
Subject: FW: HIAL 2019/20 Revenue Budget

From: Lorna Jack <LornaJack@lawscot.org.uk>
Sent: 30 April 2019 09:46
To: [redacted]
Cc: ILyon@hial.co.uk; [redacted]
Subject: RE: HIAL 2019/20 Revenue Budget

[redacted]

Thank you for your letter, which provides the much needed reassurance our Board need on our budget shortfall. We will of course pursue all possible initiatives (excepting those that you highlight that Ministers have ruled out) to minimise that shortfall.

[redacted]

See you in Inverness next week

Lorna

From: [redacted]
Sent: 30 April 2019 09:32
To: Lorna Jack
Cc: ILyon@hial.co.uk; [redacted]
Subject: HIAL 2019/20 Revenue Budget

Lorna

Response to revenue budget letter attached. See you next week.

[redacted]
Head of Aviation

[redacted]



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T: [REDACTED]



TRANSPORT SCOTLAND
Còmhaid na h-Alba

Lorna Jack
Chair
Highlands & Islands Airports Ltd
Head Office
Inverness Airport
INVERNESS
IV2 7JB

Your ref:

Our ref:

Date:
30 April 2019

Dear Lorna

HIAL Grant Settlement 2019/20

Thank you for your letter of 2 April setting out HIAL's response to the proposed revenue budget grant for 2019/20.

[REDACTED]

We are aware of the ongoing efforts being made to increase revenue and reduce costs across all aspects of the business. We note the progress being made with each of these, and recognise that some, in particular changes to staff terms and conditions, take time to work through to a conclusion that is acceptable to the business and staff concerned. As we go through the year, I will share Board papers on revenue generation and savings with our Finance team.

In relation to measures which have been raised previously, I can confirm that it is still Ministers' view that HIAL should continue to operate within public pay policy and that all 11 airports should remain open. We note that further consideration will be given to [REDACTED] and improving public sector collaboration.

We note that the exercise to reduce costs has resulted in around £2.6m in savings, leaving an operating loss of £24.187m to be met by the revenue grant. To provide assurance to the Board, the CAA, the DFT, and to Inglis Lyon as Aerodrome Accountable Manager, I can confirm that the additional £3.887m required to allow the business to operate to 31 March 2020 will be provided by Transport Scotland, funded by managing flexibilities in other budgets. HIAL should of course continue efforts to make savings and increase revenue to reduce this requirement if possible.

Best Regards

[REDACTED]

Head of Aviation



Subject: FW: Letter from Lorna

From: [redacted]
Sent: 29 April 2019 16:02
To: [redacted]
Subject: Re: Letter from Lorna

There's a draft going round at the moment. The aim is to get it to you this week.

Sent from my BlackBerry 10 smartphone.

From: [redacted]
Sent: Monday, 29 April 2019 15:31
To: [redacted]
Subject: FW: Letter from Lorna

Hi [redacted],

Do you have any update for us on a response to this letter?
It would be useful to have this for the board meeting next week.

Many Thanks

[redacted]

Subject: FW: HIAL Revenue Grant
Attachments: HIAL Grp Weekly Cash Rollforward 2019-20.xlsx

From: [redacted]
Sent: 26 April 2019 15:52
To: [redacted]
Cc: [redacted]
Subject: RE: HIAL Revenue Grant

Hi [redacted],

Here is the cash flow spreadsheet for 19-20.

Please note the following:

Revenue drawdown: I have shown this as the regular draw down budget for £20.3m, and two further grant draw down rows for ATMS and "Budget Pressure" taking it up to £24.187m our budget figure.

[redacted]

If you have any queries please advise.

Kind regards

[redacted]

HIAL Cash Forecast by Month 2019-2020

	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Total	Cash C/F
Month	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			
Cash Balance B/F	3,095	2,899	2,721	2,197	3,455	3,465	2,506	3,548	3,371	3,235	2,833	2,148			
Receipts - Revenue	2,430	1,947	2,138	3,434	3,587	4,034	3,836	2,418	1,925	2,278	1,968	2,200	32,195	3,368	
Receipts - Capital													-		
Payments - Revenue	(4,386)	(2,698)	(4,278)	(3,886)	(5,287)	(6,411)	(4,504)	(4,305)	(3,771)	(4,390)	(4,363)	(4,035)	(52,314)		
Payments - SG loan						(292)						(292)	(584)	C	
Payments - Capital Ops	(200)	(1,356)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)	(16,056)		
VAT on - Capital Ops Payments	(40)	(271)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(3,211)		
Cash Drawdown Required - Revenue	1,692	1,692	1,692	1,692	1,692	1,692	1,692	1,692	1,692	1,692	1,692	1,688	20,300	A	
Cash Drawdown Required- Budget Pressure	269	270	182	258	110	233	165	262	263	230	230	453	2,925	A	
Cash Drawdown Required - ATMS Project	39	38	126	50	198	75	143	46	45	78	78	46	962	A	
Cash Drawdown Required - Ops Capital	-	200	1,356	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	2,900	16,056	B	
Cash Drawdown Required - Loan Capital												-	-	B	
Closing balance (Max £3 million)	2,899	2,721	2,197	3,455	3,465	2,506	3,548	3,371	3,235	2,833	2,148	3,368			
Check	2,899	2,721	2,197	3,455	3,465	2,506	3,548	3,371	3,235	2,833	2,148	3,368			

Notes

A) Revenue Grant for 2019-20	£'000
- Main SG Grant	20.300
- ATMS Project	0.962
- Budget Pressure	2.925
Total Revenue Grant	24.187

B) Capital exp. target to be grant funded	£'000
- Capital Grant for 2019-20	16.056
Total Capital Grant	16.056

C) Forecasted repayment of commercial capital spend loan 1, 2 & 3

Subject:

FW: Pay Remits - Updated

From: [redacted]

Sent: 25 April 2019 13:41

To: [redacted]

Cc: [redacted]

Subject: RE: Pay Remits - Updated

[redacted]

I am content with the proposals and agree that they are affordable. I'm content for this to follow the fast-track procedure.

I recognise that these proposals are part of the wider pressure on HIAL's revenue budget in 2019-20. While we will seek to manage that pressure in year, HIAL should continue to work to achieve savings and generate additional revenue wherever possible.

Thanks

[redacted]

Subject: FW: P&J - HIAL revenue budget

From: [redacted]
Sent: 11 April 2019 15:49
To: [redacted]
Cc: [redacted] Inglis Lyon <ILyon@hial.co.uk>; [redacted]
Subject: RE: P&J - HIAL revenue budget

[redacted]

Lines cleared by Cab Sec.

A TS spokesperson said:

"We are committed to continuing to provide HIAL with the necessary funding to ensure that its 11 airports remain operational.

"Transport Scotland and HIAL regularly discuss funding requirements to take account of the latest revenue and cost projections.

"HIAL is non-profit making and the overall aim is for it to break even in any given period."

Thanks

[redacted]

Subject: FW: P&J - HIAL revenue budget

From: [redacted]
Sent: 11 April 2019 10:48
To: [redacted]
Cc: [redacted]; Inglis Lyon <ILyon@hial.co.uk>
Subject: RE: P&J - HIAL revenue budget

Don't have a line yet but will send it to you once we do.

From: [redacted]
Sent: 11 April 2019 10:43
To: [redacted]
Cc: [redacted]; Inglis Lyon <ILyon@hial.co.uk>
Subject: RE: P&J - HIAL revenue budget

Hi [redacted]

[redacted under section 30(b)(ii)]

[redacted]

From: [redacted]
Sent: 11 April 2019 10:18
To: [redacted]
Cc: [redacted]
Subject: FW: P&J - HIAL revenue budget

[redacted]

As discussed, this is the P&J enquiry. [redacted under section 30(b)(ii)]

Thanks

[redacted]

From: [redacted]
Sent: 11 April 2019 09:54
To: Press Transport Scotland <media@transport.gov.scot>
Subject: HIAL reveune budget

Hi,

I understand there are issues with the Highlands and Islands Airports revenue budget for the current (2019/20) financial year and that HIAL is in correspondence with Transport Scotland to find a solution.

From HIAL's board meeting minutes it is evident the budget issues stem from incentives for airlines to operate from HIAL's airports.

For info, I've copied the statement I received last night from HIAL on this.

I wonder if you would be able to provide some comment from Transport Scotland?

Best regards

[redacted]

HIAL generates income wherever possible and offers incentives to airlines to maintain connectivity and aviation services for the Highlands and Islands. HIAL's airports are essential links for the Highlands, Islands and Dundee. However, they do operate at a loss and are supported by subsidies from the Scottish Government, which owns the business.

We continue to operate as efficiently and effectively as possible and as part of our budget setting process, review our figures in line with good business practice. As part of that, our budgeting process identified that the revenue budget for 2019/20 requires further work and HIAL is currently in correspondence with Transport Scotland and other stakeholders to identify potential solutions.

[redacted]

Highland Business Editor
The Press & Journal
[redacted]

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Subject: FW: Media Response - HIAL budget

From: [redacted]
Sent: 10 April 2019 16:39
To: [redacted]; 'Lorna Jack' <LornaJack@lawscot.org.uk>; 'Inglis Lyon' <ILyon@hial.co.uk>; [redacted]
Cc: [redacted]
Subject: Re: Media Response - HIAL budget

Looks fine to me.

Sent from my BlackBerry 10 smartphone.

From: [redacted]
Sent: Wednesday, 10 April 2019 16:35
To: 'Lorna Jack'; 'Inglis Lyon'; [redacted]
Cc: [redacted]
Subject: RE: Media Response - HIAL budget

Adding [redacted], thanks.

From: Lorna Jack <LornaJack@lawscot.org.uk>
Sent: 10 April 2019 16:34
To: 'Inglis Lyon' <ILyon@hial.co.uk>; [redacted]
Cc: [redacted]
Subject: RE: Media Response - HIAL budget

[redacted under section 30(b)(ii)]

From: Inglis Lyon [mailto:ILyon@hial.co.uk]
Sent: 10 April 2019 16:25
To: [redacted]; Lorna Jack
Cc: [redacted]
Subject: RE: Media Response - HIAL budget

[redacted under section 30(b)(ii)]

[redacted]

From: [redacted]
Sent: 10 April 2019 16:11
To: Lorna Jack <LornaJack@lawscot.org.uk>; Inglis Lyon <ILyon@hial.co.uk>
Cc: [redacted]
Subject: Media Response - HIAL budget
Importance: High

[redacted]

[redacted under section 30(b)(ii)]

Let me have any amends.

Thanks
[redacted]

[redacted under section 30(b)(ii)]

From: [redacted]
Sent: 08 April 2019 10:55
To: [redacted]
Subject: HIAL budget

Morning [redacted],

Been having a look at the HIAL board minutes from Jan 30 which have just gone online.

Although it's all a bit redacted, the chair seems to have been pretty concerned about the "large" revenue gap, which seems to be connected to airline incentives.

There is also another connected line saying the finance team had set head office and airport managers a "challenge to cut their budgets by a further 5%"

There's a line in minutes of a board conference call on Feb 18 saying there was still a "significant gap."

Obviously there financial year end has come and gone now and there has been another board meeting, for which the minutes have not yet been published.

Any chance on shedding some more light on all of this and where it's all at now?

Cheers

[redacted]

Highland Business Editor
The Press & Journal
[redacted]

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Subject: FW: Letter from Lorna

From: [redacted]
Sent: 03 April 2019 11:26
To: [redacted]
Cc: Inglis Lyon <ILyon@hial.co.uk>; LornaJack@lawscot.org.uk; [redacted]; Baxter M (Mike) (TRANS) <Mike.Baxter@transport.gov.scot>
Subject: RE: Letter from Lorna

Good Morning [redacted]

Please find and update to the letter sent yesterday to [redacted], to include appendix 4.

Kind regards

[redacted]
PA Support

Highlands and Islands Airports Limited / Head Office, Inverness Airport, Inverness IV2 7JB
t: [redacted] / f: +44 (0)1667 464210 / w. www.hial.co.uk

From: [redacted]
Sent: 03 April 2019 08:40
To: [redacted]
Cc: Inglis Lyon <ILyon@hial.co.uk>; LornaJack@lawscot.org.uk; [redacted]; Mike.Baxter@transport.gov.scot
Subject: RE: Letter from Lorna

Lorna

There is a reference in the table on page 7 for Security which says "see analysis below". I can't see any analysis. Please could you provide details on what this £571k cost increase relates to.

Thanks

[redacted]

From: [redacted]
Sent: 02 April 2019 10:48
To: [redacted]
Cc: Inglis Lyon <ILyon@hial.co.uk>; Lorna Jack <LornaJack@lawscot.org.uk>; [redacted]
Subject: Letter from Lorna

Good Morning [redacted]

I hope you are well.

Please find attached the letter from Lorna in regards to the budget settlement 19/20.

Kind regards

[redacted]
PA Support

Highlands and Islands Airports Limited / Head Office, Inverness Airport, Inverness IV2 7JB
t: [redacted] / f: +44 (0)1667 464210 / w. www.hial.co.uk

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Airports Limited
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is nan Eilean Earranta

Head Office, Inverness Airport, Inverness IV2 7JB
Telephone: [REDACTED]
Email: ilyon@hial.co.uk

[REDACTED]
Aviation
Transport Scotland
Victoria Quay
Commercial Street
Edinburgh
EH6 6QQ

2 April 2019

Dear [REDACTED]

HIAL Budget Settlement 19/20

Thank you for the grant letter March 28th and I write to set out our position following our Board meeting on the 19th of March and in response to your letter.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Revenue Budget

The revenue grant available is £20,300k which leaves an unfunded budget overspend of £3,887k. [REDACTED]

[REDACTED] As an aside, the outturn for 18/19 will be around £21,860k.

Moreover, whilst we continue our efforts to increase income and reduce costs, the Board and executive team have concluded that, if HIAL continues trading with the same operating structure, the gap of £4m for 19/20 will only increase to £16m at year 10, with 2% increased income and 3% increased costs year on year assumed. Please see Appendix 3.

In summary, unless there is a near unprecedented increase in aviation activity or the business restructures on a more commercial basis, matters are not going to improve.



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Last year we undertook a number of initiatives to improve revenues and minimise costs. I provide an update on those below.

Costs Saving Initiative Update

Dundee opening hours

[REDACTED]

Maintenance spend.

[REDACTED] We have of course had to increase our maintenance budget for this year to undertake the maintenance that was delayed from last year.

Head office

In year savings of circa £60k were achieved by limiting the pay remit allowance flow through to 2% whilst at the same time reducing Travel and Subsistence costs.

IT and HR investments have now been made and the benefits are beginning to show in the company with, for example, savings of £20k on legal costs associated with employment matters due to improvements in the handling of disciplinary issues. More importantly, the focus is now on implementing a new HR, Payroll, Time and Attendance and Rostering system which will facilitate improved controls over payroll costs.

A Commercial Director was not appointed at an additional £80k however, it is planned that this will take place in 2019 to provide us with the capacity to seek improved commercial revenues.

Staff Terms and Conditions

During 18/19, HIAL embarked on a pay and grade review. The first part of that process is a Job Evaluation for all employees and a rewrite of over 600 job descriptions. Having published the scores, there are various appeals being heard with a view to having these agreed with staff in the not too distant future. Following which, salaries will be modelled and agreed with Pay Policy and Finance and then Jobs matched to Grades. [REDACTED]



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It is anticipated that this process will take a further 12 to 18 months to be implemented in full. In the beginning, [REDACTED] but in the long run will provide a simpler and less costly, more transparent system. Coupled with a new Time and Attendance and Roster system, shift patterns will become more transparent and easily managed producing savings from tighter control.

Airport Operating Hours and Closures

[REDACTED]

Revenue Generation

Car park charging was introduced in 18/19 at Sumburgh, Kirkwall and Stornoway airports and has earned £132k, year to date. The introduction was delayed due to various planning hurdles and as a result, we have not benefited from the full year effect of the revenue. For 19/20, we have budgeted a full year effect.

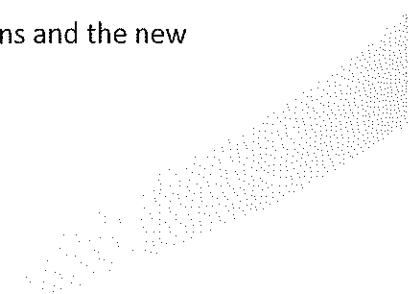
Car hire at Inverness has earned £120k more than budgeted in the year due to higher than budgeted passengers.

During 18/19, Sumburgh Airport has suffered a £409k loss of aviation income due to reduced Oil and Gas Income and associated flying. The reduction in revenue reflects increased direct flying from Aberdeen and the cessation of various contracts. Our initial discussions on the flying involved with the extraction from the West of Shetland basin remain positive but for the medium to long term only.

However, through various positive initiatives such as the double daily on BA and KLM we have over performed in Inverness by £34k.

Military Operations in Stornoway have provided an additional £65k, Kirkwall operations, £66k, Wick £49k, Benbecula £45k, Islay £36k, Wick £22k, Dunhill Golf Tournament plus additional Aviation income for Dundee have yielded £166k and finally Head Office has provided an additional £133k of income. In summary, the company was able to achieve the budgeted income in the year.

With further developments in 19/20, including the new BA and KLM rotations and the new island services, our airline income will improve further.



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Telephone: [REDACTED]
Email: ilyon@hial.co.uk

As a result of the above measures, the company has been able to balance its budget for the year just ended following the provision of £1.3m of additional grant.

19/20 and future years

Inglis Lyon has now convened a working group to consider how the company could be structured more efficiently in the future.

The following items will be considered further as part of the discussions, some of them having been raised with Transport Scotland previously and discounted.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Reduce key customer discounts
- Improved public sector collaboration

19/20 Revenue Budget

Following several budget reviews, the management team were tasked with identifying a further 5% in savings. This work produced a reduced loss of **£24,187k** for 19/20 with £2.6m of additional revenue and savings identified.

During this exercise, we agreed that HIAL will capitalise circa £1m of the ATMS payroll budget for 19/20. Those costs relate solely to the development of the Remote Air Traffic Control Centre.

The main reasons for the increased spend in 19/20 are noted as follows:

19/20 Spend compared to the 18/19 SG Grant

Roll Forward		
2018/19 SG Revenue Grant		21,600
Unfunded 18/19 Spend	260	
ATMS Funding	454	
Revenue Increased	(733)	
19/20 Pay Remit	1,000	
Staff costs see separate analysis	743	
Maintenance catchup from last year	863	2,587
19/20 Budget Requirements		24,187

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Consolidated Position - HIAL Group

HIAL - 19-20 Budget	v4	Jan	Variance	%
	Budget	Forecast		
<i>Income</i>	£'000	£'000	£'000	
Airline Income	17,920	17,600	320	1.8%
Rents & Concessions	5,995	5,539	456	8.2%
Aviation Fuel	352	310	42	13.5%
Other Income	936	1,021	(86)	(8.4%)
Total Income	25,203	24,470	733	3.0%
<i>Costs</i>				
Staff Costs	24,240	23,315	(925)	(4.0%)
Airport Operational Costs	16,124	15,203	(921)	(6.1%)
IS Repairs & Maintenance	2,838	1,975	(863)	(43.7%)
Other Maintenance	1,621	1,624	2	0.1%
Other Operating Costs	3,627	3,457	(170)	(4.9%)
Travel Costs	820	580	(239)	(41.2%)
Finance Costs	120	175	56	31.8%
Total Costs	49,390	46,330	(3,060)	(6.6%)
Operating Profit & (Loss)	(24,187)	(21,860)	(2,327)	(10.6%)

Grant from Scottish Government (Note 1)	v4	Jan
	20,300	21,600

Overspend/(Underspend) vs SG Grant	v4	Jan
	(3,887)	(260)

Note 1	£'000	£'000
Annual Revenue Grant	20,300	19,600
Additional Support for Pay Review	-	1,300
ATMS Project grant	-	700
Total Grant from SG	20,300	21,600

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Income

Airline Income has been increased by 3% as agreed in the December Board Meeting. Other income from rents, concessions and car parking has been budgeted based on existing agreements and activity with a prudent element of growth built in.

Costs

Staff Costs

Staff costs have been budgeted to include the impact of the 19/20 Scottish Government Pay Policy being:

- £750 underpin for all those being paid up to £25,500.
- 3% for all those paid up to £36,500
- 2% for all those paid more than £36,500
- £1,600 for all those paid more than £80,001

And

To use pay bill savings to award up to 1% baseline salaries as follows:

- To award a cash underpin of up to £750 for those earning up to £25,000
- To award a 1% non-consolidated payment of up to 1% for those staff on the maximum of their pay range.

The costs of the above pay remit are £963k for HIAL and DAL and £334k for AMSL, a total of £1,297k. Some of these costs will be capitalised into the New Remote Tower Asset.

Pension Costs

Pension costs remain at 27.4% for Highlands and Islands Pension Fund. For the People's Pension Fund the costs have increased from 3% to 4% for Level 1 members and remain at 15%, 18% and 21% for Level 2 members, who are eligible to join for up to 1 months after 6 months of service. Tayside Pension Fund employers' contributions remain at 17%.

Airport Operational Costs increased by £921k

Airport operational costs have increased by £920k due to the following:

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Security	See analysis below (appendix 4)	£571k
Private Wires	Increased by £191k due the costs of a new BT project to improve connectivity	£191k
Aerodrome Licences	Regulatory Increase	£90k
IT Costs	Phasing	£90k
De-icer	Pegged back to budget	-£140k
Foam		£40k
PRM Handling	Volume increase	£40k
Various Others		£38k
Total		£920k

Maintenance Spend increased

An additional £863k has been budgeted to recover from the under-spend of the prior year. [REDACTED]

Regulatory Issues

Inglis Lyon is the Aerodrome Accountable Manager for Highlands and Islands Airports. The aerodrome accountable manager is a person nominated by the aerodrome operator and has the accountability for ensuring that all activities can be financed and carried out in accordance with the applicable requirements. The aerodrome accountable manager is responsible for establishing, implementing, maintaining and promoting an effective safety management system in addition to ensuring the safe and secure operation of the aerodromes.

In this regard, his responsibility is to the HIAL Board, the CAA and DFT for the safe and secure operation of the eleven HIAL airports. [REDACTED]

Yours Faithfully

Lorna Jack

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[REDACTED]

[REDACTED]

[REDACTED]

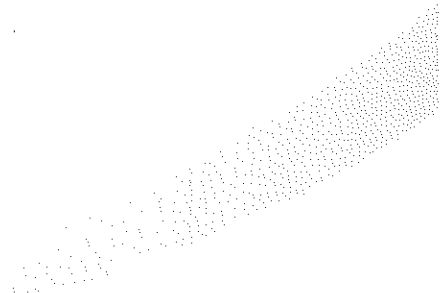
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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Appendix 3 – 10 year Revenue Plan

Highlands & Islands Airport Limited											
10 Yrs Revenue Forecast											
Status Quo											
	Budget 19/20	Yr 1 20/21	Yr 2 21/22	Yr 3 22/23	Yr 4 23/24	Yr 5 24/25	Yr 6 25/26	Yr 7 26/27	Yr 8 27/28	Yr 9 28/29	Yr 10 29/30
INCOME											
General Aviation Income	15,507,486	15,817,636	16,133,988	16,456,544	16,785,303	17,120,265	17,462,979	17,811,898	18,168,571	18,531,446	18,902,074
Misc Aviation Income	1,153,915	1,176,993	1,200,533	1,224,535	1,248,998	1,273,922	1,299,424	1,325,387	1,351,927	1,378,928	1,406,507
On Call / OOH Income	1,258,817	1,283,993	1,309,673	1,335,857	1,362,544	1,389,734	1,417,554	1,445,877	1,474,830	1,504,286	1,534,372
Rents & Concessions	5,995,014	6,060,071	6,126,430	6,248,933	6,317,894	6,388,155	6,515,984	6,589,173	6,663,990	6,797,142	6,874,886
Other Income	935,557	954,268	973,354	992,813	1,012,647	1,032,855	1,053,531	1,074,581	1,096,099	1,117,991	1,140,350
Aviation Fuel	351,864	358,901	366,079	373,398	380,858	388,458	396,234	404,151	412,244	420,477	428,887
	25,202,653	25,651,862	26,110,057	26,632,080	27,108,244	27,593,389	28,145,706	28,651,067	29,167,661	29,750,270	30,287,076
	Budget 19/20	3 Yr 1 20/21	4 Yr 2 21/22	5 Yr 3 22/23	6 Yr 4 23/24	7 Yr 5 24/25	8 Yr 6 25/26	9 Yr 7 26/27	10 Yr 8 27/28	11 Yr 9 28/29	12 Yr 10 29/30
EXPENSES											
Staff Payroll Costs	22,893,754	23,579,698	24,287,091	25,015,086	25,765,974	26,539,753	27,336,427	28,155,993	29,000,739	29,870,672	30,765,786
Other Staff Costs	551,695	568,246	585,293	602,837	620,933	639,580	658,779	678,530	698,887	719,852	741,423
Staff Training & Travel	1,624,254	1,672,982	1,723,171	1,774,822	1,828,098	1,882,998	1,939,522	1,997,670	2,057,605	2,119,327	2,182,835
Security Costs	7,612,156	7,840,331	8,075,541	8,317,602	8,567,273	8,824,558	9,089,456	9,361,965	9,642,847	9,932,100	10,229,730
Operational Costs	8,511,522	8,766,868	9,029,874	9,300,540	9,579,718	9,867,407	10,163,608	10,468,321	10,782,396	11,105,834	11,438,634
Infrastructure Repairs	2,838,395	2,923,547	3,011,253	3,101,514	3,194,614	3,290,551	3,389,327	3,490,942	3,595,679	3,703,538	3,814,519
Other Maintenance	1,621,465	1,670,109	1,720,212	1,771,775	1,824,959	1,879,764	1,936,191	1,994,240	2,054,072	2,115,688	2,179,087
Other Operational Costs	3,616,760	3,725,263	3,837,021	3,952,034	4,070,663	4,192,910	4,318,773	4,448,253	4,581,712	4,719,148	4,860,564
Finance	119,548	123,134	126,828	130,630	134,551	138,592	142,752	147,032	151,443	155,986	160,661
	49,389,549	50,870,178	52,396,284	53,966,840	55,586,783	57,256,113	58,974,835	60,742,946	62,565,380	64,442,145	66,373,239
Net Loss	24,186,896	25,218,316	26,286,227	27,334,760	28,478,539	29,662,724	30,829,129	32,091,879	33,397,719	34,691,875	36,086,163

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Appendix 4

AMSL - 19-20 Budget				
Departmental Summary				
	Budget	Prior Year	Variance	%
	£'000	£'000	£'000	
Head Office				
HO (Misc)	296	286	(10)	(3.4%)
Airports				
	Budget	Prior Year	Variance	%
	£'000	£'000	£'000	
Barra	36	35	(1)	(2.9%)
Benbecula	384	335	(50)	(14.8%)
Campbeltown	17	14	(3)	(22.9%)
Dundee	354	370	17	4.6%
Inverness	2,669	2,504	(165)	(6.6%)
Islay	419	237	(182)	(77.1%)
Kirkwall	768	739	(29)	(3.9%)
Stornoway	799	790	(9)	(1.2%)
Sumburgh	1,533	1,424	(108)	(7.6%)
Tiree	51	46	(6)	(12.6%)
Wick	281	257	(24)	(9.4%)
Total Airports	7,311	6,749	(561)	(8.3%)
Operating (Profit) & Loss	7,607	7,036	(571)	(8.1%)

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Subject: FW: Highlands and Islands Airports Limited - Grant Offer letter - 2019-20

From: [redacted]

Sent: 28 March 2019 12:32

To: [redacted]

Cc: ilyon@hial.co.uk; lornajack@lawscot.org.uk; Baxter M (Mike) (TRANS) <Mike.Baxter@transport.gov.scot>; Wilcock C (Chris) <Chris.Wilcock@transport.gov.scot>; [redacted]

Subject: Highlands and Islands Airports Limited - Grant Offer letter - 2019-20

Dear [redacted],



Please find attached Highlands and Islands Airports Limited Grant Offer Letter 2019-2020.

Regards, [redacted]



[redacted]

Aviation Policy | Aviation, Maritime, Freight and Canals Directorate | 2D North, Victoria Quay, Edinburgh, EH6 6QQ

 [redacted] |  [redacted]

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Transport Scotland, the national transport agency
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 [transcotland](#)

[REDACTED]
Finance Director
Highlands and Islands Airports Ltd

Your ref:

Our ref:

Date: 28 March
2019

Dear [REDACTED],

This letter is to inform you of the Total Budgetary Provision and associated grant (cash) that HIAL has been allocated in 2019-20. I will also outline the reporting and grant claim procedures to be followed.

Total Budget & Grant

As part of the annual Budget Act and subsequent decisions, Scottish Ministers have allocated Total Budgetary Provision for 2019-20 of up to £45.856 million for the continuation of HIAL's operations in 2019-20 for its 11 airports. The Total Budget comprises revenue (cash) of up to £20.3 million, capital (cash) of up to £16.056 million and ring-fenced (non-cash) revenue budget of up to £9.5 million in respect of depreciation as set out in Scotland's Budget Documents 2019-20.

In order to achieve compliance with European Union State Aid Regulations, we are required to make individual grant awards to airports with over 200,000 passengers per year. For 2019-20 this will apply to Inverness and Sumburgh airports. Overall allocations are set out in Table 1.

Table 1: Breakdown of Budget Allocation

Airport	Revenue (£)	Capital (£)	Depreciation (£)
Inverness	3,850,000	8,179,000	1,700,535
Sumburgh	1,242,000	2,893,000	2,075,915
Other HIAL airports	15,208,000	4,984,000	5,723,550
Total	20,300,000	16,056,000	9,500,000

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

A copy of this letter goes to Inglis Lyon, Lorna Jack, Mike Baxter and [Redacted]

Best regards

[Redacted]

[Redacted]

Head of Aviation

Subject:

FW: HIAL Grant Letter

From: [redacted]

Sent: 26 March 2019 14:01

To: [redacted]

Subject: HIAL Grant Letter

[redacted]

As discussed, please find attached an amended draft grant letter. You'll note the additional section which covers 'budget pressures'. Please can you complete the table with figures for Inverness, Sumburgh and the rest of HIAL. I recognise that the figures don't reflect the actual projected outturns for each but please just use the existing budget figures.

I understand that [redacted] and Inglis would like this issued this week so grateful if you could get this back to me as soon as you can.

Thanks

[redacted]

[Attachment redacted under section 30(b)(ii)]

[redacted]

Aviation Policy

Transport Scotland

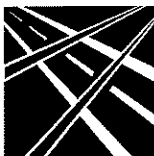
Area 2D (N)

Victoria Quay

Edinburgh

EH6 6QQ

Tel [redacted]



**TRANSPORT
SCOTLAND**
CÒMHDHAIL ALBA

An agency of  **The Scottish Government**

Subject: FW: Grant Letter

From: [redacted]
Sent: 18 March 2019 08:48
To: [redacted]
Subject: RE: Grant Letter

Doh!

Draft attached.

[attachment redacted under section 30(b)(ii)]

From: [redacted]
Sent: 18 March 2019 08:44
To: [redacted]
Subject: Re: Grant Letter

Not yet.

Sent from my iPhone

On 18 Mar 2019, at 08:19, [redacted] wrote:

[redacted]

Did I send you a draft grant letter? I thought I did but now I'm doubting myself.

Thanks

[redacted]

[redacted]
Aviation Policy
Transport Scotland

Area 2D (N)
Victoria Quay
Edinburgh
EH6 6QQ

Tel [redacted]



An agency of  The Scottish Government

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Tha am post-d seo (agus faidhle neo ceanglan còmhla ris) dhan neach neo luchd-ainmichte a-mhàin. Chan eil e ceadachd a chleachdadh ann an dòigh sam bith, a' toirt a-steach còraichean, foillseachadh neo sgaoileadh, gun chead. Ma 's e is gun d'fhuair sibh seo gun fhiosd', bu choir cur às dhan phost-d agus lethbhreac sam bith air an t-siostam agaibh agus fios a leigeil chun neach a sgaoil am post-d gun dàil. Dh'fhaodadh gum bi teachdaireachd sam bith bho Riaghaltas na h-Alba air a chlàradh neo air a sgrùdadh airson dearbhadh gu bheil an siostam ag obair gu h-èifeachdach neo airson adhbhar laghail eile. Dh'fhaodadh nach eil beachdan anns a' phost-d seo co-ionann ri beachdan Riaghaltas na h-Alba.

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Subject:

FW: HIAL 19/20 Budget Allocation

From: [redacted]

Sent: 03 January 2019 08:51

To: [redacted]

Cc: [redacted]; ILyon@hial.co.uk

Subject: RE: HIAL 19/20 Budget Allocation

Hi [redacted],

This is a good point and we will detail our progress, so far, on the 7 initiatives as we craft our formal letter from our Chair and Inglis which will ask for additional funding for 2019/20.

Regards

[redacted]