

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD HELD AT ISLAY HOUSE HOTEL, ISLAY ON 26<sup>th</sup> MARCH 2018 AT 15:00**

<b>Present</b>	<b>Ms Lorna Jack</b> <b>Mr Inglis Lyon</b> <b>Ms Gillian Bruton</b> <b>Mr Jim McLaughlin</b> <b>Mr Tim Whittome</b> <b>Mr David Savile</b>	<b>Chair</b> <b>Managing Director</b> <b>Finance Director</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b>
<b>In Attendance</b>	<b>Mr Mark Stuart</b> <b>Mrs Shelly Donaldson</b>	<b>Director of Airport Operations</b> <b>PA HIAL (Minutes)</b>
<b>Via phone</b>	<b>Mr Gregor Hamilton</b>	<b>Dundee City Council</b>

**Apologies**

Robin MacRae, Director of Operational Support, HIAL  
Mr John Nicholls, Transport Scotland  
David Martin, Dundee City Council (DAL only)

**Dundee Airport (Verbal Update) – Gregor Hamilton via SKYPE**

Mr Hamilton and Mr Nicholls joined the meeting by skype at 15:05

**Item 1 - DAL call minutes & Actions**

After a minor correction it was agreed that the DAL section of the minutes on 06.02.18 were a true reflection and were approved.

Mr Stuart updated on the issue of Loganair fuelling. **(Redacted under FOISA Section 33 (1)b)**  
It is very difficult for HIAL to match the competitor and the Dundee airport manager will be speaking to Loganair to see if there's anything else we can do.  
**(Redacted under FOISA Section 33 (1)b)**

**Dundee Airport (Verbal Update)**

Mr Hamilton provided an update to some of the discussions that happened on the 13th of February, there was nothing tangible to report in regards to the progress of the Tay City deal.

One of the items discussed at the meeting in relation to the city deal was government support for surveillance, this was however prior to the board announcing the decision in principle to move forward with the remote tower project.

Ms Jack asked Mr Hamilton when the Tay cities deal would be announced and Mr Hamilton stated that he had hoped it would be before the end of the month, the latest date would be this side of summer but he was optimistic that it would be before that.

The second conversation that took place on the 13th of February was one with Mr Hinkles from Loganair who gave an update on the performance of the route and concerns that had been raised at the consultative committee in November last year.

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

In regards to the Dundee to London Stansted route, Mr Hamilton informed that they had been looking at this. **(Redacted under FOISA Section 33 (1)b)**

The airport manager in Dundee has been asked to undertake a survey of existing users of the service to understand where their onward journey takes them to and where they started from.

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

The potential for producing an additional service during the mid-part of the day, using the aircraft was also explored with Mr Hinkles, there are however potential state aid issues associated with this but this is not unique to Dundee. The suggestion was for a follow up meeting involving Dundee, **(Redacted under FOISA Section 33 (1)b)**, HIAL, Loganair and the department for transport, Mr Hinkles is taking the lead to set this up.

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

Mr Hamilton noted that the economic impact study that Scottish Enterprise funded last year showed that there was a significant number of people who fly from the catchment of Dundee Airport to London, so there is definitely a demand, but that finding the right service which is better placed to serve the demand is key.

Mr Whittome asked about the Aviation skills academy, Mr Hamilton updated that this remains very much a live issue and that there were a number of partners who are keen to get involved, with governments being very positive.

## **Item 2 – DAL Monthly Accounts**

Ms Bruton noted that the accounts have been tracking well in relation to the budget, with a slightly improved revenue, however she noted the increased de-icer costs due to a bad winter.

Mr Hamilton left the call at 15:25.

The Board noted and approved the updates.

Following the Dundee call it was noted to include Mr Martin from Dundee more in the HIAL budgets discussions and Ms Bruton offered to go through the budget with him.

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

### **Matters Arising**

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

Mr Stuart updated on the water rescue services, the chief fire officer has been in discussions with airline operators but nothing has changed and the next stage is to talk to the MCA.

Mr Lyon updated on Eastern Airways, and it was suggested for the board to meet with the senior team at Eastern Airways and Bristow's.

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

Mr Lyon updated on Zunum, they sought a technical paper from HIAL on HIAL's airfields, which they have now taken away to include in their model. This will be updated at a later date.

### **Chair's Report**

Ms Jack updated that she did not have much more to report due to keeping the board up to date via email. She noted that she and Mr Lyon met with the Minister and presented at the Convention of the Highlands and Islands in Millport on 12<sup>th</sup> March.

Mr Lyon informed that the consultation regarding the car parking charges will be rolled out in Stornoway, Sumburgh and Kirkwall in the next few weeks, which will last 3 weeks. The charges to be implemented in July. He noted that we will be consulting directly with the travelling public, seeking feedback.

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

Ms Jack formally announced the reappointment of Mr Whittome and Mr Savile to the HIAL board and thanked them for their service thus far. She also noted that recruitment advert for the Chair position was running behind when it was expected.

The Board noted the update.

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

Mr Lyon briefed the board on meetings held in Aberdeen on the 15<sup>th</sup> Feb with Loganair regarding the Aberdeen to Sumburgh route and separately with Bristow's. Part of the discussion with Bristow's involved **(Redacted under FOISA Section 33 (1)b)**, possibly using remote towers. Mr Lyon noted that the oil industry is keen to have 2 airfields. The Managing Director at Bristow's will look at this proposal in greater detail.

Mr Lyon updated that Statoil will now fly direct from Aberdeen to an oil field east of Shetland. Mr Lyon met with people from the RAF in regards to Leuchars.

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

Mr Lyon informed that much of his time was taken up with Budget work.

The Board noted the update.

### **Strategy Report (Verbal Update)**

Mr Lyon informed that the Senior Management team (SMT) met with a company called Cairn 57 to put the strategy document together with an aspirational piece from the Cranfield work.

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

### **Items for Board Approval**

#### **Item 4 – ATM / Remote Tower Update**

Mr Lyon asked the board to approve the proposed delivery team, composition and appointees to the Project Board. There was some discussion regarding recruitment of people for the project team and the director, Mr Lyon informed that it was his intention to have a non-executive director on the project team also.

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

Mr Lyon informed that there would be a location study undertaken by independent consultants and that EKOS had won the tender. The kick off meeting had happened the Friday prior.

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

Board Decision: The Board approved the proposed delivery team composition and appointees to the Project Board.

### **Item 5 – HR – HPS Report**

Mr Lyon informed the board that the valuation of the terminal building had been done, **(Redacted under FOISA Section 33 (1)b)** and that the trustees had signed a document agreeing to the terms.

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

Mr Lyon asked for board approval on the following:

- To note the contents of the valuation report
- To approve an approach to the other five pension schemes who sit outside the local government pension schemes.
- To approve the proposed agreement in principle.

**Board Decision:** The Board approved the above subject to further discussions **(Redacted under FOISA Section 33 (1)b)**

### **Item 6 – OPS – Inverness Drainage Project**

Mr Stuart outlined the paper regarding the water treatment project at Inverness and the options for construction. ARUP have been appointed as the project consultants and have produced an options appraisal which has now been costed by quantity surveyors 'Doig and Smith'. The appraisal considers three main options, each associated with a different return period. These are 1:10, 1:30 and 1:100 year event returns.

Mr Stuart asked the board to approve the projected additional capital expenditure.

Mr Whittome expressed that he was happy with the proposed recommendation. Ms Jack asked what the system would actually look like and Mr Stuart explained that the system would drain the airfield of anything that is treated with de-icer. This will then be filtered and discharged. **(Redacted under FOISA Section 33 (1)b)**

Mr Lyon stated that the Board would have to take into consideration what would be compliant in 10 years' time and the Board expressed that they are highly committed to maintaining high environmental standards, beyond being compliant.

Some discussion ensued and Ms Jack would like to ensure that HIAL is using the most environmentally friendly de-icer and asked if the costings were correct. It was agreed that something needs to be done, but the board were unconvinced that all options and costs have been looked at and asked if SEPA would allow HIAL more time to do further research.

It was decided to look at this when the board discuss the budget and to prioritise this within the capital plan.

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

Board Decision: The Board deferred approval until further research and discussions have taken place.

### **Items for Board Discussion**

**Review of Business Development Resource**  
**(Redacted under FOISA Section 33 (1)b)**

#### **Item 8 – Developments on Islay**

Mr Coulthart from Islay airport joined the Board and provided an update on developments on Islay. The Board thanked Mr Coulthart for a very informative presentation on the challenges and opportunities for Islay.

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**Date of Next Meeting** – Tues 27<sup>th</sup> March in Islay @ 09:00

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<b>Via phone</b>	<b>Mr John Nicholls</b> <b>Mr Gary Cox</b> <b>Mr Michael Bratcher</b>	<b>Transport Scotland</b> <b>Transport Scotland</b> <b>Transport Scotland</b>

**Apologies**

Robin MacRae, Director of Operational Support, HIAL  
Mr John Nicholls, Transport Scotland

**The Board meeting commenced at 0900.**

There was some discussion regarding the dinner the night before and it was decided that the buffet style with smaller tables, allowing more varied discussions was preferred. There was also comment on the merit of the Islay airport Manager’s presentation on development.

**Items for Board Discussion**

**Item 7 – Data Protection**

Mr Lyon informed the board that the HIAL’s data protection officer works on a consultancy basis of 2 days per month in relation to data protection issues and 5 days per month on GDPR protocols.

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

Mr Lyon confirmed that further work is being done by the HR director, the Head of ICT and HIAL’s data protection officer and stated that the new IT systems will help.

The Board noted the update.

### **Item 8 – AMSL Security plan**

Mr Stuart presented the security operational plan for the rest of 2018 and informed the board that the Stornoway airport manager will present to the Board at the next Board meeting.

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

The Board were content with the Security plan.

### **Items for Note by the Board**

#### **Finance**

#### **Item 1 – HIAL Accounts Summary**

Ms Bruton updated the Board on the HIAL Monthly accounts.

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

There was discussion on the de-icer costs and Ms Bruton informed that Transport Scotland had shown good support and had offered an additional de-icer budget of £440k which has reduced the deficit.

Ms Bruton expressed optimism that HIAL would be able to break-even but that the report at the next Board will give the final position at financial year end.

Ms Bruton confirmed a Capital spend of £10.1m and in the last 6 weeks have been offered an additional £2m. She stressed that shovel ready projects are key and must be factored into the capital plan.

Ms Bruton informed that cash balance at year end is estimated to be around £3m, which is a target set by Transport Scotland.

The Board noted the updates.

#### **Item 12 – HIAL Loan Offer**

Ms Bruton asked for Board approval on the HIAL loan agreement set at £1,060,478 for various works listed in the loan offer with interest charged at a compounded rate of **1.73%** per year. Ms Bruton confirmed that this is to be repaid over a period of 4 years.

The Board approved the loan agreement.



## **Operations**

### **Item 3 – Operations Summary**

Mr Stuart outlined the paper and in terms of airport operations and customer experience there was some discussion on security at Inverness which highlighted a need to have 2 lanes open at peak times and better queue management. Mr Stuart stated that much of the issue is due to passengers not going through to the gate until the flight is called and expressed that they need encouragement to go through security earlier. The new customer services manager at Inverness has been tasked to look at this and to find a solution.

The Environmental and sustainability strategy section of the paper was discussed and Ms Jack asked for targets and goals to be included in the paper and to show progression.

The Board noted the updates.

## **HR**

### **Item 4 – HIAL Gender Pay Gap Report**

This report was noted and approved by the board on the board call which took place 19.03.18.

Ms Bruton informed that the information on the gender pay gap had been sent to the unions that day and is due to be uploaded to the website later that day with the deadline, for a business of our size, being 31<sup>st</sup> March 2018.

There was some discussion on what could be done to reduce the gender pay gap and equal pay issues.

The Board noted the update to the paper.

## **Commercial**

### **Item 5 – Commercial Report**

Mr Lyon outlined the Commercial report paper with various updates from the Connect Conference that the head of business development and the Inverness airport manager attended in February.

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

Mr Lyon informed that Lufthansa have announced that they will increase the frequency of their service from Glasgow. The Loganair, Inverness to Norwich service has been cancelled.

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

Eastern Airways have introduced a double daily between Stornoway and Aberdeen. Stat oil announced that they were intending to fly direct from Aberdeen.

Ms Jack asked for the commercial news to be prioritised with indication of timescales.

Ms Jack made comment about the Loganair/ Transport Scotland announcement that rotations were to be increased for Barra and Tiree and felt that there should have been more of a partnership with HIAL. Ms Jack noted that she would discuss this with Mr Nicholls.

### **Item 6 – Communications Report**

Mr Lyon made reference to the HIAL Intranet and felt that HIAL is reaching out to its staff better than it has done previously. In relation to Rezcomm, the new booking platform, this will go live on the website in June and the revised Inverness airport website is now up and running. Mr Lyon informed that the HIAL website requires more research in regards to website advertising.

Social media strategy is progressing and we have seen an increase in the use of social media.

There was further discussion on data protection in relation to social media and airport Wi-Fi and the risks associated with this.

Ms Jack informed that she was happy to post a blog after each board meeting and said that she would speak directly with the Communications Executives regarding this. She also asked for further clarification on the communications strategy.

The Board noted the updates.

### **ICT**

#### **Item 7 – ICT Report**

Mr Lyon outlined the ICT paper and made reference to a short education note which will be published to staff on the Intranet, starting in February and going forward each month, it will be aligned with the National Cyber Security / Cyber Aware principles relating to information security and General Data Protection Regulation (GDPR).

The Board noted the update.

## **HIAL Board Budget Session** **For Discussion and decision**

### **Item 9 – Capital Plan**

Mr Lyon informed the board that there have been a number of changes and a revised approach has been taken. Mr Lyon gave a number of examples where work has been deferred, these items are not safety critical and a short term fix may be possible. He updated that three items had been shelved and made 'shovel ready' meaning that if money became available, these could be done quickly.

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

### HIAL Land

Ms Jack raised a query of land sales and if HIAL had looked at surplus assets. Mr Lyon informed that they were currently looking at land in Stornoway with a possible deal with the council for affordable housing, the land being valued around £160k. Mr Lyon had also asked the Building and Property Manager to assess this.

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

Mr Whittome informed that the following day, he was due to meet (on a separate matter) with the advisor to the Scottish Government, who has been in discussions with HIAL's infrastructure Manager on the Stornoway coastal erosion issue and offered to raise the coastal erosion issue with him, to get some more insight as to what he is thinking and look at additional ways to deal with it.

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

Board Decision: The Board approved, subject to the next conversation with Scottish Government:

- The ten year capital plan
- The planned changes to the ten year plan
- **(Redacted under FOISA Section 33 (1)b)**
- The asset prioritisation categories
- **(Redacted under FOISA Section 33 (1)b)**

### **Item 8 – HIAL Budget Paper**

Ms Bruton explained the budget process. Each year the airport managers, senior managers and head office are asked to complete templates based on a forecast of the current year and budget of the previous year to create individual plans. There was also thought given to the pay policy. This is then consolidated and reviewed over 2-3 days with everyone. This year the gap was highlighted **(Redacted under FOISA Section 33 (1)b)**, which fuelled further discussions on how HIAL could improve revenue. Sumburgh was a large focus for this year and opening hours have been changed to improve business there, which contributed to us being able to reduce the gap **(Redacted under FOISA Section 33 (1)b)**. The next stage had us looking at stretch options to try and arrive at a more manageable gap **(Redacted under FOISA Section 33 (1)b)**. Ms Bruton explained that the pay policy and HPS valuation, when looked at on its own **(Redacted under FOISA Section 33 (1)b)** HIAL has had to absorb with an additional cost concerning roles that the board discussed at the board meeting yesterday. The unions have been asking us to model different scenarios. Inverness has been asked to look at a stretched target for aviation income and find additional funds **(Redacted under FOISA Section 33 (1)b)** asking Dundee to look for additional funds **(Redacted under FOISA Section 33 (1)b)** and asking Sumburgh to find additional funds **(Redacted under FOISA Section 33 (1)b)**. Various issues have been looked at and what can be cut. **(Redacted under FOISA Section 33 (1)b)**

Ms Bruton informed that the rep from Prospect met with the Finance Minister expressing concern that the pay policy had not been funded and had received an update from him on the meeting quoting, "the Minister had increased all portfolio budgets to cover the pay award and if this was not the case, HIAL should raise this with the sponsor team"

**Board Decision: The Board cannot sign off the budget with the current gap (Redacted under FOISA Section 33 (1)b).**

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

Further discussion ensued on potential income streams.

## **Budget discussions with Transport Scotland**

At 13:30 Mr Nicholls, Mr Cox and Mr Bratcher joined the Board via conference call.

### Car Parking Charges

Ms Jack asked Transport Scotland for an update from their end on HIAL's intention to implement car parking charges at Stornoway, Kirkwall and Sumburgh.

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

### Capital Plan

Ms Jack informed that the HIAL Board feels that it is now in a position to sign off the capital plan for this year, but highlighted 4 items which the board have decided to postpone. Ms Jack brought these items to the attention of Transport Scotland colleagues due to the fact that they could potentially cause either problems further down the line or upset from the local community.

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

### Operational Budget

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

Mr Nicholls stressed that additional revenue streams need to be sought and he suggested land sales, but Ms Jack stated that this would affect the capital budget as opposed to the revenue budget. **(Redacted under FOISA Section 33 (1)b)**

Mr Nicholls queried if any other airport opening hours could be restricted and Mr Lyon explained the third option within the budget paper **(Redacted under FOISA Section 33 (1)b)**.

Ms Jack stressed that HIAL has looked very much in depth at things which can balance the budget in year and at revenue generation, including difficult options such as the introduction of car parking charges at some airports. She stressed that all avenues have been looked at.

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

### HIAL Loan

Mr Bratcher asked if the HIAL Board were content with the terms of the loan, the board assured that it was and Mr Bratcher informed that he would ensure that the funds be transferred on Thurs 29<sup>th</sup> March.

Ms Jack asked for confirmation of the separate allocation of funds **(Redacted under FOISA Section 33 (1)b)** for the Remote Tower project. Mr Bratcher confirmed that he had not had chance to formally respond to HIAL's business case but that this was definitely confirmed and that he would respond in writing **(Redacted under FOISA Section 33 (1)b)**.

Ms Jack raised the issue of the HIAL pension scheme and the use of the Inverness airport terminal building. Mr Lyon asked if Transport Scotland were waiting for anything from HIAL as HIAL is currently waiting for a letter. **(Redacted under FOISA Section 33 (1)b)**

Transport Scotland left the call at 14:25.

### **Item 10 – ICT Next 3 years**

There was some discussion on the ICT and HR budgets, Mr Lyon suggested a phased approach to their proposals so that it is more affordable and to concentrate in the short term on those items that cause a big risk for HIAL.

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

The Board noted the paper.

### **AOB**

Mr Stuart wished to bring to the boards attention the matter of the introduction of remission as part of the airport fire service strategy, meaning that they are able to operate below the category that they are published for. Mr Stuart raised the question if this will enable HIAL to mitigate some of the staffing issues they have with regard to making sure there are sufficient people on the ground to deal with aircraft on arrival. Mr Stuart informed that there would be a paper submitted for the next board on this.

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

There was no other business.

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**Date of Next Meeting** – Tues 8<sup>th</sup> May in Stornoway, venue TBC