

**FOR PUBLICATION**

**DAL Board Minutes**

**Monday 19<sup>th</sup> February 2024 Microsoft Teams**

**Board Attendees:**

- (LJ) Lorna Jack (HIAL, Chair)
- (SA) Stewart Adams (HIAL, Interim Chief Executive Officer)
- (JM) Jamie Manson (HIAL, Chief Financial Officer)
- (LS) Loraine Strachan (Non-Executive Director)
- (CH) Chris Holliday (Non-Executive Director)
- (LC) Lynne Clow (Non-Executive Director)
- (IT) Isabel Todenhoefer (Non-Executive Director)
- (GCg) Greg Colgan (Non-Executive Director)

**In Attendance:**

- (KOL) Kevin O’Leary (HIAL, Chief Operating Officer)
- (AG) Alastair Gleave (HIAL, Chief Commercial Officer)
- (DS) Denise Sutherland (HIAL, Director of Comms & Corp Affairs)
- (GH) Gregor Hamilton (Dundee City Council)
- (MB) Michael Bratcher (Transport Scotland)
- (SD) Shelly Donaldson (HIAL, Executive Assistant)

**DAL Board Meeting Commenced at 10:30**

The chair welcomed everyone to the call.

**Apologies**

Apologies were received from Gary Cox and Andrea Sillars

**Declarations of Interest**

The usual declarations of interest were noted.

**Minutes and Matters Arising**

The minutes from the meeting held 18 December 2023 were noted and approved for publication.

The matters arising from 18 December 2023 were noted and approved with one exception raised by GCg.

**ACTION 5 02.05.23:** In the December meeting minutes there was an action raised under Matters Arising action 5; for a verbal update at the February meeting in regard to the strategic business development plan for Dundee and a timeline for producing it. This has not been captured as an action on the Matters Arising and GCg would like this to remain as an open action depending on whether there is a verbal update today.

**FOR PUBLICATION**

**Chair's Report**

The full Chairs report can be viewed in the [HIAL Board Minutes 14.02.24 \(Link\)](#).

**Cabinet reshuffle**

LJ advised that Fiona Hyslop has been elevated to Cabinet Secretary for Transport. It was noted, that going forward, we would have interaction with Jim Fairlie MSP following his appointment as Minister for Agriculture and Connectivity and a meeting would be arranged in due course.

**Recruitment of CEO**

LJ advised that the recruitment process is being finalised and we are currently at the offer and acceptance stage. It is hoped that an announcement can be made in the very near future.

**Loganair changes**

LJ wished to bring the Board's attention to the CEO of Loganair's sudden departure and advised that we will continue to monitor progress at Loganair over the coming months. LJ advised the Board that she has spoken to their Chair who is acting CEO at present, and he confirmed that it's business as usual. They are continuing to recruit to their senior team and their new CFO is arriving shortly.

LJ is meeting Michael Marra MSP at Dundee airport on 19/04 prior to next DAL meeting.

The DAL Board noted the updates.

**Chief Executive Officer (CEO) Report**

SA advised that a meeting was held in Dundee on 8 February to discuss what is achievable for the airport in terms of investment and commercial opportunities. MB attended the meeting and left with an action to form a working group. AG will represent HIAL on this group. MB advised that Scottish Enterprise will be on the group and discussions are being had with TACTRAN tomorrow; dates will be considered following this meeting.

SA advised that the team visited the ex-Tayside Aviation site. The site has now been handed back to Dundee airport but is in a poor condition. DAL is in discussions with the administrators as to what can be undertaken to tidy up the site, but this will incur a cost. SA advised that there has been some interest in hangarage at Dundee airport and that a settlement has been indicated in regard to the debt that Tayside Aviation left **Withheld Information No 1**.

The DAL Board noted the updates in the Chief Executive Officer Report.

**Audit Committee Update**

LS advised that the latest Audit Committee meeting was held on Monday 12 February and that it was the normal standing agenda.

The Committee agreed the external audit plan to review this last financial year and the engagement letter with Azets. LS advised that Azets partner, **Withheld Information No 2**, will retire this year.

### FOR PUBLICATION

There was some discussion on the internal auditors, LS informed that at the October Audit Committee meeting the Committee took the decision to extend the contract of Wylie Bissett for 6 months, but this didn't happen for various reasons, which leaves HIAL/DAL without an internal auditor at present.

The Board were assured that JM and the procurement team are working on this as a priority and that planning is underway for the next 12 months internal audit programme. It was noted that external resource for procurement and project management was being considered to address the backlog that has accumulated. GCg highlighted that procurement resource is an issue across the Scottish sector.

LS wished to note that the internal audit recommendations that have been marked as complete will be audited by the new internal auditor for assurance.

ATMS lessons learned was reviewed and the Committee were content that all the lessons learned have been captured in this report.

**ACTION:** LJ asked that this report be circulated to DAL Board members in addition to the HIAL Board members.

The DAL Board noted the updates.

#### Safety Committee Update & Accountable Managers Report

The first meeting is scheduled for 26 February. CH will chair the Committee and it is the intention that this first meeting will focus on agenda planning and the interdependencies a between the Safety, and Audit and People Committees. The second meeting is planned for 8 April.

CH advised that a Deep Dive on risks was reported to the last Audit Committee but that going forward safety and security will be reported to this new Committee.

DM advised that the SERB set up some targets for instant reporting, a functional managers overview and initial investigations, these are within the report. The AAIB have now issued their report on the GA incident in Dundee, some lessons have been learned here and these have been incorporated into the organisation.

DM advised that the Company made the decision to revert to a mixed tariff for electricity due to a significant levy being implemented by the supplier for renewable energy.

There have been some changes in the regulations in terms of cyber security, but aviation security is fairly static at present.

In regard to capital, the PMO are covering off the delivery of the 23/24 capital plan and then will progress with the 2024/25 plan as well as the projected 10-year plan.

Under incident trends, some unlawful acts have been noted and DM clarified that this covered a large number of technically unlawful incidents and gave the Board some examples but DM wished to assure

**FOR PUBLICATION**

the Board that every incident is reviewed and categorised in line with guidance from the CAA and also reported to the police where necessary.

The DAL Board noted the updates in the Safety Committee Update and Accountable Manager Report.

**People Committee Update**

LC updated that the last People Committee took place on 8 January and at the meeting discussions were had on pay and grading. There was challenge from the Committee on what should be included within the business case from a Board perspective, looking at the overall implications.

AS and JM took an action to look at all the implications for the group, the timing and the impact on other projects. LC advised that another People Committee meeting was due last week but the team needed more time to prepare so the next meeting will be in April and the business case will be reviewed then.

There was concern surrounding pay and grading, not just in terms of costs but also in terms of union consultation and negotiations and the impact this may have on the move towards the 35 hour week and the rostering project.

There have been reviews of the pension schemes. There has been some positive feedback on the People's Pension but there are still ongoing questions around the level of contribution and the appropriateness of that contribution for sustaining a pension for people into retirement. There is no breach of regulations but a view that the combined employer and employee contributions should be **withheld Information No 4**

The DAL Board noted the updates.

**Chief Financial Officer Report**

JM advised that the first paper covers the Management accounts up to 31 December 2023. DAL is showing slightly behind schedule on income, this is due to airport charges and fuel sales waning compared to the previous year. Operating costs were lower than expected and we are looking at an underspend against budget of approx £165k for the period.

In terms of the forecast, it is expected to narrow going into the last quarter, due to an expectation of bad weather and a reduction in routes served by Dundee until the end of February. This will have an impact on some of the fees incurred by Loganair as well as the second instalment of the pay award in January and onwards. This reduces the forecast to £94k less than budget by the end of the year.

Tayside Aviation was discussed earlier in the meeting and JM confirmed that DAL has received **withheld information No 1** from the administrators which includes the ground lease and rental rates for the hanger and office space that the administrators occupied since taking possession of the business. There remains **withheld Information No 4** bad debt relating to Tayside Aviation's unpaid invoices which will need to be written off by the end of the financial year.

### FOR PUBLICATION

Currently there is a significant underspend on capital, £383k forecast, this is mainly down to phasing and implementation of capital projects that have now slipped into next year. The FIDS project has now been captured as an overarching corporate programme rather than being held at each airport.

It was queried why car parking and concession income is only 40% of what was expected, and SA advised that there were issues with the short stay car parking system as well as the barriers being destroyed in the high winds. JM also advised of GDPR issues with transferring data to the supplier of the payment provider. We are in discussions to resolve this by looking at an alternative provider.

It was clarified that in terms of the FIDS project, the capitalisation spend of this is currently being captured under the HIAL group budget at a head office level, but it is the intention to report DAL separately.

#### 2024/25 BUDGET

JM advised that comprehensive reviews have been undertaken with each airport and department within the HIAL /DAL group, looking at operating costs and income expectations. The income and airport charges have been updated in line with the 4% increase that the Board approved at the end of January and DAL's terms and conditions have been standardised to bring them in line with HIAL.

JM went through the process undertaken and advised that income after a cost of goods sold is approximately £1.7m, which is £80k better than forecast and around £20k more than last year's budget.

In terms of revenue costs, JM advised that the uncertainty relating to pay seen last year has been removed for next year due to the 2 year pay deal but advised that additional costs will be incurred from Tayside Aviation now that DAL is liable for the rates to those properties. Electricity and other operating costs have increased in line with inflation and the other cost to note is the employer contributions to pension in relation to the Tayside superannuation fund. This contribution has reduced marginally by around one percentage point, which saves around £25k.

In terms of capital, a 3-year extract of the capital plan for Dundee was circulated to the Board and JM noted that for 2024/25 around £800k worth of capex was planned with around £8m more in the following two years mostly relating to upgrades of aeronautical ground lighting and taxiways.

In terms of the budget and the review on staffing, JM clarified that a slight increase in staffing has been assumed in the admin and security functions to allow us to meet operational requirements, but no increase within the fire service. Budget is based on minimum required staffing levels and any additional staff need to be covered by income.

There was a brief discussion on the AGL upgrade planned for Dundee airport in 2025/26 and whether the £5m could be committed due to the renewal of the PSO I at the same time. JM advised that AGL is required for an airfield and that the £100k preparatory work would need to be committed to this year, but that anything over £250k would require Board and Transport Scotland approval as an

## FOR PUBLICATION

individual case and that the rationale for the investment would need to be included within the business case at the time.

The DAL Board noted the updates in the Chief Financial Officer Report and were content to approve the DAL budget following the HIAL Board's approval of the overall budget.

### Chief Operational Officer Report

KOL advised that Operation Rebalance continues as business as usual. The weather has impeded operations, but teams have dealt with the issues well. There have been some issues with the de-icing rig, but this is being reviewed. Capital work continues and teams are now looking at the year-end spend with good investment in 2024/25. In terms of the staffing KOL reiterated that the minimum staffing requirement has been budgeted to ensure safe and regulatory compliant airport operations. Performance statistics are being finalised for 2024/25.

The DAL Board noted the updates in the Chief Operational Officer Report and the Operations Report.

### Chief Commercial Officer Report

AG expanded on the meeting held at Dundee airport on 8 February to explore the expansion of aviation business at Dundee but advised that there are restricting factors, which are set out in the paper. Reasonably positive responses have come from conversations, in particular **withheld Information No 4**. AG advised that there is an attractive element to Dundee but that it is a case of utilising current assets given the limited expansion of scheduled services.

**Withheld Information No 4**. This, although very positive, forms only a small part of the strategic plan for Dundee airport and growing the revenue.

AG went on to highlight small elements and revenue streams that could work, such as car parking and servicing the private jet market better.

The planned working group would be a good forum to get all the relevant parties around the table to look at the kind of funding that may be required to reconfigure Dundee airport for a more positive future and it will be the start of a more commercial focus for Dundee.

In answer to a query on planned timescales, AG advised that the next two months will be key in developing the headlines of the plan. In terms of the leadership, LJ advised that AG would be taking the lead on Dundee's Commercial future as Chief Commercial Officer and would report back to the Board with input from MB from Transport Scotland's perspective.

MB advised that he would chair the working group with the hope to set up the first meeting late February, early March. He advised that this first meeting would be key to see what each organisation can offer and stressed he would be looking for meaningful contribution and for individuals on the working group to progress the options being reviewed. He also stressed that the Tay Cities deal is where there is potential capital funding to assist in pursuing some of the suggested opportunities but that there is a time limit of a few months to develop a business case.

**FOR PUBLICATION**

The DAL Board noted the update in the Chief Commercial Officer Report.

**AOB**

LJ advised that this was SA's final DAL Board meeting and wished to thank him for his work undertaken in the interim role as CEO and on the Board. She wished to note that focus will continue on Operation Rebalance and wished SA all the best for the future on behalf of the DAL Board.

**DAL Board meeting concluded at 11.33**

**Date of the next meeting:** 29<sup>th</sup> April 2024 via Teams.

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