

HIAL Board Minutes – Wednesday 8th December, 21
Head Office, Inverness Airport & Microsoft Teams Video call

Board Attendees:

- (LJ) Lorna Jack (Chair)
- (IL) Inglis Lyon (Managing Director)
- (JW) Johanna Wallace (Finance & Commercial 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**
- (JM) Jim McLaughlin (Non-Executive Director) - **Virtual**

In Attendance:

- (GCb) Gary Cobb (HIAL Chief Operating Officer)
- (AS) Andrea Sillars (HIAL Director of HR)
- (DS) Denise Sutherland (HIAL Head of Communications)
- (GCx) Gary Cox (Transport Scotland, Head of Aviation)
- (JC) Jackie Clark (HIAL EA – Minutes)
- (RM) Ross McAllister (ATMS Programme Director)
- (FP) Frances Pacitti, (Transport Scotland, Director of Aviation, Maritime, Freight and Canals) - **Virtual**

11:15 - 14:00

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HIAL Board Meeting commenced at 11:30

The Chair welcomed everyone to the Board meeting and advised on the changes to the standard agenda.

The Chair asked Frances Pacitti (FP) if there was anything she would like to say around the broader budget backdrop that HIAL will be working to that is being laid before parliament tomorrow and the subsequent spending review.

FP advised the final budget position would be advised tomorrow and no surprises were expected from a resource perspective. After the budget is complete, a capital and resource spending review will take place which is a strategic and long term look at Government expenditure over a three-year period rather than the annual budget cycle. Revenue and Capital is expected to be constrained for the next few years, however there is some flexibility with Capital.

Spotlight Focus Session 1 – ATMS Revised Proposal

The Chair asked Chris Holliday (CH) who chairs the ATMS Sub-committee to provide an update before the ATMS Revised Option paper is discussed.

CH advised three meetings of the ATMS Subcommittee have taken place following the governance reconfiguration. The People Group working on the ATMS project has currently been put on hold due to it being unnecessary in the current circumstances. A replacement pre-meeting has been established which includes David Avery (DA) from Prospect. This provides DA the opportunity to bring any concerns around the development of future options to be handled before being brought to the sub-committee. As this is a change to historic governance Board approval will be required.

Decision: The Board approved the halting of the People Group and the establishment of the pre-meet group.

Ross McAllister (RM) took the Board through the cost refinement of the 3 options that the Board had requested in October. **Information withheld - No 4**

RM advised that the team had spent the time between October Board and the December Board ensuring the Project Delivery Costs Table showing all three options had the costs aligned correctly across all three options. The costs are split into 3 sections covering project delivery, project risk and BAU Capital Expenditure. RM advised the cost models had been run through the Monte Carlo analysis which has an 85% probability rate. **Information withheld – No 4**

RM went through the estimated operating costs over the next 15 years and the variance for each option.

Lorraine Strachan (LS) raised a question on how the contingency number had been calculated and RM advised it had been generated using the Monte Carlo analysis method.

Fran Pacitti (FP) asked re the profile of the revenue costs, whether they were evenly spread across the fifteen years or if there were spikes. RM advised it was an ascending profile as more unit's transition in over the next five years and costs would increase due to increasing staff levels, ultimately dropping back down to reflect business as usual.

Isabel Todenhoefer (IT) asked what the final running costs would be as the table only showed average costs. Johanna Wallace (JW) advised all the final detail with inflation factored in is held on file.

A discussion was had on the average annual increase to costs above the Do-nothing option. JW clarified the point that the revenue do-nothing option included the costs for the programme team and the Sumburgh Radar.

ACTION: JW to circulate to the Board a copy of the profiles based on the revenue costs of the average annual increase above the do-nothing option.

RM went into the cost summary detail for each of the three options and highlighted that under the service description, the do-nothing option does not mean where we were back in 2018, as there has been a significant advancement since then and it includes the delivery of the Sumburgh Radar.

The Chair asked if the savings from the NATS contract which was part of the Business Case approved by the Board for the Sumburgh Radar had been taken out of the business-as-usual costs. RM confirmed it had been taken into account.

Information withheld – No 4

RM covered the staffing numbers required for each of the options. IL added if you wanted to improve resilience then you would need to increase staff numbers to the extent which reflected how much resilience was required.

The Chair stated the current do nothing option is not as it was before ATMS started in 2018 so it was important to unpick what is in the do-nothing option as Sumburgh Radar is in the do-nothing option but building resilience is not. If this was to be costed, then it would be different in terms of revenue.

ACTION: JW/RM to look at 2 or 3 different scenarios of resilience costs and circulate to board.

Information withheld – No 4

A question was asked if the recruitment costs had been built into the costs and RM advised that it had. Questions were raised to what was included within the low, mid and high-risk costs for delivery of Option 3a. **Information withheld – No 4**

FP asked if the mid-level was an appropriate level of risk to bear and as a rule of thumb would expect the total project cost to have risk value. RM added that there was a degree of appetite, the more risk included the more certainty there was on the cost of delivery.

Information withheld – No 4

RM advised the categories in the decision matrix were based on the original business case which is a benefit v cost matrix. The three options were both scored and weighted. The ATMS programme team carried out the scoring due to their knowledge of the details and the steering committee carried out the weighting.

Information withheld – No 4

FP highlighted the danger of conflating the aspects of the financial appraisal and the benefits appraisal. The benefits must be consistent with those in the original business plan. In terms of the top-ranking benefit, it would need to be put through the SPFM filter **Information withheld – No 4**. The Board discussed the need to calculate and clarify benefits and to use the SPFM as a basis for examples.

RM explained to the Board how the percentages within the decision matrix were calculated. **Information withheld – No 4**

IL added that the focus should be on what is the added value of doing this and what are the consequences of not doing it **Information withheld – No 4**

Information withheld – No 4

DS advised the new working groups were due to start the following week. AS added the unions were going to use the new working groups to establish their position and views **Information withheld – No 4**

A discussion was had on the way forward and IL reminded the Board that the trade union would re-ballot at the end of January 2022.

The Chair summarised that from the questions asked and the discussion had, more information on the propositions were required before the Board could make a decision. Meantime, the programme was in slow down mode, not paused or stopped.

The Chair thanked FP for attending the meeting. FP left the call at 13:38

The Board Broke for lunch

The Board reconvened at 14:15

ATMS Related Approvals & Discussion

Item A – BEB ATS Transition Project

GCb provided the Board with an overview of the options provided within the paper. GCb added that the relevant HIAL staff continue to refuse to engage in the project.

AS provided the Board with an update on the Trade Union position on Benbecula **Information withheld – No 4**

Information withheld – No 4

Digital Audit Report – Verbal Update

Gcb advised the Board that the second DOA health check on the ATMS programme had been received. The DOA have kept the Red/Amber level due to the current uncertainty over the project. Seven actions have come out of this review. Three actions will be closed in December 2021 and two in February 2022. The remaining two are dependent on the programme delivery. The action plan will be circulated.

Information withheld – No 4

The DAO recommend a further health check to be carried out when the new scope and direction of the programme is approved in order to assess the readiness to move forward.

ACTION: GCb to circulate copy of DAO report and action plan to Board members.

The Chair asked about the current status of the Petitions Committee work and was advised that the committee had voted that the petition remain open. A letter has been received from the Petitions Committee asking for clarification to some questions with a deadline of 21st December.

Business Case Approvals

Item 1– BC0867E Sumburgh Pavement Rehabilitation

Gcb provided an explanation on the requested funding stating the initial forecast costs did not consider AGL and drainage assets. Due to the increase in the recalculated costs a proposal was made to remove runway 09/27 and defer to a later date.

Information withheld – No 4

A discussion on capital budget for 22/23 was had and how it would be allocated. GCx confirmed the budget figure which would be published on the 9th December, although made up of ATMS and other capital projects, could be used by HIAL as needed.

Information withheld – No 4

EH asked for clarification of the difference in the budget figure of £8.3m (including 30% risk) quoted in the June 21 Board paper and the current figure of £11.2m (including 30% risk). Gcb advised it was due to the scope of surface drainage & AGL, however he would review and reconcile the figures between June and December and circulate a summary.

ACTION: GCb to circulate report of work carried out by Infrastructure team **Information withheld – No 4**

ACTION: GCb to circulate to Board a summary of the detailed reconciliation of costs between June and December papers.

Decision: The Board approved the additional amount of £3,054,003 to a total project budget of £4,295,203 subject to Gcb circulating the revised pricing cost comparisons. This approval does not cover the scope of runway 09/27, a decision on which was deferred pending consideration of the infrastructure team report.

Item 2 – BC1000B – Wireless Mobile Column Lifts

GCB advised although eight companies recorded an interest for the procurement of the column lifts only one tender was received resulting in a 13% increase in capital required. Revenue increased due to the scope for servicing increasing from three years to five years.

Decision: The board approved the variance of £27,239 in capital and £21,150 in revenue for procurement within this financial year.

Item 3 – BC1023B – Gaydon Hangar Heating

GCB provided an overview of the paper and the three options provided. The budget is available within the 21/22 capital plan.

A discussion was had on the wall between the north and south end of the hangar with EH asking if the wall could be removed. IL advised the customer had installed the wall at their own cost which ensured a controlled environment for helicopter maintenance. EH asked about the life expectancy of the solution. GCB advised it could take 3-4 years until a full environmental heating solution is found and recommended option 2 as the best medium-term solution.

A discussion was had on how this solution fits with HIAL's climate change ambitions to be carbon neutral by 2030. IL advised a scope of work is ongoing covering the HIAL estate and buildings to see how they fit with climate change requirements. IL added that two documents would be circulated to the Board around February on the environmental strategy and associated costs of the environmental changes.

Decision: The board approved option 2 with a budget of £375,000 and to progress to Procurement with Term Contractor.

Item 4 – BC1052C – Barra Appliance Bays

GCB provided an overview of the paper advising the project was now split into two phases and approval was being requested on phase one of the project - appliance bay and pre-enabling works.

Decision: The Board approved the enabling works at £20k and the appliance bay cost at £607K

Item 5 – BC1269A – Inverness Pavement & AGL

GCB updated the Board on how the project would be phased over the coming years to make it affordable however was requesting funding to go into the detailed design stage for phase one and two.

Decision: The Board approved the budget of £415,298 to progress design phase 1 & 2. At this time the Board did not commit to any further capital funding of the Inverness Pavement & AGL work.

Item 6 – BC0976G – Passenger E-Gates

GCB advised the Board that the paper covered how to reduce contact for the passenger going forward while looking at efficiency with staff time and the benefits of installing the doors. This provides resilience if high levels of staff are isolating. The capital is available in this financial year.

A discussion was had on whether this was a priority project and whether there were other more pressing projects in our future capital plans. DS reminded the Board that the e-Gates were part of the HIAL operating plan for 21/22 which had been approved by the Board.

Decision: The board approved proceeding to detailed design stage on the Passenger e-gates with a capital budget of £1,166,400, split between 21/22 £735,386 and 22/23 £431,014

Item 1 – Airport Charges

IL asked JC to circulate to Board an email received from Loganair that morning.

IL updated the Board on how the three-year period recommendations on charges were reached.

The Board provided their views on the recommended annual increase and discussed how HIAL could recover financially from the impact of the pandemic. The proposed charge increase covers both domestic and international flights. The Board agreed to review the charging mechanism again in six months.

Decision: The Board agreed to an increase of 3% or CPI (whichever is higher) for a one-year period however the Board will review again in six months to discuss future years.

Item 2 – Cranfield University Safety Culture Report

Information withheld – No 4

IL discussed with the Board the recommendations contained within the report.

Item 3 – HIAL Pension Scheme

IL updated the Board on the letter received from the Pensions Regulator and the outcomes that are required.

In advance of the discussion the Chair highlighted that IL and JW were both voting members of the Board, however, were also members on the HIAL Pension Scheme. That interest should be noted but, on the issues, to be discussed anticipated no conflict.

Information withheld – No 4

ACTION: Information withheld – No 4

Decision: Information withheld – No 4

Item 4 – Corporate Operating Plan Q2

DS provided an overview of the paper advising a few objectives had fallen behind target and advised an update would be provided at the next meeting.

DS advised that a meeting with Airport Managers, Functional Managers and Heads of Departments had taken place in November discussing long term objectives for the remaining 4 years of the strategy and several good suggestions had been received. A further meeting has been scheduled for finalising the corporate plan with them.

A draft copy of the new operating plan will be circulated for review to the Board prior to the next Board meeting in March 2022.

The Chair thanked the senior management team and wider staff for the work on the operating plan and how well it was progressing against target.

Item 5 – Pay and Grading

AS provided a brief recap of the paper, the questions raised by Transport Scotland on the Business Case presented in June 2020 and the Board request for more detail on a phased implementation.

Information withheld – No 4

A discussion was had on retention of staff and new staff recruitment and how market rate salaries are offered.

JM thought there was some rationale to pause the project on the whole organisation.

Given Board members time constraints, the Chair paused the conversation at 16.50 and agreed it would be picked up again at the meeting on the 9th December.

HIAL Board Meeting concluded at 16:50 and would reconvene at 10:00 on Thursday 9th December.

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