

REDACTED VERSION

**MINUTES OF THE 225<sup>TH</sup> MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)  
BOARD HELD AT HEAD OFFICE, INVERNESS  
ON 8<sup>TH</sup> MARCH 2016 AT 10.00AM**

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

**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 19<sup>th</sup> January 2016 were accepted as a true reflection of the meeting.

2.2 The redacted minutes of the meeting held on 19<sup>th</sup> January 2016 were approved subject to the same amendments.

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

There were no matters arising from the previous minutes.

**Item 4 – Corporate**

**4.1 Risk Management**

Minute Redacted

**VCCS**

Mr Stuart advised that HIAL was now reaching a point (1 year behind the original timescales) where the systems were now being installed as they should have been. The final meeting with Rhoden Schwartz would take place shortly where the various operational and contractual issues would be discussed. Mr Whittome asked whether the significant delays and problems within the procurement process had had any impact on the HIAL’s reputation. Mr Macrae advised that Rhoden Schwartz was a large European company with a good reputation and that the correct procurement procedures had been followed. The main issue was linked to the integration of digital with analogue systems and Rhoden Schwartz had not managed this well.

**Difficult Environs**

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

**SEPA**

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With reference to the recent enforcement notice received by SEPA, Mr Stuart noted that a knowledge gap had been identified within HIAL's systems and how they integrated within HIAL's operating environments. (Redacted under FOISA Section 33 (1)b) HIAL's Infrastructure Services Manager was currently gathering all the information required and a better working relationship with SEPA was being developed. Ms Jack asked whether HIAL was facing a fine as result of the enforcement notice and Mr Stuart advised that the matter lay with SEPA who were still formulating a response.

#### Unmanned Aerial Vehicle (UAVs)

Mr Whittome asked if the company was keeping an active watch on developments within the UAV market as it was particularly fast moving and had the potential to cause a number of issues. Mr Stuart confirmed this was monitored and reviewed regularly by ATS.

### **4.2 Safety Management**

The Board noted the position.

### **4.3 Operational Report**

#### Dounreay

Mr McLaughlin asked whether there had been any PR related enquiries with regard to the movement of material out of Dounreay. Mr Stuart confirmed that any queries were redirected to DSRL at their request but that they had also provided a list of suggested responses if necessary. He also confirmed that the local MP had been fairly vocal about the project.

#### NATS – Remote Towers

(Redacted under FOISA Section 33 (1)b)

The Board noted the position.

### **4.4 Regulatory Report**

#### Inverness ACP

Mr Whittome confirmed that another meeting would be held with the GA community on 31<sup>st</sup> March which he would be attending. He noted that progress had been slow but that this should be the final meeting before the addendum consultation went ahead.

#### GNSS

Mr Stuart advised that the published dates had changed but that all stages were going ahead.

### **4.5 Environmental Management Systems**

Mr Stuart advised that he had received the sustainability roadmap from eSave which had highlighted a number of targets and costs associated with these targets. He confirmed that there was no budget to proceed with any of the recommendations at this stage however a number of projects were ready to put in place if funding became available.

The Board noted the position.

### **4.6 Alternative Security Measures**

The Board noted the position.

### **4.7 Infrastructure Services**

The Board noted the position.

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#### **4.8 Southern States**

##### Scottish Fire and Rescue Service

The Board approved the sign off of the Memorandum of Understanding (MOU) which had been prepared between HIAL and SFRS seeking to provide additional resilience for both parties.

The Board noted the position.

#### **Item 5 – Business**

##### **5.1 Commercial Report**

###### Dundee – Amsterdam

The Chairman noted that an agreement with Dundee City Council had been reached and that the service would commence at the end of May 2016. Mr Nicholls congratulated Mr Lyon and his team for their efforts and agreed to ask the Transport Minister to attend the launch event. There was some discussion regarding the sustainability of the route given the relatively low fares currently being offered. Mr Lyon suggested that Flybe would be in a better position to evaluate the success of the route by Autumn. Mr Savile said that it was important to understand who would be using the Amsterdam route, business vs leisure customers.

###### Loganair

Mr Lyon confirmed that the aircraft refurbishment programme had begun however the airline continued to experience a number of delays and cancellations on its services.

###### New Routes – Inverness

Mr Lyon confirmed that both the BA LHR and KLM AMS routes were scheduled to begin in May and that both airlines were content with forward bookings to date.

The Board noted the position.

##### **5.2 Inverness Airport Business Park**

Mr Lyon confirmed that James Campbell had been appointed as IABP Chair and he was confident Mr Campbell would provide a positive steer for the Board.

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

The proposed rail halt would be operational by 2018 accompanied by 150 car parking spaces. The question of who would pay for the operation of a shuttle bus between the airport and the rail halt was still to be answered.

The Board noted the position.

#### **Item 6 – Finance and Legal**

##### **6.1 Monthly Accounts**

Ms Bruton advised that the current overspend against budget was circa £300k however expenditure throughout February had increased due to de-icer costs and therefore the year end position was forecasted at an overspend of circa £400k. The accounts team would be carrying out a detailed finance review with the airport managers however she did not expect this figure to change. Ms Bruton confirmed that she was in constant contact with Transport Scotland to keep them informed.

Ms Jack asked what the implications would be of a negative balance sheet at year end. Ms Bruton advised that HIAL's cash reserves and additional accruals would be managed closely but that taking into account the HIAL pension scheme, the company already had a negative balance sheet.

Mr Nicholls reminded the Board that the Scottish Parliament would be dissolved as of 24<sup>th</sup> March and there would be restrictions on what could be announced during purdah.

The Board noted the position.

Mr Nicholls then left the meeting.

### **6.2 Projects Update**

The Board noted that position.

### **6.3 Procurement Report**

The Board noted the position.

### **6.4 Spending Review**

In light of the 2016/17 budget cut, the Chairman asked whether any of the proposed cost saving measures or indeed lack of available funding would have any safety implications for the operation. Mr Lyon replied that there would not be any immediate issues however it was not a good position to be in and the reality was that various projects would now need to happen on an ad hoc basis. Additionally, the budget for de-icer was unrealistically low and if 2016/17 was a bad winter this would result in a considerable overspend. Mr Lyon advised that the training budget had been reduced by some £350k and although this didn't have any short term safety implications, the situation would change into the medium and longer term. However, Mr Lyon confirmed that the measures being highlighted were for this year only and were unsustainable in the medium and long term.

The Board discussed the need to communicate HIAL's position to the Minister and that the measures being put in place were not sustainable in the long term. The Board agreed that it should write to the Minister ahead of purdah and set out its concerns in accepting the terms and conditions of a budget which placed the company in a difficult and unsustainable position.

### **6.5 HIAL Group Structure**

The Chairman asked Ms Bruton to outline what the potential benefits of amalgamating HIAL, DAL and AMSL would be. Ms Bruton spoke of the cost savings which could be achieved by consolidating the accounts, the board papers and the administration of the three companies.

There was a query with regard to the pension scheme and Ms Bruton confirmed that this would require more work. Mr Lyon suggested establishing a definitive position on the pension scheme before pulling together a paper which would be shared with Dundee City Council. Ms Jack added that the paper should demonstrate the total cash savings along with the management time involved in the process.

The Board agreed to progress with the amalgamation of AMSL with HIAL whilst working on more detail for DAL.

### **6.6 Flybe Update**

The Board noted the position.

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### **6.7 Sumburgh and SIC Update**

(Redacted under FOISA Section 33 (1)b)

### **6.8 Property Income**

Ms Bruton stated that the paper showed greater control over HIAL's property income process and demonstrated where HIAL wanted to be going forward. She confirmed that property income element would be built into the budget for the year ahead.

The Board noted the position.

### **6.9 Delegated Authority**

The Board noted the position.

### **6.10 Budget Update**

As per the discussion in 6.4 Spending Review, the Board noted the difficulty in approving a budget which put the company in a position of a forecasted loss for the year ahead and agreed that this needed to be communicated in a letter to the Minister as soon as possible.

Ms Jack pointed out that the lack of funding would impact on company standards over a period of time, e.g. no training, no runway painting etc.

The Board noted the budget whilst noting its concern with regard to the future sustainability of the position.

### **6.11 Car Park Charges**

(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.

### **7.2 Investors in People**

The Board noted the position.

## **Item 8 – AOB**

(Redacted under FOISA Section 33 (1)b)

### **8.2 Board Paper Distribution**

The Board asked that papers be distributed ahead of each meeting with sufficient time to allow board members to thoroughly read through the papers.

## **Item 9 Date of Next Meeting**

The next Board meeting will be held on Tuesday 26<sup>th</sup> April 2016 at The Ugadale Hotel, Campbeltown.

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