

HIAL Board Minutes – Thursday 7th October
Hotel Du Vin, Edinburgh

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)
(GCx) Gary Cox (Transport Scotland, Head of Aviation)
(SD) Shelly Donaldson (HIAL EA – Minutes) – **Virtual**

HIAL Board Meeting commenced at 09:00

Apologies

There were no apologies.

The Chair welcomed everyone to the meeting and asked the Board if they were content to sign the HIAL Statutory accounts. The accounts were approved and signed.

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.

LS declared that her husband has been appointed as the Chair of Prestwick Airport Board.

Minutes and Matters Arising

The Board minutes from the previous meetings on 25th and 26th August 2021 were noted having previously been approved by the Board and published on the HIAL website as per the agreement with Transport Scotland.

Reference the matters arising, it was noted that the majority of items were closed and a few carried forward for update at the Board in December.

ACTION: GCB to arrange a call with EH to answer questions raised on the Risk Management paper from the August Board.

Chair's Report (Covered in DAL) - [Link to DAL Board Minutes – October 2021](#)

There was no update to the Chair's report, which had been given at the DAL Board meeting the previous day, however the Chair wished to continue discussions on the ATMS Spotlight session held the previous day.

ATMS Revised Proposal

The Chair advised that the previous evening, Board members had discussed the options presented at the ATMS session the previous day. It was noted that Transport Scotland is unable to consider any revised proposal until early in the New Year at the earliest.

(Redacted)

ACTION: To work on the options chosen by the Board. To be presented in a paper for the December Board meeting: RM and HIAL SMT - 22.11.21 (Board paper deadline)

ACTION: To inform Board members and SD/JC of when the Transport Scotland Investment Board is: GCx - ASAP

ACTION: Possibly move the HIAL Board meeting in Feb 2022 earlier, dependant on TS Investment board date: SD / JC – ASAP

*ACTION: Board Paper - the final proposal of the options and the final business case, which the HIAL board will present to Transport Scotland **(Redacted)***

ATMS - Trade Unions

The trade unions have asked HIAL if it is willing to accept an extension to the current mandate for industrial action to avoid them going out to ballot for an extension of the current mandate which expires on 30 November. There were two trains of thought on this.

(Redacted)

DECISION: HIAL to have an initial discussion with the trade unions (Redacted)

ATMS - Communications

It was stressed that communications should be finalised as soon as possible **(Redacted)**

There was a brief discussion on the governance process and getting official sign off from Transport Scotland on projects and business cases of over £250k.

Managing Director's Report (Covered in DAL) - [Link to DAL Board Minutes – October 2021](#)

No further update was provided

Audit Committee (Covered in DAL) - [Link to DAL Board Minutes – October 2021](#)

No further update was provided.

Company Risks

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

Items for Approval by the Board

Item A – KOI 09/27 RWY resurface and 09/27 AGL works

GCB advised that this is in the capital plan for this year and there is budget.

He outlined the series of projects over the next few years and the regular processes undertaken. GCB proposed undertaking surveys for all the projects to enable better

sequencing, provide more intelligence on options, provide information on the condition of our assets, and provide better cost certainty. He advised of a change to the paper; initially the ask was for £502k providing a 20% contingency but further work has shown increased costs and the ask is now £544k at a 30% contingency.

Concerns were raised as to whether grouping the surveys would improve cost estimates and that the survey work could run into the next financial year were raised. **(Redacted)**

GCB advised that this approach would enable the team to be better informed and get as close as possible to the deliverable cost prior to coming to the Board for approval to proceed with the project work. Until HIAL goes to tender for a project they won't know the definite cost.

GCB was confident that the survey work would be done prior to the new financial year, with the project work planned for over the next five years.

Decision: Approved at £544k which included the increased contingency of 30% from 20%.

Item B – Pay and Grading

The business case had been considered by the Board and a decision in principle given, at a previous meeting. AS outlined the number of approval routes involved and what had been undertaken so far.

Previously, there have been questions on affordability and on the risk of not implementing pay and grading. AS advised that progress has been made and that there was a key question from Transport Scotland **(Redacted)**

AS brought the Boards' attention to the recommendations within the paper with an aim to address some of the challenges over scale, cost and timeline. **(Redacted)**

She proposed looking at this taking a risk based approach. This would include reviewing the gender balance of the Company and reviewing the output from the gender Pay Gap Report produced annually. She reminded everyone of the complexity of the current pay model with a number of different allowances all of which are impacting on the Gender Pay Gap. HIAL's allowance structure is complex **(Redacted)**

She advised that the organisation is seeing challenges in recruitment for project and specialist roles within head office. AS advised that the roles are being advertised as roles that can be based anywhere so it is not due to location, but due to skills that are in high demand. Introducing the job evaluation, pay and grading would certainly help this.

AS outlined the phases, proposing to start with the areas of the organisation where the focus would be on the grading structure without the complexity of the allowances being discussed. **(Redacted)**

AS added that she would like HIAL to be in a position, having been through Transport Scotland **(Redacted)**

The Board thanked AS and noted the significant amount of work that has been undertaken.

(Redacted)

*ACTION: Pay and Grading – meet with the trade unions **(Redacted)** and to provide an update to the Board in December: AS – 22.11.21*

ACTION: To build the business case for Pay and Grading and to be submitted to the Board in December for approval: AS – 22.11.21

*Decision: The Board agreed **(Redacted)** for the business case be brought to the December Board meeting*

Item C – SATE Financial Business case

JW advised that the paper was requesting the Board to approve an additional £539k for the SATE project. She advised that the increase is due to an over-spend on Phase 2 mainly driven by the contractor's additional material costs. She advised that there may be a possible rebate of £200k due back from the green energy fund, which has not been factored in.

There was a discussion on the long term purpose of the infrastructure and more recognition to HIAL due to the money contributed. The Board noted that more business development opportunities off the back of the project is sought **(Redacted)**

There were questions about HIAL's involvement in Phase 3 and GCB advised that Orkney is the ideal airspace for the testing of this project and does not foresee any issues with phase 3.

(Redacted)

This has been recognised by the team but JW advised more resource is needed to enable HIAL to seek funding for the project from other organisations.

LJ suggested that HIAL should be investing OPEX into this project, in regard to staff, rather than CAPEX only and that the Board might have some concerns about investing CAPEX if HIAL does not have the staff to realise the potential of the project. There was further discussion on this and the expectation from Transport Scotland on HIAL's involvement in the project in relation to the Environmental strategy and the Net Zero vision for Scotland. It was proposed to approach the Scottish Government regarding sources of funding and to suggest this be linked with the program for government.

There was a discussion on the contract as it is not a fixed price contract and the contractor can pass along price rises. **(Redacted)**

A discussion followed on the governance process and the board wished to reiterate to the team that the Board are able to meet between Board meetings if an approval is needed and recommended in those cases to add a clause "subject to board approval" to those contracts.

LJ noted that these discussions have given the team direction on what the Board would like to see in the Phase 3 proposal.

(Redacted)

*ACTION: The SATE 3 proposal to be emailed to the board before it is submitted:
JW/Lynda Johnston – 25.10.21*

ACTION: Board call TBA prior to SATE 3 Submission, for the Board to review the proposal for SATE 3, to consider what is being created for HIAL from this project, to review the long-term and if content to approve: SD – 03.11.21

Decision: The Board approved the £539k (Redacted)

Item D – HPS Update

IL outlined the paper and there were no questions from the Board.

Decision: The Board were comfortable with the update and supported the recommendation regarding the ill health monitoring.

Item E – Procurement update and annual report 2020-2021

The procurement strategy was previously approved by the Board and is being designed for publication and translation into Gaelic. EH asked about resourcing which was subject to the previous approval and JW advised there was a wider piece of work being done in regard to this. JW mentioned this would not pose a risk and she advised that a paper will come to the Board, for information, in December.

The Board noted that the new procurement strategy will apply as of next year's annual report.

ACTION: Paper on Procurement resourcing to be submitted to the Board for the December meeting: JW – 22.11.21

Decision: The Board were content to approve the publication of the Annual Procurement Report 2020-2021.

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. Any questions raised were answered out-with the Board meeting.

Item 1 – Operations – AMSL Update

Noted

Item 2 – Operations Update

Noted

Item 3 – Commercial Update

With reference to the comment in the paper about Dalcross handling who no longer operate a freight x-ray service, LS asked whether the Business Development team is considering HIAL investing in an x-ray machine to rent to the handling company and thereby support and grow cargo business at Inverness. The Board were advised that the Company were looking at business resilience in the round post Covid and would pick this up. Noted.

Item 4 – SATE 2 update

Noted

Item 5 – Environmental Update

Noted

Item 6 – SAF consultation

IL briefly outlined this and circulated a note from BP to members. Noted.

Item 7 – Facilities Management contract

Noted

AOB

SD reminded members of the Audit Committee that the Minutes from the meeting held Friday 01.10.21 were now on SharePoint for approval and had a couple of questions on governance.

HIAL Board Meeting concluded at 13:07
The next Board meeting is on the 8th December in Inverness