

HIAL Board Minutes – Thursday 25th February 2021
VIA Microsoft Teams video call

Board Attendees: (LJ) Lorna Jack (Chair)
(IL) Inglis Lyon (Managing Director)
(JW) Johanna Wallace (Finance & Commercial Director)
(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)
(JC) Jackie Clark (HIAL Executive Assistant)
10:40 – 11:40 (TM) Tom Matthews (Reference Economic Consultants)
13:00 – 13:30 (RM) Ross McAllister (ATMS Programme Director)
14:40 – 14:50 (GB) Graeme Bell (Inverness Airport General Manager)

HIAL Board Meeting Commenced

Apologies

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

The Chair advised all that the meeting would be recorded on Teams and deleted when the minutes were finalised. No objections were received.

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 9th December 2020 were reviewed and approved.

(Redacted)

The Board members agreed Matters Arising carried forward action Item 4 – Project Report from 9th December 20, was now complete and the Chair asked for the status to be amended and the action removed.

Chair’s Report (Covered in DAL)

The Chair went over the main areas for discussion today stating there were three ATMS papers covering Surveillance, Budget and Technology Assurance. The ICIA report was up for discussion and Tom Matthews (TM) the author of the report was joining the Board at 10.40, providing the Board an opportunity to discuss his methodology and, the **(Redacted)**

Managing Director’s Report (Covered in DAL)

IL advised the Board that the Senior Team had reviewed the ICIA report for accuracy against the scope and some changes had been requested. **(Redacted)**

(Redacted)

Audit Committee update

LS provided a high-level update to the Board on the Audit Committee held 24th February 2021. The 21/22 planned Internal Audit Topics were agreed.

Two internal audits were performed by Wylie Bisset in December covering Contract Management and Procurement. **(Redacted)**

Three recommendations were given on Contract Management and Procurement with management agreeing extensive actions for both.

A new Risk Dashboard was presented to Audit which helps identify risk and the likelihood of impact of each risk.

There will be a session with the full Board on Risk Appetite when the exercise is complete.

In terms of Corporate risk the one item that Audit Committee wanted to raise with the Board for discussion was the overall ATMS project risk and how it is reflected in the Corporate Risk Register.

The Stornoway land sale was referenced to the Scottish Public Finance Review (SFPM) and showed it met compliance. Future actions will be referenced again through the SFPM as and when occurring.

(Redacted)

Audit Committee agreed a cautious approach to the implementation of the New Finance system to reduce pressure on staff.

EH asked LS if there was any concern of non-compliance on the two internal audits (**Redacted**). LS advised on the Procurement report it was not clear if it was non-compliant with HIAL policy or Transport Scotland Governance and that is why it is on the 21/22 Internal Audit list.

LS advised management had accepted the recommendations and there is a plan in place to move forward.

Three areas were identified for discussion at a future Board meeting.

1 – Risk Appetite, 2 – IABP (IL to look at first), 3 Procurement Strategy

Island Communities Impact Assessment

Tom Matthews - Reference Economic Consultants joined the meeting at 10.40

The Chair welcomed TM to the meeting and asked the Board to introduce themselves.

TM acknowledged there had been comments received from HIAL prior to today's meeting on the report which were based on factual accuracy and not around interpretation.

TM provided an overview of the ICIA report and on the scope of work he was asked to do for HIAL on the economic community impact on the proposed changes at seven airports and to undertake an Island Communities Impact Assessment.

The report is made up of desk-based research, economic & demographic profiles from the affected communities, online survey of affected HIAL staff, a series of consultations with the affected communities including local officers & Councillors, community councils, some national politicians, Prospect trade union and a number of air operators that use HIAL airports.

There are still areas being developed - design of digital connections to the Surveillance Centre and the form of surveillance being procured.

Chapters 5 – 11 cover the potential impact on each of the seven airports using a range of measures, employment wage levels, use of air services at each airport and possible impact on population levels which are all standard criteria within Impact Assessments. There are two Appendices for each chapter which summarises supporting information on the community impact and economic impact.

Chapter 12-13 is a broad look at the impact at a Scottish level.

TM recommends that HIAL should commission an independent report which would identify ways in which mitigation solutions could create more economic activities in the communities they serve. TM stated he felt there was scope for HIAL to provide more information, particularly on their website on how HIAL made their decision to approve the Business Case in December 2019 on the introduction of FISO at Benbecula.

The Board thanked TM for his summary and asked several questions in relation to his findings in the ICIA. TM confirmed during the discussions with the unions and local authorities that neither had offered up any mitigations as discussing mitigations meant it was accepting the change.

The Chair commented the information on population and job impacts was very clear as it was data driven, however the statement made regarding resilience of air services was based on a hypothetical (i.e. an "if" statement). It then concluded a very significant negative impact and that was despite the contribution of the airlines to the study. TM advised that he had limited engagement with airlines and so had no basis on which to make a concrete assessment and therefore his comment referred to the same impact for either option i.e centralised or decentralised, if the level of resilience was to drop.

There was a discussion on why participation in the assessment from local communities, airline operators and impacted staff was low.

The Chair said she felt there was inconsistency within the data for job losses and the scale used and TM clarified it was based on alternative employment in the areas and a degree of subjective judgement was used.

The Chair thanked TM for producing a thorough report.

TM left the meeting at 11.25

IL asked if the Board were content to accept the Report and advised an undertaking had been given that the report would be published five working days after the Board meeting. IL said the proposal was to contact local authority leaders and CEOs, providing them the report and suggested that they meet each local authority to seek to identify any further possible mitigations.

The Chair asked the Board if they were content to accept the report and all agreed to accept.

DS updated the Board on the arrangements for publishing the report, including a campaign on how the report will be communicated to the local communities and HIAL staff.

(Redacted).

ACTION: IL to setup workshop groups with each local authority to discuss further mitigations.

ACTION: DS to arrange for report to be published on Friday 5th March

ACTION: DS to pull together a letter to TM thanking him for the report and confirming his clarification to the Board query on resilience.

Decision: The Board accepted the report and acknowledged that some further work was required on mitigations.

Company Risks

Item 3 – Corporate & Airport Risks

GCb provided a high-level review of the risk slides. He advised that there were three movements in the top ten Corporate Risks being ATMS Training, HR Employee Relations and ATMS OJTI resource and provided the Board an explanation on each.

EH advised he had several comments and questions however in the interest of time he would forward them to GCb and LS direct to answer.

EH asked if a green field approach had to be used was the residual risk at the right level? GCb did not believe so however, he agreed to take the issue on board and have the team look into it.

LJ asked why post mitigation risk scoring remains the same regardless of actions taken. JW advised she had an outstanding action to look at these risks and felt the scoring could be adjusted. This had been discussed at the last CROG. GCx added the funding of HIAL is recorded on the TS risk register however it scored at a relatively low level. IL added it would be a useful exercise to do a cross mapping of TS risk register with HIAL risk register to ensure they are aligned. GCx advised he would arrange it.

The Chair advised that the DAL risks were to be detached from the HIAL Corporate Risk Report and taken to future DAL Boards to improve governance.

ACTION: EH to forward comments & questions re Company Risk to GCb and LS (done during meeting)

ACTION: GCb to look at residual risk on the ATMS OJTI resource

ACTION: GCx to arrange TS & HIAL cross mapping risk registers exercise.

ACTION: GCb to provide a separate risk paper for DAL Board

Items for Approval / Discussion by the board

Item 1 – 3 Year Capital Plan

GCb noted the Board had read the paper and therefore provided a brief overview of the paper. He advised although it was a 3-year plan he was looking for approval of the 21/22 over £250k capital spend across the airports.

EH asked about future year annual capital expenditure and GCb advised it would sit around £30m.

EH asked about the £20m-£55m spend within the Inverness Airport Master Plan and noted it did not show in the 10-year Capital plan, (**Redacted**). He added that the capital plan as it

stood was for essential maintenance and over the next few years, however once the bow wave of maintenance projects had been completed the intention was to focus on the environmental programme and similar initiatives.

CH asked if we communicate to local stakeholder on our capital spend. DS updated the Board on the corporate annual operating plan which includes individual airport plans for the year which will be communicated to local stakeholders.

The Chair raised the same issue re DAL Board governance of Capital spend that would flow through DAL and it was agreed to correct this.

ACTION: GCB to extract the DAL element of the Capital Plan and take to the next DAL Board advising all DAL Board members that the HIAL Board have signed off on spend.

Decision: The Board are content to agree the capital spend of £45m plus 20% contingency for 21/22 and noted that any single spend over £250k would be brought back to the Board for approval.

Item 2 - 5 Year Revenue Forecast & 21/22 Budget

JW noted the Board had read the paper and provided a brief overview of the paper and on the scenarios provided on the recovery of revenues from air travel post Covid. JW asked the Board how often they would like to review the forecasting model and approve the proposed revenue spend for 21/22.

(Redacted)

The Chair asked if the Board were comfortable with the £24.2m agreed budget from TS for 21/22 and the suggestion of a regular dialogue with TS on future funding.

Decision: The Board noted the sensitivity of the scenarios, agreed the forecast model which will be reviewed at every 2nd Board meeting and are content with the revenue budget for 21/22 subject to ongoing discussion with TS.

Item 3 – Accountable Manager

IL noted the Board had read the paper and advised there was nothing unusual in transfer the safety accountable manager responsibilities from the MD to the COO.

The Chair asked if there was a documented process that would be kept on the transfer of duties and IL informed there was.

Decision: The Board were content to approve the transfer of safety accountable manager responsibilities from the MD to the COO. GCB to confirm timelines

Item 4 – Delegated Authorities

The Chair asked the Board if they were content to approve the new delegated authority levels which have all been increased at the levels below the MD.

ACTION: JW/JC New delegated authorities list to be updated and circulated to Board

Decision: The Board approved the new financial levels for delegated authorities.

Item 5 – HPS Update

IL noted the Board had read the paper and added that **(Redacted)**. IL confirmed that the work on the contingent asset (NCH) was also complete and ready if needed.

(Redacted)

(Redacted)

Decision: The Board are comfortable to delegate to IL/JW to achieve the maximum reduction possible for pension scheme contributions using the options discussed in collaboration with TS.

Item 6 – IABP Update

IL updated the Board with details of the latest from IABP **(Redacted)**

Item 7 – ATMS Surveillance

RM noted the Board had read the paper and provided a brief overview adding that the position of the CAA had changed since December and they were now of the belief that cooperative surveillance was the future and the paper is seeking approval to procure and implement and deliver a cooperative surveillance within the timeframe stated.

Several questions were raised by the Board on CAA approval for surveillance and airspace change and RM updated the Board on the status of each.

CH advised that the Government programme for funding electronic conspicuity devices within the GA communities has been extended until 30 September 21. The Chair said it was a good opportunity to briefly and timely communicate this out to the HIAL GA communities so that they were aware of the opportunity for support.

ACTION: DS/RM to look at communicating the government programme for funding electronic conspicuity devices to the HIAL communities

*Decision: The Board were content to give approval to procure cooperative surveillance solutions as per the recommendations in the paper **(Redacted)***

Item 8 – ATMS Programme Budget

JW added that a new programme budget would be taken to the Board in June **(Redacted)**

The Board asked a question regarding funding from Tay Cities Deal in regard DAL and how it was shown within the accounts and an update was provided. A question was asked on the actions that had been taken away by the Minister from his attendance at the Petition Committee. GCx provided the Board a verbal update and added that the current Petitions Committee had not closed the petition and had agreed to a legacy paper for a new Petitions Committee post the Scottish Parliamentary elections.

The Board broke for lunch at 13.30

The Board reconvened at 14.00

Item 9 – ATMS Technology Assurance Review (Digital Scotland)

IL noted the Board had read the report and added that the senior management had responded to the report. RM has prepared a repair plan which will be monitored. Having read the report IL suggested a Board day to review and update the governance of the ATMS project going forward including discussion and decisions on procurement of the solution, the centre of excellence and the budget to name a few.

The Chair asked EH as the Executive who sits on the ATMS Programme Board if he had any specific concerns which arose from the report. EH advised there had been substantial change to reports making them easier to read **(Redacted)**

The Chair reminded the Board that it was not Audit Scotland but Digital Scotland (the Scottish Government's Digital Assurance Office) who performed the Internal Audit on the request of HIAL and asked if this was now a set programme going forward. GCb advised Digital Scotland were returning in May to look at the procurement exercise and HIAL were setting a programme with them. **(Redacted)**

IL added that ATMS Programme had not been part of the HIAL internal audit process and two areas have now been added to the Wylie Bisset schedule for 21/22.

The Chair advised that four areas raised today required further discussion by the Board and she would prefer smaller focus sessions on each rather than a full day.

ACTION: DS to look at communication around the ICIA report **(Redacted)**

ACTION: IL/JC to arrange a Board meeting to follow up on review of governance on the ATMS Programme within the next 4-6 weeks.

Decision: The Board were content for GCb and RM to follow the repair plan created by RM and for a Board meeting to be arranged for discussion on governance.

Item 10 – Stornoway Coastal Protection

GCB noted the Board had read the paper and provided a brief overview for choosing the hard-coastal defence option which would cost £6.2m being below the forecasted budget of £7.8m.

Decision: The Board were content to approve the £6.2m spend on the hard-coastal defence option which incorporated Reno Mattress and Rock Armour.

Item 11 – BEB Runway 17 – 35

GCB noted the Board had read the paper **(Redacted)**

(Redacted)

(Redacted)

The Chair reminded the Board that the Island Act should be reviewed before any decision on any major policy to ensure all areas are covered across the HIAL estate.

(Redacted)

Item 12 – ICT Critical List

GCB noted the Board had read the paper and provided a brief overview of how the critical assets were identified. GCB advised this was an opportunity for the Board to review the list and advise if they had any recommendations to be added.

The Board raised a question on whether the new systems being implemented this year would be on the critical list and a question around Data Protection Impact Assessment (DPIA). GCB advised assets would be added to the critical list once they were added to the HIAL asset register. He advised he would get back to the Board on the question of DPIA.

ACTION: GCB to review DPIA to ensure it is sufficient to make sure assets are rated appropriately

Decision: The Board were content to agree the list of Critical Assets and noted how new assets would be added.

Item 13 – Energy Efficient Lighting

GCB noted the Board had read the paper and advised the Board that the preferred option was to procure and complete the operation at a cost of £455,363 in 21/22.

There were no questions or objections from the Board

Decision: The Board approved option 2 to procure and complete the project in 21/22 at a cost of £455,363

Item 14 – Route Support – easyJet INV-BHS

GB noted the Board had read the paper and provided a brief overview (**Redacted**)

(Redacted)

(Redacted)

Item 15 – HR Apprenticeship Strategy

AS noted the Board had read the paper and provided a brief overview and what the organisation are looking at regarding future apprenticeships, advising that the company currently have a modern apprenticeship within the IT department.

The Chair advised she was very positive about this strategy. HIAL pay an apprenticeship levy so getting maximum value from that is essential. The Board agreed to using such schemes to add to the mitigations due to the changes in the islands from the ATMS programme and, in particular looking at midcareer apprenticeships which change career paths.

Decision: The Board are content to approve the implementation of the apprenticeship strategy

Items for note by the board

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

Item 2 - FINANCE - HIAL Monthly Accounts

Noted

Item 3 - FINANCE - AMSL Monthly Accounts

Noted

Item 4 – ATMS – Programme Update

Noted

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

AS provided an update to the Board on the first meeting with trade unions on the ATMS People Plan policies. AS advised the Board that the cap on the Flexible Early Severance (FES) had now been removed and was awaiting to hear what the impact of this was. A workshop has also taken place around multi-unit endorsement and the training that is required for an ATCO in the new CSC. The unions have advised they will not take any of the policies to their members until they know what is happening with the no compulsory redundancy policy.

Item 10 – ICT Update

Noted

Item 11 – HIAL Strategic COVID Recovery Plan Update

DS noted the Board had read the paper and provided the Board with an overview of the next steps including how the strategy will be shared with all HIAL staff to ensure everyone is aware of how their role fits into the strategy plan and objectives. DS added that an end of year department report would be produced that highlights all the work undertaken so that success can be celebrated with colleagues. This will also be used as an opportunity to instil our vision, mission and values so we can provide examples of our staff living the values.

Item 12 – SATE Update

Noted

Item 13 – Procurement Update

Noted

Item 14 – CAA Accountable Manager

Noted

Item 15 – Communications & Engagement Update

Noted

Item 16 – Communications – Customer Feedback

Noted

Item 17 – Carbon Zero & Net Zero Emissions Update

Noted

Item 18 – New Finance System - Update

Noted

Item 19 – Audit Committee Minutes 08.12.20

Noted

The Chair asked if there were any other questions the Board would like to raise on any of the papers.

(Redacted)

The Chair said she enjoyed reading the net zero emissions paper and would like it brought to a future Board for discussion ensuring the Board are aware of the strategies and plans and how we are taking this forward.

Reference the Commercial paper, CH asked if there was merit for a model to be drawn up that shows examples of risk share. JW advised they are currently consulting on how risk share might work.

CH asked about COP26 and whether TS were doing anything that HIAL could build on. GCx advised there might be some airlines planning an aviation showcasing event at Glasgow Airport however nothing yet confirmed due to Covid restrictions around numbers for gatherings.

The Chair asked if the Board thought the Items for Note process was working for the Board or should a different option be adopted.

IL added he thought there should be some rationalising around the agenda, more focus spent on strategic items and the questions received on the Item to Note papers were very detailed leading him to query whether or not the balance between tactical and strategic was appropriate.

JW added she thought there was a huge level of work going into papers for Note and was this necessary at every Board meeting and suggested quarterly review for some.

ACTION: LJ/IL/JC to review Items for Note papers and restructure the agenda to focus on strategic and holding to account papers

AOB

The Chair asked if the senior team could ensure that they advised the authors and all staff who fed into the Papers for note that they had been read by all Board members and information extracted for discussion. The Board were very appreciative of this work.

The Chair reminded the Board that the Gaelic Awareness training was on 9th March 21.

HIAL Board Meeting concluded

The next Board meeting is on the 22nd April 2021.