

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD  
HELD VIA VIDEO CALL ON  
WEDNESDAY 26 AUGUST 2020 AT 10:35**

**Board Attendees:** (LJ) Lorna Jack (Chair)  
(GB) Gillian Bruton (Director of Finance)  
(EH) Eric Hollanders (Non-Executive Director)  
(CH) Chris Holliday (Non-Executive Director)  
(IL) Inglis Lyon (Managing Director)  
(JM) Jim McLaughlin (Non-Executive Director)  
(LS) Loraine Strachan (Non-Executive Director)  
(IT) Isabel Todenhoefer (Non-Executive Director)

**In Attendance:** (GCo) Gary Cobb (HIAL Chief Operating Officer)  
(DS) Denise Sutherland (HIAL Head of Communications)  
(GCx) Gary Cox (Transport Scotland, Head of Aviation)  
(AS) Andrea Sillars (HIAL Director of HR)  
(VR) Viv Roach (HIAL Executive Assistant – Minutes)  
11:05-11:40 (CP) Catherine Palmer (L&D Manager)  
12:00-12:30 (RM) Ross McAllister (ATMS Programme Director)  
14:35-15:20 (TH) Tom Kirkhope (CAA, Regional Security Inspector)

**The HIAL Board meeting commenced at 10:35**

**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.

CH declared an interest for work carried out for HIAL via his consultancy business. CH also declared an interest in aircraft electrification via his non-executive director role at Cranfield Aerospace solutions and his work with Far North Aviation.

**Minutes and Matters Arising**

The Board minutes from the previous meeting on 10<sup>th</sup> June 2020 were reviewed.

Reference the matters arising, items were picked up within the agenda. Discussion on Campbeltown is to come back to the Board and IL will provide an update in October.

## Chair's Report

The Chair informed the Board that Gillian Bruton is be stepping down as Finance Director and will be going to Glasgow Airport. The Chair thanked her for her work and support and also thanked IT for her support in the recruitment process.

A letter was received by the Chair regarding the Benbecula ATC downgrade and it specifically asked that the letter was highlighted to the Board. The response noted that GCo would be visiting the island in order to talk to the team and hear their concerns. JM added that BEB staff were very appreciative of GCo's recent visit.

The Fresson Trust is a small charity which encourages young people to go into aviation. The Chair informed the Board that the trust are looking for one or two of HIAL's Non-Executive Directors (NXD) to serve as trustees on this charity given its historic link to HIAL. The Chair asked any NXD with an interest in doing so to pick up with her outside of the meeting.

*ACTION: VR to circulate letter **(Redacted)** to the Board [04.09.20]*

## Managing Director's Report

Shortlisting for the Finance and Commercial Director has now been completed and the first stage of interviews begin on 01.09.20.

The ATMS timelines are being looked at and an update will be provided at the next meeting. In terms of windfarms, it was noted that HIAL's blanket objections have now been withdrawn until it is clear what is happening in regards to the ATMS Surveillance.

The Island Impact Assessment (IIA) is making progress. **(Redacted)**

Work continues on the strategic review, Loganair's plan b and a productive call was had with the Orkney Isles Council on the ATMS.

**(Redacted)**

## Discussion by the Board

### L&D/Organisational Development Presentation /Q&A Investors in People Action Plan

The presentation was given in order to address questions which were raised at a previous Board meeting.

Catherine Palmer, the L&D Manager for HIAL, shared a presentation with the Board on Organisational Development which gave an update on where HIAL are and where they are going in terms of the L&D Strategy, Learning Culture, Induction; Performance Appraisal, and Professional Development Planning. The presentation also covered Leadership Development, the Graduate and Cyber Security Apprentice scheme and Virtual Delivery. CP asked the Board to consider investment around virtual delivery within L&D and to note that it is a small team. We are further building out the relationship with UHI.

Discussion was had around the constraints for funding. It was noted that savings have been made on training costs due to Covid and staff not travelling for training and that the contract for the Learning Pool is shortly due for renewal, but if we expand our offering then the package will be more expensive. IT Infrastructure, to enable better online training, requires investment.

It was asked if L&D processes will become one process and CP confirmed that all processes should become one via an annual training plan. **(Redacted)**

On the Investors in People Action Plan, it was noted that it is an evolving document and will be continually added to. It was noted that that feedback and uptake of the new learning opportunities has been very positive. L&D has seen a doubling of take up on online learning and are now near having a universal take up.

*ACTION: CP/AS to share presentation and links with VR [11.09.20]*

*ACTION: VR to upload presentation to Share Point [11.09.20]*

## Company Risks

### Audit Committee update

LS provided an update to the Board on the work of the Committee. The draft Statutory Accounts have now been prepared and there are no major concerns. The accounts will be approved at the Audit Committee meeting on the 8th October. In reference to going concern, more reassurance was sought by the auditors on the funding position for next year.

In July, two internal audits were conducted by Wylie Bisset: one was on Asset Management processes and the second on the transfer of pension data. It was concluded that the transfer of pension data was graded 'substantial' and that asset management was graded as 'weak' with four improvement recommendations - one at high level high regarding the asset register and the other three at medium. Completion deadlines have been requested by the committee for interim reports.

The Internal Audit Report noted that the CAA are moving to a 'light approach' regarding audits and therefore the team are working towards a tiered approach for internal audits, starting with self-auditing and then peer to peer audits.

There was no whistleblowing to be reported to the board.

The Risk Review focused on Covid risks. Risk assessments will be weaved into the SMS process. Discussion and on-going work on how we report risks to the Board, continues.

In regards to the Scottish Finance Manual the team are looking at the requirements around use of bank accounts for larger contracts and also the use of merchant service providers and if it applies to HIAL.

Matters Reserved for Decision by Board is now agreed by the Committee and will come to the Board for approval in future.

Terms of Reference for the Audit Committee were discussed and compared to the Scottish guidance manual and any update will be brought to the next committee.

### COVID-19 Update

IL updated the Board. The team are currently working on the winter approach to Covid 19 and it is noted that more resilience needs to be built into the airport plans. The social distancing levels are being reviewed and it is anticipated it will be mixed. As Covid is becoming the norm, work on integration and the management of Covid into all our systems covering risk, SMS, and other control measures, is ongoing so that it becomes part of the management processes.

(Redacted)

<b>Strategic Items</b>
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### **ATMS Programme Update**

It was noted that the Board had the two ATMS papers to approve later on the agenda and invited RM to summarise any other update at this stage.

It was highlighted that a critical point was being reached in terms of the CSC and RIBA 2 building design and a key decision will be required but it is progressing well. The other point was on recruitment and that the Sumburgh nine are now committed, and the first three will start in three weeks. A meeting is being held with the CAA on 27.08.20 and the issues of licenses will be discussed.

Radar works will be restarting, and this is a significant de-risking activity and from a programme perspective, it will be done in a years' time. **(Redacted)**

In his role on the programme Board EH added that work is being done on the People Plan and this will be ready for review and approval by the Board in March 2021. The HR Subcommittee timing will be key and need to align with Board timings. Discussion has been had around accelerating the programme and virtual relocation meetings are planned for October. **(Redacted)** On 4<sup>th</sup> September 2020 a Capex review will be carried out and it will be reported to both the Board and Transport Scotland. TS are aware of the commitment to ATMS.

Re ongoing discussions with BEB colleagues, GCo will respond, addressing their concerns and in conjunction with DS a Communication Engagement plan is being developed.

**(Redacted)**

*ACTION: EH to arrange a call with JM to discuss the HR Subcommittee timing (done Oct 2, 2020)*

*ACTION: GB to provide the Board with an update on the risk facing the capital spend [26.10.20]*

*ACTION: GCo to action a letter to the BEB team [27.10.20]*

*ACTION: DS to prepare a paper on a spotlight on External Comms which will include the air space changes*

### **Item 5 - Spotlight on Wick**

The Board discussed possible options for Wick. GCx advised the current position re Transport Scotland and the Board noted that a PSO proposal was currently being considered by Transport Scotland.

The Board noted the Stakeholder Engagement drop-in calls re Wick which were due to take place the following day.

### **Loganair**

The Board were updated on the current position re Loganair operations and in particular the discount offered. The Kantar survey has been circulated. Cross border traffic is slow, with much reduced business on Birmingham and Manchester. **(Redacted)**

IL advised that following discussion with Loganair's Managing Director it was agreed that the discount will be phased **(Redacted)**. HIAL's Accountant will meet with the Finance Director from Loganair in order to conclude the discussions. **(Redacted)**

**(Redacted)**

The Board and Transport Scotland support the options being investigated.

*ACTION: IL to circulate Loganair options to the Board, once available [27.10.20]*

**The Board stopped for lunch at 1300**

**The Board signed into the DAL Board meeting at 13:30**

**The Board reconvened at 14:07**

<b>Items for Discussion by the Board</b>
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### **Tom Kirkhope - Regional Inspector, CAA Presentation/Q&A**

TK gave background to the Board on his role at the CAA and gave a presentation on the CAA. The presentation covered the CAA's Structures and Roles, Performance Based Regulation, UK risks, CAA risks, HIAL risks and Future Challenges/Horizon Scanning.

In relation to the HIAL PBO the Board asked what the reason was for the Inverness Aerodrome certificate to be classified at medium and TK explained that it may be due to human error.

The Board asked what the CAA position is on the ATMS Surveillance Sensor Procurement and TK responded that the CAA are looking for more reassurance around new technologies and understand the pressure HIAL faces. **(Redacted)**

The Board thanked TK for giving the presentation and for attending the meeting.

<b>Items for Approval by the Board</b>
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### **Item 6 - HPS Update**

The Board noted two issues on the HPS paper and discussed them in full.

**(Redacted)**

*DECISION: The Board approved the request for a review in the short term and to use the identified property as a contingent asset to reduce the deficit.*

### **Item 7 - Delegated Authority**

The Board were content to approve this paper.

*DECISION: The Board approved of adding Gary Cobb, Chief Operating Officer to the Delegated Authority. Approval is up to £20,000 for capital and revenue*

### **Item 8 - Head Office Accommodation Review**

It was highlighted that the current HIAL office building is at capacity in light of Covid 19 requirements. A staff survey had been carried out and led on to the discussion of the layout

of the office to support a blended return to work for staff. Costs are not highly defined as the project is in early stages and the costs within the business case, are from a previous period.

The Board asked if other airports are in need of upgrading, and if HO goes ahead with an upgrade, how this will be viewed amongst the wider staff and asked if home working is a permanent solution. AS responded that there has been no recent redevelopment of HO and that the survey was done initially and followed up with a second survey, surrounding home working. Home working options are not permanent and there is capacity for flexibility in the location of working.

Observations were made on the health and safety requirements and that they were being compromised at HO, but that this proposal would address them. Secondly, scheduling of staff accessing the office is key. It was asked of the approach to work, was there distinction between two roles, one in the office and one remote and how this will affect the ATMS project. A staff schedule for those working at HO, is being drawn up and staff are able to change their mind and therefore, there should be capacity for an increase of numbers at HO.

A question was asked about the wording of the policy in regards to people who may be in HO roles and homeworking potentially remotely from Inverness (in support of having HO jobs in for example island communities) regarding the fairness of the requirement to travel to HO. AS responded that the terms of the document would be revisited regarding island and other remote locations.

In regard to costs, the Board asked if spending this amount on HO accommodation is the right priority currently and AS concluded that the costs noted are at the high end and may be reduced once the project begins.

It was noted by GB that there is room in this year's budget if completion was reached by 31st March 2021. However in taking any decisions they had to be taken in the context of the entire HIAL estate and available office space.

*ACTION: AS to look at the wording of the remote working, guidance*

*DECISION: The Board approved the proposal to be taken forward to the next phase, taking into account the HIAL estate.*

## **Item 9 - HR Organisational Development and IIP Action Plan**

*DECISION: The Board noted the IIP Action Plan and the update on wider Organisational Development Activities.*



## Item 10 - ATMS Surveillance Sensor Procurement

(Redacted)

*DECISION: The Board approved the ATMS Board request for postponement of a decision on procurement which allows the ATMS Programme to fully investigate surveillance solutions with the CAA before committing to the procurement.*

## Item 11 - ATMS Airspace Change Proposal

The Board discussed the ATMS Airspace Change proposal and the financial saving if approval was given. (Redacted)

*DECISION: The Board approved the ATMS Board recommendation to move forward with the Airspace Change Proposals for Dundee, Kirkwall and Stornoway, as one.*

## Item 12 - Matters Reserved for decision by the Board (Annual Review)

The Board were content with the Matters Reserved.

*DECISION: The Board approved the Matters Reserved*

## Item 13 - Strategic Review

An update was given on the Strategic Review. Transport Scotland has asked HIAL to undertake a long-term review on connectivity. The Board were asked to approve the scope of a review as defined in the paper for item 13a.

The Board asked if this will be an internal piece of work and it was confirmed that HIAL would lead on this but with input from TS, alongside external input from universities, health boards and local communities. TS concurred with this approach. It was noted that HIAL's position on zero emissions must be considered.

*DECISION: The Board approved the scope, as defined in the paper for item 13a.*

## Item 14 - BA Post Covid -19 Recovery Support Package

(Redacted) The Board may need to meet (virtually) before the October meeting to discuss the deal further.

(Redacted)

### Item 15 - Project Governance Process Changes

Cost certainty, decision making and project knowledge was discussed with the Board.

The Board are enthusiastic for a new governance framework as proposed but further work is required around this especially with HIAL being a public body with set requirements flowing from the Scottish Public Finance Manual (SPFM) etc.

*ACTION: IL to review the SPFM and detailed numbers on PMO's*

*DECISION: The Board approved the move to the hierarchy of governance for capital projects in principle but further work is required before approval*

### Item 16 - Sale of land at Stornoway Airport

The Board support the asset disposal at Stornoway airport as outlined in the papers provided subject to agreeing how this would be reflected in HIAL's accounts.

*ACTION: GB to look at the accounting treatment of the value exchange [26.10.20]*

*DECISION: The Board approved the sale subject to accounting treatment being agreed*

### Item 17 - Procurement of vehicles and equipment

The Board noted the paper proposing the procurement of vehicles. It was noted that the capital plan contains lines for the procurement of vehicles and equipment. The Board asked if £70k was a high price for individual vehicles and it was highlighted that vehicles, such as snow clearing equipment are in this range and can be used for up to forty years and are therefore a sound investment. The Board were keen that any procurement made must be negotiated well and meet HIAL's environmental targets.

*DECISION: The Board approved the procurement of vehicles and equipment in line with the proposal in the paper.*

## Items for note by the board

The following papers were submitted to the Board for note and in the interests of managing time, members were asked in advance to raise to any questions they had prior to the meeting and have these answered out with the Board meeting. The Board were content to have these questions and responses homologated in the minute.

### **Item 1 - Data Protection Update**

A Board member asked if HIAL proactively updated the ICO on matters of non-compliance and High Risk and our progress on action plans. The Data Protection Officer advised that the ICO doesn't have any formal mechanisms for maintaining ongoing dialogue with data controllers. The ICO does, on occasion, ask that they are notified when tasks are complete although generally it is assumed they are done.

There had been no owner or accountability for records management but it was agreed at a recent SMT meeting that the Head of IT and Digital Transformation (HIDT) would become responsible for records management within HIAL.

A Board member asked about the "Invalidation of the privacy shield". This would be considered a high risk due to transfers likely to now be considered a direct contravention of legislation but the issue is limited at HIAL to the use of third party products, such as SurveyMonkey and Mailchimp.

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

(Redacted)

### **Item 3 - FINANCE - AMSL Monthly Accounts**

The Board asked if AMSL charges the airports monthly in full for the security services it provides given no turnover is shown. GB responded that the turnover will eventually appear in the AMSL statutory account and simply is the costs recharged to HIAL and DAL and that this was simply a timing issue.

### **Item 4 - PROCUREMENT paper**

In response to a questions about the timing of the Procurement Annual Report for 2019/20, GB advised that given the substantial resource required to prepare these reports in terms of data gathering, combined with major urgent project work for procurement, the tabling of this report is being postponed until the October Board.

There is no legal deadline set for the publication of Procurement Annual Reports, but the Scottish Government usually requests publication within 5 months of the financial year end to enable Scottish Ministers to produce their own annual report on procurement activity in Scotland. In June 2020 The Scottish Government acknowledged the impact that COVID-19 related activities had on Procurement functions and issued a Policy Note to all public sector organisations advising that reports should be produced “as soon as reasonably practicable” to allow them to produce their report in early 2021.

#### **Item 5 - COMMERCIAL Update**

The Board asked for and were provided with an update on how the virtual presentation to the UKRI Assessors on the SATE project had gone. Concerns/questions raised included concerns about USA companies receiving UK public funding with reassurance provided about the potential for inward investment opportunities; concerns about potential double funding and about the level of innovation in the project providing sufficient, additional learning across the UK. This was addressed by describing the airport infrastructure learnings and how the aircraft could be applied to regional routes. There were also a number of technical questions which UHI could address.

HIAL should hear if it has been successful by the end of the month.

#### **Item 6 - OPERATIONAL update**

Noted

#### **Item 7 – OPERATIONS - AMSL Update**

Noted

#### **Item 8 - IABP Update**

Noted

#### **Item 9 - HR and Payroll System Update**

The paper asked the Board to note the anticipated value of the contract but it also asked the Board to agree to a 20% contingency.

The HR system tender was being presented to the Board because of the expected value of the contract. Currently, we are only at the down selection phase, the tendering process having concluded on 14 August. To avoid any delays in the process the paper was submitted

to the Board with limited detail. At this stage all that is necessary is the authority to progress to the next stage which require a further update to the Business Case Review Panel before any contract is awarded.

The Board was advised that a consistent approach has been applied and the board suggested a tolerance of 10% be applied in line with the previously approved AOMS system. The Board noted that Scottish Government may need to sign this off but since a successful bidder had not yet been identified, these costs were potential costs.

*Decision: The Board were content for the tendering process to begin.*

#### **Item 10 - HR Investors in People Action Plan**

Noted

#### **Item 11 - FOISA Update**

Noted

#### **Item 12 - ICT Update**

Noted

#### **Item 13 - IABP Car Park Development - Actions update from 10.06.20**

In response to a question the Board was advised that the Internal Rate of Return (IRR) for the project is 4.35% and above the assumed interest rates payable of 1.75%-2%. The Board noted the IRR and are comfortable with that.

#### **Item 14 - ATMS Island Communities' Impact Assessment**

IL advised that he has written directly to MP/MSPs advising of the process, inviting those who wished to take part to contact the consultant directly. In response to a question about our Communications plan on the IIA, DS responded that HIAL will continue with our consistent messaging on the role of the island impact assessment based on the advice from the SG Islands Team and with Transport Scotland's support. Community engagement sessions are scheduled (as detailed in the report) with Reference Economic Consultants to answer any questions on the process and will reinforce the role of the assessment. The written consultation created by Reference also clarifies the purpose.

DS and IL have agreed an online engagement session with MPs/MSPS to give an update on COVID, other key strategies and of course the ATMS and the IIA. It was noted that this was still in the early stages of arrangement.

Internally, a new forum of regular internal drop-in team sessions led by GCo with ATS staff to discuss the programme, is underway. This will allow ATS staff to book a session to suit their availability and mix attendance with other airport ATS teams. DS said that HIAL will

continue to enforce messaging on the assessment, in order to correct any misunderstanding at every opportunity.

**AOB**

GB thanked the Board for their support and kind comments and the Chair reminded all that there would be an opportunity to say a proper goodbye and thank GB for her service at a future meeting.

DS thanked the Board for their input to the Board internet page.

VR to provide the Board with the list of confirmed attendees to the Stakeholder Engagement drop in call, on Thursday 27<sup>th</sup> August.

**The HIAL Board Meeting concluded at 17:30**

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**Date of next meeting - 27<sup>th</sup> October 2020 Virtual Meeting**