

MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD ("HIAL") BOARD HELD AT HIAL HEAD OFFICE, INVERNESS 6TH FEBRUARY 2018 AT 10:00

Present	Ms Lorna Jack Mr Inglis Lyon Ms Gillian Bruton Mr Jim McLaughlin Mr Tim Whittome Mr David Savile	Chair Managing Director Finance Director Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance	Gary Cox Mr Mark Stuart Mr Robin MacRae Mrs Shelly Donaldson	Transport Scotland Director of Airport Operations Director of Operational Support PA HIAL (Minutes)
Via phone	Mr David Martin	Dundee City Council

Apologies

There were no apologies

Item 1 – Minutes of the Board 19.12.17

(Redacted under FOISA Section 33 (1)b)

Mr Cox reminded HIAL that the board minutes are required to be on the website within two weeks of a board meeting. It was noted that a new process of having the board approve the minutes by email rather than at the next board meeting be adopted and Ms Donaldson to upload same once approved.

Action: To circulate the minutes of each board meeting via email to the board, within 2 weeks of a meeting for approval and publish same on the HIAL website.

The board agreed that the minutes were a true reflection of the meeting and were approved.

(Redacted under FOISA Section 33 (1)b)

Item 2 – Actions from Board 19.12.17

Ms Jack informed that the actions would be picked up within the agenda.

Item 3 – Minutes of Board Call 08.01.18

The board agreed that the minutes of the 08.01.18 call were a true reflection of the call and were approved.

Matters Arising

There were no matters arising.

Chair's Report

Ms Jack updated that she and Mr Lyon had met with MPs in London and MSPs in Edinburgh in regards to the ATM decision in principal taken on the 8th of January. Calls with the local authorities have taken place, briefing the CEO's and leaders on this decision and senior management has had some discussion with the unions.

Local Authority visits are to be arranged to follow up on this with Ms Jack and Mr Lyon both in attendance. It was noted that the main feeling was a concern for jobs.

Ms Jack informed that she and Mr Lyon would attend the Convention of the Highlands and Islands (CoHI) on the 12th of March and that there would be a slot on ATM and a short presentation given by them to the convention.

Ms Jack informed the board that she, Mr Lyon and Ms Bruton met with Transport Scotland colleagues last week to discuss the budget. This was a positive meeting with a result that the de-icing costs will be met in part for this year. Ms Jack also referenced a letter that HIAL received from the Minister that came with the framework.

Ms Jack and Mr Lyon had a call with Flybe CEO Christine Ourmieres-Widener.

Ms Jack had a positive meeting with the CEO of Glasgow Airport, and there may be an opportunity for collaboration. The CEO has since left post and a meeting is to be arranged between appropriate members of the HIAL senior team, the Operations Director and the Commercial Director of Glasgow airport.

Ms Jack has been in discussions with the Scottish Government regarding Board skills and the Chair appointment. Mr Cox clarified that the new chair appointment will be advertised at the end of February beginning of March 2018, recruitment process in April and May and appointment no earlier than June 2018.

(Redacted under FOISA Section 33 (1)b)

The Board noted and approved the updates.

Managing Director's Report

Mr Lyon noted that Ms Jack had covered everything, that they had worked closely over the previous month and that the ATM work had dominated much their time.

The Board noted and approved the updates.

Items for Board Approval

Item 4 – HIAL Airports Car Parking Charges

(Redacted under FOISA Section 33 (1)b)

Item 5 - Strategy Update

Mr Lyon explained the strategy launch timetable and informed the Board that a strategy workshop will be held on the 14th of February with the SMT.

(Redacted under FOISA Section 33 (1)b)

Board Decision: The Board approved the strategy launch timetable and will await the final version.

Items for Board Discussion

(Redacted under FOISA Section 33 (1)b)

Item 8 – ATM / Remote Tower Project

Remote Tower Location

Mr Lyon updated that he had been liaising with HIE to develop a criteria and for them to perform an economic study reviewing the 11 existing HIAL sites. Mr Lyon stressed that it has to be a location where HIAL can attract staff, that a number of factors will need to be reviewed and that a decision on the location of the facility would be based on information and recommendations from the external team.

Mr Lyon and Ms Jack clarified that the remote tower location is anticipated to be within HIAL's existing locations as this was the decision in principal, taken by the board and communicated on January 8th.

Board Decision: The board approved the proposal to take a decision on the location of the

remote tower facility at the July board meeting and for a second round of discussions to be arranged with stakeholders.

Action: Mr Lyon to prepare a paper ready for the July board on the remote tower facility location.

ATM Finances

Mr Lyon updated that he and Ms Bruton are meeting with Helios to discuss their cost assumptions on Thursday and from there, will then be in a position to present a cash flow to the government.

Mr Lyon asked Mr Cox the best way to take this forward; Mr Cox suggested a standard business case and for Ms Jack and Mr Lyon to discuss the process with the Minister at their next quarterly catch up at the end of March.

(Redacted under FOISA Section 33 (1)b)

Communications

Mr MacRae highlighted that the senior Team would continue to liaise with and learn from the Scandinavians with regards to how they have managed HR / IR risks associated with their remote tower projects

(Redacted under FOISA Section 33 (1)b)

Action: There will be a supplier day and the board wish to attend this, date to be arranged.

(Redacted under FOISA Section 33 (1)b)

Items for Note by the Board

Finance

Item 12 – HIAL Accounts Summary

Ms Bruton noted that we are now in the final two months of the financial year 2017/18, she noted a slight improvement in terms of the forecast. Mr Cox confirmed that HIAL will receive a total funding of £440k for de-icer. Ms Bruton noted that the next 8 weeks are important and the aim to land in line with the accounts can be a challenge. She stressed that things are constantly changing and made reference to the Flybe announcement, noting that the accounts will require adjustment to reflect the loss of income.

(Redacted under FOISA Section 33 (1)b)

Ms Jack informed that HIAL was offered extra money for this year from Transport Scotland for the pension scheme and asked how this would be deployed. Ms Bruton confirmed that she will need check this with Barnett Waddingham but hoped it would be just the matter of writing a cheque, which will go some way to mitigating the repair plan. Ms Bruton confirmed that this has no revenue impact for the current year.

Ms Bruton asked for approval from the Board and Transport Scotland for capital projects over £250k within the capital plan, specifically car parking and the x-ray machine at Inverness.

These were approved by the Board and Transport Scotland.

Ms Bruton outlined the work to be done over the next 8 weeks, a very busy time for the financial team; looking at the capital items for 18/19 to be with Transport Scotland by the end of March, budgets, scenarios planning for additional saving items, modelling the financial costs of the pay remit which is due April 1st and the financial costs of pensions.

(Redacted under FOISA Section 33 (1)b)

The Board decided to work through the ramifications of the budget in detail and return to it at the Board meeting in Islay.

(Redacted under FOISA Section 33 (1)b)

The Board noted and approved the updates.

Action: Ms Bruton to have a list of capital items for the next financial year (18/19) by end of March, for approval by Transport Scotland.

Action: Modelling the financial costs of the pay remit, due April 1 st

Action: Modelling the financial costs of pensions

(Redacted under FOISA Section 33 (1)b)

Item 13 – AMSL Monthly Accounts

There was no update here. Ms Jack queried whether there was full cost recovery of training carried out for third parties and Mr Lyon confirmed that this issue is being dealt with as part of the budget process and renewed charges have been distributed due to under recovery.

The Board noted and approved the updates.

Operations

Item 14 – Airport Operational Report

Islay

Mr Stuart updated the board that Islay is seeing many changes with new distilleries on the island and noted that this was good for the island but was taking staff away from Islay airport and with Loganair's summer schedule coming in, Islay is requiring additional resource and steps are underway to reinforce the team and maintain the integrity of the operation.

(Redacted under FOISA Section 33 (1)b)

Customer Experience

Mr Stuart outlined the results from the 'Feedback now' trial at Inverness, allowing us to identify days and times, which require additional resource. He noted that this trial will be extended by 6 weeks and would tie in with ASQ and allow us to target areas within ASQ, which is due to commence in April.

Operations

Mr Stuart informed the board that in relation to operations the main focus over the Christmas period was keeping airports open and clearing runways. He noted an issue where staff were brought in early to de-ice runways only for the flight to be cancelled later increasing costs to the airport.

Stornoway

Mr Stuart updated the Board that Stornoway remains a focus for support. The Aviation Security Compliance Manager from the CAA spoke to the managers at the January managers meeting. Mr Stuart noted that it was good for the airport managers to have him clarify expectations.

(Redacted under FOISA Section 33 (1)b)

Mr Savile asked whether the board could use the visits to Islay in March and Stornoway in May, to engage with local stakeholders. Mr Lyon suggested that time in Islay would be extremely tight, but that this would be possible in Stornoway. He suggested getting time with the local authority, people from the harbour to discuss the island and its economy.

The Board noted and approved the updates.

Action: Mr Lyon to attend the transport Forum in April.

(Redacted under FOISA Section 33 (1)b)

Action: To meet with local authorities and Stornoway harbour individuals, going out to see them to discuss the island and its economy, rather than a Board dinner in May.

Item 15 – AMSL & Security

Mr Stuart updated that the introduction of an airport TIP league has improved performance with all airports.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon noted that something that has come up from his Staff Forum visits around the patch was that security do not feel part of HIAL and noted that he was going to address this. Ms Bruton suggested that the new HR Director review pay and pensions in relation to security personnel in the first six months of the new financial year.

The Board noted and approved the updates.

Dundee Airport (Verbal Update) - David Martin via SKYPE

Mr Martin joined the meeting by phone at 12:35 p.m.

Item 9 - DAL call minutes & Actions

It was agreed that the minutes of the DAL section of the minutes on 19.12.18 call were a true reflection and were approved.

Item 10 – DAL Monthly Accounts

Ms Bruton informed that there was nothing to raise with Mr Martin in relation to the DAL accounts.

Ms Jack queried the issue raised within the paper of fuel sales and associated costs being down as a result of Loganair not uplifting fuel as regularly as expected. The issue being that it can be purchased cheaper at Stansted and Ms Jack asked if there was anything that could be done to correct this. Mr Lyon confirmed that it had been picked up during the budget process.

The Board noted and approved the updates.

(Redacted under FOISA Section 33 (1)b)

Item 11 - Dundee Airport

Mr Martin informed the board that he, Mr Lyon and Ms Jack will be meeting on the 13th of March to discuss a number of issues and that Mr Hinkles from Loganair would also take part in some of this meeting.

(Redacted under FOISA Section 33 (1)b)

Ms Jack informed Mr Martin that it was the board's intention to make a decision on the Remote Tower location, at the July board meeting and to be announced soon after following a comprehensive study and taking all factors and criteria into account.

Mr Lyon informed Mr Martin that he spoke with Lord Duncan regarding Leuchars and has been given a contact within the MOD. Mr Lyon will meet with the contact in due course and will report back to Mr Martin.

The Board noted and approved the updates.

(Redacted under FOISA Section 33 (1)b)

Mr Martin left the call at 12:45.

Item 16 – Operational Support

Environmental manager

Mr MacRae informed the board that the Environmental Manager was now in post and feedback from staff and the management team on the support that he was providing was good. He will be delivering a presentation to the senior management team which Mr Whittome will attend and then the same to the airport management team at their next meeting. Mr MacRae noted that the Environmental Manager and the Head of ICT were investigating software to manage environmental data and effectively monitor compliance and performance.

Inverness Airport water treatment

Mr MacRae informed that the final options report which would include cost analysis was due to be presented by the engineering consultants on the 16th February and that he would present the recommended course of action at the Islay Board. Mr MacRae noted that the relationship with SEPA remains good.

The Board noted and approved the updates.

Action: Mr MacRae to update the board on the water drainage issue at Inverness in Islay at the next meeting on the 26th of March.

Action: The Environmental Manager will be invited to attend the board meeting in Stornoway in May to provide an update and things he has noticed since starting.

HR

Item 17 – HPS Update

Mr Lyon informed the board that HIAL needs confirmation from Transport Scotland with regard to on-going support and the potential charge over Inverness terminal building as security to complete the repair plan. Roy Brannan was the accountable manager who had to sign this off.

The Board noted and approved the updates.

Item 18 - HIAL Pay Policy Remit Update

Ms Bruton informed that HIAL is in consultation on the 17/18 pay policy with the unions. Ms Jack inquired about HIAL's policy on equality and it was noted the new HR Director will review a few issues regarding pay equality, which will need to be published by the 31st of March 2018.

The Board noted and approved the updates.

Action: Ms Sillars to distribute a paper by email, to the board on Pay Equality and the gender pay gap, which will need to be published by the 31st of March 2018.

Item 19 – IiP Update

Mr Lyon outlined the paper and provided an update to the board on timescales for the staff survey; it was noted that this will be rolled out in August. Mr McLaughlin suggested that it would be good for this to happen after the release of the HIAL strategy.

The Board noted and approved the updates.

Commercial

Item 20 – Commercial Report

Mr Lyon notified the board that there is additional work happening with Eastern Airways in terms of an early morning flight into Stornoway from Aberdeen and that more flights between Wick and Aberdeen are to be introduced. He informed that work and discussions are ongoing with British Airways. With regards to the oil and gas industry, there was further discussion for a business development resource to prioritise this and build relationships.

(Redacted under FOISA Section 33 (1)b)

The Board noted and approved the updates.

(Redacted under FOISA Section 33 (1)b)

Audit Committee Update

Mr McLaughlan provided an update on the Audit Committee meeting, which took place earlier in the day. The new internal auditors, Wylie Bisset were introduced and gave a presentation to the Audit Committee on their audit plan. Mr Pringle from Wylie Bisset met with the senior management team the Friday prior to the Audit Committee meeting to seek input on the audit plan, it was noted he was still to meet with the head of ICT. Mr McLaughlan informed the board that there were additions to add to the audit plan in years 2 and 3.

Mr McLaughlan informed that the audit committee had approved the internal audit plan.

HIAL's previous external auditors Scott Moncrieff have been re-appointed and Ms Breslin attended the Audit Committee and presented the external audit plan, which was also approved by the committee. Mr McLaughlan noted that Ms Bruton would make sure that there are enough meetings to clear off the accounts.

An update to the HIAL internal audit report and risk management review was given. The Scottish public finance manual was reviewed at the last board meeting in December.

(Redacted under FOISA Section 33 (1)b)

Mr McLaughlan updated that the Fraud and Whistle blowing items will be merged into the one paper going forward.

The next Audit Committee meeting will be on the 8th of May in Stornoway.

Ms Bruton reminded the board that any settlement agreements must go through the Scottish government for prior approval.

The Board noted and approved the updates.

Any Other Business

Ms Bruton proposed a spotlight item at the board meeting in May on the active entrustment letter, for the board to go through this and address any questions.

Action: Active entrustment letter to be an agenda item the May board meeting.

Action: To review the Code of Conduct for the Board

Action: The minister to attend another board meeting in 2018, it was suggested that the September board meeting in Dundee be most suitable.

The board decided that next board meeting in Islay would commence on the 26th of March overnight to the 27th of March and the 27th would focus on budgets.

Date of Next Meeting – Mon 26th March in Islay @ 15:00 for Board and Tues 27th March in Islay, whole day on Budget.