

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD HELD  
AT SUMBURGH AIRPORT ON 7<sup>TH</sup> MARCH 2017 AT 1:15PM**

<b>Present</b>	<b>Dr Mike Cantlay Mr Inglis Lyon Ms Gillian Bruton Ms Lorna Jack Mr Jim McLaughlin Mr David Savile Mr Tim Whittome</b>	<b>Chair Managing Director Finance Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director</b>
<b>In Attendance</b>	<b>Mr John Nicholls Mr Mark Stuart Mr Robin MacRae Mrs Kirsteen Adams Mrs Shelly Donaldson</b>	<b>Transport Scotland Director of Airport Operations Director of Operational Support Minutes Minutes</b>

**Apologies**

There were no apologies.

**Item 1 – Board Minutes**

Subject to some minor amendments, the minutes from the board meeting on 17<sup>th</sup> January 2017 were noted and approved.

**Item 2 - Chairman / CEO Report**

Transport Futures

The Chairman gave a report of his time at the Convention of the Highlands and Islands in Shetland on 20<sup>th</sup> February. He, along with Gary Robinson of Shetland Islands Council had presented on transport futures in the context of the Highlands and Islands. The Chairman’s presentation had projected a doubling of HIAL’s passenger numbers by 2025 and suggested that it was now for the Board to investigate what was practical and possible in reaching this target. He advised that Mr Robinson would be attending the HIAL dinner that evening and would run through his presentation beforehand.

Mr Lyon raised the issue of transport in the round and of transport in the Highlands & Islands and indeed Scotland. **(Redacted under FOISA Section 33 (1)b)**

He referenced the Avinor model, which he along with the Chairman had looked at during their trip to Norway the previous month. He advised that aspects of the Norwegian operator’s model were stated government policy.

**(Redacted under FOISA Section 33 (1)b)**

### **Item 3 - Inverness Car Park**

Mr Lyon advised of the car park situation at Inverness Airport and additional funding was needed to extend the existing facility. **(Redacted under FOISA Section 33 (1)b)**

Mr Nicholls confirmed that there would be no additional funding from Transport Scotland over the next few years. **(Redacted under FOISA Section 33 (1)b)**

He explained that any improvements or developments, which could be deemed as being commercial, were unable to benefit from state aid funding but would require a loan instead. State aid funding could only be used for airport critical services, e.g. security, runways, fire service etc. The Chairman asked whether there would be any implications from Brexit with regard to loan funding and Mr Nicholls advised that agreements would remain in place until they were removed. Some discussion continued over car parking charges, improvements and the investment required for both.

**ACTION:** The Board asked for a report at the next Board meeting on revenue and maximising the investment.

### **Item 4 - Dundee Airport**

Mr Lyon advised that further data was required to support the proposal for a Dundee – Stansted PSO route. He advised that Dundee City Council was keen to push ahead with the proposal.

**(Redacted under FOISA Section 33 (1)b)**

Mr Galloway from Dundee City Council joined the meeting by conference call. He provided an update on the Stansted PSO proposal. **(Redacted under FOISA Section 33 (1)b)**

Mr Galloway advised that the Scottish Government had requested that some of the Tay City Deal funding be invested in Dundee Airport.

**(Redacted under FOISA Section 33 (1)b)**

Mr Savile asked when the V&A museum would open and whether Mr Galloway anticipated a subsequent increase in passenger numbers at Dundee Airport. Mr Galloway confirmed it would open in summer 2018.

Finally, Ms Bruton summarised Dundee Airport's monthly accounts advising that the airport was ahead of budget due mainly to the additional income from the AMS route whilst it was in operation.

Mr Galloway left the meeting.

### **Item 5 – Budget 2017/18**

Ms Bruton confirmed that HIAL's revenue budget for the year ahead was £19.6m and capital was £7m. She confirmed that a £500k overspend was forecast but that this was manageable. This however would be dependent on winter conditions for example the subsequent spend on de-icer. She confirmed that scenario planning was required for Transport Scotland to demonstrate the impact of such circumstances and what the consequences would be.

Ms Jack asked if spending had been prioritised in order to maximise revenue, particularly in relation to commercial capital spend. Ms Bruton confirmed that this had been analysed in detail and reported that at present, Sumburgh for example was reporting a projected increase on budget.

**(Redacted under FOISA Section 33 (1)b)**

ACTION: Ms Bruton advised that she was seeking budget approval from the Board and Transport Scotland today and for further iterations to be made owing to any comments from board members and April results at the next Board Meeting. The Board and Transport Scotland approved.

With regard to HIAL's grant letter from the Scottish Government, Ms Bruton confirmed that a formal response would be drafted in due course once she and Mr Lyon had formed a better understanding of HIAL's approach.

### **Item 6 – Commercial Report**

#### **KLM**

Mr Lyon confirmed that KLM would operate a twice daily schedule from Inverness to Amsterdam for the summer months, beginning in May. This was clearly a reflection of the airline's commitment to the Highlands. Mr Lyon stressed that a car parking solution for Inverness Airport was needed in order to support the additional passengers anticipated throughout the summer and beyond.

**(Redacted under FOISA Section 33 (1)b)**

### **Item 7 – ICT**

Mr Lyon confirmed that HIAL would begin the recruitment process for an internal Head of IT and would be seeking the support of an external agency in order to secure a high calibre individual. This individual would then help to shape the tender process for the outsourcing solution. The Board approved this. **(Redacted under FOISA Section 33 (1)b)**

### **Item 8 – Risk Management**

Mr MacRae advised the Board that he was arranging a risk management workshop for Board members and the senior management team. The workshop titled "Asking the right questions at the right time" would focus on the role of the Board and the senior team in effective airport operational risk oversight along with the legal implications of failing to manage risks. The workshop would be facilitated by Marsh Risk Consulting and supported by Clyde and Co Solicitors. Mr. MacRae was asked to circulate the risk management workshop statement of work.

### **Item 9 – Operational Support**

Mr MacRae outlined the stakeholder engagement and research that was underway on the Air Traffic Management Strategy. **(Redacted under FOISA Section 33 (1)b)**

Procurement was in progress to appoint a suitably qualified consultant to deliver a scoping study, the findings of which will be presented to the Board at the Sept 2017 Board Meeting.

**(Redacted under FOISA Section 33 (1)b)**

### **Item 10 – Airport Operations**

Mr Stuart updated the Board in the main areas of airport operations with particular attention to customer experience. The 'Happy or Not' machines are now in place at 8 airports.

ACTION: The Chair asked for a verbal overview of these findings for the next Board meeting in May.

### **Item 11 – AMSL**

The Board noted the paper.

### **Item 12 – Alternative Security measures (verbal update)**

Mr Lyon asked the board to note the position. **(Redacted under FOISA Section 33 (1)b)**

### **Item 13 – Environmental Undertaking SEPA**

Mr Lyon confirmed that HIAL's plan and future approach can be distilled into two areas, Compliance and Beyond Compliance. Mr Lyon is content that the new structure and processes are clear and that the teams have access to the appropriate resources needed to manage the compliance element.

In order to go beyond compliance and realise HIAL's ambition to develop into a beacon of best practice in environmental matters, Mr Lyon's intention is to employ the necessary resource either directly or via the UHI. HIAL will then develop various programmes to ensure that good environmental practice is woven through each and every element of airfield operations. Mr Lyon asked if the Board was content with the general direction of travel.

The Board asked for regular updates.

### **Item 14 – Strategic Review**

The Board agreed that this would be discussed at the Strategy Day arranged for 28<sup>th</sup> March 2017 at the Doubletree by Hilton at Edinburgh Airport.

### **Item 15 – State Aid Compliant**

Mr Lyon outlined a letter from the Scottish Government regarding loan terms for works required at Inverness airport. Mr Lyon indicated that further discussions were needed with Transport Scotland to finalise this agreement. He asked the Board to approve the principal of loan funding and the proposed terms contained in the letter

**Item 16 – Loganair Charges**

The Board noted the position

**Item 17 – HIAL Operations Plan**

Mr Lyon asked for Board approval of the Operations plan which would replace the HIAL current Corporate plan. Mr Nicholls agreed to send Mr Lyon a copy of the Scottish canals Strategic Paper.

**Item 19 – HIAL Pensions Scheme**

The Board members were given a handout from Barnett Waddingham to support their presentation on the actuarial valuation for 2016.

**Item 20 - Any Other Business**

Ms Jack briefed the Board on the work of the audit committee earlier that day. They had received updates from the executive team on the HIAL's internal compliance audits; they had considered the outputs from the much improved risk management process including the CROG and were now satisfied that the right level of risks were being escalated to the Audit Committee; they had discussed the 2017/18 internal audit plan with Mazars and approved it with minor tweaking; they had conducted their annual review of the "Matters reserved to Board" statement and had made minor amendments to it, which will come before the next Board meeting. The Audit Committee will return to it again in August to take on board the Scottish Government's new framework. They also approved the write-off of assets from the asset register with a net book value of £10k. They noted no detected incidence of fraud nor changes to the Scottish Public Finance Manual since they last met.

ACTION: Going forward the Committee asked for a standing item slot on the Agenda at each Board meeting where Ms Jack would provide a similar verbal update on the Committee's work. They would also ensure that their minutes were made available to all Board members once approved. The Committee had put on record their thanks to Kirsteen Adams for her many years of admin support to the Audit Committee.

**Date of Next Meeting**

The next Board meeting will be held on 9<sup>th</sup> May 2017 at The Ayre Hotel in Kirkwall (Orkney).

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