

FOR PUBLICATION

HIAL Board Minutes – Wednesday 24th August 2022
Caladh Inn Stornoway, & Microsoft Teams Video call

Board Attendees: (LJ) Lorna Jack (Chair)
(IL) Inglis Lyon (Managing 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**
(LC) Lynne Clow (Non-Executive Director)

In Attendance: (AS) Andrea Sillars (HIAL Director of HR)
(DS) Denise Sutherland (HIAL Head of Communications)
(GCx) Gary Cox (Transport Scotland, Head of Aviation)
(GF) George Farquhar (HIAL Director of Airport Operations)
(DM) Darren MacLeod (HIAL Acting Director of Corporate Operational Support)
(JC) Jackie Clark (HIAL Executive Assistant – Minutes)

HIAL Board Meeting commenced at 09.00

The Chair welcomed everyone to the meeting. The Chair advised the Board that GF and DM were attending to replace the former Chief Operating Officer.

Apologies

No apologies were received.

Declaration of Interest

The Chair took as read the usual declarations of interest unless advised of any change. The Chair advised of her new role of Honorary Consul for the Netherlands in Scotland which commences on 1st September 22.

Minutes and Matters Arising

The Board minutes from the previous meetings on 28 and 29 June 2022, were noted having previously been approved by the Board and published on the HIAL website as per the agreement with Transport Scotland.

The following adjustments to 29.06.22 matters arising were noted.

Item 2 - The Chair apologised and advised she would circulate the document mentioned as soon as it was available.

Item 3 - Brett Dorney risk training was confirmed for the December 22 board meeting with the scope of the training sent to the Chair of the Audit Committee for review.

Item 6 - Strategic Risks from 29th June was now complete.

Item 7 – Environmental CO2 emissions summary deadline was amended to October 22.

Item 10 – HIAL Staffing Proposals had been included with the spending review update and was now complete.

Item 5 – Facilities Management Plan B deadline was amended to October 22.

Chair's Report

The Chair advised the Board of the Transport Minister's visit to Kirkwall on the 8th August where she visited the SATE project. The Chair took the opportunity to highlight to the Minister that HIAL would be making contact imminently regarding the indicative HIAL budgets following the spending review outcomes. **Information withheld No 4.** The Minister asked about the status of current industrial relations and advised it was likely HIAL would be provided policy flexibility to increase the pay award however, affordability would have to come from within the current revenue budget.

On 17th August the Cabinet Secretary for Net Zero, Energy and Transport, Michael Mathieson visited Kirkwall to see the EMEC powerplant and took the opportunity to review the SATE project. Although the Cabinet Secretary's overall visit was organised by EMEC and with HIAL involved in the Kirkwall airport end, the Chair was disappointed that the comms following the visit made no mention of HIAL's participation. The Chair highlighted to the Board that the partnership between EMEC and HIAL for the Hydrogen Combined Heat & Power System for the terminal building was for one year and the operating costs for HIAL thereafter was as yet unknown. From a strategic level it was important going forward that HIAL understood the longer-term costs before agreeing to any long-term partnership.

The Chair wanted to thank Dougie Cook and Kimberley Fisher on the great job they did representing HIAL on both visits.

The Chair and the MD met during the month with Jamie Stone MP who offered help in contacting the UK Minister for Transport on EGNOS and Councillor Raymond Bremner who particularly wanted to discuss the Wick PSO **Information withheld No 4.** He had advised that the public preference would be a flight to and from Edinburgh rather than Aberdeen.

James Stockan, who regularly attends the HIAL /Local Authority six weekly meetings, advised he was looking at stepping back and getting his Transport Convenor to attend the regular local authority meetings instead. He had also advised the Chair that OIC is open to working together with HIAL to look at addressing any excessive regulations on Island airports and the possibility of working together on joint procurement where costs could be saved to mutual benefit.

The facilitator for the strategy day on the 7th and 8th September will be in contact with each board member and attendee to capture what they would like to see on the agenda. This may include important non-strategy topics which may not be given adequate time to discuss within Board Agendas. The Chair added that she has asked EH to help with initiating a discussion on succession planning.

Managing Directors Report

Information withheld No 4

As part of the UK Governments ambition to have aviation net zero by 2050 the MD has accepted an invitation for HIAL to join the Jet Zero Council Infrastructure Group with the first meeting taking place in October.

Information Withheld No 4

The new Finance Director Jamie Manson commences on the 17th October and will be attending the Board meeting on Islay on the 19th and 20th October but was not available to join the earlier strategy day meeting.

The Chair raised concerns around the timing for the annual accounts. The MD advised the timetable is with the auditors for review. Draft annual accounts will be emailed to the Board prior to final accounts being taken for signature to the October Board meeting.

Audit Committee Update

The timeline for the 2021/22 annual accounts is behind schedule with the external auditors attending HIAL at the end of August to continue with the audit. The current plan shows the annual accounts are due with the Audit Committee on the 17th October and the Board on the 19th October. This timeline is felt unsuitable.

The Wylie Bisset internal operational audit plan for 2022/23 will commence 29th August 2022.

Data Protection – Information Governance audit received a substantial conclusion. The new DPO (data protection officer) is now in place and will present an annual report at a future Board meeting.

It was recommended and agreed that future Data Protection Update Board Papers should be on the agenda as Paper for Discussion and not Paper for Note.

ACTION: DM/JC Arrange for the DPO to present an annual report at a future Board meeting.

ACTION: JC – Data Protection Board Paper to now be reviewed under Papers for Discussion

The Going Concern principle was discussed with the external auditors asking if the new Framework document would be signed before the accounts were finalised. GCx advised the new Framework document is with the Minister thus HIAL should continue to apply the old Framework document until the new one is signed.

There was a discussion around the timescales for publishing the Annual Accounts and any reputational risk should they be published later than normal but within Companies House deadline.

There was no whistleblowing during the period and one fraud attempt registered.

The Audit Committee reviewed a list of the HIAL HR policies to ensure they were updated regularly.

HIAL Spending Review

IL advised that linked to the spending review paper is the Pension Paper, Sumburgh Radar Paper and Pay Remit Paper which should all be taken into account when discussing the spending review paper **Information withheld No 4**.

There are still several unknowns due to the recession, higher fuel/electricity costs and increased costs in capital spend which are not included in the spending review paper.

Three different scenario plans have been formalised for the Board's consideration with a budget deficit of between **Information withheld No 4** over the next 5 years. IL recommends that following today's discussion the Board write to the Minister of Transport highlighting the deficit in funding issues but including scenario options on savings. This letter should be sent prior to the Minister attending the HIAL strategy day.

GCx advised that due to the enormous savings that are required Scottish Government Finance have asked for nothing to be left off the table. **Information withheld No 4**

It was confirmed that no increased pay award cost over and above that already budgeted was captured within any of the scenarios and the ATMS capitalised cost to date **Information withheld No 4**.

Following a question raised by the Board on the figure used in the scenarios for rates, IL advised he would review and amend as necessary.

It was highlighted that HIAL were carrying several extra staff numbers **Information withheld No 4.**

The Board discussed the pay award, the potential industrial relations issue, the expectation of the unions and how to make an increased pay award offer affordable. Increasing HIALs different revenue strands was discussed, however with the possibility of a looming recession it may not be enough to cover the cost required for an increased offer. AS advised that Prospect and Unite were expecting an update on the Board's decision on the pay award following the Board meeting.

Information withheld No 4.

The board discussed price increases. It was recognised that although Islands pay increased costs for delivery, fuel, and other costs however, for fairness all revenue price increases should be across all HIAL airports with HIAL being clear with customers about why the increases have occurred. This is not a change of policy, given HIAL have a regular review of customer charges and so an increase in charges should not require an IIA (Island impact assessment).

Information withheld No 4.

ACTION: To review revenue numbers adding clear assumptions and circulate to Board showing the things that can be done alongside the related risks to fund the additional needed for the wage award. Revised revenue numbers to be used within the letter to the Minister.

The Board discussed the Sumburgh Radar Surveillance options (Item 3 – Papers for Approval) within each of the three scenarios and the related costs. **Information withheld No 4.** IL added his primary concern was resilience over the medium to long term. **Information withheld No 4.**

ACTION: Information withheld No 1.

The Board agreed the need to make savings where required and asked if it was possible to be open about HIALs budget challenges with suppliers and request better contract terms. IL advised this is occurring on new tendered contracts, with some being returned to the market, however current procurements are regulated and this could lead to potential risks.

Decision: Information withheld No 4.

Information withheld No 4.

Establishment changes were discussed, IL advised all new positions should be on a cost neutral basis. All previously approved positions which are not yet filled, i.e., Infrastructure, procurement, and airport operational are being reviewed for cost savings.

The Board requested a spotlight session on commercial income.

ACTION: Spotlight session on commercial Income to be included on the December Board Agenda. Invite John Rough and Lynda Johnston.

Information withheld No 4.

Broke for lunch between 13:18 – 13:48

The Board discussed the possible sale of some company assets; however, it was noted that any funds from the sale of an asset would go into the capital budget and not the revenue budget. IL advised the potential rental of NCH (New Century House) would create annual revenue of **Information withheld No 1.**

After a discussion around end of year cashflow, due to the current constraints on budgets, the Board requested sight of the cashflow forecast at each Board meeting over the next twenty-four months.

Information withheld No 4.

Item H – Pay Award Update

Clarity was provided to the Board on the Government's position on the current pay award. **Information withheld No 4.** The Board advised any improved offer would need to be affordable within the budget and noted any offer would require approval by Transport Scotland. The Board discussed options for an increased pay award to avoid industrial action. The Board agreed AS could update the Unions on the Board's commitment to an improved offer however any increased offer was dependant on increased revenues and Transport Scotland approval.

*Decision: The Board approved AS updating the Unions on the Boards commitment to an improved pay award, however this is linked to increased revenue income and approval from Transport Scotland. **Information withheld No 4.** IL confirmed that the Company would now write to Transport Scotland seeking authority to make an improved offer and set out how this would be funded.*

Item E – HIAL Pension Scheme

IL's interest was noted as a member of the HIAL pension Scheme.

IL advised two areas on the Pension Scheme should be highlighted **Information withheld No 4.**

Going Concern Discussion Information withheld No 4.

Communication

The Board agreed the outline internal and external communications plan and timeline for the Pay award, ATMS and the spending review.

ACTION: IL to write to MPs/MSPs about the HIAL challenges. Update staff and stakeholders. AS to discuss outcome of Pay Award with the Unions.

Company Risks

The Board discussed the strategic risks. GF advised the strategic risks would be recalibrated by the management team following the output from today's discussions. The Board were content with the level of detail reported within the strategy risk report.

GF provided further detail to the Board on tier one internal audits and advised several tier one audits have been completed since the report was issued.

AS provided further detail on staff retention which was ranked number one on the top ten list. GF advised the issue lies around recruitment at some airport locations rather than retention issues across the whole of the HIAL group.

The Board noted the improvement on the risk report and how it links with the level of risk appetite. Following a question raised on risks within the strategic risk report and how they filtered up to the corporate register, GF advised official sensitive risks captured through the strategic risk register **Information withheld No 4** were registered.

The Board requested that all terminology should align between the risk appetite, corporate risk and strategic risks.

ACTION: GF - Align all terminology within the risk appetite, corporate risk and strategic risks. Severity descriptor – Commercial – reword the risk from Failure to protect or grow sustainable aviation to we have a high appetite to take and grow initiatives.

DM explained to the Board the hazard below the risk is what provides the risk score. IL advised the guidance would be reviewed with the airport managers around what generates a minor risk up to a corporate risk. The Board asked that the risk descriptors include the number of airports they affect.

ACTION: IL/GF to update the risk descriptors to include the number of airports affected and review the guidance with airport managers on how a minor risk is generated to a corporate risk.

Business Case Approvals

BC0901C – Stornoway R18 Approach Lights

GF provided a brief overview of the business case paper covering the requirement to move the approach lights from the estuary to the runway. An agreed design has been completed at a cost of **Information withheld No 1** which would be completed in two phases by installing the new approach lights on the runway and decommissioning the estuary lights. The CAA have been involved and have confirmed the design is compliant. Following the Board's question on the high feasibility costs, GF advised the costs had been scrutinised by the project team and endorsed at programme board level. The Board asked to see a report of maintenance costs on the old lights system to show what savings are being made.

ACTION: GF to pull together details of maintenance costs on the old lights system to show the level of savings made by installation of the new lights.

*Decision The Board approved **Information withheld No 1** in addition to the feasibility costs previously approved. Approving a project cost of **Information withheld No 1** for the installation of the new approach lights.*

BC1323 – HIAL Air Traffic Engineering

GF provided an overview of the business case paper stating NATS has held the maintenance contract for several years with the contract due to expire in March 2023. The ATMS programme had highlighted a lack of detailed knowledge within HIAL that would be fundamental to implementing an improved engineering service provision in the future. The business case is seeking the approval of the Board to prepare for the future service provision, through market engagement, data gathering and process development at a cost of **Information withheld No 1**. The data collected will be included in the tender process which will help bring benefit to the business and value for money.

The Chair noted that this was within management's delegated authority and was therefore a management decision. These costs would have to be met from the overall revenue staff budget.

Decision: The Board support the management team to undertake the works defined in the business case but with the cost being met from the revenue staff budget.

The Board requested management bring a comprehensive picture of contracts held with NATS to a future meeting for review to ensure maximization of value for money.

ACTION: Management to bring to Board a comprehensive picture of NATS contracts (air traffic management) for review to ensure maximization of value for money. To be brought to board quarter one 2023.

Papers for Approval

Item 1 - Procurement Update

IL provided a brief overview of the procurement paper highlighting the gaps on pages ten and sixteen of the annual procurement report. The gaps in the data do not affect the substance of the annual report.

Decision: The Board are content to approve the annual procurement report subject to the gaps being completed before being published.

The Board wanted to thank Sarah Shelly and the procurement team on work well done.

Item 2 - Delegated Authorities

Decision: The Board approved the changes to the delegated authority list and reminded the team the need to approve a new delegated authorities list when the new Framework document is signed by the Minister.

Item 3 - Sumburgh Surveillance

Decision made within the spending review discussion.

Papers for Discussion

Item A – Corporate Operating Plan 22/23 Q1

IL provided a brief update of the operating plan and the progress against delivery of the 2021 objectives.

The Board recognised the team were stretched however thanked them for managing to push on with the corporate plan.

Item B – Data Protection Update

DM provided a brief overview of the data protection update paper. Following the Wylie Bisset audit on Data Protection the DPO (Data Protection Officer) will pull together a mitigation plan.

The Board agreed that the FOISA and Data Protection updates could be amalgamated into one paper and produced quarterly with the inclusion of trending figures on FOISA requests.

DM advised there has been a new online form tool implemented for taking credit card payments. This online tool will be used for taking landing fee and fuel charges and will reduce on administration time.

DM advised the Data Protection Action plan is to be rewritten with target dates included.

Item C – Environmental Update

DM provided an overview of the Environmental board paper highlighting the new head of environment and sustainability will start on the 15th September. The first task asked of them will be the completion of the environmental strategy net zero road map which will be taken to the October Board. The SECR (Streamlined Energy & Carbon Reporting) report which was delayed has now been confirmed ready to include in the Company's Annual Report.

The Chair reminded the management team about HIAL's requirement to include in its plan the need to reduce its own environmental footprint.

Item D - People Management

AS provided a brief overview of the people management quarterly report adding it was the first report following the installation of the new HR system. AS was looking for feedback from the Board on the style and presentation of the report. She added as HIAL move through the quarters; trend lines would be included in the report.

The Board suggested the report could be summarised more. A question was asked about diversity and inclusion. AS advised a diversity and inclusion strategy has been formed and will be included in the HR papers for the October Board.

AS advised the HR team has been restructured as a HR Business partner model where each airport will have their own HR advisor. The HR advisor will use the data in the people management report to drive airport/general managers to set KPI's.

Item F - ATMS Finance Update

With the decision to close the ATMS programme IL advised there were a few areas to close off in terms of cost relating to the connectivity review. The treatment of this year's costs is being discussed the Auditors.

Decision: The Board agreed to close the ATMS sub-committee and asked IL and AS to discuss whether there was reason to look at establishing a People Sub-committee with a NXD member included. A letter will be issued to the DAO to advise of the ATMS programme closure.

Item G – IABP Update

IL's interest as a director of IABP was noted with no conflict noted.

IL provided the Board with an update on the business of IABP. Payment to HIAL for the carpark works should be forthcoming in October this year. The Board noted the update.

Papers for Note

Item 1 – AMSL Operations Update

The Board requested a matrix to show whether compulsory training is up to date. AS advised the training data was in the process of being migrated to the new HR system.

ACTION: When the data is ready in the new HR system GF to produce a matrix to show whether compulsory training is up to date

Item 2 – HIAL Operations Update

Noted

Item 3 – Health Safety and Wellbeing Action Plan

Noted

Item 4 – Commercial Update

The Board asked if more information could be shared on the data that is pulled into the report on the economic impact of aviation in the Highlands and Islands.

Item 5 – AMSL Monthly Accounts

Noted

Item 6 – HIAL Monthly Accounts

Noted

The Board was advised that due to inflation costs, Capital costs are being monitored closely.

ACTION: IL to check that the grant submissions to Transport Scotland are up to date

Item 7 – SATE Update

Noted

ACTION: IL to review contract to ensure funding is secured and advise Board of outcome by email.

Item 8 – FIOSA Update

Noted

Item 9 – Compliance Accountable Manager Update

Noted

AOB

The Board dates for 2023 were approved. The location of BRR and WIC are to be swapped.

ACTION: In response to a question regarding whether we should reduce the number of Board meetings that involve significant travel costs, JC to produce a report showing travel/hotel costs for the board meetings at airport locations.

GCx confirmed the letter going to the Minister regarding the spending review will be subject to FOI.

GCx left the meeting at 17.35

HIAL Board Meeting concluded at 18:00

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