

HIAL Board Minutes – Wednesday 26 April 2023

Head Office Inverness Airport

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| Board Attendees: | (LJ) | Lorna Jack (Chair) |
| | (IL) | Inglis Lyon (HIAL, Managing Director) |
| | (JM) | Jamie Manson (HIAL, Finance Director) |
| | (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: | (DS) | Denise Sutherland (HIAL Head of Communications) |
| | (DM) | Darren MacLeod (HIAL Director of Corporate Operational Support) |
| | (GF) | George Farquhar (HIAL, Director of Airport Operations) |
| | (AS) | Andrea Sillars (HIAL, Director of HR) |
| | (GC) | Gary Cox (Transport Scotland) |
| | (JC) | Jackie Clark (HIAL Executive Assistant – Minutes) |
| 10:30 – 11:30 | (CE) | Cara Everitt (Data Protection) |

HIAL Board Meeting commenced at 09:00

Apologies

No apologies were received.

Declaration of Interest

The Chair took as read the usual declarations of interest unless advised of any change. JM advised he was a trustee of Shetland Isles Development Agency. Although no conflict of interest, LS advised her husband has been retained as an advisor to the owner of Dronamics, a drone flight business based at Kirkwall Airport using the SATE testing facilities.

Minutes and Matters Arising

The Board approved the board minutes of the 23rd February 2023.

23.02.23 Item 2 –JM advised the action was now complete.

19.10.22 Item 1 – Airport Charges - The Chair agreed a new timeline of August 23.

24.08.22 Item 12 – AMSL Operations - The Chair agreed a new timeline of June 23.

Chair's Report

The Chair noted the recently tendered resignation of the Managing Director and his last working day as 30th June 2023. There will be an NXD, GCx and AS only session at the end of the meeting to discuss the recruitment of a new MD. The Chair recommended to the Board that the company secretary role be moved to JM as part of the Finance Director role and having discussed and agreed an effective date with the MD and FD proposed 1st June 2023.

Decision: The Board approved the change of the company secretarial duties from the MD (Managing Director) to the FD (Finance Director) from 1st June 2023.

At an introductory meeting with the new transport minister Kevin Stewart, the Chair and MD discussed three areas. Budget, Pay & Pension reform, and corporate strategy. The minister asked that HIAL maximise the drive on income. When looking at pension reform he asked that HIAL reflect on lessons learned around communications from past projects and keep him apprised. The Corporate Strategy document will be reviewed by the Minister imminently and any proposed amendment notified before publication by HIAL.

The Dundee PSO will move to Heathrow on the 6th May 2023 and the Chair asked for the Board to be notified of any impact on cost and commercial arrangements.

Tayside Aviation has gone into administration **Information withheld No 1.**

The Chair and LC attended the HIAL Sustainability and Net Zero workshop at the Kingsmills Hotel in February and noted how well it had been organised.

The Chair had received an update from Peter Simpson on the sale of Loganair which was shared with the HIAL Board.

The Chair and HIAL Board congratulated GCx on his promotion to Interim Director of Aviation, Maritime, Freight and Canals.

Managing Director's Report

The MD advised that the team are working on the impact of the route change for the Dundee PSO, specifically around the use of the larger aircraft. A revised set of charges board paper will be brought to the June board meeting.

The Southern States PSO is out for tender. The executive team are pulling together a report on the additional costs incurred over the last ten years regarding the increased timetable schedule and this will come to the June Board. IL added Transport Scotland should be made aware of the extra charges that HIAL have accommodated, and that the successful airline should include the identified additional charges in their bid.

IL advised CH had previously helped with the setup on the twin otter aircraft leases as a consultant when the aircraft were acquired in 2015. As many of the current board had not been in post when the Twin Otter project was launched, a board paper will be brought to the June board to update on the key parameters of this leasing activity.

IL advised JM would pull together a board paper which also identifies the costs relating to aging parts of the twin otter aircraft which do not form part of the lease and bring to the June board meeting.

ACTION: Board paper identifying increased charges due to the change on the DND Heathrow route.

ACTION: Board paper showing the Southern States PSO additional costs to be brought to June Board meeting.

ACTION: Board paper identifying future cost impact in relation to long term aging parts on the twin otters and including timeline, depreciation, price etc of twin otter purchase for Board.

ACTION: Board paper showing new lease terms of the twin otter aircraft and to identify someone on the executive team to manage this activity when IL leaves.

IL advised the Royal Mail are going out to consultation on the 2nd May about how they serve the island communities and how they go through a process for the closure of several hubs **Information withheld No 4.**

IL advised GF would bring a paper to the June board meeting which would see the introduction of Category 3 X-ray machines to the HIAL airports over the next four years.

ACTION: Board paper to the June board on Category 3 x-ray machines to be installed at HIAL airports over the next four years.

Audit Committee Update

LS provided the board with an update on the topics discussed in the Audit Committee earlier in the week which covered the deep dive on risk workshop actions, the external audit plan agenda commencing June/July and the internal audit plan for 2023/24. Wylie Bisset (WB) carried out two internal audits. The new Payroll system had a substantial rating and Cyber Security had a rating of strong. In August the audit committee will review the end of the ATMS programme and the write off figure. JM to review the WB outstanding audit actions to consolidate where possible and rally

colleagues on getting them actioned and closed. Two whistleblowing matters were investigated. One has been closed and the other **Information withheld No 4** requires further investigation.

The Chair advised that the Board should discuss the regular SATE update board paper at the next board. **Information withheld No 1.**

People Committee Update

LC provided the board with an update on the work of the people committee and people subcommittee which covered the pay award, succession planning and recruitment and the workshop held with the HIAL Board's pensions advisors. LC advised that the people committee had concerns regarding pay & grading and gender pay gap and the lack of movement and have asked for some time to be invested on an update to help in moving the process along.

The Board broke for coffee at 10:00

The Board re-convened at 10:30

Spotlight Session – Data Protection

CE joined the meeting at 10:30

CE presented to the Board on the changes to the Data Protection Bill and the journey it was taking through the UK Parliament to date, focussing on the changes with the Data Protection and Digital Information (No 2) Bill. There will be amendments on personal data and the change of wording from natural persons to living individuals and change of powers for Information Commissioner Officer (ICO) which will strengthen their roles. The current ICO has a revised approach to reduce fines on the public sector and CE provided examples that would result in being issued to organisations. CE updated the Board on HIAL's progress and challenges to date on Data Protection. Training on data protection for staff was highlighted by Internal Audit and CE advised the Board on work currently under development for 3 levels of e-learning training.

The Board noted the progress.

Item G – Data Protection & FIOSA Requests

It was noted that HIAL do not charge for Data Subject Access Requests.

Following a question raised on the implementation of the new timesheet system and the impact it has on data protection implications DM advised the Board that the Digital Transformation Board is responsible for making decisions on technology solutions, advising the timesheet technology is ready, however it is the cultural change on employees that is now holding the project back. The board raised concern on the length of time the risk has been on the register and advised if all the original data

protection risks for the project have been completed then the original risk rate should be reduced or closed, and a new risk opened.

ACTION: Board paper in August on the steps taken to date on the timesheet implementation and the rollout process.

The board noted that a carefully constructed comms plan would be required.

CE left the meeting at 11:15

Company Risks

The Board noted the Company Risks Board paper. GF added the Risk Awareness Training **Information withheld No 2** held in Glasgow had been helpful in making changes to the way HIAL manage risk. JM explained the work carried out on the strategic risk scoring and why several have had scoring reduced.

IL advised that work was being carried out to identify future costs in relation to net zero on HIAL Buildings and other assets which will include the additional twin otter changes and a board paper will be brought to the November board.

ACTION: Board paper to the November board which includes the additional costs from the twin otters (last 10 years) and showing the impact of net zero on HIAL Buildings and other assets.

ACTION: Spotlight session at future board meeting on safety scoring under 12 to provide reassurance to board that safety is a priority and add safety as an item on the board agenda.

Information withheld No 1.

Papers for Approval

BC1269B – Inverness AGL Refurbishment

DM provided a brief overview of the board paper.

The board discussed the need to use capital resources wisely, however, recognising the challenges on spending allocated capital over multiyear projects.

ACTION: Provide Board via email an estimate of what the lost opportunity costs is by not being able to choose option 3.

Decision: Subject to receiving the email information on estimated costs of not going with Option 3, The Board approved option 4 (noting it is not optimal), Priority AGL works at the total cost of £4.305m over financial years 23/24 and 24/25.

Item A – Matters Reserved for the Board

JM provided an overview of the draft matters reserved for the board asking for any comments and advising a revised copy be brought back to the June board for approval.

The board asked for changes to wording around Health and Safety and sale or lease of assets (Land or Buildings) and aircraft and the inclusion of the word policies in HR on recruitment retention and motivation of its staff. JM & DM to discuss whether Cyber security policies should be included within the matters reserved for the Board.

ACTION: Update matters reserved for the Board with the amendments to Health and Safety, Disposal of land and buildings and aircrafts and the inclusion of cyber security policies. Amend HR to include the word policies within Recruitment, retention, and motivation of its staff.

Item B – Delegated Authorities

Decision: The Board approved JM's temporary uplift of his authority levels to match the current MD until the new permanent MD is appointed. The Board approved the amendments to the current delegated authorities report and asked for the values to be added into the report against asset deposits.

Item C – Social Impact Pledge

DS gave a brief overview of the board paper.

The Board discussed the reality of managing the pledge, the use on HIAL facilities, safety issues and the cost to the business and having comfort that the executive team has thought about the unintended consequences on Airport Managers who would be responsible for coordinating pledges.

Decision: The Board wanted to wait until the Minister returns on the Corporate Operating Strategy. The Social Impact Pledge board paper should then be brought back to a future board meeting for decision.

Item D – Customer Feedback Policy & Complaints Procedure

DS gave a brief overview of the changes to the policy and associated procedures, confirming that the Complaints procedure had reverted to a two stage complaints procedure.

Decision: The Board approved the two stage complaints procedure.

The Board broke for lunch 12:50 – 13:20

Papers for Discussion

Item E – 2023/24 Forecast Outturn

JM provided an overview of the board paper highlighting the consequences to the forecast based on the higher pay award and the options to help manage the cost pressure downwards. JM advised during the monthly financial reviews, all costs are reviewed line by line and airport managers are asked to identify where expenditure can be reduced.

Information withheld No 4.

Item F – Environmental Update

DM provided a brief overview of the board paper and advised the board on the content of the sustainability workshop that the Board were attending the next day.

Item H – Customer Feedback – Quarterly Report

DS provided an overview of board paper and highlighted the new in-house system which has enhanced management reporting which the SMT will be reviewing monthly.

The board asked the resolution of positive changes from suggestions received to be included. The board would like to see the report include visuals of trends each quarter.

Item I – HIAL Pension Scheme

IL and JM's interest as members of the HIAL Pension Scheme were noted.

The board noted the board paper. **Information withheld No 4.**

Item J – IABP Update

IL provided the board with an update on IABP business **information withheld No 1.**

Item K – HIAL Company Accounts

JM provided an overview of the board paper covering the financial year 22/23 which shows the positive result against forecast that lead to a repayment of revenue to Transport Scotland (TS). The results do not include the figure received from Transport Scotland to cover the pension payment. JM advised that the end of year audit is about to start. The Board commented that it was important to regularly review costs throughout the year to ensure that any repayment of grant is timely if necessary. JM added that the programme board now manage the risk contingency on capital projects which will help in ensuring the full capital spend each year. **Information withheld No 1.**

Item L - AMSL Company Accounts

JM advised the overspend on budget was related to the pay award and weekend overtime. The Board noted the paper.

Item M – Scottish Covid 19 Enquiry

The Board noted the paper.

ACTION: To amend report to document the decisions the HIAL Board took to support the business through the pandemic and how Scottish Government supported HIAL. Include that no days were lost to closure and the percentage of staff numbers working.

Item N – Capital Plan 23/24

DM advised the Board the capital plan was a live document and was updated following information received following the programme board meetings. The Board noted the reduction of capital required for the Islay project and IL advised on the changes, and added there would be some additional costs on top of the fixed term contract. The Board noted that a conversation with Transport Scotland was required to discuss a rolling ten-year capital spend showing necessary maintenance and repair for HIAL assets and infrastructure. The Board noted that no prioritisation had yet been completed on the indicative capital grant for the year 2025/26.

The Board noted the capital plan spend for 2023/24.

ACTION: Create a report which shows when each runway, terminal, and other large assets for each of the eleven airports have last been resurfaced or updated.

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| Papers for Note |
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Item 1 – AMSL Operations Update

Noted

Item 2 – HIAL Operations Update

Noted

The Board were content with the new format of the report.

Item 3 – Commercial Update

Noted

Item 4 – SATE 2 Update

Noted

The Board discussed income from the SATE project, project governance and roles and responsibilities.

Decision: The Board advised no charges should be negotiated with SATE customers without HIAL Board approval.

Item 5 – Procurement Update

Noted

JM advised the format of this paper going forward would be changed.

Item 6 – HIAL Insurance Update

Noted

IL advised Insurance renewal was added to the Board agenda for October 23 and explained the cover for professional indemnity insurance.

Item 7 – Annual Pay Award Update

Noted

Decision: The Board asked for the people committee to work on the conditions of the 2023/24 pay award.

Item 8 – Flexible Early Severance Update

Noted

Item 9 – Accountable Manager Meeting 23/2

Noted

Item 10 – ICT Update

Noted

The board agreed to a board session on cyber training.

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The board agreed to the Corporate operating plan being dealt with by email for review and comment.

IL, DS, DM, GF and JM left the meeting.

MD Recruitment – NXD only session

The Chair advised that IL would advise his proposed last working day in office once his remaining holiday leave is confirmed.

The Board were updated on the proposals from the People Committee for the recruitment of an Interim and Permanent MD position, the interim Chief Operating Officer, and the interim Commercial Director roles all of which are intended to be progressed using a subcommittee of HIAL's People Committee. A representative of Transport Scotland would be added to the sub-committee for the recruitment of the permanent MD. It was also proposed that recruitment agencies would be used for all roles, and it was further proposed to change the new permanent role title from a Managing Director role to a Chief Executive Officer.

Decision: The Board agreed a subgroup of the people committee being LJ/LC/IT and GCx as the recruitment panel for the MD interim and permanent positions.

The Board approved the recruitment of an interim Commercial Director and approved the hold on recruitment for a Chief Operating Officer until a permanent CEO was appointed.

The Board were advised that JM had agreed to take on the Company Secretary role **information withheld No 2.**

The Board discussed the changes required to the Accountable Manager role and the need to write to the CAA.

HIAL Board Meeting concluded at 16:30

Next Meeting on 28th June 2023, Tìree

| No | Reason for Redaction |
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| 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 |