

**MINUTES OF THE 226TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)
BOARD HELD AT THE UGADALE HOTEL, CAMPBELTOWN
ON 26TH APRIL 2016 AT 11.30AM**

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 Mrs Kirsteen Adams	Director of Operations Head of Operations Minutes

Item 1 – Apologies

Apologies were received from Mr John Nicholls.

Item 2 – Minutes of the Previous Meeting

2.1 The minutes of the meeting held on 8th March 2016 were accepted as a true reflection of the meeting.

2.2 The redacted minutes of the meeting held on 8th March 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 interviews for the appointment of his successor had been completed and that the decision now lay with the Minister.

Investors in People

The Chairman encouraged board members to read the recent report published by IIP following a number of interviews conducted with HIAL staff.

Sumburgh Airport Consultative Committee

The Chairman had attended the most recent meeting of the SACC where a local Shetland Isles councillor had questioned him with regards to the ongoing legal dispute between HIAL and SIC. The Chairman had advised that as the matter had not yet been resolved that he was unable to comment.

Far North Aviation

The Chairman advised that he and Mr Lyon had recently visited Wick along with Gary Cox of Transport Scotland where they had met with Andy Bruce of Far North Aviation. Mr Bruce had raised the issue of proposed rental increases as part of the discussion but this matter had now been resolved.

Item 3 – Matters Arising from the Minutes

Air Traffic Services Training

Mr Macrae confirmed that a Global consultant had recently facilitated a training event for HIAL ATS staff which had also been attended by the CAA. The training focussed on the responsibilities of air

traffic controllers and distinguished between the regulatory and advisory elements highlighting that duty of care was indeed regulatory.

Spending Review

The Chairman confirmed that he had written to the Minister highlighting HIAL's proposals to introduce a number of income generating and cost saving measures to offset the £1m budget cut for 2016/17.

(Redacted under FOISA Section 33 (1)b)

HIAL now awaited a response from the Minister but this was not expected until after Purdah.

(Redacted under FOISA Section 33 (1)b)

Item 4 – Corporate

4.1 Risk Management

VCCS

Mr Stuart confirmed that HIAL had now entered into a 90-day test period which would establish the viability of the system and whether it was appropriate for HIAL's requirements. Mr Macrae confirmed he had met with Rhode & Schwarz who had been given until 31st May to resolve the issues identified. Should the issues not be resolved to HIAL's satisfaction, the option of contract termination would be considered. This was not a preferred option however HIAL had taken legal advice in the event that this became necessary. Mr Stuart confirmed that a wash-up exercise would apportion cost and accountability for the project however the immediate focus was to get a working and viable system in place.

Difficult Environs

(Redacted under FOISA Section 33 (1)b)

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SEPA

Mr Stuart confirmed that the ongoing issue with SEPA at Inverness Airport was being worked through and that as part of this process, Dan Mason the Apron Ops & Safety Manager had been interviewed at length by the environmental agency

(Redacted under FOISA Section 33 (1)b)

The main problem was that Inverness Airport had excessive amounts of discharge in comparison to the licence held and de-icing fluid formed a part of this volume. The indications were that Inverness Airport's licence was too restrictive for its operations.

(Redacted under FOISA Section 33 (1)b)

He also advised that Keith Inglis the Infrastructure Services Manager was gathering readings from across the other airports and all indicated that discharge levels were acceptable. Mr Lyon added that the readings depended on the airport involved and the dilution levels. The Board noted its concern and asked to be kept informed as the situation progressed.

Funding the Business

(Redacted under FOISA Section 33 (1)b)

Data Security and Record Management Plan

Mr Stuart confirmed that Liz Taylor continued to work on the above and as part of this was looking at Sharepoint and the creation of a new system for document storage. Mr Stuart acknowledged this was a sizeable task and as such it was important that as much as possible was completed prior to Ms Taylor finishing in September. Mr Whittome asked whether there was a risk the Record Management Plan

would not be completed by the end of Ms Taylor's term and Mr Stuart advised that the impetus was on Ms Taylor to complete the plan and that the risk lay in the subsequent roll out of the plan.

The Board noted the position.

4.2 Safety Management

Bird Control

Mr Stuart referenced the bird control statistics noting that overall, bird strike numbers had decreased however there was a persistence of bird strikes at coastal airports. This was despite the presence of permanent bird controls for example at Sumburgh and Stornoway airports.

Wick MT Vehicle Incident

Mr Whittome queried the incident asking whether it was false reporting of a safe vehicle or sabotage. Mr Stuart was unable to say without any evidence to support the position. He added that husbandry of equipment was encouraged at all locations and a further measure had been put in place to record vehicle checks.

Finally, Mr Stuart gave an open invitation to the Board to attend Safety Incident Investigation Review Board meetings.

4.3 Operational Report

Fire Appliances

Mr Stuart confirmed that HIAL was now 50% through the programme of new fire appliances and the issues experienced at the beginning of the programme were now being resolved. Mr Macrae commented that the programme was linked to the spending review adding that Iturri would not allow HIAL to take less appliances than contracted so HIAL was looking to extend the life of the contract to distribute the cost. Mr Lyon also raised a performance issue in that if the appliances were not at the required level, there was an option to renegotiate the contract.

(Redacted under FOISA Section 33 (1)b)

Wick Runway Refurbishment

Mr Stuart confirmed that following a number of initial problems with the contractor Balfour Beatty, the runway works project was now progressing well. Mr Savile asked if runway closures would be incurred during the project and Mr Stuart confirmed that any closures had been highlighted by a NOTAM.

Sumburgh Cladding

Mr Stuart confirmed that the terminal building external works had been brought forward and would now be completed this year with a proposed completion date of 31st December but aiming to complete by October. He advised that the design for the cladding had been readjusted to ensure it was wind and water-tight.

The Board noted the position.

4.4 Regulatory Report

Inverness ACP

Mr Whittome confirmed he had attended a meeting with the GA community on 31st March during which a number of points were raised however these would be dealt with during the consultation process.

GNSS

Mr Stuart had hoped that Wick's GNSS procedures would be in place by June but that this had now been pushed back to July.

The Board noted the position.

4.5 Environmental Management Systems (Redacted under FOISA Section 33 (1)b)

It was agreed that the scope of the EMS board paper needed to be wider and this would be taken forward for future board meetings.

4.6 Alternative Security Measures

Mr Lyon confirmed he had participated in a call with the CAA and other parties the previous week to discuss ASM implementation which would hopefully be in July following a decision in June. He commented that the CAA would insist every other aspect of security outwith the scope of ASMs would be consistent with Inverness, Manchester etc. He also advised that issues raised during recent audits at HIAL airports would be resolved prior to implementation.

The Board noted the position.

4.7 Infrastructure Services

Mr Stuart advised that the extension project at Inverness Airport was scheduled to be completed by the end of that week with the new area open for business on Friday 29th April.

The Board noted the position.

4.8 Southern States

Campbeltown Runway Lighting

Mr Macrae confirmed that a new LED lighting solution had been implemented at Campbeltown and was working well.

Benbecula ATS Provision

Mr Macrae would submit a paper on the above to the Board at its next meeting in June.

Scottish Fire and Rescue Service

Mr Macrae confirmed that initial feedback from Prospect regarding the joint venture had been positive and that a meeting with Unite was scheduled the following week to discuss the same.

The Board noted the position.

Item 5 – Business

5.1 Commercial Report

Sumburgh Offshore Aviation Contracts

(Redacted under FOISA Section 33 (1)b)

(Redacted under FOISA Section 33 (1)b)

Mr Lyon and Lynda Johnston would continue dialogue with the operators and airlines and keep the Board informed.

Airlines

Ms Bruton commented on the success of securing a Majorca holiday package from Inverness in 2017. The service would operate over a 6 week period during the summer.

Mr Lyon commented that the PR activity around the KLM AMS service from Inverness had been impressive with significant input from the airline itself.

(Redacted under FOISA Section 33 (1)b)

However, Mr Lyon advised that the BA load factors for May were around 74% with a significant amount of traffic connecting to the Middle East. He confirmed there would be a Saturday double daily service on the Amsterdam route in September with an Embraer 190 aircraft used throughout the summer.

PR Agency

Mr Lyon confirmed that 3x1 had been appointed to manage HIAL's PR and PA contracts.

(Redacted under FOISA Section 33 (1)b)

The Board noted the position.

5.2 Inverness Airport Business Park

Mr Lyon confirmed that the agreement with Roxhill would cease in June 2016 following a lack of progress of the site. The new Chair, James Campbell would lead the IABP Board in a new strategy for the development.

The Board noted the position.

5.3 Geneva Ski Charter

The Board noted the position.

5.4 HIAL Fire Service

Mr Lyon advised that he had submitted this paper to the Board to raise awareness and provide assurances that the proposed initiatives did not detract from the main roles of HIAL's staff. He continued by saying that HIAL employed a number of highly skilled teams across its airports and if the experience and training of these teams could be used outwith the HIAL environment, this should be investigated to its fullest potential. The Board agreed with the proposal and encouraged HIAL's management team to explore further.

Item 6 – Finance and Legal

6.1 Monthly Accounts

Ms Jack began by highlighting the discrepancy in the year end forecast

(Redacted under FOISA Section 33 (1)b)

Ms Bruton noted the discrepancy and explained that there had been several issues contributing towards the increased overspend, despite Mr Lyon having implemented a stop on spending in the weeks leading up to year end. In addition to each airport being slightly overspent, there were a number of corporate issues which had impacted on spending,

(Redacted under FOISA Section 33 (1)b)

Bad weather at the start of the year had increased spending on de-icer and this was always difficult to budget for. Mr Lyon advised that de-icer was used to balance the budget at year end and that HIAL had previously suggested Transport Scotland should take liability for de-icer. Transport Scotland

however had highlighted issues regarding state aid and this was something which required further discussion.

Ms Jack asked what the government response to the overspend would be and whether the government would insist HIAL's cash reserves were reduced as a result. Ms Bruton confirmed that **(Redacted under FOISA Section 33 (1)b)** it had met its capital budget and cash reserve targets. She would therefore be liaising with Transport Scotland colleagues to reach a solution going forward. In the meantime, Ms Bruton advised that Finance Team would focus on commitment reporting to achieve a better level of understanding re the budget position going forward.

Mr Lyon added that the business had also absorbed a number of additional costs due to legislative requirements e.g. the People's Pension which HIAL had contributed £600k towards.

Mr Lyon advised that he had recently met with Roy Brannen, the new Chief Executive of Transport Scotland. Mr Brannen had recommended HIAL work on building its relationship with the Scottish Government, ensuring that it was on the Minister's radar, in particular, for all the initiatives HIAL had undertaken in order to arrive at a more efficient and streamlined business.

(Redacted under FOISA Section 33 (1)b)

The Board noted the position.

6.2 Finance Projects Update

Ms Bruton advised that the Finance Project Manager was leaving for another role and there would be no finance project board paper going forward. Ms Bruton would however provide a new forecast report as a supplementary finance paper.

She confirmed that the Dundee operating hours and car **(Redacted under FOISA Section 33 (1)b)** projects were still being worked on but that the Hive up project had been postponed following legal advice regarding the transfer of terms and conditions between companies.

The Board noted the position.

6.3 Procurement Report

The Board noted the position.

6.4 Spending Review

The Board noted the position.

6.5 Sumburgh Airport and SIC Report

The Board noted the position.

Item 7 – Human Resources

7.1 HIAL Pension Scheme

Actuarial Valuation

The Board discussed the results of the most recent actuarial update re the HIAL Pension Scheme which estimated that since the last actuarial valuation in December 2013, the cost of the scheme has increased significantly and that the Scheme now has a shortfall **(Redacted under FOISA Section 33 (1)b)**. The board paper advised that HPS Trustees would write to the HIAL advising of the position. Mr McLaughlin suggested the Company should seek legal advice in forming a response regarding what the assumptions ought to be. Mr Lyon advised that recent discussions with Barnett Waddingham had

focussed on the potential to use the Company assets to fund the deficit gap and capitalising over a period of 20 years. Barnett Waddingham had advised this was a particularly complex solution to the issue but a solution which was increasingly being used. Mr Lyon would keep the Board informed of progress on the matter.

Item 8 – AOB

There was no other business to attend to.

Item 9 Date of Next Meeting

The next Board meeting will be held on Wednesday 29th June 2016 at Head Office, Inverness.

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