

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 10 February 2022 13:02
To: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm Funicular

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Hi [REDACTED]

We'll need to work with finance to find the budget, although now that Mr McKee has authorised, we can push a bit harder on that front, Mr McKee's expectation is that it will be found. We'll aim to transfer the budget at ABR as that is the next opportunity, but will try and confirm something in writing much sooner than that.

[REDACTED]

Regards

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 10 February 2022 12:57
To: [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Cairngorm Funicular

Thank you so much [REDACTED]. And for all your help.

Does this mean he has also agreed the additional funds will be made available to HIE?

[REDACTED]
[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 10 February 2022 11:25
To: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: Cairngorm Funicular

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Hi [REDACTED]

Just wanted to let you know that we met with Mr McKee yesterday, and he has authorised the continuation of the funicular project, will send something formal in the next week or so, but wanted you to be aware.

Regards

[REDACTED]

Working hours:
Monday – 7-5
Tuesday – 7-5
Wednesday – 9-5
Thursday – 7-2
Friday – 7-2



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gus luchd-obrach na buidhne a dhìon is cuiridh i às do phost-dealain sam bith sa bheil càil oilbheumach no truailleach.

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 26 January 2022 10:36

To: [REDACTED] <[REDACTED]@gov.scot>

Cc: [REDACTED] <[REDACTED]@gov.scot>; Douglas Cowan <Douglas.Cowan@hient.co.uk>; <Sandra.Dunbar@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>

Subject: Cairngorm - response

Hi [REDACTED]

With apologies for the delay, please find attached a response to Mr McKee's additional queries.

On the NPV/GVA split, I attach a table which shows the split excluding construction impacts. This is as asked for by SG Economics teams during previous discussions, but please let me know if you need anything else on this.

Hopefully it is all clear, but please just shout if not.

Many thanks

[REDACTED]

[REDACTED]

Cairngorm: Interim Project Lead

Highlands and Islands Enterprise | Iomairt na Gàidhealtachd 's nan Eilean

DD: +44 (0)1463 [REDACTED] | Reception: +44 (0)1463 245245



From: [REDACTED]
Sent: 24 January 2022 16:57
To: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm - submission

Hi [REDACTED]

When do you think you will be able to get this info? It would be ideal to get the briefing up to Mr McKee before his meeting with [REDACTED] and [REDACTED] on Thursday.

Thanks

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 18 January 2022 20:16
To: [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Cairngorm - submission

Thanks [REDACTED]

We will pull together this information and come back to you as soon as we can

Thanks
[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 18 January 2022 11:19
To: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED]@gov.scot;
[REDACTED]@gov.scot
Cc: Douglas Cowan <Douglas.Cowan@hient.co.uk>; Sandra Dunbar <Sandra.Dunbar@hient.co.uk>; Nick Kenton <Nick.Kenton@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm - submission

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Hi [REDACTED]

We have just met with Mr McKee to discuss the funicular, and he is looking for some further information. Would you be able to set out the following (some of which I think we have already seen as part of the tables which went to OCEA originally)

Total cost of rebuilding funicular, less amounts legally committed to date (i.e. how much would it cost from today to complete the project)
The subsidy required to support CMSL, including ongoing projections beyond 25/26
Total cost of removing the funicular (an estimate of increases and contractual payments to BB would be fine, not looking to engage anyone external to re-cost at this stage).
Any other costs associated with removing the funicular and closing the resort.
A split of the direct NPV and the wider economic impacts (I think these were in one of the supplementary tables?)

Effectively, Mr McKee is looking for figures on how much it will cost to complete the funicular compared to removing it, and what that cost buys us. So we can say it will cost an extra £x million over y years, but this will safeguard z jobs and provide wider economic benefits of ...

Happy to have a discussion on this if it's easier. Would like to get something up to Mr McKee as soon as possible.

Regards

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 16 November 2021 19:43

To: [REDACTED] <[REDACTED]@gov.scot>;

[REDACTED]<[REDACTED]@gov.scot>;[REDACTED] <[REDACTED]@gov.scot>

Cc: Douglas Cowan <Douglas.Cowan@hient.co.uk>; Sandra Dunbar

<Sandra.Dunbar@hient.co.uk>; Nick Kenton

<Nick.Kenton@hient.co.uk>;[REDACTED]<[REDACTED]@hient.co.uk>; [REDACTED]

<[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED]

<[REDACTED]@hient.co.uk>

Subject: RE: Cairngorm - submission

Hi [REDACTED]

Hope the following provides what you need, but please do come back if anything is unclear or you need further information.

- We have based our calculations on the worst case [REDACTED] (as per the table on page 5) for the Construction Works and Professional fees. From that we have deducted the [REDACTED]. The remainder of the difference is due to the use of optimism bias from the FBC – which brings the pressure down to [REDACTED] pressure. This is shown below:

Total Pressure, £[REDACTED]

Less HIE Project Mgt Pressure [REDACTED])

Funicular Pressure [REDACTED] per p5 table

Total Pressure, [REDACTED]

Less High Priority Reallocated [REDACTED])

Less OB allocated [REDACTED])

Net Pressure [REDACTED]

- Efforts to reduce capital costs and minimise future increases:
 - o [REDACTED]
 - o All ground works have been completed - being out of the ground brings reduced risk exposure and reduced risk of further cost escalation

Best regards

[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 15 November 2021 09:09
To: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED]@gov.scot;
[REDACTED]@gov.scot
Cc: Douglas Cowan <Douglas.Cowan@hient.co.uk>; Sandra Dunbar
<Sandra.Dunbar@hient.co.uk>; Nick Kenton
<Nick.Kenton@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED]
<[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm - submission

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Hi [REDACTED]

Just a couple of questions on the submission

- I'm looking to tie up the cost of works [REDACTED] with the financial pressure [REDACTED]). Have you taken a midpoint, or a most-likely value? From the table on p6, the increase in funicular costs is calculated as [REDACTED] (excluding HIE project management), which is slightly higher than the midpoint of the values in the table on p4-5.

- Can we include a few sentences on the work HIE are doing to reduce the additional costs where possible, and ensure any future increases are kept to a minimum?

Thanks

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 04 November 2021 13:10
To: [REDACTED] <[REDACTED]@gov.scot>;
[REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>
Cc: Douglas Cowan <Douglas.Cowan@hient.co.uk>; Sandra Dunbar
<Sandra.Dunbar@hient.co.uk>; Nick Kenton
<Nick.Kenton@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>;
[REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>
Subject: Cairngorm - submission

Hi All

Thanks so much for organising the meeting of earlier. Hopefully wider SG colleagues will have found it helpful. It did serve to remind us that we shouldn't assume others know the history or background to all of this – we will keep that in mind for next time!

Please find attached the submission detailing the funicular reinstatement project status, challenges, costs and funding. If there is anything which is unclear, or if you require any further information please do let us know.

The attached is quite lengthy but the key points for us are:

- Cairngorm is a nationally important asset which HIE owns and acts as custodian/guardian of on behalf of the Scottish public sector.
- The decision to reinstate the funicular was taken following a detailed options analysis and Business Case development. As a result of historic conditions attached to the funicular 'do nothing' was not an option. At a minimum, the funicular would have had to be removed at

substantial cost, but no additional benefit. The outcome of that process was a clear recommendation to reinstate the funicular.

- The Business Case clarified that the benefits associated with operating the resort are such that ongoing operating support is justifiable. However, delivery of the masterplan is expected to result in a more sustainable outcome for the resort, but that will require further public sector investment.
- The reinstatement project continues to face a range of challenges – technical, Covid and Brexit related and weather. This has impacted on both programme and costs.
- We have revisited the outcome of the FBC and that has confirmed that reinstatement remains the recommended option.
- We are currently estimating completion of works in [REDACTED] following which there will be a number of weeks required to test and recommission the system and secure Department of Transport safety case approval. We currently expect this to complete and the funicular to be handed back to the operator at the end of [REDACTED].
- Current cost estimates indicate that a further [REDACTED] is required to complete the project. This does not take into account any further Covid or Brexit impacts which we cannot quantify at this time.
- HIE is making a significant contribution to the total project cost - £8.5m from the proceeds of the sale of the Centre for Health Science and a further £300k BAU investment. Alongside this (and outside of the FBC), HIE is meeting the £780k cost associated with refurbishing the Ptarmigan building into which funicular passengers alight at the top of the Mountain. If HIE were required to meet the additional cost of completing the reinstatement project it would have a disproportionate impact on its budget and significantly impact on its ability to support businesses and communities across the H&Is.

Happy to organise a further chat once you have had a chance to digest the attached.

Many thanks

[REDACTED]

[REDACTED]

Interim Project Lead - Cairngorm

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From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 19 January 2022 11:19
To: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>
Cc: HIE Corporate Relations <corporate.relations@hient.co.uk>
Subject: RE: Comment

Thanks [REDACTED] – copy of response attached for info. We made one slight change from the earlier draft with reference to the legal cases.

[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 18 January 2022 16:53
To: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED]@gov.scot
Cc: HIE Corporate Relations <corporate.relations@hient.co.uk>
Subject: RE: Comment

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Hi [REDACTED]

Thanks for sharing, and nothing to add to your lines.

Regards

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 18 January 2022 15:00
To: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>
Cc: HIE Corporate Relations <corporate.relations@hient.co.uk>
Subject: FW: Comment

Hi [REDACTED], [REDACTED]

We've had a media enquiry from the Strathspey and Badenoch Herald, looking for a response to comments on Cairngorm by Edward Mountain MSP (see below).

I've drafted a response and wanted you to be aware.

A spokesperson for Highlands and Islands Enterprise said:

“Reinstating the funicular will bring great benefits for visitors to Cairngorm Mountain as well as supporting the wider local economy.

“We completely recognise the strong public interest in what's happening at Cairngorm and the need to be as open as possible about our investment and actions.

“The next phase of reinstatement works will get under way in April and will require additional budget, as we stated when we announced the need to extend the timetable last year. These costs are currently being calculated and will need to be agreed with the contractor and the government before they can be finalised. At that point, we will be in a position to put an accurate figure into the public domain.

“The legal actions that HIE is currently pursuing are intended ultimately to recoup past investment and we believe there is a strong public interest in doing all we can to achieve this.

“The Snowfactory has been a real boon for Cairngorm, not least in ensuring that the winter snowsports season could begin in December, even if on a limited basis. Its current location was always intended to be temporary. The cost of relocation is currently being assessed and will be market tested before being made public.”

Happy to discuss, and to receive any comments you may have.

[REDACTED]

[REDACTED]

Head of Communications

Highlands and Islands Enterprise

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From: [REDACTED] <[REDACTED]@hnmedia.co.uk>

Sent: 18 January 2022 12:12

To: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>

Subject: Comment

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Hi [REDACTED]/[REDACTED] - A new year but familiar story.... hope all is well.

Is there a costing yet for the repair of the funicular railway and can you respond to Edward Mountain's comments please?

Cheers,

[REDACTED]

Highlands and Islands MSP, Edward Mountain commented: “It’s deeply disappointing that the wait for an answer goes on. We’re now into a new year and the people of Strathspey need to know what the revised costings are for the Funicular Railway.

“What concerns me further is that it also wasn’t made clear in the SNP’s latest Budget what funding would be made available for the repair works in 2022/23 either. It’s not fair that the public are being left in the dark.

“With the legal costs still racking up and the snow factory set to be relocated further up the mountain at great expense too, both the SNP Government and HIE need be open and honest about the new costings for the repair of the Funicular Railway sooner rather than later.

“I don’t believe it is unreasonable to expect up to a 30% increase from the original repair budget of £16m.”

--

[REDACTED]
Senior Reporter



Suite 3.04 Moray House
16-18 Bank Street
Inverness
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✉ [REDACTED]@hnmedia.co.uk

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From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 15 December 2021 16:37
To: [REDACTED] <[REDACTED]@gov.scot>
Cc: Nick Kenton <Nick.Kenton@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm

Hi [REDACTED]

Ive had a chat with Nick and [REDACTED].

The overall cost increase is still at £[REDACTED] as you know. [REDACTED]. I hope that makes sense!

Thanks a lot

[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 15 December 2021 13:56
To: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm

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Hi [REDACTED]

Nick's paper at the board yesterday had a higher figure for the funicular pressure for 22/23 and the financial monitoring return quote a figure of over £[REDACTED]. The figure we have given to Mr McKee is just over [REDACTED], has there been further movement? If so, what has caused this?

Thanks

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 08 December 2021 10:26
To: [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Cairngorm

Super, thanks [REDACTED]
[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 07 December 2021 09:51
To: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Cairngorm

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Hi [REDACTED]

I hope so, [REDACTED], but chased for a response yesterday.

Regards

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 07 December 2021 09:50
To: [REDACTED] <[REDACTED]@gov.scot>
Subject: Cairngorm

Hi [REDACTED]

Do you think we might get any feedback from the Minister before our Board meeting next week?

Thanks

[REDACTED]
[REDACTED]
Interim Project Lead - Cairngorm

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From: Sandra Dunbar <Sandra.Dunbar@hient.co.uk>
Sent: 04 October 2021 15:54
To: [REDACTED] <[REDACTED]@gov.scot>
Cc: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: query

[REDACTED]

Just getting back on your query re lines relating to Daily Mail – some suggested lines

Hope this helps

Sandra

We cannot offer any clarification on where the cost increase expectation came from, but it did not come from HIE.

The articles published over the weekend appear to have added all the figures together, including the original costs of building the funicular, and then rounded those up to £50m. We believe this is misleading. As the build costs were met 20 years ago, the figure of £26.75m for that is not new, so its inclusion here could be misinterpreted.

As we have previously stated, a longer timescale will have a financial impact on our £16m reinstatement budget. We're not yet in a position to confirm the revised budget but will do so publicly as soon as possible.

Meanwhile our contractor, Balfour Beatty, will continue working until the winter shutdown and then resume reinstatement works in the spring.

Sandra Dunbar

Director of Business Improvement and Internal Audit

DD: +44 (0)1463[REDACTED] | Mob: +44 (0)[REDACTED] | Reception: +44 (0)1463 245245



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From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 01 October 2021 12:37
To: [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Thanks [REDACTED], that's good of you

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 01 October 2021 12:32
To: [REDACTED] <[REDACTED]@hient.co.uk>
Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

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Not yet, will chase

From: [REDACTED] <[REDACTED]@hient.co.uk>
Sent: 01 October 2021 12:22
To: [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Hi [REDACTED]

Anything back from Private Office yet? [REDACTED]
Thanks
[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>
Sent: 01 October 2021 09:03
To: [REDACTED] <[REDACTED]@hient.co.uk>
Cc: Sandra dunbar <Sandra.Dunbar@hient.co.uk>
Subject: FW: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

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Hi [REDACTED]

See below from Mr McKee's office, I would propose to respond as follows

HIE will be required to provide ongoing support to their operating subsidiary, CMSL, as required. As part of the approval of the business case, SG has agreed to provide additional funding where these costs cannot be met from HIE's existing budgets.

HIE and CMSL are working to reduce the requirement for subsidy by controlling costs, recognising that the requirement is heavily dependent upon weather and snow conditions during the winter season.

HIE have developed the Cairngorm Masterplan which seeks to enhance the year-round offering of Cairngorm with the intention of making the resort financially sustainable.

HIE are also undertaking a governance review of the management of the mountain to ascertain the best operating model going forward.

Any suggestions / improvements let me know. I have also suggested that if Mr McKee is satisfied with [REDACTED]'s response, there is no need for the meeting this afternoon, and if he does want to go ahead, I have suggested rearranging for [REDACTED]'s return from leave w/c 11th October. I will let you know when I hear back on that.

[REDACTED]'s final advice, including your suggested changes, is also included in the email chain below.

Regards

[REDACTED]

From: [REDACTED] <[REDACTED]@gov.scot> **On Behalf Of** Minister for Business, Trade, Tourism & Enterprise
Sent: 01 October 2021 08:50
To: [REDACTED] <[REDACTED]@gov.scot>; Minister for Business, Trade, Tourism & Enterprise <MinisterBTTE@gov.scot>
Cc: [REDACTED] <[REDACTED]@gov.scot> [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Gillespie G (Gary) <Gary.Gillespie@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Hi [REDACTED],

Thanks for this. Mr McKee asks who would be paying the ongoing [REDACTED] per year subsidy ?

Best wishes,

[REDACTED]
[REDACTED] Acting Private Secretary to Minister for Business, Trade, Tourism & Enterprise – Ivan McKee | 0[REDACTED]



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From: [REDACTED] <[REDACTED]@gov.scot>
Sent: 30 September 2021 16:29
To: Minister for Business, Trade, Tourism & Enterprise <MinisterBTTE@gov.scot>
Cc: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot> [REDACTED] <[REDACTED]@gov.scot>; Gillespie G (Gary) <Gary.Gillespie@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>
Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

From: Sandra Dunbar <Sandra.Dunbar@hient.co.uk>

Sent: 01 October 2021 09:50

To: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@gov.scot>

Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Hi all

I wonder if instead of “subsidy” which now has a read across to being the term used for the successor state aid environment can we just say “support” as we don’t regard this support as state aid?

Sandra

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 01 October 2021 09:23

To: [REDACTED]@gov.scot

Cc: Sandra Dunbar <Sandra.Dunbar@hient.co.uk>

Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Thanks [REDACTED], and for your support yesterday.

Your response looks good. Not sure if you also want to mention that there is currently no spare capacity in HIE’s revenue budget to meet these costs? I think we are also really keen to underline the point that Cairngorm is a national asset which HIE happens to have responsibility for on behalf of the SG. Ill leave it with you to determine whether you wish to add this!

We also agree that if Mr McKee still wishes to meet it would be better done when [REDACTED] returns from leave.

Please also pass on our thanks to [REDACTED] and [REDACTED] for their time yesterday,

Best regards

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 30 September 2021 13:09

To: [REDACTED] <[REDACTED]@gov.scot>

Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Sorry [REDACTED], its with you now. I was in a meeting and didn't notice your earlier message come in.

[REDACTED]

From: [REDACTED]

Sent: 24 September 2021 09:21

To: [REDACTED] <[REDACTED]@hient.co.uk>

Cc: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>;

Douglas Cowan <Douglas.Cowan@hient.co.uk> [REDACTED] <[REDACTED]@gov.scot>;

[REDACTED] <[REDACTED]@gov.scot>; Sandra Dunbar <Sandra.Dunbar@hient.co.uk>;

[REDACTED] <[REDACTED]@hient.co.uk>

Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Hi [REDACTED]

Would 4.15-4.45 on Friday 1st suit from your end?

Regards

[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 24 September 2021 08:26

To: [REDACTED] <[REDACTED]@gov.scot>

Cc: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED]

<[REDACTED]@hient.co.uk>; [REDACTED] Douglas Cowan <Douglas.Cowan@hient.co.uk>;

[REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Sandra

Dunbar <Sandra.Dunbar@hient.co.uk>; [REDACTED] <[REDACTED]@hient.co.uk>

Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Hi [REDACTED]

There is a bit to digest in all of this. Given diaries at this end I doubt we can respond fully before this afternoon. We will regroup at this end and will aim to respond during the course of next week.

I assume on that basis today's call will be postponed?

Thanks

[REDACTED]

From: [REDACTED]@gov.scot <[REDACTED]@gov.scot>

Sent: 24 September 2021 07:28

To: [REDACTED] <[REDACTED]@hient.co.uk>

Cc: [REDACTED] <[REDACTED]@hient.co.uk> [REDACTED]

<[REDACTED]@hient.co.uk>; [REDACTED] Douglas Cowan <Douglas.Cowan@hient.co.uk>;

[REDACTED]@gov.scot; [REDACTED]

Subject: FW: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

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Hi [REDACTED]

Please see below from Mr McKee, given the timing I assume you will not be able to respond before today's meeting? Could you advise a timetable by when you would be able to respond, and I'll let private office know?

Thanks

[REDACTED]

From: [REDACTED] <[REDACTED]@gov.scot> **On Behalf Of** Minister for Business, Trade, Tourism & Enterprise

Sent: 23 September 2021 15:07

To: [REDACTED] <[REDACTED]@gov.scot>; Minister for Business, Trade, Tourism & Enterprise <MinisterBTTE@gov.scot>

Cc: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Cabinet Secretary for Finance and Economy <CabSecFE@gov.scot>; DG Economy <DGEconomy@gov.scot>; Director of Economic Development <DirectorDED@gov.scot>; Minister for Business, Trade, Tourism & Enterprise <MinisterBTTE@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Director of Agriculture and Rural Economy <DirectorARE@gov.scot>

Subject: RE: Advice to Ministers - delay to reinstatement of the Cairngorm funicular and associated cost increases

Good afternoon [REDACTED],

Mr McKee had asked for some advice from OCEA/finance colleagues before our meeting tomorrow. Please see this advice below. The minister asks that we go back to HIE with these points and get a response before we meet – if this is not possible by tomorrow's meeting then we can postpone as the minister would like a response first.

OCEA

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Best wishes,

[REDACTED]

[REDACTED] Acting Private Secretary to Minister for Business, Trade, Tourism & Enterprise – Ivan McKee | 0[REDACTED]



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From: [REDACTED])

Sent: 29 July 2021 16:26

To: [REDACTED] <[REDACTED]@hient.co.uk>

Cc: Sandra Dunbar <Sandra.Dunbar@hient.co.uk>; Douglas Cowan <Douglas.Cowan@hient.co.uk>; [REDACTED] <[REDACTED]@gov.scot>

Subject: RE: Cairngorm

Hi [REDACTED]

I managed to catch up with finance colleagues this afternoon, Apologies for the delay.

We took another look at the approval letter of 31 August 2020, which notes that SG is 'content that HIE takes forward recommendation 3(a) within the report: specifically the reinstatement of the funicular and costs associated with the ongoing operation of CMSL, together with the essential additional capital works listed within the case'.

Colleagues recommend that we put advice to Ministers alerting them to the expected cost over-runs and the implications for delivery of the other capital works.

Are you able to let us have a short note setting out:

- where costs have increased;
- how you're planning to meet these;
- which of the capital investments will be deferred; and
- what pressures will be created by re-profiling the additional works and how these will be managed?

We'll put this to Mr McKee, who we understand is around all next week to clear work.

Happy to discuss.

Thanks,

[REDACTED]

Head of Enterprise Sponsorship|Regional Economic Development Division|Scottish Government
5 Atlantic Quay|150 Broomielaw| Glasgow G2 8LU

Email: [REDACTED]@gov.scot

Mob: 0[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 28 July 2021 19:13

To: [REDACTED] <[REDACTED]@gov.scot>

Cc: Sandra Dunbar <Sandra.Dunbar@hient.co.uk>; Douglas Cowan <Douglas.Cowan@hient.co.uk>

Subject: Cairngorm

Hi [REDACTED]

Just a quick follow up to our chat of last week.

We talked about the funicular reinstatement works and proposed reallocation of costs within the FBC to help meet expected cost over-runs. We are proceeding on the basis that HIE has delegated authority to approve the planned reallocation of funds and does not require SG approval of this. You were going to have a chat with SG finance colleagues to confirm this is also SG's understanding.

I will be on leave for the next couple of weeks so if you do get anything back from finance which suggests otherwise I would be really grateful if you could let us know, copying in Douglas and Sandra.

Many thanks

[REDACTED]

[REDACTED] Interim Project Lead - Cairngorm

DD: +44 (0) 1463 [REDACTED] | Reception: +44 (0)1463 245245



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From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 25 August 2021 12:46

To: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Enterprise Sponsorship Mailbox <enterprisesponsorship@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>

Subject: RE: Cairngorm funicular - advance copy of HIE news release

Hi all

Slight revision to news release – second quote is now saying relaunch autumn 2022.

[REDACTED]

From: [REDACTED] <[REDACTED]@gov.scot>

Sent: 25 August 2021 12:46

To: [REDACTED] <[REDACTED]@hient.co.uk>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Enterprise Sponsorship Mailbox <enterprisesponsorship@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>

Subject: RE: Cairngorm funicular - advance copy of HIE news release

Hi [REDACTED]

Thanks for sending this through. For info, below are our draft lines if we're approached.

SG Spokesperson:

"The long-term sustainability of the Cairngorm Estate and its role in supporting the local economy, snowsports and tourism is a significant priority for Highlands and Islands Enterprise and the Scottish Government.

"Whilst news of a delay is disappointing, it's important we don't lose sight of the benefits that reinstatement of the funicular will bring.

"It remains key to efforts to encourage visitors to Cairngorm Mountain all-year round and to improving accessibility for all."

If pressed on any future financial implications for SG:

SG Spokesperson:

"We are continuing to work closely with HIE to examine the cost implications of the delay to reinstatement of the funicular and how these should be managed."

Thanks

[REDACTED]

[REDACTED]

COVID-19 Communications – Finance & Economy

Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | [Working from home](#) - M: 0[REDACTED]

From: [REDACTED] <[REDACTED]@hient.co.uk>

Sent: 25 August 2021 11:21

To: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>;
Enterprise Sponsorship Mailbox <enterprisesponsorship@gov.scot>; [REDACTED]
<[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED]
<[REDACTED]@gov.scot>

Subject: Cairngorm funicular - advance copy of HIE news release

Hi everyone

I'm attaching a copy of the final version of our news release on the Cairngorm funicular. This will go out to stakeholders at 1230 today and wider media at 1245.

Copy of comms plan also attached, including key messages and Q and A.

Happy to discuss.

[REDACTED]

[REDACTED]

Head of Communications

DD: +44 (0)1463 [REDACTED] | Mob: +44 (0)7867[REDACTED] Reception: +44 (0)1463 245245

Cairngorm funicular re-opening is postponed

The funicular railway at Cairngorm Mountain will remain out of action this winter, owner Highlands and Islands Enterprise (HIE) has announced.

The current phase of engineering works to strengthen the 1.9km viaduct that supports the railway track began in April 2021, with the aim of returning the funicular to service early next year.

However, despite strong progress made in tough conditions, HIE has concluded that the planned timescale now needs to extend into the second half of 2022.

The mountain resort will stay open throughout winter, with skiers and snowboarders able to access the slopes using nine ski tows that will run every day when weather conditions are suitable.

According to the development agency, several factors have combined to lengthen the funicular reinstatement programme.

These include technical challenges associated with designing and implementing effective solutions to an existing structure, as opposed to a new build.

In addition, progress has been hampered by COVID impacts and by extreme weather, particularly blizzard conditions in the spring.

Extra effort has also been required to source vital construction materials that are currently in short supply across the UK.

HIE interim chief executive Carroll Buxton said this combination of challenges had made rescheduling the works inevitable.

“Cairngorm Mountain Estate is a great visitor attraction that plays an important role in the local economy.,” she said.

“The funicular has been a key element of what draws people to Cairngorm and it will be again, once these works are completed.

“We’ve always been upfront in describing the reinstatement programme as one of the most complex and difficult civil engineering projects in Scotland.

“As well as managing technical challenges, the team has to take great care to protect the mountain environment, and deal with difficult terrain and extreme weather conditions that can quickly become hazardous.

“The original schedule was very ambitious, even without the impacts of the pandemic lasting as long as they have and before the more recent problems in sourcing construction materials of suitable quality.

“With limited time available to complete these works before winter, postponement has become inevitable.”

The funicular opened in 2001 but was taken out of service in 2018 after an engineers’ inspection identified structural defects that raised safety concerns.

More detailed inspection and design work followed before the decision to reinstate the funicular was announced last October by the Scottish Government, as part of a £20.5m business case that includes other priority investments to strengthen Cairngorm Mountain’s year-round appeal.

The business case assessed alternatives to reinstatement before reaching its conclusions, including removing the structure, and replacing it with alternative uplift.

“We’re now working with our designers and contractors on a revised schedule for the remainder of the project,” Ms Buxton added.

“Harsh mountain conditions mean that all work will need to halt over winter and resume next spring. To ensure safety, there also needs to be a period of testing and certification at the end of the programme, so our current expectation is that the funicular can be relaunched in autumn 2022.

“Clearly, a longer timescale will also have a financial impact. We’ll be reviewing costs very carefully and will publicly confirm a revised budget as soon as it’s possible to do so.”

Confirming its commitment to the mountain resort, HIE has also approved up to £780,000 for an extensive refurbishment of the Ptarmigan building that sits on the plateau and includes the UK’s highest restaurant, a shop, exhibition space and viewing platforms.

Following competitive tender, resort operator Cairngorm Mountain (Scotland) Ltd (CMSL) has awarded a contract for the first phase of the Ptarmigan works to Simpson Builders Ltd, based in Beaulieu. The refurbishment is due to start at the end of August and be completed by the end of 2021.

Cairngorm communications plan – August 2021 **DRAFT**

Purpose of this plan

As a result of multiple challenges and unforeseen design challenges, it is now clear that completion of the funicular reinstatement works will not be achieved in winter 2021/22 – careful external messaging of this is essential and will be taken forward immediately after the Board meeting.

This plan sets out messaging and an approach to communications that aims to maximise openness and transparency by informing Cairngorm stakeholders in a timely and coordinated fashion and anticipating questions that will arise.

It is structured as follows:

1. Messages
2. Stakeholders
3. Actions and timeline
4. Q and A

1 Messages

These key messages will be used in our public statements, including communications with partners and stakeholders, news release, website and social media, briefing to Scottish Government, and evidence to the Scottish Parliament economy committee (meeting in September).

- Reinstatement of the funicular railway service for visitors to Cairngorm Mountain is being rescheduled to summer / autumn 2022.
- The funicular service will therefore not be available for snowsports this coming winter, as had been hoped.
- Snowsports uplift will instead be provided by ski tows and the resort will remain open, depending on weather conditions.
- The current engineering programme to strengthen the viaduct structure is complex and has been impacted by multiple challenges, making it necessary to continue works into next year.
- Some of these challenges have been:
 - impacts of the Covid pandemic;
 - challenges of sourcing construction materials – a national problem;
 - extreme weather impeding progress (particularly in spring 2021);
 - finalising design elements, and
 - difficulty of strengthening an existing structure, rather than building a new one.
- HIE contractors Balfour Beatty have been working on-site since April 2021 (following preparatory works in November 2020) and HIE is very pleased with their progress.
- HIE had been aiming for the majority of works to be completed by November 2021, enabling services potentially to resume by the end of February 2022, following inspections and certification.
- That was always an ambitious timescale for such a complex engineering project in a highly challenging environment, and external factors including the pandemic created greater uncertainty and risk.

- HIE is working with contractors on the details of a revised programme of works and seeking to minimise budget impact.
- There will be an increase in costs, but at present this cannot be quantified.
- Once these works are completed, CMSL and the funicular will again be a premier Scottish mountain resort, attracting thousands of visitors throughout the year and generating significant benefits for the local community and economy.

2 Stakeholders

The following key stakeholders will be contacted pro-actively by HIE:

- Scottish Government sponsor team
- Cabinet Secretary Kate Forbes and Minister Ivan McKee
- CMSL
- Balfour Beatty (communications team as well as on-site)
- Audit Scotland, including communications team
- Section 50 signatories and CNPA
- Constituency MSP (Kate Forbes)
- Constituency MP Drew Hendry
- List MSPs
- Fergus Ewing MSP, former Cabinet Secretary
- Cairngorm Advisory Group members
- Cairngorm stakeholders (wider list held by HIE for updates)
- Media – local, regional, national and specialist (engineering and skiing)

3 Actions and timeline

Wed 18 August	<ul style="list-style-type: none"> • Advise SG sponsor team, who will update Cabinet Secretary and Minister
Fri 20 August	<ul style="list-style-type: none"> • Draft news release • Prepare Q & A
Mon 23 August	<ul style="list-style-type: none"> • Pre-record interviews for media • HIE sign off for news release and Q and A • Share news release and Q and A with SG for info and comment
Tue 24 August	<ul style="list-style-type: none"> • HIE Board discussion and decision • Update Audit Scotland (could be Wed morning, depending on diaries)
Wed 25 August	<ul style="list-style-type: none"> • 1130: Inform CMSL board • 1230: CMSL interim CEO informs company staff • 1230: Email issued from Carroll Buxton to stakeholders (see above) • 1245: Issue news release by email to S50 partners, CAG and wider stakeholders • 1245: Issue news release to media • Post info on HIE website and social channels • Update Cairngorm page on HIE website • Respond to media enquiries and interview requests

4 Q & A

What impact will delay have on CMSL and the local economy?

Cairngorm Mountain will be open for snowsports again this winter, weather permitting as is always the case. It is disappointing that the absence of the funicular will mean fewer visitors will be able to access the slopes. However, this is a temporary setback before the funicular will be fully reinstated in 2022 and again help to boost the local economy, where tourism is so important.

How sure are you that you'll be able to get the train running again next year?

The revised timeline is a lot more manageable and less subject to risk than before. We're confident the revised timescale can be delivered.

Will this delay add to the costs of the project?

Budget and timescale are always linked, so it is inevitable that there will be a cost impact. HIE will be working to minimise and manage the scale of the increase.

If so, how much extra money is needed?

At this stage, it isn't possible to state a figure with any degree of accuracy. There are several different costs that need to be reviewed and negotiated.

You must have some idea of costs – can you at least say whether it's closer to £1m or £10m?

Any figure just now could only be speculative and potentially misleading. As soon as we have clarity on the impact, we will be pro-active in sharing the information.

Where will the additional money come from?

The first step is to review the potential for flexibility within the full business case, which included the funicular reinstatement as its largest single element. The need for further funding is being assessed and sourcing will be decided once we know how much will be required. HIE receives the majority of its funding from the Scottish Government, and we will need to discuss the implications with them.

What's your response to people who will say more cash for Cairngorm must come at the expense of other parts of the region?

HIE is committed to supporting economic development in every part of our region. We will do everything possible to manage the impact of the funicular delay, including looking at budget timescales, to ensure there will be no appreciable impact on our ability to continue to invest in supporting businesses and communities across the Highlands and Islands.

When did HIE first know that the reopening would need to be delayed?

We have, of course, been mindful of the challenges throughout the course of the project. However, it is only in the last week that delay has become inevitable.

Shouldn't you have anticipated these challenges, such as extreme weather at Cairngorm?

Challenges were anticipated and factored into the programme. The need to postpone reinstatement is the result of a combination of different factors, including some, like the pandemic and national materials shortages, that are beyond anyone's control.

Monthly Meeting with Highlands and Islands Enterprise – 12 October 2021

Participants

- Mr McKee - Minister for Business, Trade, Tourism & Enterprise
- Carroll Buxton - Interim CEO, HIE
- Colin Cook – Interim Director for Economic Development

Supporting Officials

- [REDACTED]– Minister's Private Secretary
- [REDACTED]– Enterprise Sponsorship

Summary of Key Points

Update from HIE's Interim CEO

[REDACTED]

Cairngorm

- Carroll noted the Minister had recently been briefed on issues relating to the Cairngorm funicular.
- The Minister commented that because he had not previously been involved in decisions around Cairngorm, he was keen to understand the Final Business Case and to take a step back and look at the long term position to ensure the right approach.
- Carroll said that HIE had also reviewed the Business Case in light of the recent findings and delay and remained convinced that reinstating the funicular was the best option, particularly given the costs that would be required to remove the funicular.
- HIE were very aware of local support for, and opposition to, the work and had recently held a briefing session for MSPs and MPs.
- HIE were in the process of quantifying the additional cost of the recent technical challenges and delay. The Minister noted the immediate cost concerns and pointed to the challenge of ongoing subsidy to run the funicular.
- Carroll highlighted the importance of having the right operating model and having an all-year-round attraction on the hill in a similar way to the Nevis Range

[REDACTED]

Note of strategic engagement meeting with Highlands and Islands Enterprise – 25 November 2021

Participants

Mr McKee - Minister for Business, Trade, Tourism & Enterprise
Alistair Dodds – Chair, HIE
Carroll Buxton – Interim CEO, HIE
Colin Cook – Interim Director for Economic Development

Supporting Officials

[REDACTED]– Enterprise Sponsorship

Apologies from the Cabinet Secretary were noted

Summary of Key Discussion Points

[REDACTED]

Cairngorm

- Carroll provided an update on the technical aspects of the funicular reinstatement. Carroll noted contractors were standing down for winter as the weather closes in. Work on the outstanding design issues was progressing well and would continue through December. Carroll confirmed they should be ready to go with these in the New Year, with the aim to re-mobilise around March and start work again in the summer.
- Alistair confirmed that HIE had been liaising with SG officials on the funding implications. The Minister said that he had received an update from SG officials and would consider this in detail.
- The Minister acknowledged the capital funding required to complete reinstatement of the funicular and the revenue required to meet the current gap in operating revenue.
- Carroll confirmed this gap is expected to decrease when the funicular comes back into operation. It was important to consider the wider context set out in the Cairngorm masterplan and opportunities for investment, so that it did not need to be subsidised in the long term.
- **[REDACTED]**
- Alistair commented there were lots of good opportunities in the masterplan, such as mountain biking.
- Alistair said that meetings of the Cairngorm Advisory Group were progressing well and proving to be positive and helpful. Alistair also commented on positive discussions with the Cabinet Secretary and Shona Robison about housing issues and that it was helpful to look at these in the round.

[REDACTED]

Enterprise Sponsorship

November 2021

Note of monthly meeting with Highlands and Islands Enterprise – 11 January 2022

Participants

Mr McKee - Minister for Business, Trade, Tourism & Enterprise

Stuart Black – CEO, HIE

Colin Cook – Interim Director for Economic Development

Supporting Officials

[REDACTED]– Enterprise Sponsorship

[REDACTED]– Enterprise Sponsorship

Summary of Key Discussion Points

[REDACTED]

Cairngorm

- Stuart confirmed the latest position with work paused for the winter but planning continuing on the design
- Stuart explained the rationale behind timing of the replacement of the Funicular control system
- The Minister agreed it would be great to get the Funicular reopened but he was keen to look closely at the costs and timing and would do this over the coming weeks
- The Minister expressed that the current business case figures were rolled up into revenue, hence the need to revisit and ensure this was sustainable and profitable
- Stuart emphasised HIE's aims to ensure Cairngorm was a year-round destination which the Funicular would support
- Stuart confirmed the ultimate aim for the Funicular to be privately managed or ran in partnership with others in the future and that HIE were looking at options
- Stuart commented on the Masterplan being a key part of developing the plans for the area
- Stuart commented that HIE were currently in discussions to introduce Mountain Biking as part of this and were also learning from success at the Nevis Range which shows a private sector business model that works with HIE support
- The Minister acknowledged this, noting it was good to hear the model at Nevis Range is working

[REDACTED]

Enterprise Sponsorship
January 2022

Note of strategic engagement meeting with Highlands and Islands Enterprise – 27 January 2022

Participants

Ms Forbes – Cabinet Secretary for Finance and the Economy
Mr McKee – Minister for Business, Trade, Tourism & Enterprise
Alistair Dodds – Chair, HIE
Stuart Black – Chief Executive, HIE
Colin Cook – Director for Economic Development

Supporting Officials

[REDACTED]– Enterprise Sponsorship

[REDACTED] - Enterprise Sponsorship

Summary of Key Discussion Points

[REDACTED]

Cairngorm

- The Cabinet Secretary commented that Mr McKee was leading on the funicular given her constituency interests
- [REDACTED]
- [REDACTED]

[REDACTED]

Enterprise Sponsorship
January 2022

Response to Scottish Government – Queries on Funicular Reinstatement

1. Total cost of rebuilding funicular, less amounts legally committed to date (i.e. how much would it cost from today to complete the project)

Total current forecast at Completion	Spend to Date	Costs committed to Date (which includes spend to date)	Costs to Complete
[REDACTED]	£10.88M	[REDACTED]	[REDACTED]

The above figures have been calculated using the following assumptions:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Professional fees up to end Feb 2022 to allow for close out.
- HIE Project Management costs as per original FBC.

[REDACTED]

[REDACTED]

2. The subsidy required to support CMSL, including ongoing projections beyond 25/26

Reinstating the funicular is essential to improve the financial sustainability of CMSL – without it the resort would continue to require similar levels of support as required since the business was established out of administration in December 2018.

The funicular is also central to the future development of a year-round resort, away from the reliance of snow. The funicular is a unique, national asset and an important contributor to Aviemore’s status as an outdoor activity centre and to the Cairngorm National Park Authority’s objectives around education and wellbeing. However, even with the funicular reinstated, the need, or otherwise, for ongoing revenue funding support will be largely weather dependent given the current reliance of the business on the winter snowsports market. CMSL estimate the requirement could be up [REDACTED] in poor snow years.

Delivery of the masterplan and investment in product diversification is important to reduce this vulnerability and open up new income streams. For example, the proposal to introduce a new mountain biking facility on the Mountain is a first important step towards this. The current proposal for a first phase of development focussed on the family market with trails designed for beginner and intermediate riders will have a capital cost of [REDACTED].

The importance of investing in masterplan delivery to improve the long term sustainability of the resort cannot be underestimated.

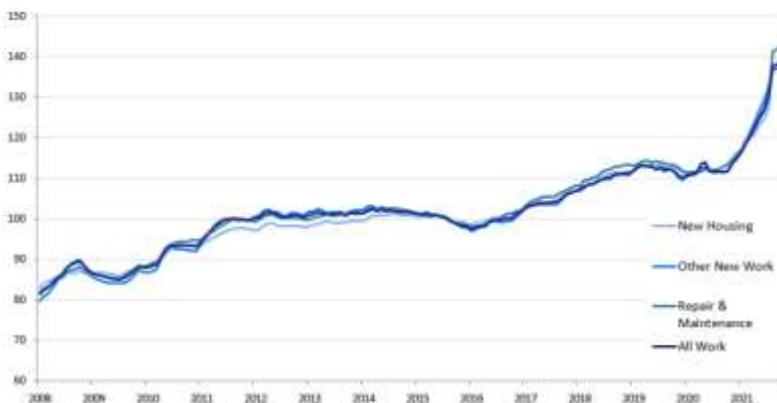
Taking a more holistic view of Cairngorm and its role within, and importance to, the local economy and mountain resort sector, the wider economic benefit associated with providing ongoing support may justify some form of support to the business over a longer period. This may not necessarily be in the form of revenue support, but may be achieved through a new operating model. For example, a model in which the public sector retain ownership and liabilities associated with certain assets e.g. funicular and buildings, would enable the business to operate unencumbered by the costs and responsibilities associated with these assets. This is a model adopted by other public sector bodies, such as [REDACTED]

3. Total cost of removing the funicular (an estimate of increases and contractual payments to BB would be fine, not looking to engage anyone external to re-cost at this stage).

The FBC assumed a capital cost of £16.92m for removal of the funicular. This figure was made up of £11.69m construction cost and the remainder being attributed to optimism bias and professional fees. This was based on external contractor assessment of costs, and included the costs of removing associated buildings (as is required as a condition of planning consent). That cost will inevitably have increased as a result of the following:

- Current capital development works which form part of the reinstatement. All the prop concrete base and concrete jacket installation works have been completed on site. As have all the steel prop placements. These are the major component of material quantities for the full reinstatement works. Removal of these items would inevitably add considerable additional costs.
- Construction inflation: data presented by the UK's Department for Business, Energy & Industrial Strategy (BEIS) highlights that "the material price index for 'All Work' **increased by 24.5%** in October 2021 compared to the same month the previous year". This increase in construction inflation is demonstrated in the graph below.

Chart 1: Construction Material Price Indices, UK
Index, 2015 = 100



The BEIS data reports on construction trends. Removal of the funicular is also likely to result in exceptional additional costs and challenges associated with remoteness, topography, alpine weather and environmental sensitivity.

[REDACTED]

4. Any other costs associated with removing the funicular and closing the resort.

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

In addition, EU grant funding of £2.9m was awarded to HIE towards the original build costs. A condition of funding included the requirement for the funicular to operate for a period of 25 years from commencement with no change in purpose. Building work began in 1999 and concluded in 2001 when the funicular became operational. The full 25-year milestone has therefore not yet been met and so there is a risk that the EU grant would also have to be repaid.

The map below shows the layout of the resort with tows and buildings marked. The building and car park at the Ciste is not shown on this map.



5. A split of the direct NPV and the wider economic impacts (I think these were in one of the supplementary tables?)

Cairngorm – Funicular Reinstatement

Introduction

The Cairngorm Mountain Estate is a national asset, which HIE owns and acts as custodian for on behalf of the people of Scotland. Operation of the Cairngorm resort is important to the local economy and but also to the wider Scottish mountain and snowsport sector.

This paper provides an update on the funicular reinstatement project, noting the existing challenges and impacts of these on both the programme and cost of the project. It reports that additional budget [REDACTED] will likely be required to complete the project, but cautions that this figure can only be considered indicative until all design work and procurement is completed. It also does not take into account any further cost impacts resulting from Covid or Brexit as these cannot be quantified at this time. It provides some commentary on the challenging national context impacting the construction sector, particularly repair and maintenance projects, across the UK.

The paper also reports on an independent review of the impact of these programme and cost challenges on the outcome of the Full Business Case approved by the HIE Board and Scottish Government in 2020.

Finally, it details spend to date and funding breakdown.

Project Update

Balfour Beatty works continue to progress on site with all ground works nearing completion.

There are no Health and Safety or Environmental incidents to report in the period. H&S reporting has scored the site a 91.67% of a target cut off of 85% with recommendations being attended to. Environmental reporting has also been satisfactory with minor corrective items identified and being attended to.

The following progress has been made:

- Works on site are progressing with all pier excavations now complete and ~95% prop footing or concrete jackets installed.
- Bearings and base plates for areas 1-3 (of 47 total) 39 have been manufactured and are on site, 18 have been installed which is 38% complete for the area.
- Pier prop installations are 90% complete with only 8 left to install and all to be jacked to load.

There continues to be numerous Technical Queries and associated challenges interfacing with the as built structure [REDACTED].

The table below provides a summary of the main project [REDACTED]:

Project Item/ challenge	Issue	Previous update	Current update
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Finally, Balfour Beatty will demobilise from site by the middle of December for the winter shut down period. Some demobilisation activity has already started (dropping of some scaffolding). The site will then be handed back to CMSL for winter operations with the first official day of skiing planned for 17 December. Balfour Beatty will remobilise in April 2022.

[REDACTED]

[REDACTED]

Contract Item	Forecast	Cost Certainty	[REDACTED]	[REDACTED]
Agreed Compensation Events (CEs) *	£0.608m	100%	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9371026 - New Programme - 2020-25 (post-FBC)									
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
Project No	Project name	Approval on FBC	Year 0 spend	Year 1 spend	Year 2 forecast	Year 3 forecast	Year 4 forecast	Year 5 forecast	Total Forecast
1a	9377984	Cairngorm Funicular Reinstatement	12,935,563	-	974,522				
1b	9372283	Cairngorm Funicular Pre-construction costs	94,437	94,437					
2	9378164	Cairngorm Funicular Performance Bond	80,000	-	41,321				
3a	9371674	CG - Detailed Design for Funicular Repairs	360,486	360,486					
3b	9377946	Cairngorm Funicular Professional Fees	1,909,514	-	1,254,412				
4	9378242	HIE (Internal) Funicular Project Management	500,000	-	203,009				
5	9378248	CMSL Project Management - capital	280,000	-	-				
6	9378257	CMSL High Priority Additional Capital Investments	4,350,000	-	24,645				
			20,510,000	454,923	2,497,908				

National Context

At a national level the construction sector is facing challenges in relation to availability and pricing volatility of labour and materials. The Construction Leadership Council in an open letter to the sector (7 July '21) noted a number of factors contributing to the challenges facing the industry, including the following:

- Rapidly rising freight costs, container availability and global transportation challenges
- A shortage in global raw materials
- A shortage of available haulier staff and capacity
- Establishment of new cross-border systems and processes
- New EU related immigration rules.

It concludes that the current volatility is likely to continue for some time and could have a significant impact on the timeframes and delivery costs of many projects.

The Department for Business, Energy and Industrial Strategy (BEIS) Monthly Statistics of Building Materials and Components Commentary, September 2021 (published 6 October 2021), provides some quantitative analysis of the impact of current challenges on project costs. It reports that in the year to August 2021, costs for repair and maintenance projects have increased by 25.9%. It also provides a breakdown of monthly changes. For repair and maintenance projects it reported an increase in costs of 6.7% between June and July 2021 and an increase of 2.6% from July to August 2021. In terms of construction materials, fabricated structural steel is experiencing one of the greatest price increases, with the price having increased by 74.8% in the 12 months to August 2021.

The Office for National Statistics (ONS) has reported that demand for construction workers is also now close to a 20-year high, with employment in the construction sector falling from 2.3m in 2017 to 2.1m at the end of 2020. This represents a 4% fall in UK-born workers and a 42% fall in EU workers.

Jobs website Indeed reports that construction has seen the highest growth in average advertised salaries since July this year.

Feedback to the Q2 2021 UK Construction and Infrastructure Monitor provides further evidence of the pressures on the supply chain across the sector. Over 80% of respondents to a question on the factors limiting activity cited shortage of materials with close to two-thirds identifying issues around labour.

In relation to the funicular reinstatement, these unprecedented circumstances will continue to present a risk to completing the project and will create an ongoing challenge to HIE's independent QS in assessing compensation events.

Review of the FBC Outcome

The Full Business Case (FBC) approved by Scottish Government in October 2020 considered the following options:

- Option 1a: Do Minimum (removal of funicular, no CMSL funding or additional investment). This assumes that the operating company ceases trading;
- Option 1b: Removal of funicular, maintain / replace existing uplift infrastructure (fund CMSL and fund selected additional capital investments) – this option assumes that the current employment at the site is maintained;
- Option 2a: Remove and replace the funicular with a dual-cable gondola, fund CMSL and fund selected additional capital investments. This assumes an increase in visitor numbers and subsequently staff at the operating company;
- Option 2b: Remove and replace funicular with a dual-cable gondola, fund CMSL but do not fund proposed additional investments. This assumes an increase in visitor numbers and subsequently staff at the operating company;
- Option 3a: Reinstatement funicular, fund CMSL and fund selected additional capital investments. This assumes an increase in visitor numbers and subsequently staff at the operating company; and
- Option 3b: Reinstatement funicular, fund CMSL but do not fund proposed additional investments. This assumes an increase in visitor numbers and subsequently staff at the operating company.

It should be noted that there was not a “no cost” Do Nothing option available in the context of the funicular, as the minimum required was removal.

The FBC identified Option 3a (funicular reinstatement and additional CMSL capex) as the preferred option. This is the option currently being implemented.

HIE, with the support of professional advisers, RSM, revisited the outcome of the FBC when it became apparent that costs would increase beyond the approved budget. That assessment reflected two new scenarios, namely:

- updated capital costs and phasing based on indicative costs in June 2021 (these costs have since further increased); and, for purely illustrative purposes;
- an additional [REDACTED] in construction costs (in addition to the revised costs) and further delay in reopening (to open in Autumn 2025/26).[REDACTED]

In both scenarios, the identified changes to capex and phasing have been applied to Option 3a and 3b only. We have not changed the cost or timing of other options – this is discussed further below.

The table below profiles a high-level assessment of the impact of revised costs and phasing on the Net Present Value (NPV) of options associated with the reinstatement of the funicular at Cairngorm. Scenario A presents the existing NPVs as per the FBC (including Wider Economic Impacts). Scenario B presents the revised NPVs with the changes outlined by HIE in June 2020 ([REDACTED] HIE internal cost of £156k; [REDACTED] We now know that the costs in Scenario B will be exceeded. Scenario C profiles the NPVs associated with construction costs having been increased by a further [REDACTED] (with additional costs being included for optimism bias, professional fees and project management). This scenario also reflects a delay in opening until 2025/26.

	A. Existing FBC NPCs		B. Reflecting expected cost / timescale increase (June 2020)		C. For illustration purposes only – reflecting further cost / timescale increase	
	Net Present Value	Rank	Net Present Value	Rank	Net Present Value	Rank
Option 1a - remove and close	-£5,262,463	6	-£5,262,463	6	-£5,262,463	6
Option 1b - remove and reduced activity	£19,970,026	5	£19,970,026	5	£19,970,026	5
Option 2a - replace with gondola and additional CMSL capex	£51,175,961	4	£51,175,961	4	£51,175,961	4
Option 2b - replace with gondola, no additional capex	£54,493,247	3	£54,493,247	3	£54,493,247	3
Option 3a – reinstate funicular and fund additional CMSL capex	£88,641,877	2	[REDACTED]	2	[REDACTED]	2
Option 3b - reinstate funicular but no additional capex	£91,959,163	1	[REDACTED]	1	[REDACTED]	1

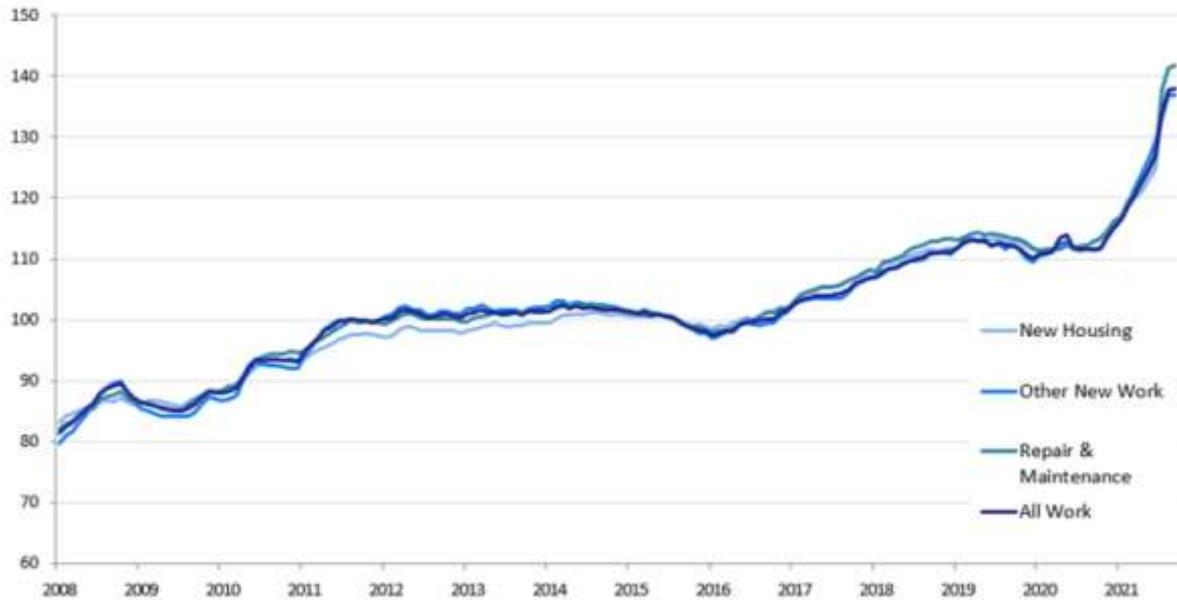
- Note: the impacts are not linear (i.e. a 1-year delay from 2021 to 2022 will not have the same impact as a delay from 2024 to 2025 due to the discounting factor).

As above, we have revised the costs and timing for option 3 only. Due to the passage of time since the submission and approval of the business case (September 2020), it is likely that the capital costs associated with Options 1a – 2b would have changed to reflect:

- an increased cost to remove the funicular due to the capital development works that have since occurred as part of the reinstatement. All the prop concrete base and concrete jacket installation works have been completed on site. As have all the steel prop placements. These are the major component of material quantities for the full reinstatement works. Removal of these items would add inevitably add considerable additional costs to the previous calculations for full removal of the funicular viaduct structure.
- Construction inflation: data presented by the UK’s Department for Business, Energy & Industrial Strategy (BEIS) highlights that “the material price index for ‘All Work’ increased by 23.6% in September 2021 compared to September 2020”, suggesting a significant increase in construction

costs since the business case was submitted (approved in September 2020). This increase in construction inflation is demonstrated in the graph below.

Chart 1: Construction Material Price Indices, UK
Index, 2015 = 100



Source: Monthly Statistics of Building Materials and Components, Table 1

Furthermore, and as described under 'National Context' above, the cost of specific materials has also experienced significant year-on-year changes e.g. steel.

- General inflation: In addition to construction inflation, there are specific cost items within Options 1a – 2b that would be impacted by general inflation in the economy (as measured by CPI), for example, the cost of purchasing a Gondola system or a new chair-lift. Data sourced from the Office for National Statistics (ONS) identifies that CPI increased by 3.1% in the 12 months from September 2020 to September 2021.

Therefore, in combining the pricing pressures, we can assume that the costs associated with Options 1a – 2b would be subject to a significant price increase if the options were to be re-costed.

The impact of this would result in a decrease in the NPVs of Options 1a – 2b, thereby strengthening the rationale for Reinstatement of the Funicular remaining the preferred option.

[REDACTED]

- [REDACTED]

The key finding from the reassessment exercise is that the **preferred option (Option 3 – reinstatement of the funicular) does not change in either scenario presented above.** Given the significantly higher capital costs associated with Option 2 (estimated at c. £52 million in 2020, but now likely to have increased beyond this level) and the lower visitor numbers associated with that option, it would take a very significant delay or cost impact (i.e. beyond the scenarios illustrated) before the preferred option would change.

The qualitative analysis within the FBC also ranked Options 3a and 3b highest – that does not change with the revised scenarios presented above.

Spend to date

Total spend against funicular reinstatement costs to end October 2021 is **£9,375,114**. We are forecasting further spend of **[REDACTED]** this financial year.

The following provides a breakdown of spend to date:

Description	Y0 -19/20	Y1- 20/21	Y2 – 21/22
	Spend	Spend	Spend to 27 Oct 21
Cairngorm Funicular Professional Fees		1,254,412	920,388
Cairngorm Funicular Project Management		203,009	173,452
Cairngorm Funicular Reinstatement		974,522	5,353,087
Cairngorm Funicular Performance Bond		41,321	-
Cairngorm: Detailed design for funicular repairs	360,486		
Pre-construction funicular costs	94,437		
	454,923	2,473,264	6,446,927

In addition, total spend against CMSL high priority capital investments to end October 2021 is £217,842. We are forecasting further spend **[REDACTED]** this financial year.

Total forecast cash spend (funicular reinstatement and CMSL high priority capital investments) in **[REDACTED]**

Funding

As part of the FBC, capital funding of £20.51m was approved for the following purpose:

- £16.16m in capital funding for the costs associated with the funicular reinstatement, and
- £4.35m in capital funding for the costs associated with CMSL high priority capital investments.

With the agreement of Scottish Government, **HIE is contributing £8.5m from proceeds of the sale of the Centre for Health Science, along with business as usual funding of £300k per annum**, towards the total project costs. In addition, HIE is also meeting the costs associated with refurbishment of the Ptarmigan building (**£780k**) outside of the FBC.

The funding breakdown across the full period of the FBC is below:

Cairngorm Funicular & Other Priority Capital									
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funicular Repair	350	2,780	11,230	1,800	-	-	-	16,160	
Other Priority	-	880	1,100	1,790	290	290	-	4,350	
Original FBC Forecast	350	3,660	12,330	3,590	290	290	-	20,510	
Funicular Repair	455	2,473							
Funicular Control System prepayments									
Other Priority	-	25							
Current FBC Forecast	455	2,498							
Pressure on Original FBC									
Funded by									
Average capital	-	300							
CfHS Drawdown		1,100							
SG Pre- FBC Funding	455	1,220							
SG FBC Funding									
HIE Internally Brokered		(122)							
Total Funding	455	2,498							
Pressure on Current FBC	-	(0)							

he current pressure on the original FBC forecast is [REDACTED], however taking into account previous funding provided by SG pre-FBC approval towards Cairngorm of £1,675k the revised pressure is [REDACTED] This funding of £1,675k arises from £2,100k allocated to HIE for Cairngorm in 2019/20. Of this amount £455k funded FBC activity in 2019/20 and £1,220k was internally brokered by HIE in 2019/20 and restored to the FBC in 2020/21. HIE has previously flagged this amount of £1,675k as being in addition to the £10,200k agreed with SG for the FBC with a view to it possibly being deducted from the £10,200k in a future year. However, given the cost pressures that have now emerged it seems sensible to set this pre-FBC funding against the FBC pressure.

The table above highlights that although the current pressure [REDACTED] across the FBC in total the pressure falls unevenly across years with some years in deficit and others in surplus. There is a [REDACTED] pressure in the current financial year and HIE would suggest that SG bring forward [REDACTED] and [REDACTED] currently profiled for 2024/25 and 2025/26 respectively to fund the current year pressure. This would practically restore the original phasing of the funding as set out in the agreed FBC.

The main pressure is in 2022/23 currently forecast [REDACTED] HIE would welcome a discussion with SG on what is possible by way of reprofiling FBC funding and additional funding that could be available. HIE does not have any capacity to meet the additional funding requirements to complete the reinstatement works. If it were to be asked to do so it would have a disproportionate impact on HIE's ability to support businesses and communities across the region. Indeed, the opportunity cost would be substantial. To highlight the scale of the pressure next year, this would represent [REDACTED] of our indicative opening baseline CDEL budget.