

**MINUTES OF THE 214TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)
BOARD HELD AT HEAD OFFICE, INVERNESS ON 24TH SEPTEMBER 2014 AT 10.25AM**

Present	Mr Grenville Johnston Mr Inglis Lyon Ms Gillian Bruton Mr Jim McLaughlin Mr David Savile Mr Tim Whittome	Chairman Managing Director Finance Director Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance	Mr Michael Bratcher Mr Mark Stuart Mr Pat Nolan Mrs Kirsteen Adams	Representing Transport Scotland Director of Operations General Manager ATS (for ATS Update) Minutes

Item 1 – Apologies

Apologies were received from Ms Lorna Jack.

Item 2 – Minutes of the Previous Meeting

Subject to some minor amendments, the minutes of 13th August 2014 were accepted as a true reflection of the meeting.

The redacted minutes from the meeting held on 2nd July 2014 were also approved, subject to one minor amendment.

Item 3 – Matters Arising from the Minutes

There were no matters arising from the minutes.

Item 4 – Corporate

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

4.1 Risk Management

Training and development

Mr Stuart noted a continuous improvement with regards to risk management within the organisation advising that training was being carried out to ensure risk scoring was objective rather than subjective, e.g. that the score reflected the risk rather than the equipment. He confirmed that the regulator would attend the risk management workshops being organised by HIAL and take part in the learning process to experience first-hand, the level of training being carried out.

Mr Lyon commented that as a Board, there needed to be more scrutiny of the organisation, stating that it was incumbent on the Board to test the Executive and investigate the mitigations being put in place. As an example, Mr Stuart raised the issue of ATC manning and the cost implications involved. He stressed that there was not an infinite resource to deal with the manning issues commenting that each extra controller at Inverness cost circa £100k / year.

Mr Lyon suggested that the obvious options in addressing the immediate costs were to increase HIAL's subsidy or to reduce staff numbers. However, Mr Lyon reminded the Board that the Scottish Government had a no redundancy policy which would limit what the Company could do with staffing levels.

Strategy

Mr Lyon then commented on the overall strategy for risk management, business planning and contingencies suggesting it would be useful for HIAL to receive a guide from the Scottish Government with regards to how proactively or creatively they would like the business to be managed. Mr Savile suggested that the Company should be providing a steer to its stakeholder to help arrive at creative solutions rather than reacting to issues as they arose. He added that HIAL should be presenting Scottish Ministers with creative solutions so that they are able to make better informed decisions.

Mr Bratcher highlighted that the relationship between HIAL and the Scottish Government was very much a two way street. Mr Lyon suggested that the Company should offer projections of what it could look like as a more efficient and active organisation. Mr Bratcher agreed but added that this would need to be tested against regulations such as state aid and pay policy for example. He continued by saying that any measures which could generate savings would be welcomed. Mr Lyon suggested it was not necessarily about savings but looking at HIAL's market position, becoming an industry leader etc.

Mr McLaughlin suggested that the Company's corporate and strategic plans should outline these areas and asked how robust these documents were. Mr Lyon advised that these had not been developed in recent years as there had been no money available for investment and therefore not a particularly positive story to tell.

The Chairman suggested that the discussion should be developed further at the forthcoming strategy day and Mr Savile asked whether the Scottish Government would be setting the guidelines for that particular discussion. The Chairman agreed that questions should be asked of the Scottish Government in terms of the direction for HIAL following the results of the Scottish Independence Referendum and Mr Bratcher also pointed out there would be a reshuffle of ministerial posts in the coming weeks which would potentially have implications for HIAL. Mr Bratcher would speak to his Scottish Government colleagues with regards to an agenda for the strategy day.

The Board noted the position.

4.2 Safety Management

Mr Stuart noted the bird strike occurrences and advised that these were being investigated further by HIAL's Operations Manager. He commented that the Company was doing a good job in terms of controlling birds on the airfield but there were still issues regarding the actual cull of birds once on the airfield.

The Board noted the position.

4.3 Operational Report

Mr Stuart thanked the Chairman for his letter to Dave Docherty at Wick Airport.

The Board noted the position.

4.4 Regulatory Report

The Board noted the position.

4.5 Environmental Management Systems

The Board noted the position.

Item 5 – Business

5.1 Commercial Report

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

The Board noted the position.

5.2 Media & Public Affairs Report

It was agreed that the paper was somewhat lacking in strategy and a more proactive and forward-looking approach was required. The Board would discuss further at the strategy day.

5.3 Inverness Airport Business Park

The Board noted the position.

5.4 Sumburgh Airport

Mr Lyon confirmed that both the runway works and internal works to the terminal building were going well. He added that it was important to start marketing the airport well in advance of the new business anticipated for 2015/16.

The Chairman commented that he would visit the airport in the next couple of months.

The Board noted the position.

Item 6 – Finance and Legal

6.1 Management Accounts for August 2014

Mrs Bruton advised that the year to date status was £240k ahead of budget due to an increase in income. A quick forecasting exercise had shown a £250k overspend, however she confirmed this was not cause for concern and would change throughout the year. The main areas for overspend related to security, pensions, T&S and infrastructure expenditure from the previous year.

Mrs Bruton continued to work with the Scottish Government with regards to cash levels and had agreed a process which ensured a £3m cash reserve each month.

Mr Lyon noted that the money which had been ring fenced for works to the Sumburgh runway excluded compensation events. He confirmed that McLaughlin and Harvey would complete the runway works by the end of December and he would at that point be in a better position to establish the total cost of the runway project, having taken into consideration any compensation events.

Mrs Bruton confirmed that the annual accounts for HIAL would be lodged the following day.

The Board noted the position.

6.2 Matters Reserved for Decision by the Board

Mrs Bruton advised that the Audit Committee had agreed to look further into the role of the Board vs the Company at the forthcoming strategy day. The Committee would also produce a report for the Board following each meeting.

6.3 Glasgow PSO Replacement Aircraft

Mrs Bruton confirmed that the aircraft purchase was 100% funded by the Scottish Government and that HIAL would have ownership of the aircraft which would be recorded in HIAL's accounts as a fixed asset. Mr Lyon advised that the operating agreement would be discussed soon with the aircraft delivery date anticipated for 15th May. He noted that the incumbent operator would be required to operate the new aircraft and therefore training may be required. Mr Bratcher commented that training costs may be covered by the new operator under TUPE transfer.

The Board noted the position.

Item 7 – Human Resources

7.1 HIAL Pension Scheme

Barings Investment Developments

Mr Lyon noted that the initial concerns regarding the loss of key personnel at Barings had not materialised into anything significant but that further information from Barnett Waddingham was expected following their meeting in November.

End of Contracting Out

Mr Lyon advised that a letter would be sent out to the pension trustees following which it would go out to staff. The Chairman asked that any acronyms be expanded in the letter to provide clear guidance.

The Board noted the position.

Item 8 – Any Other Business

8.1 Settlement Agreements

Mr McLaughlin advised that the Audit Committee had discussed the above and it was confirmed any settlement agreements required both Board and Scottish Government approval. The signing off process would be looked at in more detail by Gillian Haston and it was agreed that one Board member would act as the conduit for her with regards to settlement agreements.

The Board noted the position.

8.2 Spaceports

Mr Bratcher confirmed that 8 potential airfields across the UK were being considered with 6 of these in Scotland. The Scottish Government would not be offering support for any one airfield, remaining neutral for the time being.

REDACTED VERSION

Mr Lyon pointed out that if HIAL was to express an interest, there would need to be a guarantee of funding from the Scottish Government. Mr Bratcher advised it would not be possible to provide a guarantee of funding at this stage.

The Board noted the position.

Item 9 – Date of Next Meeting

The next meeting will be held on 6th November 2014 at The Islay Hotel, Port Ellen.

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