

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD
HELD VIA VIDEO CALL ON
WEDNESDAY 22ND APRIL 2020 AT 12:30**

Board Attendees: (LJ) Lorna Jack (HIAL, Chair)
(IL) Inglis Lyon (HIAL, Managing Director)
(GB) Gillian Bruton (HIAL, 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 (HIAL, Head of Airport Operations & Support)
(DSu) Denise Sutherland (HIAL, Head of Communications)
(MB) Michael Bratcher (Transport Scotland)
(GB) Gary Cox (Transport Scotland)
(SD) Shelly Donaldson (HIAL Personal Assistant – Minutes)

14:00 – 14:15 (RM) Ross McAllister (HIAL, ATMS Programme Director)
14:15 – 14:50 (AS) Andrea Sillars (HIAL, HR Director)

The HIAL Board meeting commenced at 12:30

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 for 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 Board call 13th Feb and the previous meeting on 26th February 2020 were reviewed and approved by the Board.

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

Chair's Report

The Convention of the Highlands and Islands (CoHI) was due to take place on 16th March but was cancelled due to the Coronavirus situation. The Chair and the Managing Director had a call with the island leaders in mid-March to keep all parties updated and engaged on the ATMS programme and with HIAL Business. This has proved productive and has now been scheduled every three weeks going forward, with the latest having happened on Monday 20th April 2020.

The trade unions have been updated regarding the current situation and a call was had with Prospect Union regarding concerns over the ATMS programme. JM was on this call with the Managing Director and Director of HR and had informed the trade union that the Sub-Committee had been set up to meet regularly.

The Chair had a discussion with the Chair of Loganair to discuss various issues and confirmed that these have been resolved.

There were no questions from members.

Managing Director's Report (Covered in DAL)

HIAL have been engaging well with local authority leaders and CEO's and work on the ATMS Island Impact Assessment is underway. Some good discussions were also had in regard to Wick John O'Groats airport and the PSO.

There were no questions from members.

Company Risks

Item 4 - COVID-19 Company Update - IL

The paper circulated to members was outlined with the following points to note.

With regard to operations, social distancing measures and resilience, these have now been in place since the start of lockdown on 23rd March 2020. There have been 2-3 confirmed cases of COVID-19 amongst staff across HIAL locations, these staff self-isolated and have now returned to work.

Some security staff had initially shown a reluctance to perform some currency checks, but essential training has now been undertaken or is planned for a future date.

Within Air traffic control (ATC), a series of desktop exercises and simulator training is in planning with the teams to ensure HIAL continues to deliver air services and that the ATC staff remain current. There will be a meeting with the trade union on Monday 27th April 2020 to discuss the importance of the staff maintaining their competency and currency to ensure HIAL can recommence business as usual when the situation resolves.

Skeleton services have been put in place at HIAL airports and there have been no significant issues with these. Passenger numbers and movements are being reported daily with the majority of travellers being health professionals, key workers, oil and gas workers or the public travelling for health reasons and appointments. Overall, across the UK there has been a downturn in people attending medical appointments and this appears to be replicated in the Islands.

HIAL are exercising flexibility with regulatory approval in all disciplines. In air traffic control the Company has been successful in obtaining permission to use Flight Information Service Operators (FISO's) to manage air traffic as opposed to Air Traffic Controllers (ATCO's) as a matter of last resort in the event of an island outbreak. This has been signed off by the CAA.

(Redacted)

The new business as usual is being constantly reviewed at all HIAL airports, maintaining the new social distancing norms, which we anticipate will be in place for the foreseeable future. Work on plastic screens, passenger and staff movement, rest rooms, fire stations and control towers is all progressing and HIAL will be undertaking practical measures and using technology where appropriate to ensure that when operations recommence, the new business as usual is accommodated into HIAL operations.

Costs have not yet been identified as airlines and indeed government have yet to set out their expectations / requirements.

Discussions have been held with Transport Scotland following the letter received from the Government with regard to re-prioritisation of projects and HIAL is now continuing with those projects that were put on hold.

There will be a session on Friday 27th April 2020 to discuss new projects and reprioritise these also where appropriate.

There is a daily call with Managers, a daily email to all staff and a fortnightly call with all staff, keeping them updated in the current situation and providing opportunities to raise queries. This engagement has been well received.

There was recently a cyber-security issue, that was quickly resolved and it was noted that there is a risk to the business if IT systems fail, given the numbers now working from home. The ICT team is working constantly on providing resilience and security to the company and the Board wished to formally thank the team for their efforts. The Board also wished to formally thank all the teams for their hard work whilst working from home, with different personal circumstances and the challenges these provide.

On the commercial side and in terms of recovery, the Board discussed potential re-start packages for airlines and information from EasyJet was shared with members. **(Redacted)** HIAL would need to clarify a period of time where the support will stand and a date in which it will end.

ACTION: To review the cost modelling update [LJo – 15/05/20]

(Redacted)

DECISION: The Board were content to allow the Managing Director delegated authority / freedom to have initial discussions with airlines in regard to start up package requirements.

(Redacted)

There was discussion on the signing of HIAL's, AMSL's and DAL's statutory accounts, scheduled for the Board meeting on 26th August 2020. It was noted that there may be a delay with auditors on these and whether there would be benefit to change the date of the meeting.

ACTION: To submit a timetable, to the June Board meeting, for when the statutory accounts would be ready for signing. [GB – 10/06/20]

Strategic Items

Item 5 - ATMS Programme Update

RM and AS joined the meeting at 14:00.

The building for the centralised surveillance centre (CSC) has now been procured and the current tenant is in the process of vacating. Since the Board paper was circulated,

architects drawings for the refurbishment of the centre have been received and will be sent to board members.

ACTION: To circulate the architect's drawings for the refurbishment of the CSC to the Board. [RM – 01/05/20]

With reference to staffing, there have been **(Redacted)** good quality ATCO applications received and the process is ongoing with the regulator. The SATCO from Sumburgh airport has now integrated into the Programme Team. The Board were pleased with the interest in the project and noted that this was largely due to the centre being in Inverness and that this is perceived as an exciting project.

The Board asked that more be done to encourage more staff on island locations to relocate to the centre and this will be reviewed further to see what can be done.

ACTION: ATMS Team to look at what more they can do to encourage more staff on island locations to relocate to the centre. [RM – 25.05.20]

ACTION: To speak with AS on recruitment and discussions with the trade unions. [RM – 25.05.20]

There was some discussion on EU Licences and it was clarified that if there is no joint agreement between the UK and EASA by 31st December 2020, the UK licence holders will be unable to operate in the EU.

The issue of controlled airspace around Stornoway and Kirkwall was discussed and RM will revert with more detail for the next Board.

ACTION: To return to the next board meeting with a recommendation on controlled airspace for Stornoway and Kirkwall. [RM – 25.05.20]

Items for Approval / Discussion by the board

Item 9a - ATMS Business case approval BC0931 – CSC Professional services

The business case was submitted to the Board for approval due to it being over the delegated authority of the MD. **(Redacted)** There was some discussion on the RIBA stages and a concern that **(Redacted)** it may be that HIAL will have to review other companies for these stages and at the very least renegotiate this with them.

ACTION: To expand the ATMS Programme update paper going forward, to show all the business cases submitted to the board for approval and the percentage of these within the full programme costs, showing budgets for each year and the portion of those budgets that have been drawn down presenting an overall picture. [RM – 25.05.20]

DECISION: The Board approved business case 0931 – CSC Professional services.

Item 9b - ATMS Business case approval BC0932 – Sumburgh Radar Service

The business case was outlined to members and there was some discussion on requirements. Provision of surveillance is critical to this and RM was tasked to do a piece of work on a general set of options for the requirements.

(Redacted)

ACTION: To present a paper to the Board, for the next meeting in June, on a general set of options for the requirements. [RM – 25.05.20]

DECISION: The Board approved business case 0932 – Sumburgh Radar service, subject to a further look at Budget and timing.

RM left the call at 14:50

Item 6 - Pay and Grading Review

A brief overview was given to the Board explaining why HIAL undertook this project and what work had been undertaken by the Grange Group on behalf of HIAL. Risks around not having a pay and grading review were brought to the board's attention.

There has been an objective in place for some years from the Scottish Government, for HIAL to complete a Job Evaluation exercise due to the fact that HIAL are one of the few bodies within the sponsorship teams that don't have a job evaluation scheme in place. **(Redacted)** HIAL's Gender pay gap would also show an improvement by undertaking this project.

The costs for the project were outlined in the business case this was submitted to the board along with some proposals for additional sources of funding for the project.

(Redacted)

There was a question on whether benchmarking against other public sector industries had been reviewed in terms of the increments in salary and it was clarified that this data was on page 13 of the business case, which had been published by Scottish Government pay policy in terms of job sizes and pay grades. This was where the design for the proposed pay and grading structure originated (Option 1 in the business case). There was a query as to the extent of the increments tabled and it was thought this could lead to some individuals attracting significant wage awards. A number of roles within HIAL, such as security staff, fire fighters and air traffic controllers, already have incremental pay scales based on length of service. The trade unions are putting pressure on HIAL to retain this model of pay progression.

There was concern that the increments within each grade are quite substantial, and the board were asked if they felt comfortable with this considerable increase year on year. It was also noted that the performance review process needs to be very robust and clear to prevent confusion and an expectation that staff will automatically receive the increment.

The trade unions have a strong view that these increments should be linked to journey times in terms of development, this is reflected in the final option, has a smaller number of incremental points in the lower grades and more incremental points in the higher grades.

An error in the business case was noted and explained. The figures in the cover paper are accurate and it was clarified that these will be double checked and collated across the two documents.

The board raised concerns over timing and whether, within the current situation, it is a good time to negotiate this and speak to staff. There was discussion on this and it was clarified that it would still require the best part of the year to gain technical approvals from government and negotiate with the trade unions before the final package could be brought back to the Board to sign it off prior to implementation.

There was further discussion on the affordability of the review and whether HIAL could realistically implement this year.

Given that, it was agreed that the business case be submitted to Transport Scotland on the understanding that the Board had yet to formally approve the introduction of the proposal and would further consider the proposal following the review by the Scottish Government.

There was a question regarding career development paths for staff and it was clarified that HIAL's HR team are revising the personal development review process, with a new induction plan also being rolled out and that this would be presented to the board at a later date.

ACTION: To present PDR and new induction plan to the Board at a later time. [AS – Paper for the August board meeting 10.08.20]

DECISION: The board were content to approve the Pay and Grading review business case in principle subject to it being cost neutral and for this to now move to the next stage; to be submitted to the Scottish Government for approval. AS will report the outcome of this to the Board in due course.

ACTION: Pay and Grading Review BC to be submitted to SG and for AS to report results back to the Board in due course, [AS – Paper for August Board meeting 10.08.20]

DECISION: In regard to the implementation of the annual pay award as set out in the Pay Remit, the board were content for this to be awarded to staff as soon as practicable.

Item 7 - HIAL Pension Scheme - Triennial Review Results

The paper was outlined to the board and there was some discussion on the time periods involved. **(Redacted)** It was confirmed that the pension scheme, the pay and grading project and the pay remit will be presented as an overall HIAL benefits package in due course.

The Board recognised the need for a short term repair plan for the current deficit but also highlighted that the size of HPS is large compared to the size of the company and will continue to grow. The issues are therefore of high importance. In that light the Board wondered whether longer-term solutions could not be presented more quickly. IL responded that this would be very difficult given the number of parties to be involved in discussions. The Board also queried if the proposed timelines would not result in TPR setting a long-term funding target (as explained by Barnett Waddingham in February) before we formulate our plan. IL will look into this. Board members were asked to agree the overall strategy, which will involve a repair plan for reducing the current deficit whilst using the time until the next valuation in 2022 to restructure the HPS **(Redacted)**

DECISION: The Board approved the overall strategy and tasked the team to produce a repair plan.

*ACTION: To report back to the Board on transformational reform and produce a short term plan for the next Board meeting. [IL – 25.05.20]
To report back re long term funding target potentially set by TPR.*

Item 8 - Delegated Authority update

DECISION: The delegated authorities were approved by the board.

**The HIAL Board was paused at 16:00 to accommodate the DAL Board call.
The HIAL Board meeting recommenced at 17:00**

Items for Note

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

Item 1 - IABP Update

(Redacted)

Item 2 - FINANCE - HIAL Year End Accounts

It was noted that the capital numbers have not yet been received, but that there is a suspected underspend. The HIAL finance team will work with Transport Scotland to resolve this as well as doing some work on pre-Covid and post-Covid budgets.

The grant letters have now been received and shared with the Board and it was noted that there is still work to do in relation to capital in the 2020/21 budget. The MD and FD will have a meeting with the interim FD of Transport Scotland on 23rd April 2020 to discuss the budget.

The Board wished to thank the finance team.

Item 3 - ICT Update

Regarding the cyber-security issue in April 2020, it was noted that the IT team have resolved this and are currently monitoring situations.

Item 4 - COMMERCIAL Update

There is ongoing work on the concessions and tenant's payment holiday and oil & gas operations are continuing. There was some discussion on scenario planning and EH offered his services.

*ACTION: Call to be arranged between IL, GB and EH on Oxford planning scenarios.
[SD – 17.05.20]*

AOB

The Board were keen to reschedule the ATMS Board day that was cancelled on 20th March 2020 due to the Coronavirus situation and for this to be a virtual meeting with Helios in June 2020.

ACTION: To reschedule the ATMS Board day, with Helios, the board and RM and JMa from the ATMS team [SD – 30.06.20]

It was noted that work has been done on the airport master planning.

HIAL Strategy

DECISION : HIAL's Strategic Plan 2020-2025

The current measures required to deal with the coronavirus are affecting all aspects of everyday life and the travel restrictions in place are having a significant impact on the aviation industry. The Board discussed HIAL's Strategic Plan for 2020-2025 and agreed that HIAL's immediate priority is to deal with the impact of the coronavirus and the required changes to our operating procedures to ensure the safety of our staff and passengers. This will inevitably change our strategic priorities moving forward, and the Board took the decision that the strategy document should be reviewed in that context at an appropriate time.

ACTION: In relation to a benefits package for staff and the paragraph within the grant letter, IL and GB to discuss this with Michael Bratcher from Transport Scotland - call to be arranged. [SD – 17.05.20]

The Board meeting concluded at 17:10



Date of next meeting – 10th June 2020 in Inverness.