

HIAL Board Minutes – Wednesday 29th June 2022
Dundee Airport, & Microsoft Teams Video call

Board Attendees:	(LJ)	Lorna Jack (Chair)
	(IL)	Inglis Lyon (Managing Director)
	(LS)	Lorraine 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)
	(MB)	Michael Bratcher (Transport Scotland, Aviation Policy)
	(JC)	Jackie Clark (HIAL Executive Assistant – Minutes)
	(GCb)	Gary Cobb (HIAL Chief Operating Officer)
14:40 – 16:20	(RM)	Ross McAllister (HIAL, ATMS Programme Director) - Virtual

HIAL Board Meeting commenced at 12:45

The Chair welcomed everyone to the meeting.

Recruitment and Structure – Board NXD’s only

The Board reviewed the Managing Directors proposed new organisational structure.

IL advised the board that an offer has been made to and accepted by a candidate for the Finance Director position with an October 22 start date.

Information Withheld No 4

Decision: The Board were content with the proposed structure, however, have asked IL to produce documentation showing affordability and where savings can be made to implement.

GCx, MB, DS, GCb and AS joined the meeting at 14:05

Apologies

No apologies were received.

Declaration of Interest

The Chair took as read the usual declarations of interest unless advised of any change. EH advised he would be joining as a Trustee and Board Member of SAMS (Scottish Association for Marine Science UHI) from September 22.

Minutes and Matters Arising

The Board minutes from the previous meetings on 28th March 2022, 4th and 5th May were noted having previously been approved by the Board and published on the HIAL website as per the agreement with Transport Scotland.

MB advised outstanding item 6 – Framework Agreement has been amended and a final version complete.

ACTION: MB to circulate final version of Framework Agreement to HIAL Board before it goes to Ministers for approval.

Item 4 – Inverness Surface Water Drainage – has a revised date of August 22.

Chairs Report

The Chair updated the Board on a meeting she and the Managing Director (MD) had with the Acting Chief Executive of Transport Scotland along with Frances Pacitti, GCx and MB on HIAL, budgets and ATMS. The message from Transport Scotland is that budget settlements are very tight and there will be no additional funding available.

Meetings continue with parliamentarians with individual meetings held with MSPs Rhoda Grant, Beatrice Wishart and Douglas Ross and MP Drew Hendry (DH).

DH asked about the Russian flight that departed Inverness Airport and was seeking assurance that procedure was followed correctly by Inverness Airport. Assurance was provided verbally on the day by IL. DR asked the same and the Chair gave the same assurance at the meeting with him. The Chair raised the importance of the Board being aware of this and advised that IL would cover under his report.

As HIAL do not sit under the public body's legislation for code of conduct, the Chair proposes to share the recently updated standard public bodies code of conduct and ask the Board to review and advise if and where any elements of it may give cause for concern. This can then be adopted with amendments as HIAL's code of conduct.

ACTION: The Chair to circulate code of conduct to Board members for review.

GCx advised the Board that there was a new Interim Chief Executive of Transport Scotland, Michelle Rennie commencing July until the end of the year.

Managing Directors Report

IL provided the Board with an update on a meeting with Transport Scotland (TS) on Pensions **Information withheld No 4**

IL advised the Board about the first-class service provided by Andrew Farquhar and a Loganair colleague who stayed overnight in the terminal with 14 passengers who were stuck due to a delayed Loganair flight on the 19th of June.

On the strategic risks IL advised that GCb was offering any board member, if required, a separate session out with the Board meeting to go through the detail of what the business is looking at in terms of strategic risk. IL added he had a call scheduled with Brett Dorney to discuss setting up a risk training session for the Board.

ACTION: Strategic Risk session and **Information withheld No 4** risk training to be included in the October Board meeting and to include all DAL Board members.

Freeports submissions have been lodged for Inverness and Orkney. The Inverness bid will not have IABP or Inverness Airport as tax free sites.

The Department for Transport (DFT) and the Civil Aviation Authority (CAA) will not permit two aircraft weighing over 15 tonnes to embark or disembark at the same time which is causing issues for Loganair. IL advised the issue can be progressed but will require that a statutory instrument be laid and approved by Parliament which will hopefully be complete by Summer 2023.

IL updated the Board on the details of the Inverness Airport Russian flight incident advising the NOTAM had arrived and procedure was followed. ATC had contacted NATS Prestwick to enquire if the aircraft could depart and were informed it could. Following some controversy in the news and queries from Ministers, HIAL had provided transcript recordings which confirmed procedure was followed.

Audit Committee Update

LS advised that the Audit Committee meeting schedule was back to four times a year with the next one being held on 22nd August 2022.

LS highlighted that there was a Wylie Bisset audit report on Data Protection and Information Management with a weak conclusion. Management responses to the audit had not yet been completed.

The Audit Committee had raised concern with the volume of vacancies within the Finance department and the consequences of late management accounts, monthly returns, and outstanding audit actions. LS will be keeping in contact with Azets to keep the Board informed of issues. The Board were given an assurance that the team were aware of the criticality of filling vacancies, but the market was currently incredibly challenging, a matter confirmed by the recruitment team.

HIAL Spending Review & Grant Offer Letter

MB provided the Board with a brief update on the call he had with LJ and IL on HIAL's allocation following the Scottish Government's (SG) spending review **Information withheld No 4**

MB reminded the Board that the Grant offer letter is an 'up to amount', not a fixed amount and is required to be demonstrated by need. MB added that management accounts is the supporting documentation required to have the grant monies paid.

Information withheld No 4.

GCx advised that information should be presented to Ministers in the simplest way possible and that it should not breach public pay policy. **Information withheld No 4.**

Information withheld No 4.

Following a discussion around breaking down costs further to analyse business affordability, The Chair advised there was a meeting scheduled in August with the Minister and she would like to highlight at this time options on where savings can or cannot be made.

Prior to the August meeting, the Chair would write to the Minister outlining the position in broad terms only but at the same time highlighting the fiscal challenge.

Information withheld No 4.

Carparking, concessions, and airline deals due to a good summer will help fill some of the funding gap for this year, however, IL stated Winter will be a struggle. **Information withheld No 4.**

The board discussed what they require to see within a board paper to be brought to the August Board on how the business can be affordable over this and future years, providing different scenarios **Information withheld No 4.**

MB highlighted that Ministers are not approving decisions quickly and this should be factored in when sending papers to TS. He offered a challenge function to any questions that may arise around additional cost.

Decision: Bring back to Board in August high level options on if and how the budget can be balanced to make the business affordable within current and future indicative budgets

MB left the meeting at 15:40

ATMS

RM joined the meeting via Teams at 15:40

IL provided an overview of the reason behind modernisation of the Airports and the recommendations within the original HELIOS report from 2014. Remote Towers had become undeliverable due to a failure to reach agreement with the trade unions on the original proposal and the range in costs following the tender exercise created a significant budget risk. A compromise position for the modernisation of air traffic, agreed with the trade union, was approved by the Board in January 2022. **Information withheld No 4.**

Decision: Information withheld No 4.

Information withheld No 4

The Board was informed that a proposal has been received from NATS for an extension of radar services and the company is currently in dialogue with NATS on that proposal.

GCx reminded the Board that Transport Scotland (TS) were waiting on papers which showed separately the cost of the NATS contract extension and the costs of bringing the Sumburgh Radar inhouse.

Information withheld No 4.

Noting that the options for air traffic modernisation must be affordable within current and anticipated budgets, the Board asked that the proposals be included in the context of the strategic revenue spending review and form part of the report to be presented at the August meeting.

The Board also requested that the options for the tender for air traffic engineering services contract be included within the strategic spending review.

The Board acknowledged the business priority to ensure continuity of service at Sumburgh and approved the purchase of a new radar which will form part of the capital budget programme.

Information withheld No 4.

GCb advised that earliest date to bring the service in-house would be March 2023.

AS provided an update on the team compliment for the Sumburgh Radar controllers.

Information withheld No 4

*Decision: The board approved the budgeted NATS service provision **Information withheld No 4** for the quarter July-October 22.*

*Decision: The Board approved the spend of up to **Information withheld No 4** for the procurement of a radar for Sumburgh.*

Decision: The Board agreed to delay any decision on preparing to tender the Engineering Service contract until affordability costs had been reviewed in August.

Decision: The Board agreed to continue with the ATMS Board subcommittee until decisions are made at the August Board.

RM Left the call and GCx left the meeting

Business Case Approvals

BC1317B – Sumburgh Airport – Hangar 3 and 4 Door Gear Replacement

IL advised the doors were becoming a health and safety issue and would have an impact on HIAL earning revenue. This was not in this year's capital plan, however there was no concern about items it would be replacing on the capital plan.

*Decision: The Board approved the cost of **Information withheld No 4** on replacement of the door's guiderails on hangers 3 & 4 to extend the life of the asset and maintain a lettable condition.*

Papers for Approval

Item A - Islay Recruitment and Retention

AS provided a brief overview of the paper highlighting the progress made on the proposals to introduce a retention allowance.

Decision: The Board were content with the progress made and asked for the affordability to be built into the paper coming to the Board in August

Item C – Airport Charges

Following the discussions held today on savings and affordability. IL advised that he will review the recommendations made in the paper and bring back to August 22 Board.

MB provided an update and the view of the Ministers on the budget for the Air Discount Scheme (ADS).

Information Withheld No 1

HIAL Board Meeting concluded at 17:45

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