



## **BUSINESS PLAN**

**1 April 2020 to 31 March 2023**

## 1. Objective

Cairngorm Mountain (Scotland) Ltd – hereinafter referred to as CMSL – continues to believe it has the potential to become a world class visitor destination. This is the company's long-term aspiration and we are 'ambitious to succeed'. The company is focussed on driving up customer service and delivery in all areas of the business. We are also pursuing the 'Fair Work Agenda' and look to sign up to the Scottish Business Pledge by Summer 2020.

This Business Plan will focus a 3-year horizon: April 2020 to March 2023 – giving detail on the operational year – 2020/21 and a high-level overview of the remaining 2 years. The operational year 2020/21 will see a focus on continuing stabilisation of the business.

The Funicular is the key product in the business, being the attraction that summer customers want to use to get to the top of the Mountain; and is the main uplift for skiers in the winter. It cannot be over emphasised that without it back in operational use the business model will remain broken and CMSL will require continual subsidy from its parent company, HIE.

### **Vision**

To become a world class visitor destination – ambitious to succeed.

### **Mission**

We will grow revenue in the business and positively enhance the benefits of visiting Cairngorm Mountain by delivering a quality product to our customers, mindful of the importance of this unique asset to the wellbeing of the economy and environment.

### **Customer Service Promise**

Striving to provide memorable experiences to our customers.

## 2. Background

Cairngorm Mountain Ltd (CML) went into Administration on 29 November 2018. Following an intensive period of due diligence, HIE established a subsidiary company, CMSL, to be the operator of the Cairngorm Mountain facility.

On 14 December 2018 HIE acquired the assets of the previous operator CML. This enabled HIE to transfer staff of CML under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and for operations to continue at Cairngorm Mountain. HIE also appointed a 'turnaround expert' [REDACTED], acting as interim Chief Executive of CMSL, which ended on 31 March 2019.

HIE has seconded Susan Smith to the interim chief executive role in CMSL for a period of up to two years, to be reviewed on 31 December 2020.

## 3. CMSL – The Board

HIE as the sole shareholder, owning 100% of the shares of CMSL, appointed a new interim Board who met on 14 January 2019. The current composition of the Board is:

- Peter Mearns (Chair) – [REDACTED]
- Douglas Yule – former HIE Director, [REDACTED];
- Bill Lobban – [REDACTED];
- Rachel MacKenzie, HIE Area Manager for the Western Isles and [REDACTED] took up Directorship in September 2019.

In year, David Oxley, HIE Director of Business and Sector Development, resigned as a Director in August 2019.

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

Burness Paull are acting as 'Company Secretary'. CMSL has secured its own legal advisors, Brodies.

The CMSL Board have undertaken training in Governance and HIE continues to support CMSL with regular reviews on key areas of Governance.

#### 4. The Business – What it Does

The business of Cairngorm Mountain is essentially split into two parts – winter and summer operations. The winter, when snow conditions permit, provides snow sports for a wide range of enthusiasts of all abilities (from Dec to Apr). The summer is focussed on a product offering which at the centre lies the Funicular railway where customers are taken to the top station (the Ptarmigan) and can admire the views, visit the exhibition, shop and restaurant.

Currently, the Funicular is out of operation and a decision awaited from Scottish Government on the repair works. This is fundamental to the whole operation at Cairngorm Mountain. Without a functioning Funicular the business model is broken and will require ongoing financial support from CMSL's parent company, HIE.

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

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

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

The Funicular has not operated since September 2018, resulting in a significant loss in annual visitor numbers and the need to invest in creating a differentiated summer product offering at the bottom of the mountain, to attract an adult and family market to stay and spend money at the attraction. Last year's Business Plan, submitted to HIE in April 2019, was focussed on addressing this situation and helped to improve the product offering with the inception of an exhibition, a tubing slide and improvements to the retail and café areas. These helped significantly and the company has received lots of positive comments on the improvements.

## **5. CMSL's Place in a More Strategic Sporting and Cultural Context**

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

### **Encourage and enable the inactive to become more active**

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

### **Encourage and enable the active to stay active throughout life**

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

### **Develop physical confidence and competence from the earliest age**

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

### **Improve our active infrastructure – people and places**

- Continue to provide training and development for our staff
- CMSL recognised as a training centre for winter snow sports
- Snowsport Scotland to provide coach education programmes
- BASI to deliver instructor education programmes
- Cairngorm Mountain to continue as a performance development venue for winter Olympians

### **Support wellbeing & resilience in communities through physical activity & sport**

- Continue to have partnerships with local clubs
- Cairngorm Mountain to be a focal point for the local community

### **Improve opportunities to participate, progress and achieve in sport**

- CMSL to work with Snowsport Scotland to deliver programmes based at Cairngorm Mountain which provide the opportunity for progression and talent development, through training camps, competitions and coach education

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

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

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

Detail	Timescale	Gross Income £s	Net Income £s	Numbers
Car Park	October Year to Date			
Exhibition	October Year to Date			
Tubing	October Year to Date			

These achievements can in essence be summarised as :

- **A new Exhibition** - depicting the 'Cairngorm Story' - highlighting the inspiring story of the mountain told through the lens of conservation, art, mountain rescue, pioneers, Olympians etc. At the end of October 2019, 784 people paid to visit the exhibition. We have also introduced a free voucher for accommodation providers to give to visitors to drive more secondary spend through the retail and catering cost centres.
- **Tubing slide** – this became operational in August 2019 and has proved a very popular attraction for families. At the end of October 2019, 2,314 people made use of the tubing slide. This proved popular throughout the three months that it has operated.
- Part of the retail area was reconfigured to the '**Cas Bar**' serving hot and cold drinks and cakes. This has proved very popular with customers.
- **The café** - was given a 'face lift' and again this has proved popular with all users to Cairngorm Mountain.
- **Car Park** charging of £2.00 per vehicle commenced in June 2019 and this has generated £ [REDACTED] of revenue at the end of October 2019 which has been ring fenced for reinvestment in any upgrading works to the car park.
- In-year a '**Priority Investment**' schedule was further supported by HIE including the purchase of a Khassbhorer and attachments; a new Snowplough and Snow bikes for use in winter snow sports. These investments, were purchased by HIE, and leased back to CMSL.

In addition, funding support was awarded to undertake ground works to the beginner area for winter snow sports and for the laying of an electric cable from the mid station to the lower slopes to enable the powering of snow canons via electric and offsetting the need for diesel generator power. These were hugely significant investments and much appreciated by the CMSL Board and staff.

## 7. Business Plan – April 2020 to March 2023

With the Funicular out of operation, and HIE awaiting a determination from the Scottish Government approving the proposed repair works to the Funicular, there remains the requirement to continue to develop the business and do everything possible to secure further summer activities to encourage visitors to Cairngorm Mountain. There also requires a need for investment in winter operations without the use of the Funicular. The company's proposed investment requirements for April 2020 to March 2021 are outlined below, as are the longer-term requirements:

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

Many items may be impacted by currency or trading challenges post Brexit  
Above capital costs have been undertaken by G&S

Snow making is subject to a review by HIE and not part of the above costs  
Details on Proposed Investments in 2020/21  
Business Case

**Garage Facilities for Kassbhorers**

[Redacted]

**Snowfactory Relocation & Groundworks**

[Redacted]

**CCTV for Buildings**

[Redacted]

**Café Improvements**

[Redacted]

**IT Improvements**

[Redacted]

**Plant and Equipment**

[Redacted]

[Redacted]

There is a need to renew the Coffee Machines in the café and cas bar at a cost of

[Redacted]

**Mountain Bike Pump Park Trial (included in Plant & Equipment)**

[Redacted]

**Car Park**

[Redacted]

**Adventure Play Park**

[Redacted]

**Longer Term Investments – 2021/23  
High Level Summary**

[Redacted]

[Redacted]

[Redacted]

[Redacted]

## 8. Financial Projection – 2020/21 - Scenario Plans

Given the vagaries of the current business model, being predicated on weather, the CMSL Board has felt it prudent to outline two possible financial scenarios:

- **Scenario 1** – trade with the changes outlined for investment in 2020/21 and on 30k skier days, based on the average of the last 5 years excluding 2018/19 as it was the lowest recorded on record;
- **Scenario 2** – trade on the worse-case scenario where the winter skier days mirror 2018/19 with 9k skier days and open for skiing for only 31 days.
- **Scenario 3** – trade on a best-case scenario with 65 skier days.

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

### Scenario 1 – weighted average

The projected Profit and Loss, Cash Flow and Balance Sheet are detailed in Appendix II. Detailed assumptions have also been included which set out the basis upon which the projections have been prepared by Scott-Moncrieff. It is worth noting that several key assumptions underly these projections:

- 30k skier days based on the average of 5 years, excluding the worse case in 2018/19 of 9k skiers;
- The Funicular will not run at all in the year and any exceptional costs in respect of this will be covered by HIE;
- Replacement Services funding from HIE will continue throughout the year;
- Any capital expenditure in the year will be fully funded by HIE;
- Any planning permission in respect of capital expenditure will form part of the project cost and fully funded by HIE;
- Any rental charge in relation to HIE owned assets will not be payable by CMSL until the Funicular is running again;
- No loss funding grant assistance from HIE has been included.

### Profit and Loss Account



### Cashflow



### Balance Sheet



### **Scenario 2 – worst case**

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

- A worse-case scenario of 9k skier days;
- The Funicular will not run at all in the year and any exceptional costs in respect of this will be covered by HIE;
- Replacement Services funding from HIE will continue throughout the year;
- Any capital expenditure in the year will be fully funded by HIE;
- Any planning permission in respect of capital expenditure will form part of the project cost and fully funded by HIE;
- Any rental charge in relation to HIE owned assets will not be payable by CMSL until the Funicular is running again;
- No loss funding grant assistance from HIE has been included.

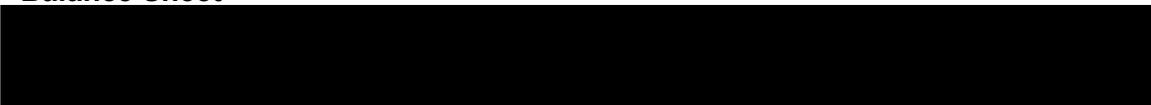
#### **Profit and Loss Account**



#### **Cash Flow**



#### **Balance Sheet**

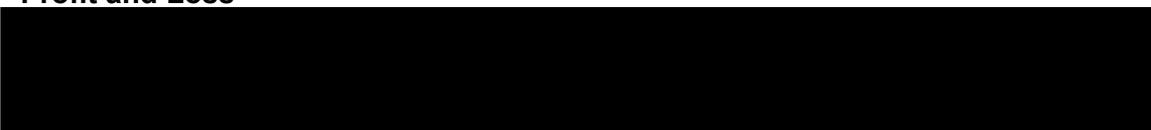


### **Scenario 3 – best case**

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

- A best-case scenario of 65k skier days;
- The Funicular will not run at all in the year and any exceptional costs in respect of this will be covered by HIE;
- Replacement Services funding from HIE will continue throughout the year;
- Any capital expenditure in the year will be fully funded by HIE;
- Any planning permission in respect of capital expenditure will form part of the project cost and fully funded by HIE;
- Any rental charge in relation to HIE owned assets will not be payable by CMSL until the Funicular is running again;
- No loss funding grant assistance from HIE has been included.

#### **Profit and Loss**



#### **Cash Flow**

## Balance Sheet

### Exceptional Costs

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

- Project Co-ordinator – given the need to continue to invest in capital projects across the business the company requires to hire a project co-ordinator who will work with the technical operations team and land manager to put these various projects together, costed effectively along with the associated business cases.
- Technical Operations General Resource – HIE has a need to gain access to the site for consultants related to the repair of the Funicular. [REDACTED] it has therefore been agreed that CMSL should recruit someone specifically for this work.
- Bio Fuel – CMSL want to purchase bio fuel for all machinery, the Snowfactory and snow canons (prior to implementing the electric work). This will add significantly to the cost of fuel, but it will give a carbon offset and help in our drive to assure our customers that we are doing everything possible to support climate change and doing our bit for the environment.

## 9. Staffing

CMSL has a permanent core staff head-count of 41 staff, providing a range of roles and functions given the complex nature of the business and the need to maintain the assets and infrastructure on the site.

The current staff structure chart is attached as appendix I. The outstanding post to be filled is the Operations Manager role and this is currently under consideration.

From April 2020, the business will have all permanent staff on a permanent contract. Currently, [REDACTED] staff are on a zero hours contract and we as a business do not want to recognise these types of contract for permanent roles within the business.

CMSL will hold one staff day annually to look at performance and to plan the year ahead, with a key focus on customer service and delivery. This year's event was held on 19 November 2019 at Cairngorm Mountain.

### Fair Work Agenda

CMSL want to be recognised as an 'employer of choice' within the region. We want to provide career development opportunities, Modern Apprenticeships in some key areas of technical operations and catering. We want to achieve the Real Living Wage from April 2020 where the lowest rate of pay is £9.30 per hour.

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

**Core Aspects**

Living Wage  
Zero Hours Contracts  
Gender Pay Gap

**Menu – 5 from 7**

Environmental Impact  
Skilled and Diverse Workforce  
Workforce Engagement  
Innovation  
Internationalisation  
Community  
Prompt Payment

[Redacted]

**Pay Rates**

[Redacted]

### CMSL Training Plan – 1 April 2020 to 31 March 2021

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

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

### 10. Marketing

CMSL has a marketing strategy and plan in place for both the winter and summer business, the basis of which is:

- The creation of a year-round world class four seasons destination and visitor experience, sharing the 'Cairngorm Story' with visitors and locals, inviting communication and participation, generating repeat visits and recommendations that contribute to a thriving business.

There is c. 1.9m visitors in the National Park; 1m visitors to Aviemore and 600k in the Glenmore corridor each year (12% of which said they will visit Cairngorm Mountain). 6 out of 10 visitors are repeat visitors. The profile of the visitor to the National Park is an even split of male and female and spread of age group. 75% of visitors are AB / C1 socio economic categories.

The market is split into summer and winter visitors. Summer is centred around accommodating visitors from all over the world who come into the Destination and are looking for various things to do and see. Winter is centred on snow sports and has a Scottish and UK market appeal.

There are a range of market opportunities which target the following market segments:

- Locals
- Visitors
- Snowsports
- Tour groups
- Special interest – adventure, walking, cycling, photography, wildlife
- Education / study groups
- Corporate
- Events

Cairngorm Mountain has National and International Appeal – interest with followers from 45 countries around the world and 44 cities in the UK (source : View Marketing).

Our social media platforms have the following customer patronage :

- Facebook – 95k followers across 2 facebook pages
- Instagram – 12k followers
- Twitter – 16k followers
- Web Site – 123k followers / 530 k page views from May to Nov 2019

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

A communications plan, to foster the energy and interest of the key strategic and tactical networks that exist locally has been developed and we review this regularly with our parent company, HIE.

In addition, we host familiarisation visits to Cairngorm Mountain for local accommodation providers, engagement with our season pass holders and we engage regularly in a range of business networks, to promote the facility across the region and beyond.

## **11. Conclusions**

This Business Plan provides a short-term one year detail and a high level strategic outline of the following two years. At this stage in the business journey it is difficult to project with any confidence or certainty beyond one year. The strategic emphasis on the need to stabilise the business continues and without the use of a working Funicular this is challenging, requiring additional short-term investment to attract visitors.

The ongoing support of our parent company, HIE, is imperative as is the need to signal and reiterate the message that snow sports has a long-term future and provides the mechanism for the company to be ambitious to succeed.

**Susan Smith**  
**Interim Chief Executive**  
**For an on Behalf of CMSL**  
**24 January 2020**

**Attachment 1 – Organisation Structure**  
**Attachment 2 – Scenario 1 Financial Model & Assumptions**  
**Attachment 3 – Scenario 2 Financial Model & Assumptions**  
**Attachment 4 – Scenario 3 Financial Model & Assumptions**

Cairngorm Mountain (Scotland) Ltd – Organisation Chart October 2019

