

HIAL Board Minutes – Thursday 26th August

**VIA Microsoft Teams video call & Present at Courtyard by Marriott, Inverness
Airport**

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

In Attendance: (GCb) Gary Cobb (HIAL Chief Operating Officer)
(AS) Andrea Sillars (HIAL Director of HR)
(DS) Denise Sutherland (HIAL Head of Communications)
(JC) Jackie Clark (HIAL Executive Assistant)
(MB) Michael Bratcher (Transport Scotland)
10:00 – 10:45 (TS) Terry Shevlin (Transport Scotland) - Virtual
10:00 – 10:45 (RMc) Ruth MacDonald (Transport Scotland) - Virtual
11:20 – 11:40 (RM) Ross McAllister (ATMS Programme Director) - Virtual
14:30 – 15:10 (RM) Ross McAllister (ATMS Programme Director) - Virtual
15:00 – 15:15 (LJo) Lynda Johnston (HIAL Business Development Manager) -
Virtual
15:00 – 15:15 (DH) David Holden (HIAL SATE Project Manager) - Virtual

HIAL Board Meeting Reconvened at 10:00 on 26/08/21

Spotlight Session 2 – Aviation Strategy Presentation

Terry Shevlin and Ruth MacDonald (Transport Scotland) joined the call virtually to present on a draft discussion document which will help inform Transport Scotland's Aviation Strategy. There were two requests directed towards the Board.

- Acquire the Board's views on a section of the document which relates to the Highlands and Islands
- Acquire approval to use the HIAL airports for public consultation work

The Board provided feedback on the draft document and approved the use of the HIAL airports for public consultation work.

ACTION: DS to work with Terry and Ruth on the comms for each airport visit for the public consultation.

Terry and Ruth left the meeting at 10:50

Apologies

Apologies were received from Gary Cox.

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 10th June 2021 were approved.

The Board approved the extension of dates for two outstanding actions;
Item No 6 (25.02.21) TS & HIAL cross mapping risk register exercise and tie in with reviewed framework – now December 21 and Item No 6 (10.06.21) How to Govern Projects over £250K paper – now December 21.

ACTION: Item No 13 (10.06.21) Framework – MB provided email update - JC to circulate email to Board members.

Item No 17 (10.06.21) ATMS September Board day – Cancelled, will be discussed at October Board

Chair's Report (Covered in DAL)

No further update was provided

Managing Director's Report (Covered in DAL)

IL updated the Board on correspondence from the pension's regulator on the Valuation of the HIAL Scheme and the possible options that may be returned from the regulator.

IL added that a paper had been submitted to Transport Scotland (**Redacted**)

Audit Committee (Covered in DAL)

No further update was provided.

Business Case Approvals

BC1017 – Stornoway Apron Extension Application

Gcb advised the funding is available in the 2021/22 capital plan. Gcb added Stornoway airport was not fixed stand and this would accommodate the ongoing changes in aircraft dimensions of the Loganair fleet and to facilitate and accommodate all future scheduled, cargo and charter aircraft on the apron adjacent to the terminal.

Decision: The Board approved the project to proceed at the cost of £498,000.

BC1030B – Ground Power Units

GCB explained the paper and the reasoning for purchasing the Ground Power Units (GPU).

Questions were raised by the Board on the lifespan of the GPU's and on the Net Cashflows calculation. The GPU's lifespan is 20 years and the GPU Financial forecast will be updated to show the new Net Cashflow.

ACTION: JW to circulate a copy of the updated GPU Financial forecast to Board members.

Decision: The Board approved the borrowing from Transport Scotland to fund the purchase of the GPUs at £610k subject to the recasting of the commercial agreements, with a caveat assuming it earns the cost of capital, and that the agreement with Loganair and other ground handlers is signed prior to procurement.

BC1209 – De-icer Bulk Storage – SYY, LSI, CAL, ISY, TRE

GCB provided an overview of the paper and the purpose for the procurement of 7 de-icer bulk storage units and advised the funds were captured in this year capital plan.

The Board raised questions on the increased volume size of the units, decommissioning costs of old tanks and pollution risk.

GCB advised the larger units would reduce the number of times the units would require filling. Decommissioning costs were included in the costs and there should be no pollution risk.

Decision: The Board approved the procurement of 7 de-icer bulk storage units at a cost of £842,400

Items for Approval by the Board
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Item A – Matters reserved for the Board

JW provided a brief overview of the paper advising amendments had been made to the Matters reserved for the Board document with suggestions from board members.

The Chair queried the wording under section Finance/Expenditure, on the sale and disposal of property. JW will look at the wording and amend.

ACTION: JW to make amendments to the paragraph to read – at a cost price or net book value

A question was raised on an inconsistency between the HIAL Framework document and the Matters reserved for the Board document on pay and conditions of the executive team. After discussion it was agreed a bullet point should be added stating

- The performance management and objectives of the managing director (executed by the Chair) and through him the rest of the organisation.

ACTION: JW to update the matters reserved for the board with the above bullet point which covers the difference in the two documents until the HIAL framework is renewed in 2022.

Decision: The Board approved the revised Matters reserved for the Board document subject to the inclusion of the two amendments.

Item B – Corporate Systems

JW provided an overview of the paper, advised on the affordability and added it was included in the 2021/22 capital plan. The costs were to implement the three new systems.

A question was raised on the replacement of the Sage Snowdrop KCS system as it was not identified as critical on the cyber critical list. JW confirmed the system cannot be used past March 2022 as no further HMRC changes will be updated within the system, leaving it out of date. This is now operationally critical rather than cyber critical.

ACTION: JW to arrange for Sage Snowdrop KCS system to be marked on list as critical

Decision: The Board approved the re-baselined budget of £1.747m for the implementation of the three new systems.

RM joined the call at 11:20

Item C – ATMS Programme KOI Airspace Change Proposal

RM updated the Board on the stages of Airspace Change Proposal (ACP). To continue to meet the programme date timescales the ACP for Kirkwall (KOI) requires immediate progression. Costs are within budget with no expectation for additional funding to deliver KOI.

The Board discussed the challenges of the stages of the CAP 1616 process and agreed the requirement to implement the process now. RM added that regardless of whichever surveillance methodology option is used an ACP is required. **(Redacted)**

Decision: The Board approved the recommended option 2 – Undertake Kirkwall ACP step 1b

RM left the call at 12:06

Item D – Campbeltown Pavements

GCB provided an overview on the paper and the cost increase following the tender process. The increase is within the 5 per cent project tolerance.

The Board advised of their frustration with increased cost on projects and asked how this could be improved. IL advised a paper would be brought to the Board for discussion in December on how improvements can be made.

ACTION: IL/GCb paper to December Board on how projects are costed and why several increases are brought to board.

Decision: The Board approved the increased cost of £243K to complete the Campbeltown Pavement works

Item E – Surplus Property Strategy – SYA Airport

IL advised the board on the several options available in regard to property (**Redacted**)

Item F – HIAL Masterplan

GCb provided an overview of the paper and the estimated £500k cost of the master planning exercise based on the Arcadis report.

The Board asked questions on what the expected final product would be and GCb advised HIAL would have the ability to shape the result. The Board agreed this was the correct path to follow however to better understand the costs it should go out to tender. It was agreed the costs could be capitalised if they were attached to a project.

A question was asked if the timing was appropriate in light of Transport Scotland launching their Aviation Strategy consultation.

ACTION: GCb to update/ review costs of the Masterplan and take back to Board in December 21 for approval.

Decision: The Board agreed to master planning in principle but for it to be aligned with Transport Scotland's Aviation Strategy and with a tendered proposal.

The Board broke for lunch at 13:10

The Board toured IABP site 13:30 – 14:00

The Board reconvened at 14:00

Item G – Human Resources

AS went through her paper and updated on some changes that had occurred since the paper was written. The trade unions have asked if HIAL could make a case for having the cap removed on the Flexible Early Severance and have asked for it to be formally noted as part of the People Plan as to whether or not HIAL would be making that request.

AS advised the Board that Prospect had written to JM and said they would not consider the pay & grading pack complete until the authorisation to proceed from Transport Scotland had been received.

JM advised the Prospect letter was shared with the Board. **(Redacted)**

Decision: The Board approved the recommendation to refer discussion on the flexible early severance cap to the people sub-committee.

Item H – Loganair

IL provided an overview of the paper **(Redacted)**

Item I – ATMS Governance

GCB updated the Board on the purpose of the temporary change to governance which will ensure the team achieve the tight deadlines to meet the October business case deadline.

Following a discussion on the role of the members within the Committees it was agreed that EH as a non-executive director should be added to the quorum with a remit of decision maker on the Board sub-committee.

Decision: The Board agreed to the short-term temporary change to governance on the ATMS project.

Item J – Delegated Authorities

Decision: The Board approved Derrick Lang with General Manager delegated authority over the Tiree PSO routes and Dundee and the removal of John MacCaskill from the delegated authorities list.

Item K – HO Accommodation

AS updated the Board on the amendments to the HIAL head office renovations noting in particular issues necessary to accommodate staff working in a hybrid between home and office. The Board noted the reduction in cost compared to the original budget.

Decision: The Board approved the revised cost of £450K for the refurbishment of Head Office

Item L – IABP Update

IL provided an update on the IABP.

(Redacted)

Papers for Discussion

RM joined the call at 14:30

Item 1 – ATMS Programme Update

RM provided an update to the Board on key issues. The team have started work evaluating major elements on the programme including staffing levels, transition orders and airfield infrastructure to identify cost reductions, with decision points being fed into the steering committee. **(Redacted)**

The Sumburgh radar facility building has now been refurbished and handed over from CBRE with ATC equipment being installed within weeks.

The Civil Aviation Authority (CAA) has approved the three STDI's and training for the remaining Sumburgh radar ATCOs can now commence with the simulator booked 6 days a week until transition.

A discussion was had on what should be included in the October business case with reference to the 15-year capital period within the business case and ensuring HIAL amendments are aligned with Transport Scotland. The board asked that a terminal value would be included in the ROI calculations.

Decision: Terminal value to be included in new ATMS business cases.

RM left the meeting at 15:00

DH and LJo joined the called at 15:00

Item 2 – Net Zero Aviation

IL drew the Boards attention to three areas. 1) the study on climate change and the impact on infrastructure. Making recommendations on HIAL infrastructure re coastal and buildings which form part of our Capital plan over the next 5-20 years. 2) the role of HIAL and where we fit 3) HIAL Progress and investment.

IL updated the Board about Sustainable Aviation Fuel (SAF) **(Redacted)**

ACTION: IL Circulate to board all information held on SAF.

Item 3 – Next Phase 3 – SATE

LJo updated the Board on the SATE event at Kirkwall Airport (KOI) on August 12th, on the progress of the offices and hangar at KOI, and that Windracer has received approval from the CAA to fly their aircraft from Wick to Kirkwall up to North Ronaldsay and on to Fair Isle.

LJo presented slides to the Board on phase 3 of SATE which focusses on three classes of aircraft which must demonstrate viable and challenging use cases which helps reach the zero carbon vision. The competition has been split into two strands – 1) Enabling technology and 2) demonstration with a total budget of £65m. If HIAL are successful the project will have a mix of end-users.

CH raised a possible conflict of interest due to him being on the Board of a company who is developing a hydrogen electric islander project. The Board agreed that there was no conflict of interest in today's meeting given it was at principle level, however any commercial discussions on HIAL/SATE partners in future, CH would be asked to leave the room.

The Board discussed the funding for the SATE project and where it fits in with the HIAL core budget from Transport Scotland. MB advised that a separate SATE budget had been requested however they had failed to secure any separate funds. There was a discussion on the level of funding that could be obtained from UKRI. For this project we can get up to 50% as opposed to the 19% in the previous project.

The board discussed the potential benefits for HIAL and asked the team to define those. Depending on HIAL's contribution, HIAL should try to contractually secure its right to take advantage of the results of the project where sensible and practicable.

IL commented the Board needed to think about where HIAL should be placed in today's climate, and felt it was important to be part of SATE, however, recognising the challenges on funding.

Decision: The board provided enthusiasm for the project and approved the team to pull together the best possible bid to be taken back to board in October.

LJo & DH left call at 15:50

Item 4 – Corporate Operating Plan

The Board acknowledged the quarter one results and the progress being made.

DS advised the results will be published to all HIAL colleagues following the board meeting.

Item 5 – Risk Management

Gcb provided a brief overview of the paper on the proposed changes to HIAL's risk management procedures in relation to escalation and sign off.

A discussion was had on risk governance and the difference between acknowledging a risk and accepting a risk and mitigations. It was also clarified that the Audit Committee could not accept risks on behalf of the Board, this being a Board reserved matter.

ACTION: Gcb to amend how the risk management system is expressed as Board will own the risk and the audit committee own the process.

ACTION: EH to send a number of questions on the paper to GCb for response.

Item 6 – Air Passenger Duty

IL advised there were two further consultations to complete for Jet Zero and Sustainable aviation fuels, which would be circulated to the Board when complete.

Item 7 – Capital Prioritisation

GCb provided a verbal update to the Board on two areas. 1) A tool which links our strategic priorities with how we allocate capital and 2) the future Capital budgets versus the capital required.

Company Risks

Company risks were covered in DAL and no further update was provided.

Items for note by the Board

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

Item 1 – Operations – AMSL Update

Noted

Item 2 – Operations Update - HIAL

Noted

Item 3 – Commercial Update

Noted

Item 4 – HIAL Finance – Monthly a/cs June 21

Noted

Item 5 – AMSL Finance – Monthly a/cs June 21

Noted

Item 6 – Delegated Authorities

Transferred to papers for approval – Item J

Item 7 – Data Protection

Noted

Item 8 – ICT Digital

Noted

Item 9 – Audit Committee Minutes 09.06.21

Noted

Item 10 – SATE project update

Noted

Item 11 – Environmental Update

Noted

Item 12 – IABP Update

Transferred to Papers for update – Item L

Item 13 – HIAL Pension Scheme

Noted

Item 14 – HIAL Year End Draft Accounts

The Chair requested the Board contact the finance team if they require any information to be clarified so that there would be a smooth path to signature at the October board.

Item 15 – Projects

Noted

AOB

It was agreed that IL/JC/DS would pull the actions and decisions together and circulate to Board.

HIAL Board Meeting concluded at 16:30

Date of next meeting: 6th /7th October in Edinburgh