

**EXTRACT OF MINUTES OF THE 140<sup>th</sup> BOARD MEETING OF HIGHLANDS AND ISLANDS AIRPORTS LIMITED HELD AT TIREE LODGE, TIREE ON THURSDAY 16 JUNE 2005 AT 2.00pm**

**Present:**

|                          |                          |
|--------------------------|--------------------------|
| <b>Mr A Matheson</b>     | <b>Chairman</b>          |
| <b>Mr I Lyon</b>         | <b>Managing Director</b> |
| <b>Ms S MacLennan</b>    |                          |
| <b>Mr W Brackenridge</b> |                          |
| <b>Mr S Edmond</b>       |                          |
| <b>Mr G Johnston</b>     |                          |

**In attendance:**

|                        |   |
|------------------------|---|
| <b>Mr J Ross</b>       | <b>representing Scottish Ministers</b>          |
| <b>Miss J Thornton</b> | <b>Financial Controller / Company Secretary</b> |

**Item 1 – Apologies**

There were no apologies. On behalf of the Board the Chairman welcomed Inglis Lyon to his first Board meeting and looked forward to a long and constructive working relationship with him.

**Item 2 – Approval of Minutes of 28 April 2005**

The minutes of the previous meeting on 28 April 2005 were approved and signed by the Chairman.

**Item 3 – Matters Arising from the Minutes**

**3.1 *Item 3.1: Wick Airport Sale of Land***

An update on progress was requested. Miss Thornton advised that Tesco had yet to submit a planning application for their store. HIAL is pressing them to progress this as soon as possible.

**3.2 *Item 8.4: Estates Advisers Contract Award***

At the March Board meeting the Board gave authority for HIAL to enter discussions with the current provider with a view to extending their contract. The Board agreed, in view of current ongoing projects, that continuity of service was beneficial to HIAL and approved a two-year extension at RPI.

**Item 4 – Corporate Plan**

**4.1 *Inverness Airport: Business Park and Access Road***

The Board asked about IABP directors' backgrounds. Miss Thornton advised that Inglis Lyon and Eric Armstrong are HIAL appointed directors, Andrew Howard and John Doune are Moray Estates appointed directors, Freda Rapson and Alan Price are directors of INE and are INE appointed directors and John Rennilson is the Highland Council appointed director. The Board commented favourably on the positive publicity relating to IABP. There was discussion about how work done by HIAL staff should be treated and the Board asked that this be recharged to IABP and that other parties could do the same. The Board asked that a minute/report from each IABP Board meeting be presented to the HIAL Board for information. The first Board meeting of IABP is scheduled to take place on 10 August.

4.2 ***Inverness Airport: Private Finance Initiative***

The Scottish Executive has agreed in principle to fund a buy out of the PFI that represents value for money with a grant. HIAL will now enter into final discussions with Infrastructure Investors to conclude discussions on price and due diligence with a view to achieving a buy out in line with Ministers' expectations as soon as possible. If the deal comes to fruition HIAL will give top priority to developing Inverness Airport as a business opportunity which will include maximising returns from the terminal building and further route development.

4.3 ***Inverness Airport: Master Plan***

The Board asked whether the timetable was achievable even if they now gave the go ahead for further work to be done. Mr Lyon explained that a large part of the work is already done and Board approval today should enable us to meet a December/January deadline. If this is achieved we will still be in the top 25% of airports as regards timely submission of the plan to Department for Transport. The Board stated that PR and local consultation should be carefully considered and appropriately implemented. There was discussion about the Highland Council's recently published A96 master plan which refers to new towns close to the airport. The Board felt that the timing of the publication of the draft master plan for public consultation needed to take account of the PFI negotiations. The Board's view was that public consultation on the plan should only start once the PFI negotiations are concluded.

4.4 ***Safety Report***

The position was noted.

4.5 ***HIA Pension Scheme: Update***

The Board discussed the scheme's future funding requirements and then considered the actuary's paper on ill-health retirements which had been prepared for the trustees' meeting.

The Board recognises that the funding level in the scheme needs to be maintained but was concerned that costs were increasing at such an early stage. The Company and the Trustees need to address this subject together. Mr Johnston advised that he is happy to discuss the Board's concerns with his fellow Trustees. As a first step it was agreed that a sub committee of the Board should meet with the actuary and the Trustees to discuss the matter and present a spectrum of options for consideration. Mr Johnston advised that the Trustees share the Board's concern on the strain of ill-health retirements.

Mr Lyon and Mr Johnston would meet with the actuary to review the report in detail and explore assumptions and options. This would then be discussed with Trustees with a view to bringing before the Board again in September.

4.6 ***Public Relations Brief***

The Board commended the positive press coverage.

4.7 ***Corporate Training Plan and Budget: Annual Report***

There was discussion about the proposed next phase of training on management and organisational development and whether this was appropriate. Mr Lyon explained that this was a continuance of the work carried out by Hay on management training. His feeling is that training in the company needs to be more focused towards business related aspects. Mr Lyon will speak to the Training and Development Officer about more focused training, targeting practical day to day issues such as staff management processes. The Board commented that when establishing costs for training the full cost including travel and subsistence and any associated overtime should be taken into account. No decision is required from the Board as the tender is still at an exploratory stage. If the cost of the contract is likely to be in excess of £50,000 then this will need to be brought before the Board. The Board also raised questions about the function performed by the Staff Liaison Forum (SLF). Miss Thornton advised that the SLF had initially been set up to progress IIP accreditation and there had been few meetings of the forum in recent months.

4.8 ***Consideration of deferred papers from the March Board meeting:***

- ***Job Evaluation Review: Update and Linking Job Values to Salaries***
- ***Company Car Policy***

### **Job Evaluation Review**

The Trades Unions were advised on 14 June at the JNCC that the company was not in a position to take the job evaluation exercise forward at this point in time. The Trades Unions seemed to take a balanced view on this. Mr Lyon explained that he hoped to bring this forward for discussion at a later date.

### **Company Car Policy**

The Board endorsed the recommendation that no change should be made to the company car policy at present but this will be reviewed and revised in advance of September 2005 when the next replacement falls due.

#### **4.9 Pay Remit Application**

The Board discussed the remit for the new round of pay negotiations for the company and the application for remit approval that would be made to the Scottish Executive.

#### **4.10 Corporate Governance: To consider the undernoted policies**

- **External Recruitment Policy**
- **Promotions Procedures**
- **Equal Opportunities Policy**
- **Disciplinary Rules and Procedures and Grievance Procedures**
- **Redundancy Policy**

The Board discussed the policies and highlighted the need to update key aspects of some of the policies. Mr Lyon had already made moves to address the updating of policies and the Board delegated this to Mr Lyon to take forward and revert to the Board at a future date.

### **Item 5 – Operations**

#### **5.1 Operational Amelioration: Update**

Mr Lyon advised the Board that there were already a number of initiatives ongoing in this area. Mr Lyon is due to meet with Michael Kellaway in the near future and the Board asked for a report from Mr Lyon following that meeting.

#### **5.2 Stornoway Airport Jetty and Fuel Tanks: Update**

After discussion the Board agreed that they were happy for discussions to continue with the interested party but that HIAL did not want to become involved in taking any risks and are simply interested observers at this point.

The Board agreed that it was appropriate to enter into an exclusivity agreement but to go no further than that at the current time.

### **Item 6 – Marketing and Route Development**

#### **6.1 Commercial/Marketing Brief**

The Board asked about progress with Ryanair and Mr Lyon explained that we are currently awaiting a proposal from SERCO for staffing the control tower at Lossiemouth with civil controllers which should provide radar cover at weekends. The Board were also encouraged to see the new easyJet route bookings.

#### **6.2 Airport Consultative Committees**

The paper was noted.

### **Item 7 – Capital Expenditure**

#### **7.1 Sumburgh Airport: Partnership Update / Runway 09/27 Extension: Update**

The Board were pleased to note that the Sumburgh runway extension was progressing according to plan. The cost/value reconciliation attached to the paper is only the Balfour Beatty element of the contract and

costs for AGL and ILS still need to be added to this cost. The total cost is currently estimated to be in line with the budgeted cost of £9.75 million including contingencies.

The Board noted the paper.

7.2 ***Inverness Airport: Car Park***

The Board agreed that this project needed to go ahead.

The Board gave retrospective approval for the expenditure incurred in the advance works and approved the overall anticipated capital expenditure of £173,028.

**Item 8 – Finance**

8.1 ***Traffic Statistics***

The Board were encouraged to see the increases in passenger numbers at the smaller airports, specifically Barra and Tiree.

The Board noted the position.

8.2 ***Annual Accounts 2004/05***

The Board authorised the Chairman and Managing Director to sign the HIAL and AMSL statutory accounts for 2004/05 and authorised the signature of the letter of representations on behalf of HIAL.

**Item 9 – Audit Committee Report**

9.1 ***Meeting dated 3 June 2005***

The Board expressed thanks to the Audit Committee for the work carried out throughout the year and:

- approved the internal audit programme for 2005/06;
- approved the recommendation from the Audit Committee that the Board adhere to the assumptions proposed by the Scheme Actuary reference the FRS17 disclosure assumptions; and
- with the amendments agreed by the Audit Committee, approved the schedule of matters reserved for decision by the Board.

**Item 10 – Date of Next Meeting**

The next Board meeting is due to take place on Friday 29 July 2005 at 10.00am at Head Office. This will be followed by the Annual General Meetings.

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