

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD
HELD AT THE CASTLEBAY HOTEL, BARRA ON TUESDAY 29TH OCTOBER 2019 AT
17:00**

Board Attendees: (LJ) Lorna Jack (Chair)
(IL) Inglis Lyon (Managing Director)
(GB) Gillian Bruton (Director of Finance)
(DS) David Savile (Non-Executive Director)
(TW) Tim Whittome (Non-Executive Director)

In Attendance: (GF) George Farquhar (Head of Operational Support)
(DSu) Denise Sutherland (Head of Communications)
(GC) Gary Cox (Transport Scotland, Head of Aviation)
(SD) Shelly Donaldson (HIAL Personal Assistant – Minutes)

17:25 – 18:00 (RM) Ross McAllister (HIAL ATMS Programme Director)

Via phone 17:07 – 17:20 (AS) Andrea Sillars (Director of HR)

The HIAL Board meeting commenced at 17:00

Apologies

There were apologies from Jim McLaughlin (Non-Executive Director) (JM).

Declarations of Interest

IL noted himself as a beneficiary in the HIAL pension scheme and as a Board member of IABP.
TW declared an interest in Inverness airport and airport fees as a customer of the airport.

Matters Arising

LJ noted that most items were closed or covered within the agenda.

Board Minutes

The Board Minutes of the email correspondence on BC0496E dated 08.08.19 and the Board Minutes of the email correspondence on BC0496F dated 25.09.19 were approved.

There were a couple of amendments requested and subject to these the Board Minutes of the Board call on 04.10.19 were approved.

Chair's Report

LJ reported that the recruitment process for the four new non-executive Board members was progressing and successful candidates will be announced late November. There may be an opportunity for new members to attend the December Board meeting. The Learning and development team is currently working with LJ on a new induction framework for Board members.

LJ briefed Board members on a call had with the Chairman of Loganair who raised concerns over the ongoing ATC dispute. DM (DAL Non-executive Board member) had offered his assistance in regards to the dispute during the DAL Board meeting and LJ thanked him for his support.

Managing Directors Report

IL reported on the management restructure process and advised the new HIAL structure will come into effect in January 2020 when the Chief Operating Officer (COO) comes into post. There was discussion on the job evaluation process and communication in general.

IL reported on an issue at Wick John O'Groats airport. **(Redacted)**

IL advised the DAL Board that a paper has been submitted to the HIAL Board, which suggests a possible solution, in the interim which will allow HIAL to develop a longer term solution.

IL updated the Board on the ongoing ATC dispute, he advised that the last ballot was the beginning of September and that, at present, there have been no further strike days announced. There have been continued discussions with the trade union but there is still more work to do to resolve the dispute.

(Redacted)

IL reported that he had visited Global ATS, who are the Air Traffic trainers for 95% of the UK. He reported a good meeting **(Redacted)**

Lastly, IL reported on a meeting with the UK Aviation Minister on 28th October to discuss various topics.

IABP Update

IL reported to the Board that the hotel at Inverness airport will open in mid-November as there had been a delay with the cladding. Two more units within the IABP are approaching completion with one more to let. IL advised that the next IABP strategy day was on Thurs 14th November and that there would be a significant amount of time on the agenda to discuss

servicing costs and future plot prices. Secondly, future discussions on funding and infrastructure with the Highland Council should stress that the position of the business park is integral to the airport, Tornagrain and Castle Stuart. All too often it was the case that the short term issues overshadowed the longer term aspirations.

Company Risks

Court actions

With regards to the Stornoway Land Dispute, IL advised that the date for the hearing is January 22nd 2020 and the court will decide at this hearing, whether HIAL own the land. **(Redacted)** He also advised as to a piece of work being done on land that HIAL owns as a group and potential to identify core assets and release non-core for community projects.

Tayside Aviation dispute

HIAL / DAL has the ability to levy a charge for weekend opening of Dundee airport and has been in discussion with TA to reach a solution over a considerable period of time. In the absence of an agreement HIAL / DAL will pursue the closure of Dundee airport to TA at weekends by January 1st.

IL will keep DM updated as to progress.

Item 6 - ATC Pay Dispute & Pay Remit

AS Joined the meeting by phone at 17.07.

LJ reported to Board members that at 15:00 on Tuesday 29th October (prior to the meeting) she and IL had had a call with the Cabinet Secretary for Transport, Infrastructure and Connectivity to discuss the ATC dispute. IL outlined this call to the Board along with HIAL's current position.

(Redacted)

After further discussion on the dispute and next steps, it was agreed to postpone the briefing to MSP's on the 30th October for two weeks to enable a more comprehensive update.

JM had passed on comments that in his view HIAL need to get more proactive with comms.

(Redacted)

AS left the meeting at 17:20.

Strategic

Item 5 - HIAL Strategy Update

DSu advised that the strategic plan and example of an annual operating plan template was circulated to members yesterday and outlined these to the Board. This is a high level direction of travel and has Net Zero goals weaved through it. DSu asked the Board to review and comment on the document, bearing in mind IL is yet to comment. Following receipt of comments, a final draft will be presented to the Board in December.

Item 7 - ATM Strategy Update

RM joined the meeting at 17:25 and outlined the paper submitted to the Board.

RM advised that in terms of recruitment, the principle is still to bring in as many Ab initios as possible but to bring more experienced controllers in sooner, in effect to front load the programme to ensure early timelines are met.

LJ asked what the impact would be on the short and medium term budgets and if we can still complete what we set out to do this year. GB advised that we have a plan for absorbing the Ab initio costs into the revenue budget this year. RM confirmed the budget was offset, that further funding would not be required but that the programme may need it sooner than previously expected. **(Redacted)**

RM advised that consultation is beginning on the relocation package **(Redacted)**

The Board asked for further work to be done and detailed proposals brought back to the December meeting.

The intention for the next Board meeting in December is to hold a ½ day discussion on the ATMS Programme and for RM to provide a series of recommendations to the Board to enable them to approve the timeline for the programme and make decisions on the CSC **(Redacted)**.

The Board meeting concluded at 18:00

Meeting to continue at 09:00 on Wednesday 30th October 2019.

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD
HELD AT THE CASTLEBAY HOTEL, BARRA ON WEDNESDAY 30TH OCTOBER 2019
AT 09:00**

Board Attendees:	(LJ) Lorna Jack (Chair) (IL) Inglis Lyon (Managing Director) (GB) Gillian Bruton (Director of Finance) (DS) David Savile (Non-Executive Director) (TW) Tim Whittome (Non-Executive Director) (JM) Jim McLaughlin (Non-Executive Director)
In Attendance:	(GF) George Farquhar (Head of Operational Support) (DSu) Denise Sutherland (Head of Communications) (GC) Gary Cox (Transport Scotland, Head of Aviation) (SD) Shelly Donaldson (HIAL Personal Assistant – Minutes)

The HIAL Board meeting commenced at 09:00

Apologies

There were apologies from Jim McLaughlin (Non-Executive Director) (JM).

Items for Approval

Item 8 - ATMS Combined Surveillance Centre (CSC)

RM outlined the paper and asked the Board to grant approval to enter detailed negotiations for the procurement of the building proposed for the Combined Surveillance Centre. RM advised that this was subject to positive completion of the required surveys for the building and upon receipt of financial approval from Transport Scotland anticipated on the 9th December.

RM confirmed, following a query from DS, that the purchase and refurbishment of the building was slightly higher than the base cost of a new build, but that the risks were significantly lower. **(Redacted)**

There was some discussion on the pros and cons of a new build over an existing building, especially in context with the environmental focus of the HIAL Strategy. However, concerns were alleviated and it was confirmed that development of an existing building would be in line with environmental priorities.

LJ anticipated interest from Audit Scotland and cautioned that HIAL has to be conscious of the cost of the project that was announced at the start, scope and cost creep and the need for thorough documentation. GB confirmed that the team is doing this and everything is benchmarked to the Helios report.

There was some discussion on further negotiation for the building and the contract. RM advised that the Procurement Advisor for the ATMS team was also a contract lawyer and would deal with this.

DECISION: Subject to Scottish Government sign off and approval of Business case, the HIAL Board approved RM to enter into detailed negotiations to procure the building for the CSC.

Item 9 – ATMS Programme Business Case

RM outlined the business case submitted to the Board, which sought members' approval. LJ stressed that in terms of good governance, this proposal should also be submitted to the DAL Board and as a Non- Executive DAL Board member, David Martin needs to be fully sighted on it before it is submitted to the Scottish Government.

It would be nearly impossible to keep them separate as the project moves into active phase.

(Redacted)

Following discussion on governance of the programme, it was confirmed that the ATMS Programme Board is responsible for the delivery of the programme; the HIAL Board is responsible for decision making relating to the programme, and that the Audit Committee also requires oversight of the programme risks.

DECISION: The HIAL Audit Committee will hold a quarterly review of the ATMS programme to ensure all the risks are incorporated with the HIAL risk register.

DECISION: The Board were content with the costings and approved the business case, subject to the changes mentioned and that the DAL Board were briefed.

Items for Approval / Discussion

Item 10 - Sumburgh Hold baggage

GF outlined the paper submitted and asked the Board to approve the extra spend, GB confirmed comfort in the numbers. There was discussion on the consultants used in regard to the planning and budgeting for projects going forward and IL advised that HIAL was not alone in the issues faced. *(Redacted)*

DECISION: The Board approved the additional spend *(Redacted)*

Item 11 – Delegated Authorities

The Board were content with the current Delegated Authorities Update.

Item 12 – Scatsta

IL outlined the paper submitted and advised that this paper was just for info at this point in time. *(Redacted)*

It was IL's interpretation that the way they had suggested provided sufficient comfort based upon recent case law but he would review and refer.

DECISION: No Decision was taken but the Board were in favour of exploring further.

Item 13 – Various

IL outlined the paper submitted to the Board and there was discussion on providing a support package *(Redacted)*.

In terms of Wick, the Board were asked, in the interim, to support an application to the Scottish Government, for additional funding to support the Edinburgh and Aberdeen timetable for the winter and to support the development of the 'PSO Plus' model as a long-term solution for Wick and Caithness.

There was discussion on the Inverness – Manchester service and the Board were asked to support the position taken which was no further discount should be made available. There was further discussion on an efficient marketing plan and identifying a long term solution.

DECISION: The Board noted the initial results outlined within the paper and asked the Managing Director to complete the modelling work prior to formally responding.

The Board were content to provide a discount.

DECISION: The Board approved application to the Scottish Government for additional funding for the Edinburgh, Aberdeen to Wick service.

Items for Note discussed

Item 2 – FINANCE - HIAL Monthly Accounts

GB flagged an overspend on the revenue budget to the Board and stressed that there was no additional funding from Government, but she will have further conversations with them. With winter coming and the ATC dispute still to reach a resolution, she advised that savings need to be made and that delivery on budget seemed a remote possibility. GB advised that reforecasting will be done for the next Board meeting.

Item 4 – ICT Update

The Board wished to thank the Head of ICT and Digital Transformation and the IT team for the exercise carried out and congratulate them on a good result.

Item 8 – OPERATIONS - Airport Operations update

GF raised the issue of the failure to recruit an Airport Manager for Kirkwall airport and suggested that HIAL consider internal progression. There was further discussion which highlighted that salary and location were the key issues.

GB advised that this impacted the budget process and that further budget training should be provided to Managers.

Item 11 – OPERATIONAL SUPPORT - Environmental Update

TW wished to note that he had recently read an article concerning porous concrete and suggested the possibility of a trial for HIAL runways in regards to de-icing issues. This generated interest and further discussion and TW agreed to discuss this with the infrastructure and environment teams within HIAL.

SEPA – the Board were informed in August, that whilst HIAL have successfully delivered over 90% of our Enforcement Undertaking commitments and valuable work that goes 'beyond compliance', there was a risk that HIAL may not meet the SEPA EU deadline of 15 October 2020. SEPA were notified immediately HIAL became aware and HIAL continues to work closely with them, with monthly progress meetings scheduled throughout the critical winter period. The updated position will be discussed at the December Board meeting.

AOB

There was discussion in regards to the December Board meeting and items for discussion and approval.

The pension deficit paper was discussed and it was agreed to invite the Chair of the Pension Trustees to the February 2020 Board meeting in Edinburgh.

There was discussion on the communications for the Barra terminal refurbishment and the windfarm issues with Res.

The new Board paper template was discussed and the Board asked for section 5 'Communications summary' to be clarified and completed by all colleagues submitting papers to them.

The Board meeting concluded at 11:30

Date of next meeting – 11th December in Kirkwall.

* Meeting changed to 17th and 18th Dec at Inverness airport