

**HIAL Board Minutes – Wednesday 9<sup>th</sup> December 2020**  
**VIA Microsoft Teams video call**

**Board Attendees:** (LJ) Lorna Jack (Chair)  
(IL) Inglis Lyon (Managing Director)  
(JW) Johanna Wallace (Director of Finance)  
(JM) Jim McLaughlin (Non-Executive Director)  
(LS) Loraine Strachan (Non-Executive Director)  
(EH) Eric Hollanders (Non-Executive Director)  
(CH) Chris Holliday (Non-Executive Director)  
(IT) Isabel Todenhoefer (Non-Executive Director)

**In Attendance:** (GCb) Gary Cobb (HIAL Chief Operating Officer)  
(AS) Andrea Sillars (HIAL Director of HR)  
(DS) Denise Sutherland (HIAL Head of Communications)  
(GCx) Gary Cox (Transport Scotland, Head of Aviation)  
11:45 - 12:15 (RM) Ross McAllister (ATMS Programme Director)  
(AT) Anthony Torreggiani (Financial Controller)  
(JC) Jackie Clark (HIAL Executive Assistant)

**HIAL Board Meeting Commenced**

**Apologies**

There were no apologies and the Chair welcomed everyone to the meeting.

**Declarations of Interest**

IL noted himself as a beneficiary in the HIAL pension scheme and as a board member of IABP. CH declared an interest in work carried out for HIAL via his consultancy business. CH also declared an interest in aircraft electrification via his non-executive director role at Cranfield Aerospace solutions.

**Minutes and Matters Arising**

The Board minutes from the previous meeting on 27<sup>th</sup> October 2020 were reviewed and approved.

EH asked about next steps on the COVID-19 Update and Plan B. IL advised that he had spoken with Transport Scotland and asked how they would like to take that forward. TS are happy with the current temporary support HIAL are providing. EH asked if that meant we were

content with the short-term measures and are not looking at any longer reaching solutions that may be more complicated **(Redacted)**

The Chair advised Item 2 on Matters arising could be closed.

DS advised the Annual Procurement Report 19/20 is now complete. DS shared the published version which has been translated into Gaelic and now available on the HIAL website.

### **Chair's Report**

The Chair updated the Board on her meeting with Frances Pacitti on budgets and advised that our budget for next year should be known by end of January 21.

GCx added that the Scottish Government Finance message is that only existing and contractual commitments for next year will be addressed.

The Chair advised the Board she had completed all her Appraisals with the Non-Executives and several ideas were presented to improve and help everyone make their best contributions. The Chair will bring these forward within the Board Activity.

The Chair advised that as she had provided a full update at yesterday's DAL Board she would use this time for the Board to debrief on the stakeholder and staff sessions which had been held earlier.

All agreed that the separate session with Head Office staff had been a useful addition and should be repeated. There had been many very good questions and contributions from them and Western Isles colleagues, from the combined Stornoway and Benbecula airports team. The Board note that there was the opportunity to mix staff from several airports in the online session in a way that was not possible previously and that, this should be explored for our next meeting.

The Western Isles Stakeholder session had been equally helpful with inputs and questions about Covid recovery and some of our strategic plans, including understandably the ATMS programme. The Board want to ensure that we are redoubling our efforts to communicate the reasons for and progress with this strategy and to ensure that we address some of the misinformation circulating.

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

IL updated the Board on two legal cases for HIAL. **(Redacted)**

The draft IIA report has now been received and will be reviewed by the Executive Team who commissioned it and provided the information. Once reviewed by the teams it will be finalised and shared with the Board.

The Chair asked IL to thank the team for the work done so far on the IIA stating it was important to get it right as it was one of the first to be completed in Scotland and complicated due to the number of locations involved. The chair asked that the reviewed report be with the Board in February.

IL updated the Board on several discussions he had around Wick. He advised the Board that HIAL **(Redacted)**. He further advised that Transport Scotland require to look at the quantum of what they can and can't afford vis a vis the PSO.

**(Redacted)**

IL updated the Board on Finance, giving thanks to Anthony and his team who have coped well with the departure of Gillian Bruton and the arrival of Johanna Wallace as the new Finance & Commercial Director. The Capital spend this year will be £34m and Revenue shortfall £14m subject to further and ongoing Covid restrictions.

IL advised the Safety Culture proposal has come in from Cranfield University and he is keen to get it progressed.

**(Redacted)**

IL advised he has restarted the work on Carbon Zero & Net Zero and will be taking a paper to board in February 21.

IL advised work ongoing with the UK Government and Department for Transport on how to maintain international connectivity for the Highlands & Islands. HIAL are contributing to the Union Connectivity Review and responses will be circulated when they are complete.

**(Redacted)**

EH raised questions on the IIA report in regard to getting maximum benefit from the conclusions of the report to facilitate other discussions such as mediation. The Chair said we need to make sure the consultant meets and delivers to the brief. **(Redacted)**

**(Redacted)**

DS advised we would be transparent to our stakeholders by advising them we have received the report and they would continue to be kept up to date throughout the process.

ACTION: IL prepare Carbon Zero and Net Zero paper for February Board

### **Audit Committee update**

LS provided an update to the Board on 3 Audits recently conducted on Corporate Governance, HR and Finance Controls.

Overall conclusion on Corporate Governance was Substantial with 5 recommendations, 2 Medium, and 3 Low grade. Medium recommendations included incorporating a Programme of Works for each Board/Committee, and for the HIAL & DAL Terms of Reference to be standardised.

Overall conclusion of HR Review was Strong with 3 low grade recommendations.

Overall conclusion on Financial Controls was Strong with 3 low grade recommendation.

LS advised all recommendations had been accepted by management with target implementation dates agreed.

A tracker of audits is kept and shows some audits have fallen behind due to COVID, and work is progressing on moving the tracker into the RIVO system where it will be managed within one programme.

LS advised that GCb had explained the internal audit process which focused on the operational audits, and how the outstanding actions are significantly reducing.

A plan has been set out for next year in terms of CROG risk focus sessions. The Corporate risk oversight group will have a more in depth look at these risks and report back to the Audit Committee and then look at how these risks flow onto the corporate risk register.

The Risk register was also presented and it was good to see how the risk has changed and moved from previous reporting and visibility of how it is scored.

The Scottish Public Finance Manual had no change and LS advised that JW had been tasked for future Audit Committee meetings to include a statement showing how HIAL comply with the Manual.

No Fraud and Whistling blowing incidents had been recorded and no changes to the Audit & Assurance Handbook since it was published, however the Audit Committee has requested that the check list within the Handbook is reviewed to ensure HIAL are complying.

There are two IABP aspects to look at. (**Redacted**). JW is to meet with IABP Finance Director to understand their forecast and to look at getting a longer- term forecast.

JW to look at what Internal Audit Items will be for next year and she will also review the performance (**Redacted**).

The Chair thanked LS for her comprehensive update and said it gave the Board reassurance that the Audit Committee is focussed on the right things. The Chair said it was testament to AS and the team that the HR review had received a strong reassurance and thanked the Audit Committee on behalf of the Board for all their hard work.

## Company Risks

### Item 3 – Corporate & Airport Risks

GCb went through the PowerPoint presentation explaining the details in the columns and how they work. GCb ran through the top 3 risks and explained that there should be no surprises. GCb said managers discuss items at a manager's risk session meeting and items are escalated up to CROG and that provides the top ten risks which are reported to the Board.

EH asked what the mechanism was for risks to be reported and how the Board can be sure that the ones reported are the top ten. GCb explained the view from the CAA is that HIAL do safety management very well in assessing, calibrating and standardising risk. GCb added that HIAL holds a manager's meeting which includes heads of function, airport managers and other attendees where they talk about all the risks, emerging and existing and start to calibrate the risks. The larger risks then get escalated and go to CROG. These are currently split into Corporate and Airport.

### **GCb lost connection at 12.20**

The Chair asked LS if this new risk approach had been approved by the Audit Committee. LS advised that she had discussed with GCb about what gets presented to the Audit Committee versus what gets presented to the Board. The challenge is to avoid duplication however the Board should see the final risk register that has been through management and Audit Committee. The Chair commented that we want to avoid the board simply replicating what the Audit Committee has done, and that is why the Audit committee were challenged with the deeper dive and therefore the risk register should come to The Board in a fashion that allows them to see the expression of the top 10 risks and what is bubbling underneath.

### **GCb back on line 12.24**

The Chair asked GCb if there was anything further he wanted to add and GCb said the aim had been to give The Board a flavour of the top ten risks for corporate and airport. It is still a work in progress and the report will clean up over time.

The Chair asked if the Risk Register was to be presented at every Board meeting going forward. IL said The Boards visibility of the Company Risks had been lacking over the last few months and with this new process it would be the Audit Committees responsibility to go through the risks and form a view of what level of risk is acceptable in each area and start to challenge the management team. When the risks come to the Board it is expected that will be a temperature check of how it works and some focus sessions on key risks throughout the business.

EH commented on the volume of high risks and said it did not look reassuring at first, however he asked what our risk appetite was as a company and whether that which was presented aligned with our risk appetite.

The Chair asked if HIAL have a risk appetite statement that attaches with our risk processes. IL advised no. IL suggested that it would be for the Audit Committee to take forward and form a view on what it should look like and suggested it would then be approved by The Board. The Chair asked LS if she had capacity in the Audit Committee to take the task on. LS advised she had. CH commented it was right that the Audit Committee scoped out the risk appetite and said acceptance of the risk appetite should be agreed at Board level. CH stated he felt uncomfortable at the amount of red risks we hold in our Business Risks although this was largely a function of our risk rating matrix. The Chair asked what the acceptability level was around each risk type and passed this to the Audit Committee to think about as part of the Risk Appetite. JW asked if it was an option to amalgamate some of the top risks to allow others to show up on the top ten. GCb advised it would be part of the next phase of updating and reviewing the risk reports.

ACTION: Audit Committee to look at Risk Appetite

ACTION: Senior Team to look at where Risks could be combined

The Chair advised that she would be interested in seeing a revised Risk Register driving the discussion at the Board meetings so the Board can focus on the significant corporate risks for the company.

The Chair advised she would like to see the Risk Review at the next few Board meeting to ensure rhythm of understanding of the report and the connection to future Board agendas.

**The Board broke for lunch at 12.42**

**The Board reconvened at 13.20**

<b>Items for Approval / Discussion by the board</b>
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Item 1 – CAL Runway 11/29 Feasibility Design Stage

The Board noted the paper. GCb gave an overview on the content of the paper and the options available and the reasoning the HIAL Project Board chose to recommend the preferred option of 2B+F at £3.5m. GCb answered questions and noted observations raised by the Board. The Chair raised the question to GCx regarding future capital. GCx advised he had confidence in HIALs capital plan and would ensure HIAL received the Capital Budget they required for year on year essential maintenance. **(Redacted)**

*Decision: The Board are content to move forward with Option 2B+F, and include issue of stakeholder reputation as part of the feasibility report.*

ACTION: Board members to provide GCb with feedback between the two versions of his project report on what they think is missing.

## Item 2 – Forecasts

The Chair thanked AT for joining the meeting.

IL advised the purpose of the verbal update was to provide the Board with information on the current forecast and budgets, airline plans, Covid Recovery plans and timescales.

IL advised that there are 3 different work streams within budgets currently being progressed.

- Capital - Identify the next 3 years plan based on essential works
- Revenue – Produce a standstill budget (as if COVID did not happen) which will give us a benchmark/baseline to measure everything else we are doing against.
- Forecast - Scenario Planning - Finance are pulling together a series of model spreadsheets working on modelling potential scenario's

These will be presented to the Board in February for decision and discussion on how to communicate these to Transport Scotland.

AT explained the current year revenue forecast and will show in the budget process a scenario of pessimistic, neutral and optimistic views of how turnover could recover based on the existing Covid recovery deals over a 5 year plan which is aiming to recover turnover by 23/24.

IL advised in terms of revenue it is going to take some time to recover and in terms of cost they will continue to go up.

The Chair asked if it would be five year scenarios that were brought to the Board in February and IL responded yes.



The Chair advised that the Scottish Budget would be laid before Parliament on the 28<sup>th</sup> January so it will be around that period that we will know the level of support HIAL will receive.

GCx advised that he has flagged to TS finance colleagues that HIAL's revenue needs will be higher than 2019 for at least the next 5 years. JW asked if HIAL would be locked into their budgets for the next 5 years and GCx advised it was a fluid and flexible process and it would be the usual negotiations at the end of each financial year. **(Redacted)** The Chair positively noted that we have two great colleagues in Michael Bratcher and Gary Cox who take the time in understanding and are aligned with our business.

**ACTION:** JC to ensure sufficient time on February Agenda for discussion of long-term financial plans and scenarios.

**ACTION:** IL/JW to bring 5-year scenario planning to Board for discussion in Feb.

*Decision: The Board approved the decision to wait until February board meeting to review scenario planning*

### Item 3 – ATMS Surveillance Sensor

The Board noted the paper. RM went through the content of the paper on the difference between the traditional Primary and Secondary radar (PSR/SSR) and the new Automatic Dependent Surveillance Broadcast (ADS-B) advising on the benefits, issues, challenges and costs of delivering. Several questions were raised by the Board on both options, including the costs and the current opinion of the CAA.

CH asked what cost was in the original budget. IL advised that HELIOS had estimated costs based on new technology not old. GCb advised that costs would increase should we go to Primary and Secondary radar.

The Chair asked if there was a set date for the CAA to make a decision on ADS-B. GCb advised the CAA Board were meeting in December to discuss, although the outcome of the decision may take longer to be communicated.

EH commented that this could become a project risk and how could it be managed. **(Redacted)**

The Chair asked if the Dundee Solution had been guaranteed 100% by the Tay Cities Deal. IL responded no **(Redacted)**. The Chair asked if the cost for the DND Radar was within the costs for option 1 or 2 and RM and IL both confirmed no. The Chair asked if future costs could be more explicit as she is conscious that this is extra cost to the overall project.



IL suggested to the Board that he would ask the Chair and CEO of the CAA to a virtual meeting with himself and LJ to discuss the highly sensitive yet innovative and creative solution to air traffic management within the Highlands and Islands and a range of other matters to get closer to their position. The Chair agreed.

RM confirmed in answer to a question from LS that the Inverness Radar did not form part of these options.

**(Redacted)**

**(Redacted)**

ACTION: GCx to enquire on other forms of funding from available sources

ACTION: JC to arrange meeting between IL/LJ and CAA CEO and Chair

*Decision: The Board are content to delay any approval until after meeting with CAA and the subsequent and associated reviewing and updating of costs and timelines.*

### Strategic Items

#### Item 4 - ATMS Programme Update

The Board noted the paper. EH asked RM to provide an update on the approval of contingency training facility. RM advised there was a contingency options paper produced which is currently sitting with the existing operational stakeholders and a clear recommendation paper will be taken to the February board.

JM provided an update on the current HR issues and advised the main issue which is holding back some areas is the Pay and Grading Policy which is currently sitting with TS. GCx advised TS have a resourcing issue and he is doing what he can to push it through, however he could not give any indication on when that will be.

AS provided an update on where processes were in terms of outline policy, job descriptions and CSC Structures.

CH asked if there were any updates on the Petitions Committee. DS advised the next sitting of the committee is 16<sup>th</sup> December. 6 further submissions against the program had been uploaded to the petitions site. We will be adding a further submission ourselves which will be high level emphasising why HIAL are going ahead with the ATMS programme and requesting that we can present our reasons to the committee.

**(Redacted)**

The Chair advised meantime that we continue working on the communications plan summarised in the Stakeholder discussion earlier that day.

AS advised the Board that the Prospect Ballot was due to close on Friday 18<sup>th</sup> December and she would share results once through.

ACTION: DS to circulate updated petitions pack to Board Members

#### Item 5 - HIAL Strategic & COVID Recovery Plan

DS advised that the format of the original Strategy Plan to which the October board paper refers had been amended to include COVID recovery references. This report has been reviewed by SMT, feedback has been received and updated and will be with the Board within the next week.

The Chair advised the Board that they were responsible for the Strategy Plan and after reviewing the plan should they have any concerns of any element of the report to raise their hand and a conversation would be had.

ACTION: DS to send updated HIAL Strategy Plan

ACTION: Board to review Plan and advise any final issues, JC to add meeting before Feb board if necessary.

#### **The Board broke at 15.20**

#### **The Board reconvened at 15.35**

<b>Items for note by the board</b>
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The following papers were submitted to the Board for note and in the interests of managing time, members were asked in advance to raise any questions they had prior to the meeting and have these answered out-with the Board meeting.

#### **Item 1 - Data Protection Update**

Noted – The Board said well done to the team as no breaches and no complaints to the commissioner

#### **Item 2 - FINANCE - HIAL Monthly Accounts**

Noted

#### **Item 3 - FINANCE - AMSL Monthly Accounts**

Noted

#### **Item 4 - FINANCE – Delegated Authorities Update**

Noted The Board approved Johanna Wallace as a new signatory.

**Item 5 - COMMERCIAL Update**

Noted

**Item 6 – OPERATIONS \_ AMSL Update**

Noted

**Item 7 - OPERATIONS Update**

Noted

**Item 8 - FOISA Update**

Noted

**Item 9 - HR Update**

Noted

**Item 10 – ICT Update**

Noted

**Item 11 – ICT Information Management Update**

Noted

**Item 12 – SATE Update**

Noted

**Item 13 – IABP Update**

Noted

**Item 14 – HPS Update**

Noted – IL advised that discussions with Transport Scotland and the Trustees were on going regarding the deficit position.

**Item 15 – Project Board Update**

Noted

**Item 16 – Communications & Engagement Update**

Noted

**Item 17 – Communications – Customer Feedback**

Noted

**Item 18 – Loganair Update**

**(Redacted)**

**(Redacted)**

CH asked IL about the re-emergence of Flybe and whether this might impact Loganair and IL gave the Board an update.

*Decision: Board are content with IL decisions with Loganair*

**Item 19 – Audit Committee Minutes 08.10.20**

Noted

**Item 20 – Audit Committee Minutes 26.08.20**

Noted

The Chair asked if the senior team could ensure that they advised the authors and all staff who fed into the Papers for note, specifically the HR and Commercial updates that they had been read by all Board members and extracted information for discussion from them.

The Chair wished all the very best for Christmas and New Year and for better times in 2021.

**HIAL Board Meeting concluded**

**The next Board meeting is on the 25<sup>th</sup> February 2021.**