

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD  
HELD AT TRANSPORT SCOTLAND OFFICES, EDINBURGH ON  
WEDNESDAY 26<sup>TH</sup> FEBRUARY 2020 AT 09:45**

<b>Board Attendees:</b>	(LJ) Lorna Jack (Chair) (IL) Inglis Lyon (Managing Director) (GB) Gillian Bruton (Director of Finance) (DS) David Savile (Non-Executive Director) (TW) Tim Whittome (Non-Executive Director) (JM) Jim McLaughlin (Non-Executive Director) (LS) Loraine Strachan (Non-Executive Director) (EH) Eric Hollanders (Non-Executive Director)
<b>In Attendance:</b>	(GF) George Farquhar (Head of Operational Support) (DSu) Denise Sutherland (Head of Communications) (GC) Gary Cox (Transport Scotland, Head of Aviation) (SD) Shelly Donaldson (HIAL Personal Assistant – Minutes) (CH) Chris Holliday (Non-Executive Director) (IT) Isabel Todenhoefer (Non-Executive Director)
<b>10:00 – 11:00</b>	(MM) Michael Matheson MSP (The Cabinet Secretary for Transport, Infrastructure and Connectivity)
<b>11:00 – 12:00</b>	(JMa) Jennifer Marshall (ATMS Procurement Manager) (RM) Ross McAllister (ATMS Programme Director)
<b>13:00 – 14:00</b>	(PH) Paul Hamilton (Barnett Waddingham)

**The HIAL Board meeting commenced at 09:45**

**Apologies**

There were no apologies and the Chair welcomed everyone to the meeting.

**Declarations of Interest**

IL noted himself as a beneficiary in the HIAL pension scheme and as a board member of IABP.

TW declared an interest in Inverness airport and airport fees as a customer of the airport.

CH declared an interest for work done for HIAL via his consultancy business. CH also declared an interest in a small electric aircraft via his non-executive director role at Cranfield Aerospace solutions.

### **Minutes and Matters Arising**

The Board minutes from the previous meeting on 17-18<sup>th</sup> December 2019 were reviewed and following a small amendment to the redaction on page two, were approved by the Board.

Reference the matters arising most items are picked up within the agenda, there was an update on the following:

1. Regarding Scatsta, they are currently out for tender for the oil consortium  
**(Redacted)**
2. Regarding the porous concrete, a trial will be set up and the outcome of this will be reported back to the board.

<b>Company Risks</b>
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### **Audit Committee report**

The Audit Committee meeting earlier that morning received a report from the internal auditor showing strong levels of assurance for both audits undertaken on Business Continuity and Project Management. The external auditor joined the committee meeting to present the external audit plan for the 19/20 financial year, there were no issues with the plan. There is an external audit being carried out, by Aretai, at Head office, Inverness, Islay and Sumburgh airports in May 2020 on HIALs' approach to risk management.

Regarding the risk review, the committee asked for a tracker of open audit items be produced and reported to the committee at each meeting. There was also a request to train the new board members on the corporate risk management system at HQ, both these actions are prior to the next Audit Committee in June.

In response to a question from the board, it was confirmed that the risk reporting will be reviewed with a view to provide a more complete risk overview, notably specifying the risk levels before and after mitigating actions.

There was one instance of whistle blowing reported concerning a management of holidays, this has now been closed satisfactorily.

CH has been invited to become a member of the Audit Committee and has accepted. It was suggested for a different board member to attend the corporate risk oversight group (CROG) for each meeting.

*ACTION: To share the dates for the CROG and arrange for a different board member to attend each meeting. [SD – 16/03/20]*

### **Discussion with the Cabinet Secretary for Transport, Infrastructure and Connectivity**

At 10am the Cabinet Secretary for Transport, Infrastructure and Connectivity joined the meeting. The Cabinet Secretary welcomed new board members and thanked those members who were leaving the HIAL Board.

There was a discussion on climate change, as this is at the forefront of everyone's minds across the travel sector, and on HIAL's contribution to a Net Zero Aviation region. HIAL's intention is to work in partnership with airlines and the first phase is carbon offsetting to arrive at a sustainable approach. Planting trees is one solution, however, HIAL needs to review other ways to offset carbon emissions, alternative heating systems is something that could be researched further.

There is a need to show ambition for aviation, with the advancements in technology, but at the same time there is a pressure to reduce the need to fly short distances domestically bringing a challenge for HIAL.

**(Redacted)**

### **ATMS**

There are a number of potential challenges with this programme with many of the local councils being opposed to it. Those opposed to the project agree that something needs to be done, but feel that there are other options rather than the one chosen.

**(Redacted)**

#### Budget

The Cabinet Secretary appreciates the challenges HIAL faces in regard to the budget for 2020/21. **(Redacted)** This was understood and will be kept in mind.

The Board thanked the Cabinet Secretary for attending the meeting.  
The Cabinet Secretary left the meeting at 11am.

## **ATMS Procurement**

The Programme Director and the Procurement Advisor for the ATMS programme joined the meeting at 11am.

RM briefed the Board on the procurement activity. The procurement process was outlined and it was explained how tenders would be evaluated and how they would be scored and the timescales involved. The tender process will be tightly regulated and the team undertaking the scoring and down selection trained by the Procurement Advisor.

There was discussion on a member of the HIAL board being on the tender panel and this was not favoured as the board is required to provide oversight, rather than being part of the work undertaken.

There was discussion on the project in relation to the capital budget, technology and the replacement of the same. GB advised that next year there is approx £10m in the plan and Transport Scotland have given approval for HIAL to begin the procurement process.

*ACTION: To look into whether funding could be rolled over to the following year if HIAL has already committed to the spend. [GC – 22/04/20]*

*ACTION: To work on the communications surrounding the procurement process beginning end of March 2020. [DSU, RM & JM – 20/03/20]*

*DECISION: (Redacted)*

## **Item 6 - ATMS Programme update**

### Recruitment.

An open recruitment advert for radar ATCOs has been out over the last 6 months. The ATMS team has issued six conditional offers to experienced active radar ATCOs and there are six more scheduled for interview.

The proposal is to bring these controllers into the organisation, making formal offers, as soon as possible, to ensure the necessary level of controllers and for training to begin in April 2021. RM confirmed that the cost for approx six controllers has been included into the 2020/21 financial plan and the Board approved these salary implications.

HIAL's current staff with APS ratings will be considered also.

### Contingency Facility

There is a contingency requirement and it is anticipated that training will be carried out at this facility. This requires to be over 1000 metres away from the centralised centre, but within 30mins travel time. Options for this are being considered and the process for securing a facility will need to begin in April 2020.

### Benbecula

The board previously approved a proposal to revise Benbecula ATC unit to an AFISO unit. **(Redacted)**

HIAL's General Manager of Air Traffic Services (GMATS) is semi-retiring and will move to a part-time contract for a year from April 2020, **(Redacted)**

Feedback from the union representative at the ATMS programme board regarding staff engagement and involvement in the decisions at the programme board was relayed to the board. A piece of work will need to be undertaken around the best way to do this.

*ACTION: A piece of work to be done on involving the staff in the decision process at the ATMS programme board [DSu & RM – 23/03/20]*

*ACTION: A recruitment paper will be submitted to the April board, for approval. [RM – 06/04/20]*

The Board took a 15 min break for lunch at 12:15.

### **Chair's Report (Covered in DAL)**

The Chair reported on meetings with the Cabinet Secretary for Transport, Infrastructure and Connectivity, with MSP's for Shetland and Orkney regarding HIAL's ATMS programme and informed the Board that HIAL will attend the Convention of the Highlands and Islands on March 16<sup>th</sup> and will present an update on the ATMS programme.

### **Managing Director's Report (Covered in DAL)**

The dispute over land at Stornoway airport was explained to new Board members. The land court is due to reach a decision on Friday 28<sup>th</sup> February and the communications team are briefed.

The Wick Chamber of Commerce have submitted a PSO proposal, to Scottish Government, for a Wick to Aberdeen and a Wick to Edinburgh service. The intention is to utilise a small aircraft and they are looking for a carrier to operate the aircraft only, with marketing and ticket sales

being left locally. HIAL needs to work with the Scottish Government on funding and to recognise issues currently faced.

### **Item 2 – CAA Accountable Manager meeting update**

The paper was outlined and there were no questions.

### **Item 3 – Net Zero Aviation update**

There was no further update to the paper submitted and this was briefly discussed earlier in the meeting with the Cabinet Secretary. There was a discussion on what the airlines are doing to offset their carbon emissions, what HIAL are doing to reduce the carbon footprint and there was a suggestion to work with other airports in Scotland, which HIAL have started doing. The Net Zero workshop is scheduled for March 26<sup>th</sup> in Inverness.

*ACTION: The Board asked for a draft governance structure to be circulated to the board following the workshop. [IL – 22/04/20]*

### **Item 4 – Loganair ATR update**

There is a meeting scheduled with Loganair on Monday 2<sup>nd</sup> March to discuss the ATR introduction. The board noted the paper. **(Redacted)**

#### Coronavirus

There was discussion on the health and business implications of the Coronavirus and what HIAL can do in terms of a contingency.

*ACTION: To further develop the Coronavirus contingency within the business continuity plan. [GF – 22/04/20]*

<b>Items for Approval / Discussion by the board</b>
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### **HIAL Pension Scheme**

At 13:00 Paul Hamilton joined the meeting to present on **(Redacted)** the HIAL pension scheme. The Board thanked Paul Hamilton for his time and he left the meeting at 14:10.

## Strategic

### Item 5 - HIAL Strategy Update

Following approval from the board in December 2019, there was a meeting with managers to discuss how the HIAL strategy would be incorporated within their departmental and airport plans.

The airport managers are currently in the process of producing a **(Redacted)** public facing document for each airport to explain how the HIAL strategy would be tailored to suit each location.

The aim is to publish the HIAL Strategy by April 1<sup>st</sup> 2020 with a suggested soft-launch at the Net Zero event on 26<sup>th</sup> March 2020. The airport and operating plans will be published after this date and will be reviewed quarterly at the board meetings.

The Board noted the update.

## Items for Approval

### Item 7 – Delegated Authority

There was a question regarding the delegated authority of the Board and the MD and the relationship with that required by Transport Scotland and the list will be updated to reflect this.

*ACTION: To amend the delegated authority list to clarify the Managing Director's delegated authority as up to £250k and the Board's & Transport Scotland's delegated authority as anything above £250k. [GB – 22/04/20]*

*DECISION: The delegated authorities list was approved by the Board.*

### Item 8 – Head Office /Accommodation

The paper was outlined and the Managing Director was not convinced, that this was the right option for HIAL. There was further discussion on this with other options to undertake interim works at the current head office.

*DECISION: The Board were content to spend low level capex at Head Office*

### **Item 9 – Gaydon Hanger Budget (BC0504d)**

The project was outlined and the Board were asked to approve the increase in the capital budget to align with the revised business case **(Redacted)** The Board asked to see the commercial income benefit of the hanger.

*ACTION: To report the income of the commercial use of this hanger in a paper to the Board. [GF – 22/04/20]*

*DECISION: The Board approved the increase in the capital spend for the Gaydon Hanger **(Redacted)***

### **Item 10 – Inverness Drainage**

The Inverness drainage project, the reasoning behind it and the issues faced was explained to the Board who were asked for approval to proceed with the lining of the swales and the installation of forced bed aeration **(Redacted)**.

The Board discussed the project and looked at various options. The funding in the capital plan for the coming years was outlined **(Redacted)**.

*DECISION: The Board were content to approve the lining of the swales and installation of the forced reed bed aeration **(Redacted)***

### **Item 11 – Runway Infrastructure**

The paper was outlined and the Board were asked to approve, in principal, the following options for Benbecula, Tiree and Kirkwall airports;

1. **(Redacted)**
2. **(Redacted)**
3. To progress with a high level optioneering report to consider the costs of various engineering solutions available to retain the secondary runway 14/32 at Kirkwall airport

There was a discussion on the proposals and possible options for each, on the island impact assessment and the legislation surrounding the impact assessment. **(Redacted)**

*ACTION: There was a suggestion to report the usage of the runways in HIAL's airport plans. [DSu – 22/04/20]*

A statement in the consultant's report for the runway at Kirkwall airport stated that the runway was "unsuitable for traffic by aircraft", there was a question by the Board as to what has been done about this. It was confirmed that this runway is currently used for towing only.

*ACTION: Further information and board discussion to be had on the investment at Campbeltown airport at the next board meeting in April, paper to be submitted. [GF – 06/04/20]*

*DECISION: (Redacted)*

*DECISION: (Redacted)*

*DECISION: The Board were content for the team to progress a high level optioneering report to consider the costs of various engineering solutions available to retain Kirkwall Airport's secondary runway 14/32 (Redacted)*

## BUDGET DISCUSSIONS

### Item 12 – Budget Paper

The Board reviewed the budget paper and discussed what had been done to reduce the spend for the coming year. **(Redacted)** The Board were content with the work the teams have done with the budget to date and thanked them for their hard work.

Regarding the gap and all the work previously undertaken to reduce this, whilst keeping the airports operating safely, it was suggested that as the year progresses, quarterly reviews were undertaken to provide an audit trail and **(Redacted)** for HIAL's Managing Director to write to the Transport Scotland to advise of the funding position for 2020/21. HIAL's MD should also meet with the new FD for Transport Scotland.

*ACTION: For a quarterly, in depth, review to be undertaken on the budget spend. [IL GB – Quarterly]*

*ACTION: To write to Transport Scotland identifying the gap in the revenue budget asking for additional funding. [IL – April 2020]*

*DECISION: The Board were content to approve the budget as it stood and gave approval for the Managing Director to write to Transport Scotland identifying **(Redacted)** in revenue, also informing that HIAL will continue money saving measures and to **(Redacted)**. The Board also asked the finance team to hold quarterly in depth reviews and for these to be reported to the board.*

### Items for Note

The following items were discussed from the papers submitted to the Board.

#### **Item 1 – Data Protection Update**

There was a question in regard to the classification of the Board papers and it was noted that a meeting has been scheduled in the coming weeks to identify a classification system that works for HIAL.

It was clarified that in terms of the question concerning time sheets, there is a piece of work currently ongoing, by the finance team and an external provider, to introduce electronic timesheets. This is taking longer than first expected due to the complexity of them but is thought that this work will be in place by September 2020.

*ACTION: To capture the risk in regard to timesheets, within the paper, in the risk register. [GF – 06/04/20]*

#### **Item 2 – FINANCE - HIAL Monthly Accounts**

There was a question on the FTE numbers

It was clarified that the FTE numbers reported in the paper are correct and taken from the HR system. The numbers used for the budget process are also correct, with headcount being kept the same, but due to sickness the actual cost versus last year looks higher. In money terms there is an over-run, this is explained by the 3% pay remit and the retention payment agreed for Air Traffic Control (ATC) staff.

#### **Item 7 – Comms - Customer Experience update**

ASQ results came in last Friday and Inverness airport came 2<sup>nd</sup> overall in UK with a good number of firsts in various categories. The communications team circulate the full details to the SMT and the Board.

#### **Item 9 – OPERATIONS - AMSL & Security update**

The CAA scored HIAL a **(Redacted)**

#### **Item 14 – Windfarm Update**

There was a question in regard to the commercial terms of the agreement with the supplier and it was clarified that this is still being discussed. There was a fall-back position identified if a solution cannot be reached.

### **AOB**

A Board approved a date change to two of the 2020 Board meetings.

The October meeting in Wick (currently 28<sup>th</sup> and 29<sup>th</sup>) will change to 27<sup>th</sup> and 28<sup>th</sup>.

The December meeting in Inverness (currently 9<sup>th</sup> and 10<sup>th</sup>) will change to 8<sup>th</sup> and 9<sup>th</sup>.

*ACTION: The new dates and locations will be circulated to the board via email. [SD – mid-March]*

### **Structure/ Board attendance**

There was a discussion on who should attend the board meetings from the senior management team going forward. No decision was sought today, but this was raised for the new HIAL Board to consider.

The Chair gave sincere thanks to DS and TW for their years on the Board and wished them well with their future endeavours.

### **The Board meeting concluded at 16:40**

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**Date of next meeting – 22<sup>nd</sup> April 2020 in Kirkwall.**