

FOR PUBLICATION**HIAL Board Minutes – Wednesday 14 & Thursday 15 February 2024****Head Office, Inverness Airport**

Board Attendees:	(LJ)	Lorna Jack (Chair)
	(SA)	Stewart Adams (HIAL, Interim Managing Director)
	(JM)	Jamie Manson (HIAL, Chief Financial Officer)
	(LS)	Loraine Strachan (Non-Executive Director)
	(CH)	Chris Holliday (Non-Executive Director)
	(IT)	Isabel Todenhoefer (Non-Executive Director)
	(LC)	Lynne Clow (Non-Executive Director)
In Attendance:	(KO)	Kevin O’Leary (HIAL, Chief Operating Officer)
	(AG)	Alistair Gleave (HIAL, Chief Commercial Officer)
	(AS)	Andrea Sillars (HIAL, Chief People Officer)
	(DS)	Denise Sutherland (Director of Comms & Corp Affairs)
	(GCx)	Gary Cox (Transport Scotland)
	(JC)	Jackie Clark (HIAL Executive Assistant – Minutes)
14:50 – 15:30	(DM)	Darren MacLeod (HIAL – Accountable Manager)
	(GF)	George Farquhar (HIAL, Director of Airport Operations)

HIAL Board Meeting commenced at 14:30

The Board started the meeting with only statutory Board members present to discuss the board paper on reimbursement of non-standard expenses. JM provided an explanation on the type of expenses incurred and how they should be treated as they sat outside of the HMRC exemption for business travel. JM explained the proposed remedy options.

Decision: The Board approved the proposed treatment of the expenses for the interim CEO.

Decision: The Board approved the full payment of expense claims for the interim COO

Information withheld No 3

The Board agreed that a policy should be prepared for expenses incurred for senior interim positions where home to office travel is required and the home does not fall within a 25-mile radius of a HIAL office, and to ensure reimbursement of expense payments are clarified at the time of appointment.

Apologies

No Apologies were received.



Declarations 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 minutes of the meeting held 13.12.23 were recorded as accurate. One redaction was requested on the minutes of 29.01.24, otherwise noted as accurate.

Chairs Report

The Chair updated the Board that following the cabinet reshuffle, Fiona Hyslop was Cabinet Secretary for Transport.

The Chair had recently met with the CEO of Transport Scotland (TS) in January. A topic of discussion was the ongoing spending controls put in place on HIAL by TS and the Chair provided assurance that as part of their role, the Board reviewed the capital plan in depth and only approved what was necessary spend.

The Chair provided the Board with an update on the CEO recruitment and advised she was hopeful of making an announcement within the next two weeks.

On the 24th January, the Chair represented HIAL and spent the day in Kirkwall with Loganair and other Loganair stakeholders as part of the final journey of their SAAB 340. The Chair updated the Board on a meeting with the Chair of Loganair following the resignation of the Loganair CEO.

GCx advised that Jim Fairlie (JF), Minister for Agriculture and Connectivity would be supporting Fiona Hyslop in her Cabinet Secretary for Transport role with aviation falling under Jim Fairlie.

Action: DS to produce welcome letter to JF from LJ

Audit Committee Update

LS advised the Board that the Audit Committee had agreed the external audit plan covering year 23/24 with the audit taking place during the months of June and July 2024. She advised that **information withheld No 2** the external audit and assurance regional partner was retiring. The Board noted that there had been some confusion regarding the extension of the contract for the previous internal auditors. and that there is currently no internal auditor in place, but that the internal audit contract was now going through the procurement process. Outstanding internal audit actions would be cleared with the new internal auditor.

The Board noted the update that the IABP Companies House submissions were overdue.

The audit committee advised the ATMS Lessons Learned report which had been reviewed by the audit committee would be circulated to the Board following the meeting.

Action: Board members to review the ATMS Lessons Learned report. April board meeting to include a note of response.



Safety Committee

The Board noted the timetabled dates of the first two safety committee meetings as February 26th and April 8th.

Accountable Manager Report

DM & GF joined the meeting at 14:50

DM briefed the board on areas covering safety & security, future renewable energy cost increases, revised KOI AGL replacement costs, the LSI perimeter Fencing project, Project Management Office (PMO) vacancies and the decision, due to TS spending controls on electricity tariffs, which will have an impact on Scope 2 omissions.

The Board reviewed the Major Capital Projects Report and asked that 'No investment' be amended to 'not available' and include in the report alignment of assets with depreciation and end of life date.

The Board acknowledged the extension of the Wick PSO was still with the Ministers for decision. It was noted depending on the decision, there may be the need for a spotlight session on Wick Airport at the April Board meeting.

DM provided expanded explanations of some Health and Safety Injuries reported in the January SERB report.

The Board noted the contents of the Accountable Manager Report.

DM & GF left the meeting at 15:30

CEO Report

SA provided an update on his recent meetings with two local MSPs and one MP. He provided his views on the changes of leadership at Loganair and how it may impact on HIALs business. An update on the contract negotiations for **Information withheld No 1** and on his visit to Dundee Airport and his proposed visit to Wick Airport was shared with the Board.

The Board noted the contents of the CEO Report.

CFO Report

JM provided an overview of the management accounts and the projected reduced operating loss and covered where the savings have been made. The Board noted the savings and that they were not all sustainable in the future.

ACTION: JM to identify and report on the 23/24 savings showing which are one-off and which are recurring.

The Board was confident with the direction of the business and noted the excellent results shown in the management accounts.



The Board noted the matters raised in the published Audit General for Scotland report on the Water Industry using public funds on PAYE Settlement Agreements (PSA), Gifts and travel and subsistence and agreed with the steps HIAL is taking to match corrective actions.

Decision: The Board decided not to remove the use of PSAs but to minimise the requirement to use them. The Board endorsed the immediate removal of retirement gifts and the amendment to the travel and subsistence policy stating only non-alcohol drinks can be expensed while on company business.

JM advised that a pensions update would be provided at the April 2024 board meeting.

Day One HIAL Board meeting concluded at 16:45 on Wednesday 14 February

Day Two HIAL Board meeting commenced at 08:30 on Thursday 15 February

HIAL Budget 2024/25

JM provided an overview of the 2024/25 budget paper highlighting the expected revenue from airlines, rentals, concessions, and parking based on the new published fees and charges and certainty on staff expenditure due to the two-year pay deal agreement.

The Board noted the five-year financial challenge forecast, the summary of Operation Rebalance savings and that there were no assumptions in the 2024/25 budget for implementing the pay and grading project, or the commitment made to implement a 35-hour week. The Board reminded the executive team that a sustainable solution which includes rostering and security restructuring is what the business should be working towards.

Information withheld No 4.

Decision: The Board approved the HIAL Group 2024/25 budget.

People Committee

LC provided the Board with an update on the most recent People Committee. At this meeting the Committee were due to review the draft Pay and Grading business case, however additional work was required around costings before this could be done. The People Committee expect to see the business case in April to allow discussion at the Board. **Information withheld No 4**

Chief People Officer Report

AS provided an overview of the board paper covering the CEO recruitment process, the 2023/24 pay remit, the staff survey, and the SATE staff secondment.

AS advised on the issues with completing and updating the pay and grading business case. Some progress has been made on the 35-hour rostering rota and AS advised that a module in the current HR system can accommodate the new rostering system.



Chief Operating Officer

KOL summarised the progress on the 2023/24 Capital plan with an expectation of delivering £12.4m by the end of the financial year. The £22.3m Capital budget for 2024/25 is made up of thirty-three projects with three projects totalling £14m.

SA provided an update on the concerns raised by the Board and GCx on the costs for the CAA Sandbox in relation to the SATE project. The Board wanted to ensure that it was clear to the SATE project managers that it is the HIAL Board, and not Transport Scotland as stated in the Board paper, who will make the decision to approve financial support for the WP5 of the SATE project.

DME Replacement Programme

GF provided an overview of the DME Replacement programme and referenced the Board had previously approved a spend in December 2022, however the programme at that point did not include the Campbeltown DME. The multi-year programme has tendered at a value of **Information withheld No 1** with a start date of April 2024. £491k of milestone spend is being explored for the 2023/34 Capital plan.

*Decision: The Board approved a spend of up to **Information withheld No 1** for the DME*

Capital Plan 2024/25

DM provided an overview of the capital plan for 24/25 advising it was a living document which only included essential, safety and regulatory spend. The Board advised only essential spend should be included in the capital plan so any unnecessary capital budget should be returned to the Scottish Government for use on their other projects.

The Chair reminded the team that the Board approve the capital plan before it is reviewed by Transport Scotland. The Board discussed the requirement to ensure the correct skills and capacity are available to deliver the procurement and project management of the capital plan.

*Decision: The Board approved the 2024/25 Capital Plan subject to individual business cases above £250k being brought to the board for approval, however asked that a re-cast capital plan be brought back to the Board in six months for review. The Board noted but did **not** approve the 2025/26 Capital Plan at this stage.*

Barra Control Tower

GF advised the Board that the Barra Control Tower Roof replacement had not been part of the scope of the new Barra Terminal rebuild. JM advised this was a capital expense and not revenue as it was an enhancement to the building.

Decision: The Board approved the spend of £300K split between Capital plan years 2023/24 £25K and 2024/25 £275K.



Airport Operations Report

GF Provided an overview of the Operations report. The Board noted the update and recognised the good work of the team.

Barra/Tiree PSO

The Board noted the update in the paper which highlighted the costs of running the Barra/Tiree PSO service over the last ten years. The Board discussed the requirement to ensure the full costs of running the PSO are captured and charged in future PSO contracts. It is important that any future PSO bidders contact HIAL to ensure the exchange of this information pre-bid.

The Chair noted that the strategy day in November 24 would provide an opportunity to focus on HIAL's ideal operating model.

Surveillance Radar Options

GF summarised the option to combine the surveillance requirements for Inverness and Sumburgh Airports which could realise a cost saving if brought into one project.

The Board noted the update and asked that the costs are aligned and reconciled to the Capital Plan.

IT left the meeting at 11:25

Chief Commercial Officer Report

AG proved an overview of the commercial paper providing the Board with an update on airline contracts, performance metrics and future revenue streams. He highlighted the issues with charges for **Information withheld No 1**. An update on IABP and PV Farm development was provided.

Director of Communications and Corporate Affairs

The Board noted the update in the Communication and Corporate Affairs board paper. DS updated the Board on the progress of HIAL's response to the Scottish Covid-19 inquiry.

Corporate Operating Plan 2023/24

The Board noted the progress on delivering the objectives in the 2023/24 corporate plan. At 31 December 2023 (Quarter 3), four objectives are currently running behind projected completion timescales. Two objectives that were due to be completed by the end of Quarter 3 are slightly behind target, however it is anticipated these will be completed during Quarter 4.

Corporate Operating Plan 2024/25

The Board approved the corporate plan for 2024/25.

AOB

Information withheld No 4



The Board noted that this was SA's last Board meeting before he leaves HIAL on 28th March and wanted to pass on their gratitude to SA for his time spent with HIAL in the interim CEO role and the fresh thinking and direction he brought to the business.

HIAL Board Meeting concluded at 12.15.

Next Meeting on 24th April, Sumburgh

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