

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD ("HIAL") BOARD HELD  
AT THE RADISSON BLU HOTEL, GLASGOW 19<sup>TH</sup> DECEMBER 2017 AT 09:00**

<b>Present</b>	<b>Ms Lorna Jack</b>	<b>Chair</b>
	<b>Mr Inglis Lyon</b>	<b>Managing Director</b>
	<b>Ms Gillian Bruton</b>	<b>Finance Director</b>
	<b>Mr Tim Whittome</b>	<b>Non-Executive Director</b>
	<b>Mr David Savile</b>	<b>Non-Executive Director</b>
<b>In Attendance</b>	<b>John Nicholls</b>	<b>Transport Scotland</b>
	<b>Gary Cox</b>	<b>Transport Scotland</b>
	<b>Mr Mark Stuart</b>	<b>Director of Airport Operations</b>
	<b>Mr Robin MacRae</b>	<b>Director of Operational Support</b>
	<b>Mrs Shelly Donaldson</b>	<b>PA HIAL (Minutes)</b>
	<b>Andrea Sillars</b>	<b>Director of HR</b>
	<b>Daren MacLeod</b>	<b>Head of ICT</b>
	<b>Lynda Johnston</b>	<b>Head of Business Development</b>
	<b>Nick Bennett</b>	<b>Audit Partner, Scott Moncrieff</b>
	<b>Alison Gibson</b>	<b>Audit Partner, Scott Moncrieff</b>
<b>Via phone</b>	<b>Mr Gregor Hamilton</b>	<b>Dundee City Council</b>

**Apologies**

Mr Jim McLaughlin, Non-Executive Director  
Mr David Martin, Dundee City Council

**SPFM Presentation and Q&A**

Mr Bennett and Ms Gibson joined the meeting at 09:00 to present an update to the Board on the Scottish Public Finance Manual (SPFM).

ACTION: Ms Bruton to check the Delegated Authority level; it is thought that anything above £250k required approval by Transport Scotland and prior, should be approved by the HIAL Board.

ACTION: Scott Moncrieff to evaluate the workings of the HIAL board as part of the Governance Best Practice.

Mr Bennett and Ms Gibson left the meeting at 10:00.

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

### **Introduction of New HR Director and Head of ICT**

Ms Sillars and Mr MacLeod joined the meeting at 10:00 and were formally introduced to the board. It was agreed for the Director of HR and the Head of ICT to provide quarterly updates at the board meetings.

### **HR**

#### **Item 5 – HR Update**

Mr Savile asked Ms Sillars if she had encountered any surprises, positive or negative, since joining the organisation as newly appointed Director of HR. Ms Sillars expressed a concern that HIAL does not have an electronic HR system, this must be updated and she considered this a priority.

She also suggested that HIAL implement a reward strategy and was concerned over the pay remit. The pay structure needs modernising along with recruitment.

Ms Jack asked how often Ms Sillars would like to raise issues/update the Board and what issues she would like to bring to the board's attention. Ms Sillars listed a number of items that she would like to bring to the board, involving turnover stats, holiday and sick leave management for the whole organisation and better integration of systems. Mr McLaughlin volunteered his services as a contact on the board.

#### *IIP People Plan*

Ms Sillars informed the board that HIAL has a 3 year window in which to comply with the IIP framework and will implement a rolling action plan over the next 3 years.

Part of this was that HIAL must undertake a staff survey, which consists of around 40 questions sent to all staff within HIAL. Ms Sillars confirmed that the survey provided by IIP is quite open ended and there would need to be engagement when the results are collected. She suggested using the IIP mandated survey and then performing our own, factoring these results into the 3 year plan. Ms Sillars also recommended that PDRs and a training schedule be scheduled at the same time each year for all staff.

Ms Sillars informed the Board that £10k has been secured through IIP for staff management training.

<b>ACTION: A survey to be rolled out to all HIAL Staff as part of the rolling action plan</b>
---

The Board noted and approved the updates (Item 5).

#### **Item 3 – HIAL Pay Remit**

Mr Lyon and Ms Sillars updated the board to date; negotiations with the unions (Unite, PCS and Prospect) are ongoing.

The weekend working allowance currently operates on a pay-as-you-go basis. The unions have put forward a request to consolidate this. This will be discussed at budget meetings.

The unions have also requested that the current incentive of receiving an extra holiday day which comes into effect after serving a period of 10 years with the organisation, be changed and to come into effect after serving 5 years. Ms Sillars explained that a phased approach is underway.

Mr Lyon confirmed that there is a lot of work to do on the communications surrounding the remit and that we should not forget that HIAL is an 'employer of choice'. Staff are well looked after and HIAL is competitive when it comes down to T & Cs. The Board will receive updates at each Board meeting.

**ACTION:** Discussion on consolidating weekend premiums into a roster system

The Board noted and approved the updates (Item 3).

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

## **ICT**

### **Item 6 – ICT Update**

Mr MacLeod has been in post as Head of ICT, for just over 1 month, over this period he noted that connectivity and performance has improved. Mr MacLeod outlined his priority as being cyber security and voiced concerns regarding information leaking out of the organisation. He proposed setting up encryptions, secure mobiles and similar. He suggested using an external company to perform a penetration test, testing our network and policies.

GDPR compliance will be aided by closing doors and hardening borders. At this point, the board asked for a paper on GDPR readiness and compliance for 1<sup>st</sup> May 2018. It was decided to commission HIALs data protection consultant to aid with this and a meeting will be set up to include the Managing Director, Finance Director, Senior management team (SMT) and the Data Protection consultant.

**Action:** A paper on GDPR readiness and compliance for 1<sup>st</sup> May 2018

**Action:** Meeting to be set up between HIAL's Managing Director, Finance Director, Senior management team (SMT) and the Data Protection consultant on the topic of on GDPR readiness.

The Board noted and approved the updates (Item 6).

### **HIAL Strategy**

HIAL's Head of Business Development joined the meeting at 11:00 and a presentation was given to the Board by the SMT.

#### **Item 7 – Strategy Presentation**

The SMT explained that they had looked at the mission and had updated this.

The Board approved the update, and the feedback was that the new mission was clearer, tighter and more understandable. Mr Whittome raised a query about the transport strategy for Scotland and where the HIAL strategy sits within this. It was noted that the dates for release are as follows, UK Strategy – Dec 2018 and Scottish Strategy – Dec 2019.

With regards to Environmental issues, it was noted that the new Environmental Advisor is now in post and is currently developing a stand-alone Environmental Strategy.

With regards to the 10 year capital plan and the strategy, so far HIAL has identified what needs to be done to keep the airports operational, next, HIAL needs to identify what needs to be done to ensure growth.

ACTION: Financial modelling of the strategy to be done.

ACTION: Mr Lyon suggested consolidating the presentation into an easy-to-read document for Board approval on 6<sup>th</sup> Feb board meeting.

ACTION: It was agreed to add a standing item on Strategy to each board meeting agenda.

ACTION: It was decided by the board to revisit the HIAL strategy again when the UK and Scottish Strategies are released in 2019.

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

The Board noted and approved the updates (Item 7).

The Board also wished to thank Mr Gray for the work undertaken on the HIAL strategy to date.

#### **Minutes of the Board 7.11.17**

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

### **Actions from previous Board Meeting**

Ms Jack asked Mr Lyon if he had met with the CEO of Edinburgh airport to discuss ADT and Mr Lyon informed the Board that he had met with the Communications Director for Edinburgh Airport and a suggestion was made to work together. The Communication Director will report back to Mr Lyon in due course.

Action: It was decided that the UHI trip be rescheduled to when the Board are next in Inverness.

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

### **Matters Arising**

The Helios Scoping Study Final Report was presented to the Board on Monday 18<sup>th</sup> Dec 2017 by Helios. They presented their findings from the scoping study and made a recommendation. The Board were content with the final report and various actions were decided:

ACTION: The board will consider the 4 options recommended over the festive period 2017.

ACTION: HIAL Board to make a decision in principal via conference call on Jan 8<sup>th</sup>.

ACTION: On Jan 8<sup>th</sup>, HIAL to share the Board's decision in principal and the report with staff and stakeholders.

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

The Board noted the Matters Arising and approved the actions going forward.

### **Chair's Report**

Ms Jack notified the board that she, Mr Lyon and Mr MacRae met with the Minister for Transport and that he requested quarterly catch-up meetings with them. Ms Jack is also to meet with Roy Brannen and John Nicholls from Transport Scotland.

Ms Jack feedback that the meeting with Loganair on the 21<sup>st</sup> Nov went well and that Loganair were positive, but that she will still pursue a meeting with Stephen Bond. Ms Jack informed the Board that she and Mr Lyon are meeting with the CEO of Flybe, Christine Ourmiers-Widener in January and that she and Mr Lyon would like to also meet with Tony Burgess of Eastern Airways.

### Budget / 10 year Capital Plan

Mr Nicholls thanked the board for the 10-year capital plan and suggested they write a letter voicing any concerns over the settlement.

It was suggested that HIAL look at the works in the capital plan, explain what can be done within the budget, which works will not be completed and outline the short and long-term consequences for these works not being done.

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

The Board noted and approved the Chair's update and actions.

### **Managing Director's Report**

Mr Lyon briefed the board regarding various meetings that were had with unions, Jamie Greene MSP, Gail Ross MSP and Jamie Halcro Johnston MSP. Loganair have put in their summer timetable. Mr Lyon notified that 2 staff forums have been undertaken thus far, one at Stornoway and one at Wick, and that the remaining Staff forums have been arranged for over the coming months.

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

### Item 4 – HPS Update

Mr Lyon updated that HIAL, the trustees, and their respective advisors met on 14 November to discuss the results of the valuation and the assumptions used. These discussions took place assuming HIAL's covenant can be viewed as "strong" for the purposes of the actuarial valuation. This followed receipt of the letter from Transport Scotland confirming the Scottish Government's position in relation to the HPS. On request from Transport Scotland, a paper was prepared by AON, which sets out their proposed approach. This was circulated to the Board as well as to Transport Scotland.

It was also noted that the People's Pension is currently going through changes. Mr Lyon asked the Board to approve the following:

1. The Board to formally agree with the proposed assumptions within the letter from the scheme actuary dated November 27<sup>th</sup> (item 4A in the Board pack).

The Board approved these assumptions (Item 4, point 1).

2. The Company to confirm that it will provide annual confirmation that the letter of support provided by Transport Scotland remains in force.

The Board agreed to annually seek confirmation from Transport Scotland that this letter has not been withdrawn (Item 4, point 2).

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

The Board agreed to sign this off at present.

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

**Finance**

Item 8 & 10 – HIAL & AMSL Monthly Accounts

Ms Bruton outlined the papers, updating the Board in regards to the monthly accounts for HIAL and AMSL, the Board had no questions regarding these, noted and approved the updates (Items 8 & 10).

Item 11 – Group Delegated Authorities Register

The Board approved the Group Delegated Authorities Register and it was noted that the Board are content to pre-approve Mr MacLeod a higher level of authority.

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

Item 12 – Auditors Tender Process (Verbal Update)

Ms Bruton informed the board that Wylie Bisset had been appointed HIALs new internal auditor and that they want to begin their duties with a meeting with the SMT in January 2018. The key things they will review initially are Risk Management, controls on Payroll, IT systems and GDPR. The External Audit tender continues between four auditors including HIAL's current external auditors, Scott Moncrieff.

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

The Board noted and approved the updates (Item 12).

**Operations**

Item 13 – Procurement Report

Mr MacRae provided an update for the board on the procurement activity that is ongoing. He informed that the progress has been quite slow in regards to the Procurement strategy 2017-2020 due to lack of resource. He confirmed that HIALs procurement Manager had received support from the lawyers and had hoped to receive more in the way of a trainee but it was noted that there is no budget for this.

The Board noted and approved the updates (Item 13).

Item 14 – Infrastructure Service Report

In terms of the drainage project at Inverness, Mr MacRae stated that HIAL will know more in Feb 2018 and suggested an update at the February board meeting.

This was agreed but Ms Jack stressed that it is a priority for the board to reach a conclusion on this matter as soon as possible.

Ms Jack raised the question of changing the product to limit the issue. Mr MacRae stated that there was a different de-icer that could be used, which was cheaper per litre and more environmentally friendly, but that it worked differently to that which is currently used, thus HIAL would use more of it. He suggested a study be done on this.

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

The Board noted and approved the updates (Item 14).

Item 15 - Operational Support

Loganair have informed HIAL that the Saab 340s will not be upgraded in time for the VORs being removed and systems upgraded in December 2019 at Benbecula, Campbeltown and Inverness. Mr MacRae confirmed that HIAL will need to work proactively with Loganair to ensure that they are still able to navigate into these airports without VOR's and GNSS. It was noted that this would not provide any additional costs to HIAL, but that may cause potential delays. HIAL will continue to work with Loganair to enable the route to continue to operate.

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

*ATS Staff Recruitment Training*

Mr MacRae highlighted the paper updating the board on the ATS staff HIAL is proposing to train over the next 12-month period due to resignations and retirements.

The Dundee research and development trial was discussed at the presentation given by Helios the day prior and the Environmental management update was covered in the Strategy session.

The Board noted and approved the updates (Item 15).

Item 16 - Airport Operational Report

Mr Stuart Informed the Board that the 'Happy or not' and 'ASQ' surveys are currently being analysed.

*Sumburgh*

The project is now complete and undergoing the defect period. The contractor is contesting compensation events and delay damages totalling £532K. The Project Manager, Aecom, assures us that the CEs have been rejected in accordance with the contract and that the delay damages have been applied correctly. There will be an update on this at the next board in February 2018.

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

*Wick*

Mr Stuart brought the board's attention to the paper and the figures regarding winter operations, noting that the cost is already high in comparison to last year.

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

*Stornoway*

Mr Stuart updated that he had met with HIAL's new HR Director regarding the findings from the Strathesk report. A number of work streams will ensue which overlap with the IiP work and will cover both Stornoway and the wider group. Ms Sillar's is supporting from a HR perspective.

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

The Board noted and approved the updates (Item 16).

Item 17 – Security

Mr Stuart informed the board that the visits from the regulator have been met with positive feedback around the patch from both the CAA and HIAL staff.

Mr Stuart updated the board on the UK Security Expo in London and the interesting key themes to come out of this.

Ms Jack asked that Stornoway security be prioritised and the board kept informed regarding progress or otherwise.

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

The Board noted and approved the updates (Item 17).

**Dundee Airport – Verbal Update by Gregor Hamilton**

Mr Hamilton joined the Meeting via phone at 15:10

Item 20 - DAL Minutes and Actions 7.11.17

It was agreed that the minutes were a true reflection of the Dundee update and were approved (Item 20).

Item 21 – Dundee Airport (Verbal Update)

*London Service*

Mr Hamilton informed the Board that Roy Bogle from Loganair, had attended the DACC (Dundee airport Consultative Committee) where concern around punctuality issues on this service was raised.

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

*City Deal*

Mr Hamilton notified that the first of the negotiations between the councils and the Government was taking place today and that it is hoped for Heads of Terms to be agreed in early 2018. The Aviation Academy is to be included in this.

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

Item 9 - DAL Accounts

Ms Bruton gave an update on the Dundee accounts. There were no questions and the board noted the update.

Ms Jack enquired about the Sumburgh to Dundee Route with Loganair, but Mr Hamilton did not have an update on this. Mr Lyon informed that he had been in discussions with Lord Duncan in regards to Leuchars and the private charter work they have taken on. Lord Duncan has agreed to provide Mr Lyon with his best contact at Defence estates.

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

Mr Hamilton left the Meeting and the Board noted and approved the updates (Item 21).

**Commercial**

Item 18 – Commercial Report

Mr Lyon outlined the paper on the Commercial report and noted that 2018 was shaping up to be a busier year than that of 2017.

Mr Lyon informed the board that HIAL has engaged CanDo Aviation for 4 months to review summer operations out of Inverness and are working with EasyJet to reinstate the winter

2018/19 Geneva ski service. Conversations between the Airport Manager at Inverness and Ryanair are still to take place.

The Board noted and approved the updates (Item 18).

Item 19 – Communications Report

There was some discussion on web advertising.

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

The Board noted and approved the updates (Item 19).

**Any Other Business**

Ms Bruton noted to the board that HIAL received a good result in terms of the VAT audit carried out and the Board expressed thanks to the finance team.

\*\*\*

**Date of Next Meeting** – 5<sup>th</sup> Feb 2018 – Budget discussions at Law Society Scotland Offices, Edinburgh & 6<sup>th</sup> Feb 2018 – Board Meeting at the Law Society Scotland Offices, Edinburgh.