

**MINUTES OF THE 227TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)
BOARD HELD AT HEAD OFFICE, INVERNESS
ON 29TH JUNE 2016 AT 2.20PM**

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 John Nicholls Mr Gary Cox Mr Mark Stuart Mrs Kirsteen Adams	Transport Scotland Transport Scotland Director of Operations Minutes

Item 1 – Apologies

Apologies were received from Mr Robin Macrae.

Item 2 – Minutes of the Previous Meeting

2.1 Subject to a minor amendment, the minutes of the meeting held on 26th April 2016 were accepted as a true reflection of the meeting.

2.2 The redacted minutes of the meeting held on 26th April 2016 were approved.

Updates

The Chairman provided a number of updates ahead of the main meeting agenda and those which were not covered within the main minute are noted below.

HIAL Chair

The Chairman confirmed that Dr Mike Cantlay had been appointed as his successor and would be joining the Board for his first meeting as Chair on 30th August.

Scottish Transport Awards

Both Inverness and Barra Airports had been shortlisted for an award at the above event which the Chairman and Mr Lyon had attended along with the airport managers. Although neither airport won an award, Barra Airport had been highly commended. Both airports would be submitting entries for the following year.

Third Annual Transport Conference

The Chairman advised he had attended this event which he found very interesting and would be circulating notes on Uber.

Inverness Chamber of Commerce

The Chairman confirmed that Mr Lyon had recently given a talk at a Chamber lunch event. Mr Lyon's feedback from the event was that Inverness Airport was appreciated by the local community and seen as a vital part of the economy.

Holyrood Parliamentary Reception

The recent reception held at Holyrood to mark the launch of the London Heathrow service from Inverness had gone well and the Chairman made specific mention of Maree Todd MSP who had hosted the event.

Item 3 – Matters Arising from the Minutes

There were no matters arising from the minutes.

Item 4 – Corporate

4.1 Risk Management

Difficult Environs

Mr Stuart confirmed that the Company was asking for the Board to approve an engagement process which would consult with local stakeholders and establish whether or not to continue with the provision of an emergency response service outwith the airport boundary.

(Redacted under FOISA Section 33 (1)b)

Data Security and Record Management Plan

Mr Stuart made reference to the work being carried out by Liz Taylor into data security and management commenting that she was having a good deal of success however noting that HIAL held a significant amount of data and part of Ms Taylor's remit was to ensure that the Company was compliant with the Data Protection Act and other relevant legislation.

The Board noted the position.

4.2 Safety Management

(Redacted under FOISA Section 33 (1)b)

He also commented that there was a significant amount of information to process within board papers which needed to be cross-referenced in order to identify any anomalies or areas which required greater attention. The Board discussed the idea of having a KPI matrix for the airports which would provide a clearer picture of what was happening across the patch. It was also suggested that a spotlight session looking into how data was used would be of benefit.

The Board noted the position.

4.3 Operational Report

The Board noted the position.

4.4 Regulatory Report

The Board noted the position.

4.5 Environmental Management Systems

(Redacted under FOISA Section 33 (1)b)

(Redacted under FOISA Section 33 (1)b)

Mr Stuart confirmed that a Scottish Water pipe had been discovered close to the airport which could be used as a discharge pipe and Mr Lyon added that the intention would be to redirect the pipe to the new Ardesier facility which would then be treated by Scottish Water.

The Board noted the position.

4.6 Alternative Security Measures

Mr Nicholls noted plans to reduce staffing numbers as part of the introduction of ASMs and Mr Lyon confirmed that HIAL had submitted a case for voluntary redundancy to the Scottish Government. Mr Nicholls advised that the Minister would be visiting the islands over the coming months and suggested that the Chair write to him to make him aware of the plans.

The Board noted the position.

4.7 Infrastructure Services

Mr Cox noted the proposed terminal expansion and refurbishment work at Barra Airport asking whether spending would be above the £250k threshold. Mr Lyon confirmed that it would and that a letter from HIAL would be submitted seeking government approval.

The Board noted the position.

4.8 Southern States

Proportionality Projects - staffing

Ms Jack made reference to the staffing implications involved in the proportionality projects and asked whether staff were aware.

(Redacted under FOISA Section 33 (1)b)

Benbecula ATS Provision

Mr Stuart confirmed that a further paper would be submitted which would detail all of the changes being proposed. The Board approved the Benbecula proportionality project.

The Board noted the position.

4.9 Fire Appliance Project

Ms Jack asked whether the Board should be approving rather than noting the paper. Mr Lyon confirmed this was correct. The Board approved the proposal to enter into negotiation with Itturi and arrive at a suitable arrangement where the last four appliances committed to under the contractual agreement are replaced with the smaller alternatives.

4.10 HIAL IT

Mr Lyon confirmed that following receipt of the reports from Fujitsu, the contractor had now been commissioned to implement the recommendations as soon as possible, noting that this was a short term fix and the longer term solution was to put the IT service out to tender. Mr McLaughlin stressed that it was important HIAL appoint an internal role with significant technical capabilities to manage the external consultants in order to avoid any unnecessary costs.

Mr Nicholls asked for confirmation that the IT issues uncovered were specific to HIAL's internal IT system and did not impact on Air Traffic Services. Mr Lyon explained that the failings **(Redacted under FOISA Section 33 (1)b)** began at a fundamental level. A scoping exercise would be carried out over the next few weeks to establish what was required and this would provide a better steer on the position along with the necessary costs involved in implementing a remedial plan. Mr Lyon confirmed that this would be a 3 year project with a likely increase in costs initially to allow the Company

to get to where it needed to be. He also added that HIAL's IT spend currently stood at 1% of turnover when the industry standard was 3% - 5%.

The Board noted the position.

Item 5 – Business

5.1 Commercial Report

Sumburgh Offshore Aviation Contracts

Mr Lyon confirmed that a revised offer had been submitted to Shell with a view to securing the oil company's business through Sumburgh Airport for the next 5 years. **(Redacted under FOISA Section 33 (1)b)**

London Heathrow

Inverness was working closely with the London airport and continuing to build a relationship with BA.

Loganair

Mr Lyon confirmed he would be meeting with the airline's new Chief Executive, Jonathan Hinkles on 7th July.

The Board noted the position.

5.2 Inverness Airport Business Park

IABP's new Chair, James Campbell would be attending the HIAL board dinner that evening.

The Board noted the position.

5.3 APD Consultation

Mr Lyon confirmed that there was currently no APD levied on flights from the Highlands and Islands. The results of the APD consultation would be published towards the end of the year but Mr Lyon suggested that if there was to be a proposed implementation by April 2018, significant notice would be required.

The Board noted the position.

5.4 Single Engined Turbine Operation

The Board discussed the potential operators of a single engined turbine operation and agreed it would be worthwhile investigating further. Ms Jack asked whether the proposal would be of any detriment to existing service providers and Mr Lyon confirmed that it would complement what was already there. He noted that the buy-in from local communities would be vital.

(Redacted under FOISA Section 33 (1)b)

He commented that there needed to be a degree of caution with regard to who was appointed to manage the operation.

The Board noted the position.

Item 6 – Finance and Legal

6.1 Monthly Accounts

Forecast

Ms Bruton noted circa £96k of costs, the majority of which related to holiday pay which was being discussed with the unions in an attempt to resolve. She commented that the amount for de-icer had been budgeted too low and she advised that she was in discussion with Transport Scotland to highlight these pressure points and seek resolution.

Capital

Ms Bruton noted the additional costs relating to SEPA and also the car parking projects at Sumburgh, Kirkwall and Stornoway.

Ms Bruton commented that all managers were acutely aware of the financial position and the Company was endeavouring to keep spending levels as low as possible.

The Board noted the position.

6.2 Procurement Report

The Board offered congratulations to Sarah Shelley on the result of the Scottish Government PCIP assessment which placed HIAL in the top band in relation to conformance/performance. The Board also noted the excellent standard of board papers submitted by Ms Shelley and offered support/guidance in producing a procurement strategy, if required.

(Redacted under FOISA Section 33 (1)b)

6.5 Sumburgh Airport and SIC Report

The Board noted the position.

Item 7 – Human Resources

7.1 HIAL Pension Scheme

The Board noted the position.

Item 8 – AOB

8.1 Audit Committee Debrief

Ms Jack provided a brief summary of discussions from the audit committee meeting which had been held earlier that day. She advised that the Committee had provided given positive feedback to the HIAL team regarding the audit results and would be monitoring the situation at Stornoway airport where there were a number of ongoing personnel issues. She advised that the Matters Reserved for Decision by the Board had been approved by the Audit Committee and would be submitted to the Board in due course.

8.2 ACI – Inverness

Mr Stuart advised that Inverness Airport was part of the ACI Airport Service Quality (ASQ) surveys. The survey is for Q3 and will be completed by Sep 14 with results expected on Oct 17. He advised that the airport would then look to become part of the ongoing Regional Airports ASQ programme.

8.3 HIAL Chair

On behalf of the Board, Mr Lyon offered his sincere thanks to Mr Johnston for his time as HIAL Chair and his involvement with the HIAL Board between 2001 and 2016. Personally, he was very grateful to

Mr Johnston for his continued support and enthusiasm and his dedication to all HIAL staff throughout his time as Chair. He wished him well in his next venture and Mr Nicholls offered his thanks and best wishes on behalf of Transport Scotland also. Mr Johnston thanked Mr Lyon for his comments.

9. Date of Next Meeting

The next Board meeting will be held on Tuesday 30th August 2016 at Head Office, Inverness.

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