out just last month and, at that point, there was not a permanent director of finance and corporate services. Do you know whether there is one now?

Stephen Boyle: I will turn to Lisa for further detail on that position, Mr Simpson.

Lisa Duthie: There is not. That post is still an interim appointment.

Graham Simpson: How long is the interim period?

Lisa Duthie: We do not know the answer to that at the moment, although from recent conversations with the chief executive and the new chair of the board, I know that that is a priority for them.

The Deputy Convener: I will pass over to Mr Beattie.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Auditor General, I would like to chew over procurement again. Paragraph 15 of your report states that

“there are weaknesses in the current risk, governance and control procedures that could affect the delivery of objectives”

and that there were weaknesses, particularly in procurement, relating to the inappropriate use of single-source justification. Internal audit raised that issue as part of your report. Did it raise it with the board, and if so, when?

Stephen Boyle: It did. Lisa can talk the committee through some of the specifics of the work of internal audit. I think that she said earlier that internal audit also raised concerns about some of the procurement practices in the organisation. Importantly, its overall conclusion on the effectiveness of the internal control environment was one of a limited assurance.

That is significant, because it reflects that it considered the overall activity, and that would be strongly influenced by its judgments on the single source, which Lisa can say a bit more about. As we go on to say in the report, from supplementing the work of internal audit with our testing, we have concerns about the overall arrangements around the use of electronic procurement cards and the volume of members of staff in the organisation who used them—more than 400 of those cards were in place, as the deputy convener mentioned, against a staffing quota of around 1,700. There were concerns about how all those practices were operating. As I said when I discussed some of that

with the committee at your earlier evidence session with the Scottish Government, those practices increased the risk around the effective use of public money and the risk of fraud that the organisation was dealing with.

I will bring in Lisa to say a bit more about the work of internal audit.

Lisa Duthie: There are two separate points in paragraph 15. The first of those to touch on is the limited assurance opinion from internal audit. The reasons for that are set out in Historic Environment Scotland's governance statement, as you would expect. The basis of that opinion relates to: the significant change in the leadership in Historic Environment Scotland, which we have also reported on; the implementation of management actions resulting from recommendations, which the internal audit service considered to be disappointing; and outstanding recommendations relating to the limited assurance opinion review of the archive house project.

The second point relates to an issue that was brought to my attention in July, and that was also shared with Historic Environment Scotland through whistleblowing. That was subsequently investigated by the internal audit department and the chair of the audit, risk and assurance committee in Historic Environment Scotland. From an audit perspective, I was looking for assurance that that had been carried out appropriately.

The conclusion, as set out in our report, is that there was an inappropriate use of single-source justification, to backfill a vacant post. Internal audit has subsequently indicated that a review of single-source justification will be carried out, and it has been identified as an area of risk in the organisation.

Colin Beattie: Can you comment on whether there is any correlation between the absence of the accountable officer and the introduction of those practices? Do they predate that absence, or is it something that grew over a period?

Lisa Duthie: The particular point that we mention in our report predates the absence of the accountable officer.

Stephen Boyle: I will add, Mr Beattie, that many of the issues that we are reporting on took place in the current financial year 2025-26 but straddle the 2024-25 financial year, which ended in March, into the audit reporting period, when the audit concluded at the end of December.

10:00

Lisa Duthie mentions in her report that the audit was delayed. It did not conclude in the expected timescale because of the absence of an

accountable officer. In some ways, that delay allowed us to explore in more depth the circumstances that we set out in the annual audit report and the section 22 report. It is a combination of issues: some of the circumstances about the volume of procurement cards predate the absence of an accountable officer, but, to refer back to the appendix to the section 22 report, many of the events are relatively live or recent, having taken place in 2025 or at the tail end of 2024.

Colin Beattie: In relation to procurement, you have mentioned one or two of the weaknesses that were found. Were any others identified?

Stephen Boyle: Lisa Duthie can give a bit of detail, but I refer you to some of the conclusions that were made in the annual audit report, based on the detailed audit testing that was undertaken on procurement cards and transactions. The testing identified

"instances where staff did not obtain and retain quotes for items over £1,000 in line with"

the purchasing card policy so that they could demonstrate value for money;

"lack of evidence to support the approval of staff purchasing items above the transaction limit of £1,200; lack of challenge by procurement for any requests to approve an increase"

in either a transaction or a card limit; and invoices not always including sufficient detail of purchases. Those are all matters of concern. In the report, Lisa Duthie goes on to give some specific examples, such as the purchase of accommodation and a replacement kitchen.

The organisation has to tackle some cultural matters when it comes to its use of procurement cards. It should rightly consider whether it needs to have as many of them as it does. A total of £1.9 million was spent using procurement cards in 2024-25, and compliance checks were carried out on approximately 8 per cent of transactions each month. Is that sufficient volume to give assurance to the organisation?

We are clear that there is a range of issues in respect of the organisation's arrangements and its use of procurement cards. It should take a step back to take a clear view of whether they are appropriate and necessary in order to give it the appropriate range of robust internal controls on its use of public money.

Colin Beattie: Was that raised with the board? What did it do about it?

Stephen Boyle: The commitment to review the organisation's culture and effectiveness was an important part of the new chair of the board's response. As part of that review, it would be appropriate for the board to step back and satisfy itself that its procurement arrangements for the

use of public money are appropriate, robust and necessary for the organisation.

Lisa Duthie can say more about the direct interaction.

Lisa Duthie: Regarding the board's role, the risk of fraud was raised due to the volume of electronic purchasing cards and factors that are associated with them. That was discussed at the audit risk and assurance committee, and internal audit subsequently carried out a review of electronic purchasing cards. I reflect on that in my report's recommendations.

More recently, we have seen a response from Historic Environment Scotland to wider procurement weaknesses. It plans to lower the procurement threshold for the involvement of the procurement team, it has planned procurement roadshows to take place over the next three months, it is planning training and it is strengthening the arrangements for conflicts of interest in the procurement process.

Colin Beattie: Just to be clear, the weaknesses that are mentioned in the annual audit report are those that prompted an internal audit review of procurement. Is that correct?

Lisa Duthie: Yes, that is my understanding.

Colin Beattie: Do you have any information on when that review will be completed? Will you consider the outcome of it in your next audit?

Stephen Boyle: Yes, absolutely—we will be considering the review. We understand that the chair's review that has been mentioned will conclude in late spring of this year, and we will absolutely take a keen interest in the conclusions that it draws, together with the broader follow-up arrangements that we would undertake through the annual audit—as Lisa Duthie mentioned—regarding whether her recommendations have been implemented.

Of course, we will reflect on and consider any evidence that the committee chooses to take. What is important is that the annual audit is an audit of Historic Environment Scotland, but the section 22 report goes into wider issues, in particular some of the decisions that the Scottish Government took through sponsorship around the accountable officer. We will look across all those issues and think about any follow-up.

Colin Beattie: I will move on to look at data breaches. Paragraph 16 states:

"Historic Environment Scotland has reported eight personal data breaches between March and November 2025 to the Information Commissioner's Office."

That is quite a lot of breaches within a fairly tight period. Is there any connection regarding why they all took place?

Stephen Boyle: It is a lot of breaches. Lisa Duthie mentions a couple of significant points in her annual audit report. One is the volume; it is unusual for an organisation to have that many data breaches in a particular year.

With regard to the circumstances—again, I will turn to Lisa, who can say a bit more about this—some of those breaches were investigated by Historic Environment Scotland and reported to the Information Commissioner's Office. However, I think that it is quite significant that the Scottish Government was informed of the circumstances but was not satisfied with the conclusion that Historic Environment Scotland had reached on the matter.

As we note in the report—I am happy to turn to Lisa on whether we have any more up-to-date information—the investigations and the work of the Information Commissioner's Office on the matter are still on-going, so I am not sure that we have much more information that we can share with the committee, beyond a recognition that that aspect feels like an important part of the context, and perhaps the cultural context, of the organisation during 2025.

Lisa Duthie: I refer to Historic Environment Scotland's governance statement. That document states that there is a requirement to disclose significant data breaches, and reveals that five of the incidents related to sensitive human resources matters being published in the press, including reference to senior leaders of the organisation. My understanding is that those matters remain open.

There was another incident relating to the transferring of sensitive data to another organisation without appropriate arrangements in place, and further incidents that related to the unauthorised sharing of personal data and to information being sent outwith the organisation to personal email addresses.

As the Auditor General has said, the nature and volume of those breaches reflects the internal challenges that the organisation is facing.

In my annual audit report, I also refer to a further data breach in addition to the other breaches. That related to board members sending emails to personal email addresses; it was reviewed by Historic Environment Scotland, which concluded that it was not of a significance that required it to be reported to the Information Commissioner's Office. The Scottish Government was not satisfied with that response—however, I understand that the matter has now been reported to the ICO through a different route, and has been concluded.

Colin Beattie: Who in HES concluded that it did not require to be reported?

Lisa Duthie: That was the information security manager—apologies; I may not have got that job title entirely correct—and the chair of the audit, risk and assurance committee.

Colin Beattie: Would that not have been reported to the board?

Lisa Duthie: I am not sure if it was at the time.

Stephen Boyle: It may be that Historic Environment Scotland has more detail on its internal discussions and engagement on the matter.

I would reiterate that something did not go right in this particular investigation. The Scottish Government sponsor team was not persuaded about how well the investigation had gone—albeit, as Lisa Duthie has mentioned, the Information Commissioner's Office decided that there was to be no further action. It was subsequently reported that, even though Historic Environment Scotland initially decided that it was not necessary to report, there seems to be an appropriate case to review how well the organisation is handling data breaches. There are clear guidelines and arrangements for when a matter is or is not reported to the Information Commissioner's Office.

Colin Beattie: Just so that I can be clear in my mind, there are two different investigations, then: one is the investigation on the question of board members; the other, presumably, is on other data breaches. What were those other data breaches? Are they the same, in fact?

Stephen Boyle: Lisa Duthie may wish to add some detail on that.

Lisa Duthie: The detail that we have is that the investigations relate to sensitive HR matters being published in the press. There were five of those, which relate to senior leaders. That is the majority of the data breaches.

Colin Beattie: So, there are five related to the board.

Lisa Duthie: There are five related to sensitive HR matters, not necessarily to do with board members; they concern senior leaders within the organisation. Those data breaches involved matters being published in the press.

Colin Beattie: Are those cases still with the Information Commissioner?

Lisa Duthie: Yes.

Colin Beattie: What sort of sanctions could be imposed as a result of that?

Stephen Boyle: I would need to check about the nature of those. There is a formula that the ICO can use about the level of expenditure and turnover involved. We would need to check that,

but we could come back to the committee in writing.

Colin Beattie: Do we have any idea about the timescale for finding out whether that will be an issue?

Stephen Boyle: I do not, and I would not want to suggest any timescales for another organisation carrying out a review. I would fully expect the office to carry out its work as quickly as possible and report appropriately.

Colin Beattie: I thought that there might be some sort of standard or guideline on that.

Stephen Boyle: I am not sure whether that performance standard will be set in public. I guess that how long any investigation will take will depend on its complexity.

Colin Beattie: The Scottish Government is itself investigating the personal data breach involving board members. Does that involve three board members, and so make up the balance of eight breaches?

Stephen Boyle: As Lisa Duthie mentioned, it involves senior staff, the use of board members' personal email addresses and so forth. It is clear that, in this case, the Scottish Government—the sponsor team—took a considered and robust view, and it was not satisfied with the appropriateness of the investigation that Historic Environment Scotland had undertaken. The team sought further assurance, which resulted in the referral to the Information Commissioner's Office. In some respects, that validates the sponsorship arrangement: that level of additional control from a sponsor team is what you would expect.

If I may take a step back for a second, I would say that that is an aspect of the cultural concerns and issues that are referenced in both reports.

Colin Beattie: I guess we do not have any information on when we might hear about that from the Scottish Government.

Stephen Boyle: It is a matter for the Scottish Government to confirm any on-going activity in that respect.

Graham Simpson: I want to follow up on some of that. There has been mention of stories appearing in the press. Sometimes stories can appear in the press because they have been deliberately leaked to the press. Was that the case here?

Stephen Boyle: We do not know. I do not have insight into how the media reporting on the organisation came about. I do not think that any of us will be able to take a view on that until the Information Commissioner's Office has concluded what the sources were and how the information

came into the public domain. As Lisa Duthie mentioned, and as we set out in the section 22 report, the issue involves a lot of personal data and sensitive HR matters—that aspect has also been subject to public commentary. Some of that is subject to HR investigations that remain live in the organisation. The source and outcome remain to be seen.

10:15

Graham Simpson: I wonder whether there is a connection to the section in the section 22 report in which you refer to a “toxic workplace culture”. You did not give any details about that. This is your opportunity to explain what you meant by “toxic workplace culture”. What exactly was going on?

Stephen Boyle: The report refers to

“allegations of a toxic workplace culture”.

Therefore, those are not my words—it is what the organisation’s members of staff referred to. They have wider concerns about engagement and the experience that they are having in the organisation. Some of the points about culture that I think are mentioned in both reports relate to the use of procurement cards and some of the practices in the organisation regarding expenses. We also include reference in both reports to the use of hospitality and tickets for events.

However, those are only indicators of cultural concerns. There are avenues for reporting any concern that is raised, whether that relates to HR matters, data breaches or wider concerns with culture and workplace practice. All such organisations will have whistleblowing policies, but the point is that issues are subject to proper investigation. That is part of the context of the report and some of the commentary around Historic Environment Scotland that was made during 2025.

As I mentioned when we briefly discussed the issue in December, the chair’s recognition of those concerns and his response feel significant. There is an opportunity to review the culture, and he is taking that opportunity during the early part of this year. It matters that staff are engaged throughout that process and that they have a full and clear opportunity to express their views. Like the committee, we await the conclusion of that review and will consider what it means for the next stage of our work.

Graham Simpson: Thank you. My next question is about the complimentary tickets, to which you devote some space in the report. You stated that Historic Environment Scotland gets

“complimentary tickets to events at its venues”.

Those are part of a contractual arrangement with

the people who put on the events. If an event is put on at one of Historic Environment Scotland’s venues, it appears that the organisation will get a number of tickets. Do you know what the scale of that was and who was getting those tickets?

Stephen Boyle: In the reporting on complimentary tickets, we were surprised about the lack of clarity regarding arrangements for their use—that is, how they are distributed, how that is recorded and who is using them. As you say, it relates to the context of the organisation’s work. It has many attractive venues in Edinburgh that will be used for significant public events, and complimentary tickets will be part of those contractual arrangements.

However, there is a lack of transparency regarding how many tickets are allocated, who they are being given to and how they are used. There needs to be a more robust set of arrangements for that. There also needs to be clear and satisfactory consideration of whether such arrangements are in line with policy and whether policies for the use of tickets are appropriate for a public body. I will bring in Lisa Duthie to talk about some of the specific details that we found during the audit.

Lisa Duthie: In our report, we make reference to complimentary tickets that form part of a contractual agreement that is in place. Our sense is that there may be other tickets that are not part of that agreement. Our understanding from discussions with Historic Environment Scotland is that those tickets are allocated to support business development, to recognise and thank volunteers, and as a reward for and recognition of staff members. We have also been told that, depending on ticket availability, staff and external guests may be permitted to bring along a plus one.

We have reported on the absence of a policy to manage the distribution of those tickets and ensure that they are distributed appropriately—and, more importantly, transparently—so that there is clear justification for why individuals are given one of those tickets and what value that brings to Historic Environment Scotland as an organisation.

Graham Simpson: Do you know how many tickets have been dished out over, say, a year?

Lisa Duthie: I do not have that exact figure to hand, but that is a question for Historic Environment Scotland.

Graham Simpson: It might be a question for you, though, if you did the audit and have raised it as an issue.

Lisa Duthie: We have seen the evidence of the contract that is in place and the tickets associated with that contract, but we do not have a complete

picture of all the tickets that may have been allocated.

Graham Simpson: So, we have no sense of the scale of that or the value of the tickets.

Lisa Duthie: We do not have a complete sense of the scale, no.

Stephen Boyle: We think that it is important, though. We can look at the number of events that will take place in Historic Environment Scotland's facilities and the volume of people who will be going, but we do not have—and it would not typically be subject to an annual audit—the specifics of the capacity of an event and what happens to those tickets.

However, the context is the organisation, Mr Simpson. If Historic Environment Scotland has information on the number of tickets and how they were allocated, I am sure that it can tell the committee. What we are drawing attention to in the audit is that, first of all, there is no policy, which feels like a weakness in arrangements.

The following paragraph in the report says that although a register of interests is maintained for board members, there is no formal register of interest in place for the executive leadership team. I would not necessarily want to conflate those issues, but this is a public body that is operating as more and more public bodies are doing. I mentioned this to the deputy convener a few minutes ago, but there is a clear mandate from the Scottish Government in its framework document to generate as much revenue as possible. When public bodies are operating in such an environment, they need to do so safely. Effective registers of interest and clear policies for the distribution and use of hospitality need to be in place.

Graham Simpson: I will press you on that. If somebody hires a venue, Historic Environment Scotland is entitled to a number of complimentary tickets. Do we know how many tickets it is contractually entitled to?

Stephen Boyle: As we say, we do not have the precise number of tickets per contract. I do not know whether it is consistent from one contract to another, but I am quite sure that the organisation will have a clear line of sight on that.

I apologise—I do not wish to repeat myself—but it is very clear from our perspective that not having a policy in place for distribution brings risk to the organisation. There is a risk in relation to the perception of how it uses those tickets and which members of staff—or, as Lisa mentioned, family members or guests—are using them. When a public body gets into that style of environment, it needs to have stronger safeguards around any threat, or perceived threat, to their reputation.

Graham Simpson: I think that you would accept, though, that the scale matters.

Stephen Boyle: I do.

Graham Simpson: If it is just two or three tickets per event, that is not a big deal, but if it is 50 or 100, it becomes more of a concern.

Stephen Boyle: You could argue about whether the scale matters or not, but developing a policy ought not to be a significant matter. Just have a policy, given that it is a feature of the organisation's business, on how complimentary tickets for the public body will be used, recorded and monitored so that it is all above board and does not invite suspicion or concern about the organisation.

Graham Simpson: I will move on to spending practices—and I note that reading the report reminded me of our sessions on the Water Industry Commission for Scotland.

In the report, you say that foreign travel has been undertaken without authorisation. I am struggling to think why any Historic Environment Scotland staff need to travel abroad, but, be that as it may, can you give any examples of when foreign travel has been undertaken without proper permission?

Stephen Boyle: There were business cases for foreign travel, but our concern was around the approval of foreign travel and the amounts that were approved, which were not the amounts that were subsequently paid and not subject to the proper level of scrutiny. We recognise that circumstances can change, especially in a foreign country, but things have to be appropriately approved, and we see a gap in the arrangements.

Lisa Duthie can say a bit more about the nature of some of the foreign travel and our wider audit interest.

Lisa Duthie: This is an area in which robust controls are really important, due to public perception and value-for-money considerations. We identified non-compliance with the business travel policy, which related to the authorisation of trips in particular. We identified instances of trips where a director and the chief executive were required to approve the business case for foreign travel, but that was not done.

As the Auditor General said, we expect there to be some difference between the estimate and the actual amount spent on such trips, but we also expect robust controls to be in place in that regard and that a review would be conducted following the trip as well. Examples of foreign travel that we reviewed included: teaching traditional skills in America; digital round tables, which were also in America; the study of mortar in Norway; and

discussions, conferences and speaking events in the middle east, Zambia and Hong Kong.

Graham Simpson: The study of mortar in Norway—is that a joke?

Lisa Duthie: No.

Graham Simpson: You are not joking. I cannot believe that. On the teaching of traditional skills in America, do we know what the traditional skills were?

Stephen Boyle: The specifics and the value of the trips are probably questions for Historic Environment Scotland. We are drawing attention to the fact that, if the organisation deems a trip necessary—it is a matter for HES to have arrangements in place for this—it must have a business case, and as Lisa Duthie mentioned, that requires various levels of authorisation. Considering whether it is appropriate is up to the accountable officer, but that must then be followed through to ensure that the amounts approved are appropriate and that any variation is, again, subject to the appropriate level of approval. The detail of why a member of staff went abroad is absolutely a matter for the organisation.

Graham Simpson: Okay. I hope that we get a chance to quiz it on that.

Do you know the amount of money that has been spent on foreign travel?

Lisa Duthie: At the time of our audit, we had not been provided with a complete list of the foreign travel costs, but Historic Environment Scotland has subsequently published—it is required to do so—on its website that £37,000 was spent on foreign travel in 2024-25.

Graham Simpson: Okay.

In closing, I want to ask you about something else. There was a leaving do, with the people who attended essentially shamed into paying back the booze bill that had been run up at taxpayers' expense. Do you know who the leaving do was for and where it took place?

Stephen Boyle: Lisa Duthie might know where the venue was, but the leaving do was to mark the departure of one of the board members. As we set out in paragraph 29, an event for some board members was held in November 2024. The invoice for the event totalled £875 for 11 attendees, which was based on food at £35 a head; the balance, for the purchase of alcohol, was around £500. As you say, Mr Simpson, that amount was repaid by board members.

We go on to say—

Graham Simpson: Sorry—it was only repaid after a review, though.

Stephen Boyle: Correct. HES was reimbursed, with the organisation bearing the costs for food.

With regard to where it was held, Lisa Duthie may have that information.

10:30

Lisa Duthie: The meal was held at a restaurant in Edinburgh that is part of the University of Edinburgh hospitality and events collection, on 20 November.

Graham Simpson: So it was at the university.

Lisa Duthie: Yes—at Bonnar's restaurant.

Graham Simpson: At Bonnar's—okay. Right—that is good.

There have been other instances as well, according to your report, in which people have racked up booze bills on the public purse.

Stephen Boyle: The policy is such that the organisation will provide wine at official hospitality events held either at a restaurant or a reception. However, the audit work, through both the internal audit and the external audit,

"identified bar recharges, including spirits, being charged without appropriate challenge."

Again, in my view, it is part of the culture of the organisation—

Graham Simpson: Yes—that is it.

Stephen Boyle: It comes down to whether the organisation has robust arrangements—it either does or does not have appropriate policies as a public body—and, more importantly, whether the policies are being complied with.

Again, that is why I think that it is so important that the review of the culture that the new chair has initiated follows through on those events and sets out appropriate parameters for this public body to follow.

Graham Simpson: You are absolutely right—it is a cultural issue. It is the same culture that we discovered at WICS; it appears to have existed in this case, too. Do you think that that has now stopped?

Stephen Boyle: I do not think that I can give you that assurance yet. We can say that there are a number of important signs. There is an acceptance of the audit recommendations in the annual audit and the new chair has made important public contributions, but the organisation is still dealing with fluctuations and instability in its leadership. As ever, the tone from the top is important: there needs to be clarity around policies and their implementation.

We will absolutely follow up on progress on audit recommendations, and I will take a view, as I always do about the need for further public reporting on a public body.

The Deputy Convener: Just for the record, I can reassure committee members that agenda item 5, which we will take in private, will be looking at next steps on how we may garner more information from either Historic Environment Scotland or the Scottish Government and the opportunities that are open to us to do so. We will discuss those later in the meeting, in particular around some of the areas that Mr Simpson has asked Audit Scotland about. Obviously, we will let you know if there is anything of interest, Auditor General.

I now invite Joe FitzPatrick to ask some questions.

Joe FitzPatrick (Dundee City West) (SNP): Some of my questions have been touched on already, but I will go into them in a bit more depth. It feels like there are long-standing cultural issues that existed long before the audit and the specific issues with the accountable officer, but there is also a lack of transparency. I do not see how the organisation can move forward without improving its transparency, because that is what ultimately ensures that it gains trust.

First, you mentioned the lack of a register of interests for the executive leadership team. How unusual is it for a public body that there would not be such a register at that top level?

Stephen Boyle: It is noteworthy; the fact that we refer to it in the report indicates that it is out of the norm. I will bring in Carole Grant, who can say something, from looking across the Scottish Government and other public bodies, about the extent to which that is commonplace or otherwise.

I think, however, that what is particularly relevant for this organisation is the fact that it is dealing with contractual arrangements and that it is generating £70 million in a commercial setting. Public officials should want to feel safeguarded in that environment and feel that they can be absolutely clear that they are transparent and—to go back to your point, Mr FitzPatrick—that there is no suggestion of risk to either individual or organisational reputation in what they do. It really matters that there is clarity not only among board members—it is welcome that their register of interests is in place—but that that extends to senior leaders and especially to those who are involved in procurement arrangements.

Carole Grant can offer a wider perspective.

Carole Grant: Across the public sector, we have seen registered interests featuring more and being strengthened. As the Auditor General said, a

register of interests is incredibly important where procurement contracts are being entered into. Particularly in relation to Historic Environment Scotland, given the nature of its hospitality, we would want openness and transparency around any potential risks long before people are entering into conversations or are in the room having those conversations. Given the nature of Historic Environment Scotland, we would have expected a register to be in place and to be even more important. Across the public sector, we see that a stronger set of arrangements around related parties is featuring.

Joe FitzPatrick: I wonder whether you would be prepared to go further and suggest that the leadership teams of all public bodies should, if they have a relevant interest, particularly a financial interest, declare it? I do not think that it is unusual to find people in such positions who have an interest, because that is how they have gained the skills or whatever it was that made them valuable for that leadership post. Is this an opportunity to send out a signal to public bodies across Scotland that, if their leadership teams have any interests, it is in their interests to declare that and be clear and transparent?

Stephen Boyle: We would be happy to support that. It is certainly worth engaging further on that with the Scottish Government.

Joe FitzPatrick: Thanks for that.

The next area that I will probe a little further, although it has already been covered quite a lot, is the arrangements around the electronic purchasing cards. We have talked already about the huge amount of money that was spent on those cards and the limit that was raised to more than £1,200, which seems to me an incredibly high limit for someone spending on their own initiative. As members of the Scottish Parliament, we can have a Parliament credit card, but every single payment, even if it is only £20, has to be signed off and checked by somebody else, so £1,200 seems to be a bizarrely high limit for payments. There seems to have been a complete lack of control, even if the policy had been followed, which, as we have heard, it was not.

Stephen Boyle: I agree with that assessment. There are a few things for the organisation to consider as it evaluates and, in due course, updates its arrangements in relation to the necessity for that volume of purchasing cards to be in place, the transaction limits and the volume of credit limits on the cards. It is also about the extent to which compliance checks are carried out. I am familiar with the level of scrutiny that MSPs' expenses are under. As we say in the reports, by contrast, around 8 per cent of e-PC transactions each month were subject to compliance checks.

There are perhaps two points. One is about asking whether, if HES has such a volume of cards in place, it can sufficiently exercise compliance against the volume of transactions that are taking place. As the annual audit report notes, the focus had been on whether there was sufficient supporting documentation in place, rather than on whether purchases complied with the policy for items of expenditure. That is an area of necessary review for the organisation. The second point is about considering how goods and services are being procured within the organisation, taking a clear and rational view to support business need and efficiency, and asking whether that is the right number.

Joe FitzPatrick: You made a point about the policy on what expenditure should be for. The lack of control in relation to that would be a public concern. Purchases may have been made on the credit cards that were not appropriate and that could not have been justified by the organisation, but nobody has been checking what was being spent. I will be mindful of language here, but the public might think that there would be a risk of fraud in the use of the cards. Is there any indication of that being the case, or do we just not know, because there are no controls?

Stephen Boyle: I will bring in Lisa Duthie to say a bit more about some of the transactions that were of particular focus and interest. I have alluded to a couple of them, on accommodation and the kitchen replacement, which felt particularly unusual. We can say a bit more about the detail of that.

As I mentioned in my opening statement to the committee at our meeting on the matter in December, the arrangements bring increased risk in not having a sufficiently robust control environment and a risk of fraud that the organisation was not guarding against sufficiently.

Lisa Duthie can say a bit more about some of the detail and the concerns.

Lisa Duthie: Just to be clear, the purchasing card transactions are subject to approval, and that is part of the basis of our reporting point on the culture whereby policies are not being consistently applied. We see that across different approvers within the organisation.

We refer to compliance with the electronic purchasing card policy. As is consistent with the Scottish public finance manual, any transaction over £1,000 should be supported by three quotes from different suppliers, and they should be written quotes that are obtained and retained and subject to review as part of the approval and compliance-checking process. That information was not available as part of the audit, which made it very

difficult, from our perspective, to confirm the appropriateness of the expenditure.

Joe FitzPatrick: You said that the transactions were being checked.

Lisa Duthie: They are checked, yes.

Joe FitzPatrick: So, there was at least a second person looking at them. They were not just going through.

Lisa Duthie: That is standard with an electronic purchasing card.

Joe FitzPatrick: I guess that that gives a little bit of assurance to the public on that point.

Do you want me to continue, convener?

The Deputy Convener: Yes, you have a moment or two, if you have another question.

Joe FitzPatrick: I will pass back to you.

The Deputy Convener: We will backtrack a smidge. There are one or two technical issues that I would like to clarify with you while you are here, if you do not mind, Auditor General.

I am not sure whether Audit Scotland followed the evidence session on Historic Environment Scotland that was held by the Constitution, Europe, External Affairs and Culture Committee on 6 November 2025. I am sure that you paid attention to it. Some comments were made during that meeting that I would like to reflect on here, and I will ask you for your opinion on what was said. I apologise that I have not provided the quotations for you to look at in advance, but I will do my best to paraphrase, if that is helpful.

In that meeting, the Scottish Government's director for culture and external affairs, Mr Hogg, was asked about the issues around the appointment of the interim accountable officer. I ask you to reflect on this response. I am partly paraphrasing, although we may put the full quote into the *Official Report*. Mr Hogg said that he was reassured

"that there were no upcoming decisions that required the accountable officer to exercise oversight."

He said, referring to the former chair of HES, that he had received

"assurances from the former chair that ... there were no decisions that required the accountable officer to be in place."—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 6 November 2025; c 7-8.]

He does not say whether he was satisfied with that response. Is it normal practice to decide whether there should be an interim accountable officer on the basis of reassurances that there is no need for one because there are no decisions to be made? That sounds like an extremely unusual reason for not appointing one.

Stephen Boyle: Indeed. As you said, convener, I do not have Mr Hogg's contribution in the *Official Report* set out in front of me, but I am familiar with the tone that you refer to.

I reiterate some of the sentiment in my remarks earlier in the meeting. As is set out in the Scottish public finance manual, the duties of the accountable officer in the Scottish public sector effectively mean that they are personally responsible to the Scottish Parliament for the proper stewardship of public funds and for the regularity and propriety of expenditure, ensuring that it is providing value for money and that effective financial management and reporting are in place. Reference is made to the annual report and accounts, which are clearly, but not solely, part of that. There should also be effective governance and risk arrangements in place and the officer will have accountability to the Parliament for those. They may be called to appear before this committee or other committees of the Parliament. While they may be able to delegate responsibility, they retain the accountability. The individual transactions referred to by Mr Hogg are important and they matter, but there is a wider set of enduring responsibilities for an accountable officer to either prepare for or respond to events.

It remains my view that, when it became clear that the accountable officer was going to be absent for more than a month, the Scottish Government ought to have appointed a substitute to give assurance to the board that the organisation was continuing to operate as intended, in line with its strategic plans and framework document, and to assure the sponsor team and, ultimately, the Parliament that the organisation was operating in line with expectations.

10:45

The Deputy Convener: Far be it from me to put words in your mouth, Auditor General, but are you saying, in summary, that the fact that there were no immediate decisions to be made does not replace the need for an accountable officer to exist?

Stephen Boyle: I am absolutely clear on that. Although individual transactions matter, accountable officer responsibilities are enduring throughout the term of appointment of an accountable officer and cannot be distilled down in relation to individual large transactions from time to time.

The Deputy Convener: Does that demonstrate that the Scottish public finance manual was not just not being followed but perhaps had been misunderstood, even by the sponsorship division?

Stephen Boyle: There has been a lot of reference to the fact that the accountable officer, upon her return from leave, was discharging those responsibilities in respect of the annual report and accounts. You would of course expect me to say that the annual report and accounts matter. Those will be laid before the Parliament and are subject to scrutiny, along with today's report. However, I am clear that the role is more than that, and that it involves a much wider set of responsibilities.

I hope that the point has come through in our reports and in the evidence that you have taken this morning that there was some ambiguity about whether the accountable officer's period of absence would or would not endure. Regardless, I point out that, as we have seen in other organisations, if there is going to be a known period of absence for an accountable officer, the Scottish Government can appoint interim accountable officers—it has done that before—and we remain unclear as to why it did not do so in this case.

The Deputy Convener: Those are questions that we might ask the Government.

Again, I apologise for quoting directly from the *Official Report* of the CEEAC Committee meeting, but it is probably easier if I do so. Mr Hogg said that, at one point,

"the board determined that it wished to proceed to appoint an acting chief executive"

and that he

"met the candidate and interviewed them in respect of their suitability"

and took the view

"that the individual was appointable as the accountable officer",

and he

"told the chair and the board that."

The next line is interesting. Mr Hogg then says:

"The board subsequently decided not to proceed with that appointment".—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 6 November 2025; c 8.]

It would seem to be an unusual state of affairs for a recommendation about the appointment of a senior chief executive that has been made by a senior director general of a Government department to be refused by the board. At this point, it comes down to a question of who is in charge. What would be the normal procedure or practice in such a scenario, where there is a conflict of views?

Stephen Boyle: It can vary. It depends on the status of the organisation. Historic Environment Scotland is a charitable, non-departmental public

body. Forgive me, but I need to refer to the specifics, and I will turn to Lisa Duthie for more detail about where the responsibility for the appointment arrangements resides.

It seems to be suggested by Mr Hogg that the board is responsible for appointing the chief executive and that the subsequent designation of accountable officer is one that comes from the principal accountable officer—the permanent secretary—to that person, as the chief executive. Lisa can confirm whether my understanding is correct.

Lisa Duthie: Per the framework agreement, that is our understanding of the responsibilities. The appointment of the accountable officer sits with the Scottish Government and that of the chief executive with Historic Environment Scotland. My understanding, convener, is that the individual that you referred to was the board's suggestion and that the Scottish Government considered that person to be acceptable. I am not clear on what happened, what followed that and why the appointment was not made.

The Deputy Convener: That sounds like a series of events that we might wish to dig into further.

My understanding is that the framework agreement between Historic Environment Scotland and the Scottish Government was renewed at some point in the calendar year 2025. Is that correct?

Stephen Boyle: I think that it was slightly prior to that.

The Deputy Convener: My point is that that occurred in the absence of an accountable officer or any senior leadership in HES.

Stephen Boyle: I will correct that slightly, convener. I think that the framework agreement was approved in October 2024, so the accountable officer would have been in post at that time.

The Deputy Convener: Was that a permanent accountable officer or an interim?

Stephen Boyle: It would have been the permanent one—the postholder who subsequently went on leave of absence.

The Deputy Convener: Is Audit Scotland satisfied with the framework agreement or did you have any comments or recommendations on it?

Stephen Boyle: We would not typically take a view on whether it was appropriate or otherwise. We would recognise that it followed the model framework for non-departmental public bodies. The significant point that we draw out of it is the

reference to additional income generation. Paragraph 65 of the framework agreement says:

“Optimising income (not including grant-in-aid) from all sources should be a priority”.

That feels like significant contextual information for the organisation. As we have spoken about with the committee on a number of times over recent months, where public bodies are engaging in commercial practices, they need to have the right structures and policies, and compliance with those policies, so that they can safeguard individuals' and the organisation's reputations. Such practices would not have been new to Historic Environment Scotland because it has done that for decades.

The Deputy Convener: Thank you; that is noted.

My final question is a technical clarification. In the CEEAC Committee meeting of 6 November last year, there was a conversation about HES's scheme of delegation to directors. I presume that that was an interim arrangement so that decisions could be made in the absence of senior leadership or executives. It is unclear to this committee whether that scheme of delegation would take precedent over the requirements of the SPFM.

Stephen Boyle: I will perhaps need to take advice on that and come back to the committee in writing on it. My initial view is that no scheme of delegation would set aside the requirements of the Scottish public finance manual, but that does not preclude the possibility that there may be specific wording in a framework document, a scheme of delegation or a letter of appointment of an accountable officer that deviates from that. If you are content, convener, that is probably something for me to come back to the committee on.

The Deputy Convener: If you are willing to do that, that would be helpful. Thank you, Auditor General.

On that note, I conclude the evidence-taking session. I thank Stephen Boyle, the Auditor General, and his accompanying officials—Lisa Duthie, audit director, and Carole Grant, audit director—for answering the committee's questions on the section 22 report into HES so comprehensively. The committee will consider its next steps in due course.

I suspend the meeting until 11 o'clock to allow for a change of witnesses and a short comfort break.

10:53

Meeting suspended.

11:00

On resuming—

Cairngorm Funicular Railway

The Deputy Convener: Welcome back to the Public Audit Committee. Item 3 is consideration of our inquiry into the Cairngorm funicular railway. I extend a warm welcome to our three witnesses this morning. Nick Kempe is a campaigner and mountaineer, Gordon Bulloch is a former environmental land remediation and business turnaround manager, and Dave Morris is a Cairn Gorm and international mountain expert. All three gentlemen are members of Parkswatch Scotland. Correct me if I have any of that wrong.

Before we get into questions from committee members, I invite Nick Kempe to make a short opening statement.

Nick Kempe (Parkswatch Scotland): Thank you very much. To clarify, Parkswatch Scotland is a blog that I run, and there is a group of people who are associated with it, so it is not an organisation as such. It does not have a membership.

The Deputy Convener: We will refer to it under that umbrella phrase for the purpose of this meeting.

Nick Kempe: That is fine.

Thank you for asking us to give evidence in your inquiry into the funicular. We have supplemented our original submissions with further evidence, which has been published on the committee's website, and we might refer to that.

I will start with a confession. I learned to ski at Cairn Gorm 55 years ago and I am the youngest of the team here by a significant way.

You will have to excuse Dave Morris. He has a laryngectomy and he has some problems speaking with his throat. He has been involved in Cairn Gorm since the 1970s. We both objected to the funicular railway when it was first proposed and we have a long history on that. Gordon Bulloch is now part of the Cairngorms campaign, which is also opposed to the funicular.

When the Public Audit Committee's predecessor, the Public Audit and Post-legislative Scrutiny Committee, considered Audit Scotland's report on Highlands and Islands Enterprise's management of Cairn Gorm on 1 October 2020, the focus of the session was on HIE's management of the outsourcing of Cairn Gorm mountain to Natural Retreats Ltd. Stephen Boyle, the Auditor General—I have just had a word with him—gave evidence at that meeting and explained that the draft business case had been agreed and that it was agreed to repair the funicular at an

estimated capital cost of £15 million. It was actually £16.16 million. What Mr Boyle did not know at the time was that the subsidy required for the first five years was £9.76 million and that the business case was based on an on-going subsidy of more than £73 million. Although members of the Scottish Parliament asked some searching questions that day, my understanding is that the business case has never been scrutinised independently.

I should say that the large amount of public subsidy in the business case was justified on the basis of the gross value added to the local economy. Again, the figures for that have never been made public and we do not understand what the benefits are.

We would like to get two key points across about the funicular and the repairs, and so on. First, we believe that the design is fundamentally flawed. As we have explained in our written submission, we do not think that the repairs are likely to last for as long as is anticipated, which will result in further costs and undermine the business case. Secondly, the amount of public subsidy that is involved is huge and is likely to increase, because further maintenance is required. That money could be far better spent.

The Deputy Convener: Thank you for your opening comments. Please do help yourselves to some water, and, if anyone needs anything, get the attention of our clerks. If any of you needs to depart for a short comfort break, feel free to do so. If needs be, I can suspend the meeting so that you do not miss anything. We are very flexible and helpful in this committee.

I will pass the floor now to Graham Simpson, who will have the opening set of questions.

Graham Simpson: Thank you very much, convener. I thank you all for coming today. You are aware that we visited the funicular, which was a good thing to do. We also met some local business people in Aviemore, so it was a very interesting and useful trip.

You have given us a submission, and we are keen to hear your side of the argument, as it were. Our questions will be separated into different areas. I will ask you about your thoughts on governance, transparency and accountability. You do not all have to answer; only one of you could do so.

You have described what you think is a "cloak of secrecy" around HIE's governance. Can you say what you mean by that, and can you give us any examples of a lack of transparency?

Nick Kempe: Yes. We have had difficulty. Most information about Cairn Gorm is not regularly published, so we have had to extract it by means of a series of freedom of information requests. For

example, we just got the full business case, which I believe might now be on the website, as a result of a freedom of information request. It is highly redacted.

There are all sorts of arrangements for dealing with the funicular. As I referred to in the report, the minutes of the board meetings are highly redacted. I checked before coming here and saw that the last minutes that dealt with Cairn Gorm were from August. To refer to your inquiry, all the key points of those minutes are redacted, so you cannot really understand what is happening, apart from the fact that Cairngorm Mountain (Scotland) Ltd will now prepare a new business case for the next three years. How that fits with the full business case, which is supposed to last 30 years, is not clear at all from the minutes. We could give further examples, but, basically, there is a lack of transparent financial information.

One of the issues that we would like to highlight in relation to the governance is the structure. Although wholly controlled by HIE, Cairngorm Mountain (Scotland) Ltd is set up as an independent company, but it does not operate like a company at all. It is completely controlled by HIE and, with regard to its finances, HIE has just been paying whatever grant is needed to balance the accounts for the past four years.

You might have seen the spreadsheet at the end of the report. The year-end balance for the past six years has been £54,133, and that is because HIE pays whatever is needed to maintain that balance, which we think is pretty extraordinary. Cairngorm Mountain (Scotland) Ltd is not an independent company in the true sense of the word, so a key issue for the committee to consider is what would be needed to make it an independent company, or whether it should just be brought in under HIE's core business.

Graham Simpson: So, what do you think should be an independent company?

Nick Kempe: Well, it would need to be far more independent than it is at the moment.

Graham Simpson: Is it the funicular that you think should be independent?

Nick Kempe: At the moment, we are saying that it is Cairngorm Mountain (Scotland) Ltd that should be independent. Our view on the funicular is that, when HIE outsourced Cairn Gorm to Natural Retreats UK Ltd, it maintained financial responsibility for the funicular. The funicular is such a financial liability that it would be impossible, in our view, to put it into an independent company. As that is just not possible, HIE needs to maintain financial responsibility for it. The fact that it is doing so through a subsidiary helps to explain the way in which it is financing it, which is that it pays

whatever is needed each year to keep the funicular going.

Graham Simpson: Does that not rather knock your argument on the head? You said that Cairngorm Mountain Scotland should be an independent company; then in the next breath, you said that it could not be so because it could not stand on its own two feet.

Nick Kempe: There is a dilemma in that, but HIE is impacted in terms of not just the funicular but the whole management of the mountain with respect to future plans. One problem over the past 20 years has been that HIE's focus has been entirely on the funicular when what has been needed is a far broader plan for Cairn Gorm. We may pick that up in answer to other questions.

Graham Simpson: If anyone else wants to come in, albeit that it is good that Mr Kempe is leading—

Nick Kempe: Sorry.

Graham Simpson: No—that is absolutely fine. However, if anyone else has anything to contribute, that will be okay. *[Interruption.]* Mr Bulloch is taking up my invitation.

The Deputy Convener: You do not need to press your button. Just let the technician do that for you.

Gordon Bulloch (Parkswatch Scotland): As I see it, HIE's role is to fund enterprises throughout the Highlands and Islands, not to run them. It would say, "That's why we have CMSL as a separate company." However, the governance structure means that it has a strong hold on that company, which cannot move unless HIE gives approval. That is the difference. Separation is needed, and we can talk about whether, in the future, CMSL should be under different ownership rather than under HIE.

Graham Simpson: Somebody else will ask about the future, so I will not trample on their toes. I will stick to governance. You have spoken about your concerns over the layered governance arrangements. There are programme boards, project boards, key performance indicators, assurance reports and improved outcomes. Does that need to be streamlined?

Nick Kempe: The last time we were here, the convener asked questions about a structure that seemed incredibly complicated and was not understood. Eventually, HIE produced for you a diagram of the governance structure, which illustrated some of the issue. However, no document sets out how the governance works properly—partly, we think, because it is so complicated that nobody takes responsibility for doing that. The governance process is very

complicated. Although the public subsidy is very high for such a small operation, it is not that much in the scheme of things, but an incredible amount is being spent each year on governance—several million pounds.

In addition, the cost of that is not clear. There is something in the last billed minute to the effect that the new board members of Cairngorm Mountain (Scotland) Ltd receive the same board fee as the members of HIE's main board. I do not know what that costs, but a substantial amount of money is being spent. Then they bring in advisers. Everything that they do involves advisers and consultants, which also adds significantly to the governance cost.

Graham Simpson: Yes, the committee is used to hearing about consultants on big fees.

Have you any thoughts on how governance arrangements could be improved?

Dave Morris (Parkswatch Scotland): I am of the view that HIE should be removed from the mountain as soon as possible. We may come to that later.

When it comes to what is happening on the mountain today—Gordon Bulloch and I met Mike Gifford yesterday, and I also met him on 20 November—I am pretty satisfied with the operational arrangements, although they could be supplemented by a group of experts, if you like, on ski development and associated outdoor recreation. I will take that up with him. My experience with the legislation on land reform and the right to roam was that what was really critical was having about 10 people around the table representing different expertise. That is how we delivered it.

11:15

The problem at the moment—I talked to Mike Gifford about this in November—is that the advisory group is full of stakeholders. These are people who are representing organisations, not expert individuals, and, as you will see from my written evidence, the problem with stakeholders in Badenoch and Strathspey is that they dare not say what needs to be done, because they are also looking over their shoulders at the next grant obligation to HIE. It is an absolutely fundamental problem.

Graham Simpson: In that case, Mr Morris, how would you, as you say, remove HIE from the mountain? What would replace it?

Dave Morris: Forestry and Land Scotland would be the easiest mechanism. When I went to work for the Nature Conservancy Council in Aviemore, in 1973, the Highlands and Islands

Development Board, as it was at that stage, owned the upper part of the mountain. Looking back at the files, though, I see that there was obviously a much better situation in the early days of the Cairn Gorm development—that is, from 1961 onwards—when the Forestry Commission owned all of the land from the bottom to the top of the mountain.

In 2006-07, there was an effort to get the upper part of the mountain transferred to what was the Forestry Commission, and the Forestry Commission carried out a very good consultation with the various organisations. I was working for Ramblers Scotland at the time, and we were fully supportive of the proposal, but it literally ran into the buffers when HIE tried to pass financial responsibility for the funicular to the Forestry Commission. It would not have that.

Today, though, the simplest thing would be for the Scottish Government to say, "We've had enough of this farce on the mountain. It's been going on for far too many decades." Forestry and Land Scotland could take over all of the management of the mountain, from an ownership point of view, but leave any financial responsibility issues with regard to the funicular with HIE. HIE should for evermore keep hold of that financial responsibility, up to the day when the funicular has to be removed.

On top of that, you have to remember that there is a pretty good and effective community group—the Aviemore and Glenmore Community Trust—which has been doing some good work at the bottom of the mountain. There could, in due course, be a partnership between the trust and Forestry and Land Scotland. I think that that would be a way forward.

Graham Simpson: Okay. Thank you.

The Deputy Convener: My question follows on from Mr Morris's comments, and it is open to anyone on the panel. Is there any collective agreement or a view on his suggestion, which is, basically, that HIE should be lumped with the big liability of the funicular and its costs, while the rest of it should be left to everyone else to get on with? Is that the general view?

Nick Kempe: Yes, and that would include the people who contributed to the report but are not here. There is no other solution; the funicular will never be financially viable, and if we tried to give the responsibility to someone else, no one would accept it.

The Deputy Convener: Including financial responsibility, you mean?

Nick Kempe: No one is going to take this on, if it means taking on financial responsibility for the funicular. Whatever else you can say about it, Natural Retreats, in my view, absolutely knew that,

because it excluded the funicular from the agreement on the mountain.

The Deputy Convener: What effect would Forestry and Land Scotland having greater responsibility—or, if you like, ownership of the mountain range in its wider entirety—have on what currently happens up there? Would there need to be any changes? Indeed, would you like to see any changes to what happens there?

Dave Morris: A very simple answer to that question is the issue of path networks. We think that there are great opportunities for future path development from bottom to top on Cairn Gorm, particularly for walking, running and mountain biking. However, the situation today is pretty appalling, because although the mountain slope to the top of Cairn Gorm has been in state ownership for more than 100 years, not one footpath takes you from the bottom in Glenmore up to Coire Cas. You can see on the notices that Forestry and Land Scotland put in Glenmore that all the paths go around and around in Glenmore—there is no connection to the top.

We talked to Mike Gifford about that yesterday. Like us, he is in favour of at least restoring the footpath from Glenmore up to Coire Cas, which would clearly be much easier to do if the forestry people owned the whole land. Mike said that the problem was that Forestry and Land Scotland does not have the money to do that, to which I responded that we hope that the next Parliament will strip away from Scottish forestry a lot of the money that it wastes on planting schemes to give it to Forestry and Land Scotland, which could then spend it on Cairn Gorm and other places where there is a need for much better management of the state forests.

Nick Kempe: I will add that broader issues exist here. First, Forestry and Land Scotland has expertise in managing land. The soils and so forth on Cairn Gorm mountain are extremely sensitive, and the land is not being well managed at the moment. Although that is not really a matter for the committee, there are a lot of issues about what is happening with the soils and everything else, and Forestry and Land Scotland has far more expertise in land.

Secondly, the Cairngorms National Park Authority tried to create an integrated plan for Glenmore, linking the areas from the top of the mountain to Aviemore. The plan was to deal with things such as traffic problems. There was a lot of snow last Saturday at Cairn Gorm and the traffic situation was complete chaos—people could not get up the road, there was not enough parking and so on. There needs to be a transport solution, but it will simply not happen with two landowners. An integrated plan is needed to consider what is

happening on the bottom and at the top. Unfortunately, the Cairngorms national park plan was not really complete and it has disappeared into the ether—nothing has happened about it.

The fundamental problem concerns those different landowners. The national park authority should be the body in charge. It helps to sort out a lot of those issues; however, in our view, it is not powerful enough to take on HIE.

The Deputy Convener: With respect, we had an extraordinary amount of weather in the past couple of weeks. The benefit is that it brings great conditions for the mountain ranges; however, it presents issues around access across all the skiing areas. To play devil's advocate, is that not simply par for the course for a mountain ski resort?

Nick Kempe: Two specific issues at Cairn Gorm are worth highlighting. First, the access road gets regularly blocked—as does the Glenshee road, occasionally—because of the way in which it is designed. Quite often, the annual accounts refer to the numbers of skier days lost because people cannot access the resort.

Then, there is a specific issue with the funicular design, which has a tunnel at the top. Everyone will know that on Cairn Gorm, the wind blows, and snow blows into the top of that tunnel and blocks it, so the funicular cannot operate and staff spend hours in the morning trying to dig out the tunnel to get it to work. Although Scotland is getting less snow, Cairn Gorm is the place that has more snow than anywhere else, because of its altitude. However, design issues mean that we cannot make best use of the funicular, which restricts the income that is generated.

The Deputy Convener: My esteemed colleague, Mr Beattie, will talk to you about technical issues in a moment. I will focus on the money aspects, which, since we are the Public Audit Committee, we have a responsibility to look at.

In your representations, you have made some specific comments and expressed some views about the repair costs of the funicular. We do not really have the time to revisit the history of that, nor do I wish to do so. However, it is significant to us, as the Public Audit Committee, that the repair costs rose substantially from around £5 million or £6 million to £25 million and, perhaps, rising. I appreciate that there are some live matters that we might not wish to go into around who is paying for what, so we will try to avoid that.

In your view, what was the underlying reason for such a substantial rise in costs of repairs to the funicular?

Gordon Bulloch: First, I am inclined to say that it was the choice that was made in the full business

plan to repair the funicular. There were other choices that should have been given better consideration. There is a raft of things about the full business case that we could talk about. It was highly flawed and it lacks huge amounts of backup information.

My background is that I used to work with a FTSE 100 company and, at that time, if I had been presented with that business plan, it would have been thrown out on day 1 because it did not have enough information. However, let us park that to the side.

Then there is the design and build of the repairs themselves. I am a trained scientist and, if there is a problem or an issue, I always want to understand what has actually happened so that I can predict the future. If we just look at symptoms as we see them, we will not necessarily know what the cure is. COWI, which did the design work, might well have its own theories, but HIE has published no theories on why the structure failed so dramatically.

In our submissions, we have some good theories about why that has happened and, frankly, the facts fit those theories. From a scientific point of view, unless somebody can point out some of our information that is wrong, those theories fit. Because of that, and from our understanding of the issues, we are concerned that the repairs will not last and they will require significant extra maintenance. That has already been evidenced, because the funicular has been shut four times since it reopened in February last year for what was said to be routine maintenance. However, through freedom of information requests, we know that that was done so that there could continue to be an interim certificate of construction compliance. The designer and the builder are concerned that the structure will not last, which is why it does not have a long-term certificate of compliance. It has an interim one, and the latest one, which is the fourth, takes it through to May of next year, which is the longest certificate that it has had since it started.

The Deputy Convener: Let me just summarise that, so that we can be clear about what you are saying to us. It is not just the initial design of the structure that is at fault; in addition, the design of the repairs is partially at fault.

Gordon Bulloch: We believe that the repairs will reduce the structural failure and hold it back a little bit, but it is still there. All the strappings that are being put on are there to try to contain it, but the concrete beams are already damaged. Within the structure there is damaged concrete and cracking can be seen on the underside, and so on. There are big problems there. The strappings will slow that damage down but it will not eliminate it.

The Deputy Convener: Again, Mr Beattie will cover some of the technical aspects, so we will park that for a second while I finish asking about the financials.

As you know, we have spoken to HIE and visited the site. I have two further questions, one of which is about your more recent engagement with the new management team at the resort. We had the benefit of meeting and chatting to them, and we also met some of the staff, and what was clear to us was the passion exhibited by those who choose to work on the mountain. They love the environment that they work in and they are very passionate about delivering for their local communities.

Do you feel that, despite your reservations about HIE's involvement, the resort is now in a better place or that it might have a better future as a result of the change of personnel?

11:30

Dave Morris: I will respond to that. In giving my evidence here, I am highly critical of HIE, but I would say that it has taken some good decisions in relation to the senior management on the mountain and in relation to the board. Between us, Gordon Bulloch and I know most of the board members, and we think that the combination on the hill is very good. In fact, Mike Gifford is a pretty inspiring leader—probably one of the best that I have seen since the 1970s. I think that we could work very well with the new management of the company, but I am still absolutely against HIE being the overlord there. I want to see HIE's role reduced to what it should be, which is simply giving grant aid. I have encouraged Mike Gifford to take a stronger leadership role, both in what he is doing on the mountain and in his dialogue with other interests.

Gordon Bulloch: I fully empathise with the problems that Mike Gifford has. I have been in that type of situation, trying to turn around a much bigger business than that one, and it is a very difficult task. I said to him yesterday that the problem is that we can add things around the mountain and try to get more people in there and so on, but unless the core fixed costs of that operation are tackled, then—excuse the language—you are almost pissing in the wind. That issue must be tackled. The core fixed costs are the costs of operating, running and maintaining that funicular, because it does not provide the uplift—which is what it is there to do—and that is causing its own problems.

Nick Kempe: Because of that, it does not generate sufficient income for capital investment. We have looked at some things. First, for example, HIE will talk about having 3,000 visitors on the

mountain bike trail. Compared to Glentress and Forestry and Land Scotland, that represents tiny amounts of money. HIE talks a lot about diversification—it has been doing that since the funicular first opened, for 20-plus years—but all those bits of diversification will not generate the income that it needs.

Secondly, if Cairngorm ski centre is going to work as a business, it needs significant new financial capital investment in lift infrastructure that is appropriate for carrying lots of skiers up the mountain—the lower sections of the mountain could be used for mountain biking. We might come across those ideas in future plans but the key point is that the current model does not work. However hard those staff try, they will never be able to deal with the need for subsidy, because the organisation is not set up right.

Dave Morris: Cairngorm is a really unusual ski resort, because the top half is owned by one body and the bottom half by another. As a general principle in ski resorts worldwide, you must subsidise what is high on the mountain. I was in Colorado some years ago and talked to the Vail ski resort, which is one of the big North American resorts. I was there in September, and I was a bit surprised that there were not many people on the uplift system. I asked the management where all their summer operation was; they said, “It’s not here, it’s down in the next valley around the lake. We make profit there with all that lowland stuff, and we then spend that money on the mountain.”

My experience of that is exactly the same as that of David Hayes of the Landmark development, who is, I think, one of the best tourism operators in Scotland. He wrote extensively about this issue when the funicular was proposed, and he also lobbied MSPs about it. In fact, he commissioned a report on the matter from David Pattison, the ex-chief executive of what was the Scottish Tourist Board, and the basic conclusion was that the Cairngorm ski resort will never be viable financially, unless money is generated in the forest zone and then sent up the mountain.

When I talked to David Hayes about this a year ago, he said that what is needed now is a number plate recognition system in the hayfield at the bottom of the hill, so that everybody who goes through that gateway, if you like, has to pay a fee to be able to drive up to wherever on the mountain they want to go. That would generate a lot of money, which could then be spent on the mountain.

However, we have been arguing this for 30 years now, and we have got nowhere with HIE, because it is just concerned with the little bit at the top of the mountain that it owns. Therefore, you just get one diversification plan after another. That

does not work—you have to get back to the fundamentals and learn what happens in other countries.

The Deputy Convener: Thank you very much. That was all really interesting stuff, and we might come back to some of it before the end of the session. For now, however, I will ask Mr Beattie to put some questions to you.

Colin Beattie: I want to touch on engineering sustainability and future risk. You have described the current engineering solution as

“unsustainable, both physically and financially”.

What are the key technical risks that make further failures likely?

Gordon Bulloch: I can give you some answers to that. There is a failure of the pillars themselves, and I have written a little illustrative paper about how they have tilted. There has been work to try to constrain that, but it will not stop further tilting happening; it will only slow it down. That view is based on a lot of geomorphological evidence et cetera.

The other problem is the concrete structure itself. The railway sits on top of beams, a number of which have started to fail. The concrete in them has crumbled, and you can see the stress marks that have occurred over the years; the beam flexes as the train goes over it, and that flexing is beyond what was designed. That is what the evidence shows. Strappings have been used to clamp and, hopefully, hold the beams, but the damage within them is still there. It is very difficult to bring a beam back to its original strength just by clamping.

The same goes for the joint, which is called the scarf joint. It is a triangular joint where the two beams meet at the pillar, and there is a huge amount of stress on it. Again, you can see that, where the joint has gone or has cracked, it has been strapped. That will hold it to some extent, but not indefinitely.

The other problem, which they have been doing something about in the past year—as I understand it; they might say differently—is the clamps. The nuts on them are tensioned, using quite a complicated machine, but some of those nuts have slackened off. Why? Because of the stresses, the variations in temperature and so on. It is one of the things that are going to lead to extra maintenance costs, because they are going to have to check all of the struts, and there are 92 pillars with 92 scarf joints that have all these strappings on them as well as a lot of beams that are strapped, too. They will have to check them to find out whether or not the nuts are slackening off.

Colin Beattie: Is the material itself inappropriate, or is it a problem with the construction?

Gordon Bulloch: If you look back to the beginnings of the funicular, you see that the original design, which also went to planning permission, was for a steel structure, not concrete. Of course, steel is a lot more flexible to variations and tensions and so on. For all the worst reasons, it was decided to go with concrete because it was supposed to be cheaper and, of course, the cost ended up being almost double what it cost when it was built originally.

It would be interesting to see whether HIE deny this, but when COWI, the designer that was asked to look at the problems with the structure, started to look at it, it suggested that they should keep the concrete pillars, take off all the beams and put in steel. HIE deemed that to be unacceptable or too costly, or whatever. Our understanding, from the information that we have, is that this design for the repairs came out of that. If the funicular had been made of steel, we would now have a structure that would be working well into the future.

Colin Beattie: We have heard a previous discussion about the merits of steel versus concrete. We have also been advised that sites across Europe use concrete quite successfully and without problems, but it is beyond our technical expertise to decide on that argument. I do not, however, see why there should be a problem with using concrete here when it is used successfully elsewhere.

Gordon Bulloch: I will let Nick Kempe take over on that one, but we must remember that there is a structural failure in the concrete beams. It is there and it is undeniable. Either the original design or something else has gone wrong. I will let Nick Kempe answer the question about what happens elsewhere.

Nick Kempe: You have a supplementary submission from Graham Nugent, who is one of our co-authors. He lives in Italy and he has a funicular railway in his village, and he knows quite a lot about them. I am not sure where your information is from, Mr Beattie. We do not have total data on the number of steel versus concrete funiculars. We have had a look, but that information does not seem to be available. Anecdotally, most funiculars appear to be steel, not concrete.

There are other differences in designs of funiculars in Europe. I ski Val d'Isère and Tignes and so on, and funiculars tend to be totally underground, where they are not subject to the weather of Cairn Gorm. They go through channels. They are not subject to such extreme temperature

variations because they are underground. They tend to be straight rather than curved.

In Graham Nugent's written submission, there is a very good picture of one funicular that is lower down, because it is used as a form of transport between villages rather than for ski uplift. It is made of concrete but, interestingly, as he commented, the concrete beams in that case are twice the size of those that were used at Cairn Gorm. As Gordon Bulloch said, there is an issue with the size of the beams.

Dave Morris: I was in Bergen in Norway last week, and there is a funicular there that, as I understand it, is the model that encouraged HIE to build the Cairngorm funicular. The Bergen funicular is straight. There are no curves in it, which is a big issue on the Cairngorm one. It also starts at sea level.

There are major differences between what is happening on the Cairngorm funicular and other funiculars, particularly European ones. Most of those are at a lower level and very few of them go up to the extreme arctic alpine environment that there is on Cairn Gorm. You have to remember that we are in an oceanic climate and we have very cold and hostile weather at quite a low altitude of just above 2,500 feet. The Cairngorm funicular therefore has to deal with big extremes.

Colin Beattie: As a logical extension to what we have been talking about, HIE has suggested that the repairs could extend the funicular's life by up to 30 years. What would the technical grounds be for saying that that claim is unrealistic?

11:45

Gordon Bulloch: First, they have not had any clean bill of health for that structure. They have had four interim certificates of construction compliance since February 2025. The funicular first went back into service in 2023 after the repairs, and it has had on-going problems since 2025. The engineers say, "We cannot sign this off as a long-term structure until certain works and checks are completed." However, we do not know what those are, because HIE will not reveal through FOI what actual work Balfour Beatty and Pick Everard want to see completed. It would be interesting to see whether they are willing to give it a longer bill of health after all that work is completed.

Having seen all the work that has had to be done to keep the tension on all the struts and supports, I am clear that the funicular must require significant maintenance. I am sure that some of the beams will need further support, because further cracks will begin to appear. The issues have not gone away.

Nick Kempe: None of us is an engineer, which we are quite open about, although Gordon Bulloch has more expertise. We started to look at the funicular, and the groups that are associated with it, because of the problems that were happening. There are people involved who have various aspects of expertise, which has been subsequently backed up. John Carson is one of Scotland's most eminent civil engineers. His company did the Skye bridge and so on, and he is quoted in *The Press and Journal* as saying that the repairs will not work. Just because one eminent civil engineer says that, that does not mean that it is right, but there are some serious engineering questions to consider.

What has been done has been done, but when it comes to the implications, we hope that the committee might look at making some recommendations. If the on-going repairs continue, what happens next time? What is expected of HIE? What should it do in the meantime if the eventuality is that the repairs will fail? As Gordon Bulloch said, the evidence so far is that the repairs are not working.

Colin Beattie: On the same line of questioning, if the funicular were to fail, what would be the outcome with the least cost and least risk for the public sector at that point?

Gordon Bulloch: If another significant failure happens, HIE has to seriously think about closing the funicular altogether, which we alluded to earlier. Even in our discussions with Mike Gifford yesterday, he said that he was quite keen to see extra uplift—a chairlift or something like that—put in. He would need extra funding for that. It is important to look to the public purse for extra uplift, so that if the funicular fails and has to be taken down, something else will keep going. You need something in parallel.

That is what should have happened back in 2020. If HIE had put in even a partial chairlift to give some extra uplift, people could have been going up that and the funicular, even on days such as last Saturday, when there were queues and queues. It needs to take a belt-and-braces approach. Unfortunately, the project will need more public money because of the state that it is now in.

Dave Morris: I do not think that people appreciate the size of the public funding commitment that is coming down the road. As far as annual revenue funding is concerned, Mike Gifford and his colleagues will probably do fairly well to bring it down annually. You have to understand that the funicular, as it works today, is not fit for purpose.

That is evident from what the SE Group recommended. The SE Group was the north

American consultant employed by HIE in 2016-2017 to look into future options on the mountain. I will read what it said:

"The funicular is a major asset for the resort".

Those words are quoted by Highlands and Islands Enterprise in its forward business plan, but it did not complete the sentence. The actual report from SE Group says that it is a major asset,

"but the over-reliance on it is problematic given its limited capacity and non-skier use. Its susceptibility to closure also hampers the experience for both skiing and non-skiing visitors, and solutions are needed. With improved uplift in place, Cairngorm should explore restricting the funicular to a few types of visitors (i.e., ski schools, non-skiers)."

That is a damning conclusion. HIE were being told in 2017 and 2018 that it had to put in new chairlifts. From my discussions with Mike Gifford, my conclusion is that two chairlifts from the bottom station are needed right now—although they should have been built during the past 10 years. That capital expenditure will be well over £10 million, I would think—that is what is coming down the road.

Ideally, to get the resort back on its feet, it needs four new chairlifts to cover the mountain in the right way. We need to discuss with Mike Gifford and his colleagues where those might go and what the priority is. However, the committee must realise that there are some big new capital expenditures coming down the road.

Colin Beattie: We touched on the economic effects. I have a couple of quick questions on that—I am conscious of the time. Your submission says that doorstep research suggests that the funicular has a limited impact on local businesses. How robust is that evidence and how should it be compared to HIE's modelling?

Gordon Bulloch: It would be interesting to understand what is in HIE's modelling. If you look at the full business plan, you will see a big turnaround from HIE having been totally negative about the funicular for 30 years into seeing it as something positive, because of the economic benefit. However, nowhere is there a paper that shows that massive input of money coming from the funicular to the local community. I would love to see that and to be able to analyse it properly.

The person who carried out that survey was Alan Bratney. He was involved with the community trust at the time. As rigorously as he could, he went around a lot of people asking questions and got rigorous answers. In a statistical sense, he did very well.

I can give an anecdote. As well as all the other things that I have done, my wife and I ran a bed and breakfast in Grantown-on-Spey for 15 years. Thousands of people went through our B and B;

almost nobody went up the funicular. There were so many other things to do in the area; everyone said that their biggest problem was that they should stay longer next time because there were so many things to do. When you are operating a bed and breakfast, you speak closely with guests.

For those who did go up the funicular, I asked them straight, "Did you enjoy it? Was it good?" They said, "Yes, it wasn't bad." I asked, "Would you go up again?" and they said, "No, I won't go up again." Those were the answers that we got from the very small handful of people who ever went up the funicular. There is so much else to do in Cairngorms national park—that must be remembered. I would love to see how HIE has justified what is in the full business plan, because I do not see any justification for it at all.

The Deputy Convener: I apologise, but the clock is racing beyond us. We are keen to ensure that all members have an opportunity to chat with you and that we get as much out of you as we can across a wide area of subjects, so I will require a little bit more brevity in responses. Not everyone needs to respond to every question, if that is okay.

Joe FitzPatrick will put some questions to you.

Joe FitzPatrick: Thanks, convener. Unlike the other members of the committee, I did not manage to join the visit, as I had another committee to attend. However, I know the hill. I am not a skier, so it is the other activities in the area that I have done; as Gordon Bulloch said, there are lots of other things to do, which do not require you to go to the very top.

My question is about the alternatives and what future planning there has been. You argue in your report that the 2021 master plan is not a master plan in the planning sense. It would be good for the committee to hear what you think is missing from it. What should be there, and what could make it a useful long-term planning document?

Dave Morris: The future depends on improving the attractiveness of the mountain for skiing and mountain biking—mountain biking is very important, because it can be done in winter when there is no snow—and also for the general visitor. I have been in discussions with Mike Gifford, arguing the case for extensive footpath networks at a lower level, combining the forest and hill zones. That network would get repeated use. I live in Newtonmore, and, if the uplift was put in the right places and the trails were developed in the right places, I would go up with my mountain bike or for a walk or a climb over and over again.

There is potentially a good future for Cairn Gorm, but all those things—toboggan runs and things such as that—are like an arctic Disneyland

and will never make enough money. They are a distraction.

I am very keen that the committee focuses on the key things that need to be done on Cairn Gorm to solve all these problems. I want to make it quite clear: the hill should not be distracting itself and taking up lots of time pushing forward crazy projects that are not needed.

On the example of the coaster, I note that it would be too high on the mountain. Two or three years ago, I was skiing in Sochi in Russia. There is a coaster there, but it starts at the bottom of the lifts and goes down into the local community. Such facilities have to be built in the forest zone and not the mountain zone, but with the profit going back into the mountain zone.

Nick Kempe: You will all know that the weather at Cairn Gorm is not good, which is one of the fundamental problems with the funicular as a tourist attraction. It is not worth going up for most of the year because of the cloud. It is exactly the same with all the diversification that they are trying to do now. I remember that, when I started to learn to ski on Cairn Gorm, I had never been so cold in my life—it is a tough place. When it comes to lift infrastructure, they are focusing on beginner biking activities, and it is the wrong place for that.

To make money, Cairngorm Mountain (Scotland) needs to be lifts that are useful for skiers on the snow days, but, because that will not pay for itself, it also needs lifts that can be used for mountain biking, which is why we are suggesting lifts in the bottom half of the hill. We are not experts on economics or the business case for that, but we believe that that is the way that it will generate income to keep the business going. It should just focus on new uplift that works. It would be great if the caff was open longer than it is at the moment, but most of the other elements are a distraction.

Joe FitzPatrick: Just to be clear, would the long-term alternative to a funicular be chairlifts—which you can get skis, bikes and anything else on to—and not a gondola lift?

Nick Kempe: Due to the sensitive nature of the Cairn Gorm plateau, mountain biking could not happen right up to where the funicular goes. There are two separate aspects. One is about taking mountain bikes to the mid-mountain level, which would be all right. That would enable skiers to connect with the lift infrastructure—the remaining tows. That is what we consider the first phase.

The longer term aspect concerns what would happen if the funicular failed totally. What we would do about the Ptarmigan, for example? That needs more discussion. Considering the money that would be needed to deal with such things, I

think that we need to talk about the next five years first.

Joe FitzPatrick: You suggested that there was not just one mistake at the start, but multiple mistakes and lots of opportunities to take a different path before more money was spent. However, we are where we are and we cannot change the past or unspend the money that has been spent. If there is one recommendation that the committee could make, what would you hope that we would come up with?

Dave Morris: Get HIE off the mountain. A lot of the problems would be solved if we managed to achieve that.

Joe FitzPatrick: Is that what everyone thinks?

Nick Kempe: Yes, we all think so.

The Deputy Convener: Thank you for your brevity. I hope that I did not cut you short. I am willing to go over time if you have more questions, Joe.

Joe FitzPatrick: No, I do not.

The Deputy Convener: On that note, I appreciate that time is tight, as there is only so much that we can pack into a one-hour session, but the committee was in agreement, given that your written submissions were so comprehensive, that it would be best to get you in to give some oral evidence.

That evidence will now form part of the *Official Report* and our evidence gathering, so we are extremely grateful for your time and for the effort that it has taken to come to us. The committee will consider your evidence and the next steps that it will take in due course.

We thank all of the witnesses for their work—and their blog—and for being a meaningful part of our considerations this morning.

12:02

Meeting continued in private until 12:47.

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The deadline for corrections to this edition is 20 working days after the date of publication.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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