

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD
HELD VIA VIDEO CALL ON
WEDNESDAY 10TH JUNE 2020 AT 11:40**

Board Members: (LJ) Lorna Jack (Chair)
(IL) Inglis Lyon (Managing Director)
(GB) Gillian Bruton (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: (GF) George Farquhar (Interim Head of Airport Operations & Support)
(DS) Denise Sutherland (HIAL Head of Communications)
(GC) Gary Cox (Transport Scotland, Head of Aviation)
(SD) Shelly Donaldson (HIAL Executive Assistant – Minutes)
(VR) Viv Roach (HIAL Executive Assistant – Minutes)
13:30 – 13:45 (RM) Ross McAllister (ATMS Programme Director)

The HIAL Board meeting commenced at 11:45

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 22nd April 2020 were reviewed, there were two corrections made and these were approved by the Board.

Reference the matters arising, the items were picked up within the agenda.

Chair's Report

Board members attention was brought to the management of communications in and around the ATMS programme, engaging effectively with stakeholders and bringing new business voices into the discussions going forward, especially in light of the feedback currently received with the progressing of the project.

(Redacted)

The Board noted the updates.

Managing Director's Report

Gary Cobb has now been appointed as HIAL'S Chief Operating Officer and will be in post on the 22nd June 2020.

In terms of windfarm discussions, a potential solution has been identified for the one at Inverness and a call has been scheduled between HIAL's MD and the acting CEO of Orkney Islands Council (OIC) to discuss how a similar matter might be managed. Regarding the blanket objection that was issued, this was clarified as an error on HIAL's part.

The Island Impact Assessment (IIA) is making progress and moving to phase two out of three, which will develop some of the themes identified in phase one. Feedback received from MSP's, stakeholders and staff is that the IIA is an opportunity to halt the project, but this is not the case. The IIA will identify the mitigations if any of the impact to the communities involved and HIAL will provide clear messaging on this moving forward.

The IIA was picked up on the Island Leaders call, which is held every three weeks. The skeleton service was also discussed and the service schedule will be the main topic for the next call on the 15th June 2020. Representatives from Transport Scotland, the Health Boards and the Island leaders will be attending the next call.

ACTION: Tailoring communications on the IIA for the ATMS programme to make the purpose clear. [DS – 30th June 2020]

(Redacted)

Company Risks

Audit Committee update

The new board members were taken through the safety management system but there is a need for members to review the wider system of risk management and the controls, not just the admin and IT system.

The signing of the Company statutory accounts, which usually takes place at the August Board meeting has been postponed to the Board meeting in October due to the coronavirus situation.

The audits proposed for this year were outlined and it was suggested to add an audit on the ATMS programme. This will be confirmed at the next meeting.

The HIAL corporate and Covid specific risks, which include all aspects of the business, were reviewed and an action was proposed on how HIAL measures risk scoring and appetite, this will be reviewed the meeting after next. Scott Moncrieff also briefed the committee on the potential impact on reporting arising from Covid.

The committee reviewed IABP, with no significant changes.

There were no whistleblowing incidents reported and the matters reserved for the Board were reviewed, this document will be submitted to the next Board meeting for approval.

Wylie Bissett produced a recommendation tracker for HIAL which will be captured in the system to allow managers to close these off.

The Board noted the update and thanked the Committee.

Item 3 - COVID-19

The paper was outlined with the board noting the communication on operations had now been distributed. The only potential issue highlighted was space within terminal buildings and queues being likely.

(Redacted)

Board Members Only Item

Non-Board members left the call at 12:30. The Meeting was paused for lunch at 13:00 and recommenced at 13:30.

Strategic Items

Item 4 - ATMS Programme Update

RIBA stage one has now concluded and the report from Arcadis was circulated to the Board. The RIBA stage two report, which will see a feasible design and costing, will be submitted to the Board for the October meeting.

RM confirmed that the figures within RIBA 1 were far from budget and the architects had been instructed to review and work within the budgeted figures submitted to Transport Scotland.

There was an update to the paper regarding staffing of the Sumburgh radar air traffic controllers (ATCOs), with eight out of the nine applicants accepting offers.

Following a meeting with the regulator, there will be an update given at the August board meeting, on the airspace change proposals for Dundee, Kirkwall and Stornoway.

As stated within the paper, work on the connectivity is ongoing and will continue over the summer period.

In terms of the procurement tender exercise, this has now concluded with six good responses from suppliers received, with a recommendation to be submitted to the Board for the meeting in December 2020.

Work is continuing on the terms and conditions for the staff for the centralised surveillance centre (CSC). Staff and unions will be fully engaged throughout and whilst originally timetabled for completion within six months, it is now anticipated that this may now be completed much sooner.

The discussion had by members earlier in the meeting, under the Managing Director's report, concerning the need for clear messaging surrounding the IIA not being a gateway review but a mitigating exercise, was discussed once more.

At the last ATMS board meeting, the consultant shared an ATMS impact assessment approach and method, this outlined engagement intended with Island communities. Prospect union had some questions on this and the consultant has agreed to attend the next ATMS board meeting on 18th June to answer these.

ACTION: To share the document 'ATMS impact assessment approach and method' the phase two brief with the board. To be included in the pack for the ATMS board day on 17th June 2020. [DS – Mon 15/06/2020]

The ATMS People Sub-committee was held recently, the terms and conditions for the relocation package is a critical piece of work that staff want to see and this needs doing ASAP. It was also noted that this is key in planning the costs on the programme.

ACTION: Relocation package terms and conditions to be completed ASAP [RM & AS - ASAP]

ACTION: Cost summary for the ATMS programme to be included in the pack for the ATMS board day on 17th June 2020. [GB – Mon 15/06/2020]

Items for Approval / Discussion by the board

Item 5 - Inverness Airport IABP Car Park Development

It was noted that the detail on this item was within the paper, there were some questions from members.

It was asked if HIAL looks at the internal rate of return (IRR) prior to investing in potential investment opportunities. **(Redacted)**

The Chair stated that the funding for this development would be Government lending as opposed to grant funded, asked if there was an interest rate built into this and stressed that with commercial investments of this sort, HIAL should be looking at IRR and requested that this be done going forward.

There was also a question asked on the seven year return increase and what this was based on. It was clarified that the increase in income generated was due to the car hire concessions being onsite, this also provides additional benefits for them.

There was a question on whether this was the right time to be undertaking this additional car parking in light of the current Coronavirus situation.

It was noted that the land has already been purchased and would provide an opportunity to get the car hire concessions on site, enhancing HIAL's non-aeronautical revenue. The board asked for these reasons to be added to future papers.

ACTION: For the finance team to review the paper in terms of IRR and improve the document adding the reasons stated for undertaking this in the current situation [GB & GF – 30/06/2020]

DECISION: The Board approved the tender and construction within financial year 20/21 but asked for the financial details discussed within the board meeting be added to the paper.

Item 6 - Annual procurement report

This paper is a compliance requirement and the board asked for the team to aim to stick to the deadlines set. In regards to the contract values, it was clarified that what went into the report was based on what HIAL had within the budget 2019.

A Board member asked GB to clarify a difference in data regarding the regulated contracts awarded, between the cover paper and item 6b.

ACTION: GB to come back to the Board on his question with regard to regulated contracts [GB – 30/06/2020]

The existing procurement strategy is dated until 2020, the board asked when they can expect to see the new strategy.

ACTION: For DS and GB to work on the next annual procurement strategy and for this to be submitted to the August board meeting for approval by the board [DS & GB – 10/08/2020]

ACTION: For the next annual procurement report to be submitted to the August Board meeting. [GB – 10/08/2020]

DECISION: The Board approved the 2018/19 Procurement Annual Report and noted that the Procurement strategy and the 2019/20 Procurement Annual Report will be submitted at the next Board meeting to bring the reporting up to date.

Item 7 - AOMS and Finance system contract award

It was noted that these two systems will be transformational for HIAL and the benefits were outlined. The Finance System will replace the current Dynamics system. It was queried whether the two companies recommended to implement the systems, have any experience working together due to the interface of the two systems.

HIAL's Head of ICT has been providing guidance on the interface, this is a key element for these projects and has been checked thoroughly and will be stipulated in the contracts. HIAL will ensure that these contracts are fixed price contracts to avoid cost over-run, man days have been checked carefully. The contract will be in pounds sterling therefore poses no currency risk.

(Redacted)

There was a query on the business impact analysis of the type of systems as well as the CIA ratings (Confidentiality, Integrity and Availability) to get a feel for how critical the systems are in regard to the operation of the company.

ACTION: A Board member to email GB on Business impact planning and GB will respond on this point. [EH/ GB – 30/06/2020]

It was also queried as to who will host the data on these systems, GB will review and respond back to the board on this point.

ACTION: GB to review who will host the data on the finance systems and where this will be stored and report back to the Board. [GB – 10/08/2020]

There was a question on the three year terms for these contracts and whether the board were comfortable with these timescales and if HIAL has the right to prolong after the contract expires. GB will add this into the contract

ACTION: GB to include a note within the contract on the ability for HIAL to prolong the contract after the expiry date. [GB – 30/06/2020]

*DECISION: The Board approved the award of the contract to ISO for the provision of an Airport Operational Management System **(Redacted)***

*DECISION: The Board approved, in principle, the award of the contract for a new finance system to Eureka to provide Oracle NetSuite to the HIAL group subject to the approval of the procurement recommendation report by the CEO and the updated BCRP by the BCRP panel **(Redacted)***

Item 8 - Inverness Surface Water Drainage

The budget (**Redacted**) was approved at the board meeting in February 2020, this was for the lining of the swales and installation of the forced reed bed aeration. The design for the swales had not taken into account the substrata / state of the ground and due to the increase volume of excavations, this has increased costs once more.

HIAL has engaged with SEPA throughout the process but an extension for the project has not been confirmed and so the October 2020 deadline still stands. It was noted that getting accurate costs from the consultants is a major challenge but the team is striving to get costs as close as possible. It was suggested that HIAL needs to manage consultants better and if they do not fulfil expectations, stop using them.

A question was asked regarding the cheaper option of a pipeline and it was clarified that the pipeline would still need to be done in addition to the works proposed. It was also noted that regulations may change 5 years down the line.

In terms of the (**Redacted**) estimated cost in financial year 2022/23, for the improvement to the reed beds forced aeration, GF was confident as he could be that costs would not be exceeded.

*DECISION: The Board approved the budget increase for works to swales (**Redacted**) over the two financial years 20/21 and 21/22.*

Item 9 - Sustainable aviation test environment 1.37

CH noted an interest on this paper, but it was considered that there was no conflict of interest.

The Future Flight Challenge (FFC) is a fund that the UK Government has set up. HIAL and others associated with the project have passed phase one and the heads of terms are currently with lawyers for review. There are a number of outstanding factors on this.

It was confirmed that this will be funded via the HIAL capital budget but HIAL will request an additional loan from the Scottish Government. There was confidence this would be approved and funding would be part loan / part grant.

There was some discussion on the skill set and experience needed and it was confirmed that each of the 10 organisations would contribute a resource, recruiting and training as necessary, once the scope and work streams were clearly defined.

DECISION: The Board approved HIAL to proceed, in principle, to work towards a FFC bid, working with the partners identified within the paper and would like to see further details in due course.

Items for note by the board

The following items were discussed from the papers submitted to the Board.

Item 1 - Data Protection Update

There was discussion on the priority of the new HR system and it was noted that this is currently at the tender phase. HR data for payroll is currently held on **(Redacted)** an official protected payroll system, and employee's data is kept in hard copy files securely within HQ. The timesheet system is estimated to be in place in September 2020.

(Redacted)

ACTION: GF to review the issues mentioned in the paper at the next CROG meeting and report back to the board. [GF / GB – 10/08/2020]

ACTION: For the paper to reflect where the issues currently are and who is responsible for each issue. [GB / LT – 10/08/2020]

Item 2 - FINANCE - HIAL Monthly Accounts March

Following a query, it was clarified that in terms of tenants and concessions, a three month payment holiday has been given to tenants and HIAL has asked concessionaires to explain their financial situation and some waivers have been given depending on that situation.

A mistake was noted within the paper regarding the increased group head count monitoring for Dundee, this will be checked and corrected.

ACTION: GB to check/correct the increased group head count monitoring for Dundee. [GB – 10/08/2020]

Item 4 - COMMERCIAL Update

ACTION: Discussion sought on the commercial paper for the Board meeting in August – HIAL's Head of Business Development to join the meeting. [VR / LJo – 10/08/2020]

Item 7 - HPS Update

Barnett Waddingham have been asked for advice on two fronts, specifically the short-term issues and then the volatility over the longer term.

ACTION: There will be a paper for the August board meeting. [IL / BW – 10/08/2020]

Item 8 - FOI Requests update

There was an FOI request to view HIAL's 10 year capital plan. It was queried that if this was now in the public domain, would this not compromise commercial discussions. The Board were informed that much of the figures in the plan were estimates only.

Item 9 - HR Update – Staff Survey

There was a brief discussion on the response rate from staff which was disappointing. The Board noted much more work required vis a vis engagement.

AOB

The Board noted that it was GF's last Board meeting before the Chief Operating Officer takes over and they wished to thank him for his hard work and time attending. The Board wished to thank SD and wish her well for her maternity leave.

The Board meeting was paused at 15:30 to accommodate the DAL Board. The HIAL Board recommenced at 16:05 and concluded at 16:20

Date of next meeting - 26th August 2020 Virtual Meeting