

HIAL Board Minutes – Thursday 15th December 2022
Head Office Inverness, & Microsoft Teams Video call

Board Attendees: (LJ) Lorna Jack (Chair)
(IL) Inglis Lyon (HIAL, Managing Director)
(JM) Jamie Manson (HIAL, Finance Director)
(LS) Loraine Strachan (Non-Executive Director) - **Virtual**
(CH) Chris Holliday (Non-Executive Director)
(IT) Isabel Todenhoefer (Non-Executive Director)
(LC) Lynne Clow (Non-Executive Director) - **Virtual**

In Attendance: (DS) Denise Sutherland (HIAL Head of Communications)
(GF) George Farquhar (HIAL Interim Operations Director)
(DM) Darren MacLeod (HIAL Acting Director of Corporate Operational Support)
(MB) Michael Bratcher (Transport Scotland – Policy)
(AS) Andrea Sillars (HIAL, Director of HR)
(GCx) Gary Cox (Transport Scotland, Head of Aviation) - **Virtual**
(JC) Jackie Clark (HIAL Executive Assistant – Minutes)
10:50 – 11:40 (LJo) Lynda Johnston (HIAL Head of Business Services)
(JR) John Rough (HIAL Commercial Manager – Real Estate)

HIAL Board Meeting commenced at 09:30

Apologies

No apologies were received.

Declaration of Interest

The Chair took as read the usual declarations of interest unless advised of any change. No changes were advised.

Minutes and Matters Arising

The Board minutes from the previous meeting on 19 October 2022, were noted having previously been approved by the Board and published on the HIAL website as per the agreement with Transport Scotland (TS). The Board approved the minutes of the 9 November 22 for publishing on the HIAL website as per the agreement with TS.

Item 16 - 19 October 22 – 10 Year Sustainability, following an update from DS the Board agreed this action could be removed.

Item 19 – 19 October 22 – SATE investment. JM will circulate an email to the Board with a breakdown of the £650K investment.

Item 8 – 29 June 22 – DS updated that a Stakeholder event had been scheduled for February 23.

Item 5 – 04 May 22 – IL advised a discussion with HIE was to take place at the beginning of the new year and there would be an update to the action in February 23.

Chair's Report

The Chair advised of some changes she had made to Board members on committees. Effective 1 January 2023, CH will join as a member of the Audit Committee, LC will Chair the new People Committee and IT will join as a member of the People Committee. The Board approved the changes.

Local Authority stakeholder sessions continue with good attendance. The Chair spent time with Fahmi Mahjoub, KLM's General Manager for the UK and Ireland and was delighted to hear that he was happy with the KLM service from Inverness. No further news has been received on the sale of Loganair **Withheld Information No 1**. Loganair have been invited to join the HIAL board in February 2023 where an update will be provided. As no reply has yet been received from the Minister of Transport in relation to the letter sent in September 22 on HIAL budgetary constraints, the Chair advised she had escalated the situation with GCx and Fran Pacitti in Transport Scotland.

GCx advised that a letter had been drafted and provided to the Minister of Transport providing comprehensive advice covering the measures HIAL were taking to reduce operating costs and increase commercial revenue. HIAL's revenue budget for 2023/24 has increased by £430,000 to £41.887 million, **Withheld Information No 4**. GCx noted that there will be a challenge for Transport Scotland to supply a grant letter that reflects what is in the budget but provides reassurance to the Board and the CAA **Withheld Information No 4**. GCx advised that there has been no change to the HIAL capital budget for 2023/24. **Withheld Information No 4**.

Managing Directors Report

The MD provided the board with feedback from the meeting held with Kerry Twyman (KT), Director of Finance and Corporate Services, Transport Scotland (TS) where Capital, Revenue, Dundee Airport, Pay and Pensions were discussed. On the pay dispute, the additional flexibility requested by HIAL is now with Jenny Gilruth, Minister for Transport for decision and if passed will go to Ministers for approval. **Withheld Information No 4**. Multi-year contracts were discussed, and KT will provide feedback after conversations with TS colleagues. IL added that he had advised KT that he would write to her setting out the challenges on Capital. From a regulatory position the next two years are secured, however from 2024/25 it will be challenging. **Withheld Information No 4**.

IL advised a perimeter intrusion detection (PID) system was a potential solution to the ATR issue on the Islands. The CAA has been informally spoken with and seem content with HIAL's approach. A request for information (RFI) will be issued in the New Year which will provide an indication of costs. This is not included in our capital budget.

Spotlight Session – Commercial Income

LJo & JR joined the meeting at 10:52

Introductions were made to JR by the Board members and TS colleagues.

LJo advised a commercial strategy was being progressed and should be complete in the next quarter however the Aeronautical and Non-Aeronautical revenue papers included in the board pack provide a current overview.

The slide pack produced covered the different commercial revenue trends pre-pandemic up to 2022 and onward future projections up to 2025. LJo explained how HIAL's published charges were agreed by comparing a group of UK regional airports with similar passenger numbers, rotary, and fixed wing operators. **Withheld Information No 1**. LJo advised 82 percentage of revenue was aeronautical and provided the split by airline with 18 percent of revenue coming from passengers. Comparison of low-cost airline and network airlines business models were shared with analysis of Elasticities of Demand for leisure and business passengers and cost of fares per route per airline. Following a discussion on how airline operating costs are determined the Chair added that HIAL must be cognisant of their own costs. The question was asked if HIAL was looking at driving for volume or driving for sustainability and it was recognised that some work needs to be progressed on this. **Withheld Information No 1**. It was suggested that HIAL should be able to view and present where they think their routes fall within an airlines hierarchy and from that determine profitability. The Board asked for information on contribution and yield per passenger per airline as a figure rather than graph and percentages. **Withheld Information No 1**.

JR provided the board with a review of the slides relating to non-aeronautical revenue which covered outbound and inbound passenger volumes for car hire, car parking, catering, and retail. He covered contract management, concessions including the billing of rates and electricity. He highlighted long term growth options which included e, UAV freight hub and power generation. On real estate he highlighted that property leases made up 67 percent of income followed by hanger leases and then ground leases. JR went over future growth opportunities and opportunities to maximising revenue. The Board requested figures against non-aeronautical revenue streams on future reporting and if it was possible to analyse what revenue has been lost versus pre pandemic years.

LC offered to provide her knowledge of the Oil and Gas area and asked LJo to make contact.

The Chair thanked LJo and JR for their work on the presentation and the board papers,

LJo & JR left the meeting at 11:37

The Board Broke for coffee at 11:37 and reconvened at 11:50

Papers for Approval

Item C – Capital Prioritisation

IL provided an overview of the board paper advising that the capital plan had been reviewed several times and updated for the next three years. He noted his confidence that the £21 million spend for 2022/23 would be managed for the remainder of the financial year. To help meet the Capital budget for 2023/24 scheduled drainage works for Inverness Airport had been removed **Withheld Information No 4**. IL advised by the end of 2023 a more accurate picture of the capital plan and infrastructure plan for 2025/26 and beyond will be complete following a strategic review. TS will be kept informed of the revised picture at that point to help inform spending allocations beyond 24/25 which at this stage looked problematical. MB acknowledged the progress the executive team had made on the capital plan.

*Decision: The Board approved the capital plan for 2023/24 and 2024/25. **Withheld Information No 4.***

Item D – Revised Strategic Plan

IL thanked DS and AS for their time spent on helping revise the Strategic Plan. DS provided a review of some of the changes made to the Strategic Plan based on previous feedback from the Board and HIAL's General Managers. Engagements events have been scheduled for managers who will then present the draft strategic plan to staff for feedback. Stakeholder engagement events will follow and be held virtually. The Board raised a question on whether the strategic plan was too ambitious, and should some wording be edited to ensure accurate language is used when delivering messages around HIAL's budget figure.

Decision: The Board approved the first draft of the 2023-2027 Strategic Plan, with a final draft to be taken back to the Board for approval in Feb 23 following conclusion of colleague and stakeholder engagement sessions.

Item E – Equality Diversity and Inclusion Strategy

AS provided an overview of the content within the Equality Diversity and Inclusion Strategy which covers both employees, HIAL commitments and public safety duties. AS advised emphasis has been made on service delivery following a complaint raised at Dundee Airport, and HIAL's gender pay gap.

The Board raised a concern about a single strategy attempting to cover both employees and customers and felt it would fit better as two separate documents or sections.

Decision: The Board approved the content of the Strategy with the detail to be approved by the People Committee. AS to look at how to present the document by ensuring employee and customer areas are clearly defined.

Item F – Delegated Authorities

Decision: The Board approved the amendments to the Delegated Authorities list.

Item G – People Committee ToR

AS provided an overview of the board paper and the proposed standard agenda for the People Committee (PC). The Chair updated the Board on the areas the committee would review and added anything that required Board approval would be brought from the PC to the next Board meeting for Board approval. The quorum was discussed and agreed. It was noted that the paragraph on quorum had been omitted from the amended V2 TOR and requires addition.

Decision: Subject to checking the information transferred from V1 to V2 of the TOR and the addition of pension and succession in V2, the Board approved the People Committee TOR.

Item H – ATMS Lessons Learned

IL spoke of the actions he recommended for taking forward a lesson learned exercise including the scope, timeline, and outcome. **Withheld Information No 4.**

Decision: The Board agreed that a Lesson Learned exercise was required however, felt the recommended scope required further work and requested that the Audit committee and the senior management team rethink the scope of the exercise and bring a new proposal back to the Board which includes whether this is an internal or external exercise and including reflections on the previous two audits.

Item K – HIAL Pension Scheme

IL provided the Board an update on the current position of the Pension Scheme **Withheld Information No 4.**

*Decision: The Board asked IL to discuss with LC separately or through the new People Committee the **Withheld Information No 4.***

The Board broke for lunch 13:30 – 13:50

Papers for Discussion

Item I – Pay Award Update

AS provided an update on the position of each of the three Trade Union ballots. The Board discussed the improved pay offer they approved which is with the Minister for decision.

Decision: The Board noted the update provided on the position of the 2022/23 pay award

Item J – Flexible Early Severance

AS advised that an application was submitted to the Minister in October **Information withheld No 4.**

*Decision: The Board noted the update from AS **Information withheld No 4.***

Item L – HIAL Company Accounts

JM provided an overview of the management accounts for October 2022. He highlighted the increased turnover, which was driven by a strong summer performance, and the increase in costs. The current overall position is positive however the severity of the winter, the pay award and the impact of industrial relations had not yet been factored in. Capital spend for the year is on target.

The board raised questions of the gross margin percentage, de-icing costs and professional fees. JM provided an update on professional fees and advised he would circulate to board members a response to gross margin and de-icing costs.

ACTION: JM to provided responses to questions raised by Board on the gross margin percentage figure for fuel and the de-icing costs.

The Board asked if the November management accounts, and a breakdown of the Operating Costs could be circulated to the Board.

ACTION: JM to circulate the November management accounts and a breakdown of the Operating Costs to the Board members.

Following a question on Head Count figures, GF advised he would review the increased figure registered against WIC.

ACTION: GF to review the figure populated against WIC on the Head Count report published in the December Board Company Accounts Appendix paper and review which system the establishment figures are being reported from.

Decision: The Board noted the board paper on HIAL Company a/cs.

Item M – AMSL Company Accounts

JM provided an overview of the company accounts. No questions were raised.

Decision: The Board noted the board paper on AMSL company accounts.

Business Cases for Approval

BC0343C - Tiree AGL & APAPI's

GF advised the Board that Tiree had moved from a single daily rotation in daylight to two rotations with one at night which requires the aging lighting to be updated. The lighting is solar powered and portable and will provide a cost saving on overtime as the current lighting is installed and removed daily and income from future flights that will be able to land due to the new lighting system.

The board requested that business cases which have come to the Board for approval should be easily tracked back to the capital plan and that the Board paper is completed with the capital plan reference completed. The Board also requested when a business case is brought to Board the paper includes profitability and/or returns on investments. It was noted that the Capital plan had been updated since the board paper was issued, and the updated Capital plan should be circulated to the Board.

ACTION: GF/DM to circulate an updated capital plan to the board.

*Decision: The Board approved option 4 (Edge lighting on Taxiway Alpha and Apron with TWY 11/29 solar AGL system) up to a value **Withheld Information No 1** subject to seeing the updated capital plan showing the split correctly across 2022/23 and 2023/24.*

BC0869B – DME Replacement Programme

GF advised that this project had been approved previously as part of a larger business case BC0390 in 2018. This was the last part of the project to be completed and was within the previously approved amount. The current assets are now at end of life with the project being phased over three years for seven airports **Withheld Information No 4.**

*Decision: The Board approved the update to the DME Replacement Programme with the spend on the project up to **Withheld Information No 1** phased over the capital plan in years 23/24 **Withheld Information No 1**, 24/25 **Withheld Information No 1** and 25/26 **Withheld Information No 1**. **Withheld Information No 4.***

BC1357B – Kirkwall DVOR Refresh

GF provided an overview of the paper and the benefits of option 5 to refresh the electronics of the DVOR System at Kirkwall (It has been confirmed the counterpoise structure has sufficient remaining life to support the 15year life of the electronics). It was highlighted that the operation would be compromised from March 2023 due to low visibility should this not be progressed. GF to clarify the £5000 cost of legal fees within the capital project cost of £625,000.

ACTION: GF to clarify what makes up the £5000 cost for HIAL Legal expenses within the **Information withheld No 1** cost

*Decision: The Board approved option 5 to refresh the electronics of the DVOR system at Kirkwall up to an amount of **Withheld Information No 1** within the capital plan for 2023/24*

BC1369 – Body Scanners Security Search

GF advised this was in preparation for legislative change coming into force in June 2024 when there will be an increase from twelve percent to thirty three percent on random explosive trace detection (ETD) tests if this equipment was not purchased. **Withheld Information No 4.**

*Decision: The Board approved the procurement of four body scanners for SYY, KOI, BEB, and ISY at a cost of **Withheld Information No 1** per unit inclusive of required works and 10% risk allowance within 2022/23 capital plan. **Withheld Information No 4.** **Withheld Information No 1.***

The Board broke for Coffee at 15:50 – 16:00

Papers for Discussion

Item N – Compliance and Accountable Manager Update

IL provided an overview of the contents in the board paper highlighting the level of detail that the CAA are reviewing. This included the NATS contract where the CAA requested evidence of the level of training and competence of personnel working on our sites for NATS had to undertake equipment checks. Workstreams have been started including one for senior managers to measure and identify their level of regulatory competence and thus compliance. A review of contracts has been started to ensure HIAL are clear on all contractual requirements. It was noted that it was important for training to be captured by one system which would help provide a more uniformed picture of employee competency levels.

Item O – CAA Scheme of Changes Consultation Update

IL advised HIAL were submitting a consultation on the proposed CAA increased statutory charges and were progressing a feasibility study for introducing in-house Assessors at all HIAL ATC units. The Board requested a breakdown of the full cost to HIAL should the option of inhouse assessors go ahead. MB reminded the management team about the proposed pay and grading scheme and the payment of allowances.

Item P – Corporate Operating Plan Q2

DS updated the board on the progress made on delivery of the 21 Objectives within the Corporate Operating plan for 2022/23.

Item Q – IABP Verbal Update

IL updated the board **Withheld Information No 4.**

Item R – Cyber Security Update

DM provided an overview of the paper highlighting the main areas of the paper. He confirmed to the board that HIAL do have a cyber insurance policy.

Item S – Data Protection & FOISA Update

DM highlighted that this was the first combined Data Protection and FOISA paper as requested by the board. The board asked if trends could be included in the report but otherwise were content with the combined report. A question was raised on the length of time it is taking to resolve the timesheet data protection risk. DM advised although simplistic in nature it was complex in delivery, and it had been held up due to the implementation of the new finance and HR systems however it now has a realistic delivery date of April 2023.

Item T – Environmental Update

DM highlighted the SEPA Enforcement Undertaking and the increase in water sampling at Inverness. He talked about the mandatory deposit return scheme (DRS) and the level that HIAL will be involved in the scheme with Inverness Airport running a pilot project next year.

The Board noted the comprehensive report.

Company Risks

GF highlighted the CROG notes and the necessity to work with the airport teams on how to score a risk and for it to fit within company risk descriptors. The Chair asked for the outstanding actions on the Wylie Bisset (WB) Audit Overview relating to Board governance to be looked at and actioned.

ACTION: IL will review WB outstanding actions relating to board governance and start the process to clear the actions.

The strategic risks have been updated and are presently the current strategic risks for the organisation. The Board raised the question about the Board being named as an owner of a risk. Although the Board are responsible for the risk governance of the organisation, they can instruct but not own a risk. The Board asked for more information around the commercial risk

Withheld Information No 4.

Papers for Note

Item 1 – AMSL Operations Update

Noted

Item 2 – HIAL Operations Update

GF highlighted to the Board the difficulty with resource of Air Traffic Controllers at Benbecula Airport. Tactical airport closures may be required.

Noted

Item 3 – Commercial Update

Noted

Item 4 – SATE 2 Update

Noted

Item 5 – ICT Update

Noted

Item 6 – Procurement Update

Noted

Item 7 – Budget Timetable

Noted

Item 8 – People Management Update

AS & LC to catchup and discuss the staff turnover at Kirkwall.

Noted

Item 9 – Investors In People

Noted

Item 10 – Gaelic Language – Year 1

DS wished the Board merry Christmas in Gaelic

Noted

Item 11 – Audit Committee Minutes 17.10.22 & 02.11.22

Noted

AOB

The Board approved the proposed programme of works for 2023. The Company finance papers are now papers for discussion on the Board agenda and should be submitted at every board meeting.

The Board agreed to have the rescheduled risk awareness training to be held outside of a board meeting and will be held in Glasgow.

The Non-Executives agreed to work out between themselves any further changes to attendance against their allocated dates for the CROG and SERB.

DS updated the Board that confirmation had been received from the Scottish Public Service Ombudsman (SPSO) that HIAL do not come under their jurisdiction for complaint review. However, the SPSO met with DS and Terry Shevlin (TS) from Transport Scotland to review the HIAL policy and procedure and provide constructive feedback. The SPSO advised that HIAL's complaints procedure should revert to a two-stage policy in line with best practice. TS is raising the removal of additional stages with Transport Scotland and will finalise their guidance on external review for complaints.

The Board approved reversion to the two-stage process for complaints handling. DS to bring an update complaints procedure policy to Board for approval.

The HIAL company accounts are with the Minister for comment and will be laid before parliament by 22nd December 22 and filed with Companies House by 31st December.

IL raised the issue of awaiting approval from TS for the Sumburgh PSR, it remained outstanding and was a business-critical item.

JM advising budget setting would be happening within the following weeks with the approach to setting fees and charges for 2023.

The Chair wished everyone a very merry Christmas.

HIAL Board Meeting concluded at 17:20
Next Meeting on 23rd February 2023, Head Office, Inverness

No	Reason for Redaction
1	Withheld for reasons of commercial interests
2	Withheld as the information constitutes personal data
3	Withheld as disclosure of the information will endanger the physical or mental health or safety of an individual
4	Withheld as disclosure will prejudice the effective conduct of public affairs