

**MINUTES OF THE 224TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)
BOARD HELD AT THE MALMAISON HOTEL, EDINBURGH
ON 19TH JANUARY 2016 AT 1.00PM**

Present	Mr Grenville Johnston Mr Inglis Lyon Ms Gillian Bruton Ms Lorna Jack Mr Jim McLaughlin Mr David Savile Mr Tim Whittome	Chairman Managing Director Finance Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance	Mr Mark Stuart Mr Robin Macrae Mr Gary Cox Mrs Kirsteen Adams	Director of Operations Head of Operations Transport Scotland Minutes

Item 1 – Apologies

There were no apologies.

Item 2 – Minutes of the Previous Meeting

2.1 Subject to some minor amendments, the minutes of the meeting held on 15th December 2015 were accepted as a true reflection of the meeting.

2.2 The redacted minutes of the meeting held on 15th December 2015 were approved subject to the same amendments and the complete redaction of 4.1 VCCS.

Item 3 – Matters Arising from the Minutes

PSO Marketing

Mr Savile asked for an update regarding Loganair’s contribution towards a marketing campaign for the new PSO service. Mr Cox confirmed that the airline had carried out minimal advertising for the route thus far but that Transport Scotland would be discussing the matter with them and asking for a greater level of contribution going forward.

Establishment Figures

Ms Jack referred to the establishment figures included within the board papers and asked why the figures showed the Company running over establishment on a regular basis. Mr Stuart advised that this was likely due to resilience planning within the business.

Item 4 – Corporate

4.1 Risk Management

VCCS

(Redacted under FOISA Section 33 (1)b)

Audit Committee Oversight

Ms Jack advised that the HIAL Audit Committee had met earlier that day and agreed that the Committee should be overseeing the risk management process and that this should be set apart from board attendance at the Corporate ROG meetings. Mr Whittome agreed with this approach adding that historically, audit committees looked at financial risk however this was now progressing towards a broader scope.

The Board noted the position.

4.2 Safety Management

Safety Incident Investigation Review Board

Mr Stuart referenced the ongoing work being carried out to improve the safety environment of the Company but that it was becoming increasingly difficult to achieve year on year improvements within the safety environment. Mr Whittome asked whether it was possible the Company had achieved a position of "As low as reasonably practicable" (ALARP) in terms of safety management.

Mr Macrae then made reference to the recent safety culture workshop which had been held at head office, primarily for board members but also with senior managers in attendance. He advised that feedback from the workshop had been very positive and that the message was good and clear however this message was not always communicated further down the organisation. He believed there was still a culture within HIAL of not admitting fault due to fear of repercussions. There was discussion around the "culture" of an organisation vs "processes and attitudes" and although difficult to change or influence human nature, it was possible to change the environment in which people work. The Board agreed that a top down and bottom up approach was required in order to properly embed the safety message throughout the organisation. It was also agreed that an external benchmark would be extremely useful and Mr Macrae advised that Eurocontrol, the European organisation for the safety of air navigation, would be willing to host a survey on behalf of HIAL. Mr Lyon believed external involvement was relevant however stressed that the pitch of such involvement and its context within the wider scope was important. Finally, Mr McLaughlin suggested it was important that the results of any survey be acted upon and actions delivered.

The Board noted the position.

4.3 Operational Report

ATS Update

Mr Stuart confirmed that the Wick SATCO who had been scheduled to transfer to Inverness for the Radar ATCO position had chosen to remain in Wick. The Inverness position would now be filled by a Wick ATCO.

Inverness Terminal Building Extension Project

Mr Stuart advised that through the Scottish Government framework, Kier Scotland had been appointed as contractors for the Inverness terminal expansion project and would be project managed by Pick Everard. The project would be completed by May 2016 in time for commencement of the BA service to London Heathrow. It was agreed that there would be a spotlight session on the project at the next Board meeting on 8th March.

Wick Runway Project

(Redacted under FOISA Section 33 (1)b)

NATS Workshop

Mr Stuart confirmed that a paper would be brought forward which outlined the proposal for remote towers as a collaboration between HIAL and NATS.

(Redacted under FOISA Section 33 (1)b)

The Board noted the position.

4.4 Regulatory Report

The Board noted the position.

4.5 Environmental Management Systems

Mr Stuart advised that he had requested a report from ESave which would demonstrate whether HIAL was as energy efficient as it should be.

The Board noted the position.

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

The Board noted the position.

4.7 Infrastructure Services

Mr Lyon advised that the Infrastructure Services team had carried out further investigation into the work required to repair the taxiway at Stornoway Airport. A revised plan had been submitted with a proposed spend of £1.6m against a budget of £1.2m. The works would require airline approval as it would impact on how they operate in and out of the airport.

The Board noted the position.

4.8 Southern States

Tiree Station Manager

Mr Macrae confirmed that the current FISO Met Advisor at Tiree, John MacCaskill had been appointed to take over from the Tiree Station Manager, Alastair MacInnes when he retired in September. The recruitment process to replace John MacCaskill would begin in due course.

Scottish Fire and Rescue Service

Mr Macrae noted the Memorandum of Understanding (MOU) being prepared between HIAL and SFRS which sought to provide additional resilience for both parties. The MOU demonstrated an excellent example of collaborative working and would provide opportunities for cost efficiencies with sickness cover etc. The Chairman agreed that the agreement was long overdue and commended all involved for reaching this point. Mr Macrae commented that although HIAL had not yet engaged with its union representative, that the SFRS union had taken a positive view and once the MOU had been signed off, would be shared with the Board for information. Mr Savile commented on the community aspect suggesting that collaborative working in this context served to strengthen communities and create better understanding of how businesses operate alongside one another.

Finally, Mr Macrae confirmed that the agreement was on a voluntary basis for all employees involved.

The Board noted the position.

Item 5 – Business

5.1 Commercial Report

The Board noted the position.

5.2 Loganair Update

The Board discussed the operational and reputational issues which continued to plague Loganair. Mr Lyon noted that the year ahead would pose significant financial demands on the airline with numerous compensation claims, recruitment and training of replacement engineers and pilots in addition to maintaining a failing fleet of aircraft. Mr Savile noted that despite these issues, Loganair operated within a monopolistic environment and therefore came under less pressure to improve. Mr Cox pointed out that there was perhaps a misconception by passengers that all HIAL routes were subsidised and Loganair therefore had an obligation to provide these routes when in fact, being a commercial operation, Loganair's obligation was to its shareholders. He confirmed that he would be meeting with Peter Simpson, the Loganair Director to discuss a long term plan for the airline.

The Board noted the position.

Post meeting note: Stewart Adams, Loganair's Chief Executive announced he would be stepping down in April 2016.

5.3 Inverness Airport Business Park

IABP Chair

Mr Lyon confirmed that interviews for the Chair position would be held later that week.

The Board noted the position.

Item 6 – Finance and Legal

6.1 Monthly Accounts

2015/16 Forecast

Ms Bruton confirmed that a recent year-end forecast showed a £400k overspend however this was being closely monitored and further work had shown a slightly higher forecast. She was liaising with Transport Scotland with regard to items which could be absorbed and continuing to monitor the spend on winter operations which would impact significantly on the year-end result.

(Redacted under FOISA Section 33 (1)b)

Capital

Ms Bruton confirmed a forecasted overspend of £500k. She suggested that more work was required to understand the financial implications of the Inverness terminal building upgrade. Ms Jack queried whether it would be contractually feasible to delay payment for certain projects which had not yet started or for items which had not yet been received. Ms Bruton confirmed that this was possible, giving examples of the Tornagrain project and outstanding fire appliances.

The Board noted that position.

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

6.3 Procurement Report

The Board discussed the procurement report and agreed the importance of being able to extract the key issues. Mr Lyon confirmed that Sarah Shelley, HIAL's Procurement Manager was due to meet with her opposite number at CMAL as part of her training and development towards forming a better understanding of the requirements.

6.4 Sumburgh & SIC Update

The Board noted the position.

6.5 Records Management Plan

Ms Bruton advised that as a company, HIAL was duty bound to complete a Records Management Plan which would be submitted to National Records Scotland. Ms Bruton also noted that the face of data protection was changing and this was impacting on how HIAL managed its data going forward.

The Board approved the Records Management Plan for submission to National Records Scotland.

6.6 Flybe Update

The Board noted the position which had also been discussed under item 6.1.

6.7 Spending Review

Mr Lyon commented on the recent proposals made by HIAL's Senior Management Team to the Scottish Government which sought to generate revenue streams and reduce expenditure for the business. These measures were in response to the budget cuts announced for 2016/17. **(Redacted under FOISA Section 33 (1)b)**

The Board noted the position.

Item 7 – Human Resources

7.1 HIAL Pension Scheme

The Board noted the position.

Item 8 – AOB

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

8.2 HIAL/DAL/AMSL

Ms Bruton advised that she would be submitting a paper which looked at the options for combining the three companies as one legal entity. The overall aim of this project would be to make cost efficiencies for the business.

Item 9 Dates of Next Meeting

The next Board meeting will be held on Tuesday 8th March 2016 at Head Office, Inverness.

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