

HIAL Board Minutes – Wednesday 18<sup>th</sup> and Thursday 19<sup>th</sup> October 2023  
Terminal Building, Barra Airport

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|-------------------------|------|--|
| <b>Board Attendees:</b> | (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)  |
| <br>                    |      |  |
| <b>In Attendance:</b>   | (KO) | Kevin O’Leary (HIAL, Chief Operating Officer)                              |
|                         | (AS) | Andrea Sillars (HIAL, Chief People Officer)                                |
|                         | (AG) | Alistair Gleave (HIAL, Chief Commercial Officer)                           |
|                         | (DS) | Denise Sutherland (HIAL Director of Comms & Corp Affairs) - <b>Virtual</b> |
|                         | (DM) | Darren MacLeod (HIAL Director of Safety & Compliance) - <b>Virtual</b>     |
|                         | (MB) | Michael Bratcher (Transport Scotland, Aviation Policy)                     |
|                         | (JC) | Jackie Clark (HIAL Executive Assistant – Minutes)                          |

HIAL Board Meeting commenced at 14:45

### Apologies

There were no apologies.

### Declaration of Interest

The Chair took as read the usual declarations of interest unless advised of any change.

CH and LJ advised they were both joining the Board of Advisors for Isle of Man Airport from 1<sup>st</sup> November 23.

The Chair advised that CH (Director of Aviation Energy Services, which manages the Twin Otter contract) would step out of the meeting if any conflict of interest arose when discussing when discussing the Twin Otters Board paper.

### Minutes and Matters Arising

The minutes of the meeting on 23<sup>rd</sup> August were noted as approved and published.

Item 3 23.08.23 - Operation Rebalance action extended timeline to Dec-23

Item 6 23.08.23 - DS to remove reference to HIAL in the report and the Board to consider policy position following recommendation from Leadership Team. Timeline extended to Dec-23

Item 7 28.06.23 – Verbal feedback received. Action now closed.

### Chair's Report

The Chair of Loganair was content for the Chair of HIAL to update the HIAL stakeholders in her fortnightly meeting on the cease on the sale of Loganair, which she subsequently did.

The Chair reminded the Board of the Board Strategy Day on the 8<sup>th</sup> November to be held in Glasgow. The CEO of Transport Scotland has arranged six monthly update meetings with the HIAL Chair commencing November 23.

### Audit Committee Update

JM provided an update of the timescales for signing the Annual Accounts. The Board noted their disappointment in the delay to signing the Annual Accounts.

LS provided an update from the Audit Committee held two days earlier which covered the internal audits, IABP, HR Policy date reviews and internal & external auditor procurement. Two internal audits were completed, SATE and Internal Audit Annual Report, both reported as weak. LS highlighted to Wylie Bisset (WB) the Audit Committee's surprise at receiving an overall weak conclusion recorded against the Annual Report for internal audits 2022/23 as out of the 7 audits completed that year only 2 were weak. WB explained the overall score came from the two weak conclusions and the time it took to receive information. LS advised she had requested the scoring be reviewed and further clarification to be provided. The Board asked to be kept informed on the conclusion from WB. The ATMS lessons report will be shared with the HIAL Board when finalised. LS advised current internal and external auditors' contracts had been extended for six months. It was noted that the Board approved the appointment of external auditors.

### People Committee Update

LC provided the board with an update on the CEO recruitment process. The timeline for applications to be received had been extended to the 25<sup>th</sup> October and the response had been favourable to date. The people subcommittee would receive the full candidate list and profiles from Odgers by 30<sup>th</sup> October.

**Information Withheld No 4.** LC has reached out to the Chair of Trustee of HFSPS to meet to discuss the proposed investment strategy and the relationship with the regulator and is waiting on a response. It was noted that the HIAL Board has responsibility to appoint the Chair of Trustees for the HIAL Pension Scheme.

### Chief Executive Officer (CEO) Report

The board noted the updates within the CEO report.

The board discussed the Twin Otter leases and noted Loganair's interested in buying the aircraft, however it was in HIAL's best interest to continue ownership. AG will take responsibility for the Twin Otter contracts going forward.

*Decision: The Board provided authority for SA to sign off the Twin Otter lease contracts*

**Information withheld No 1**

NCH was now being actively marketed for lease or sale. It was noted that any sale or lease proposal should be brought to the Board for approval.

The board noted the proposed Royal Mail change to night operation planned for next year

**Information withheld No4.**

The Board noted the analysis on staff costs and asked for a breakdown in same format as that used in annual accounts to be included in the monthly management accounts.

AS provided an update on the breakdown of increased headcount in HQ. SA advised all new recruitment requests were now being controlled by SMT at their weekly meeting. The Board asked about Operation Rebalance cost savings and were advised an update would be provided at the Board Away Day on 8<sup>th</sup> November.

**ACTION:** Include Breakdown of staff costs in the same format as that used in annual accounts to be included in the monthly management accounts.

#### **Chief Financial Officer (CFO) Report**

The board noted the updates within the CFO report.

JM covered the management accounts to 31 August 23, highlighting better income and lower costs. Since the report was issued, the variance had changed to a better than budget performance of £3m which Transport Scotland had not yet reflected. Capital spend is low to date and will be reviewed at the next Finance meetings with the forecast being around £15m. There are no significant projects in the pipeline that can be brought forward.

*Decision: The Board approved the new delegated authorities list which had the addition of the Campbeltown Airport Manager and the removal of The Business Development Manager.*

#### **Chief Operating Officer Report**

The Board noted the updates within the Operations Report.

KOL provided an overview to the Board on work being carried on understanding spend with suppliers and where savings have been identified to date. The asset list and capital plan are being reviewed to ensure accurate allocation. The Airport structure is being reviewed to align with delivery of the strategy. An overview of Inverness Airport costs and identified savings were noted. The Board noted that the core of the business is very good, however the costs require further controls. Staff have provided several cost saving options via Operation Rebalance which are being reviewed.

The Board discussed governance around safety and whether there would be a new safety committee with a NXD in attendance and the linkage with the Audit Committee. It was agreed that this needed to be pursued within the overall HIAL Governance structure ensuring clarity was provided on whether this was a committee of Board or an operational committee and if the former to ensure any duplication with Audit Committee was dealt with. This would be picked up again under the Accountable Manager's report.

**Information withheld No 4.**

**Information withheld No 4**

Day One concluded at 17:15

Day Two – 19<sup>th</sup> October 23 start 09:15

#### Information withheld No 4

#### Commercial Report

The Board noted the updates within the new Commercial Report.

AG covered his role over the last two months and the areas of the business he had reviewed for revenue streams. There are several quick revenue streams and some long-term revenue streams identified within property and concessions. AG explained his recommended new tiered airport pricing schedules. The Board queried where DAL sat within the tiers.

MB advised that revenue from windfarms could only be recouped on costs incurred and maintenance of setup only. The Board asked AG to refer back to what the Board had signed off previously on windfarm mitigation and if changes were required to the Board's previous decision, then it was to be brought back to the Board for approval.

SA advised there would be a review of all airport terms and conditions.

AG advised his commercial strategy would be presented at the Board strategy day in November.

#### Accountable Manager Report & Airport Operations

The Board noted the updates within the Accountable Manager Report.

DM provided a brief overview of each area including Project Vanguard which is looking at modernising the delivery of the security function within HIAL. The People Committee to be kept up to date with Project Vanguard on aspects of HR. The Board asked that any emergency incidents be detailed in the report, including how it was reported and the implications of the emergency. Future reporting should include trend data.

The Board again discussed the setup of a new safety committee and how it would work. The Board agreed it should be a Safety & Compliance Committee chaired by an NXD with the Accountable Manager present and a report from this Committee presented at each HIAL board meeting. Terms of Reference will be drawn up and taken to board for approval. The Board noted that there was not a risk overview pack included in this month's Board pack. DM provided an update on the work being carried out on completing the full asset review which will be completed by the end of the financial year.

The Board agreed that a review of Air Traffic recruitment would form part of the Board strategy day in November.

*Decision: The Board agreed to a new Safety & Compliance committee which will be chaired by a NXD with a second NXD and the Accountable Manager in attendance. TOR will be written up by the CFO and approved by the Board.*

The Board noted the updates within the Chief People Officer Report AS provided an overview of the Q2 performance report which highlighted the uptake on mandatory training. The Board noted that staff in the supernumerary pool were being engaged in meaningful work. The Board were advised that there were no risks to the business due to the high volume of vacancies. AS updated the Board on the requests received from the Unions on the 2023/24 pay remit and the HIAL proposal to each request. The Board were provided with an update on work being carried out on pay & grading and the financial cost to the business. The Board were content to let the leadership team continue with Union negotiations.

**Communications & Corporate Affairs Report**

The Board noted the updates within the Communications & Corporate Affairs Report. The Board thanked LC for being the HIAL Gaelic champion.

**AOB**

The Board congratulated JM on achieving his Diploma in Corporate Governance.

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**HIAL Board Meeting concluded at 12:00**  
**Next Meeting on 8th November, Glasgow**

| 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                                    |