

FOR PUBLICATION**HIAL Board Minutes – Wednesday 24th April 2024****Sumburgh Airport**

Board Attendees:

- (LJ) Lorna Jack (Chair)
- (JM) Jamie Manson (HIAL, Chief Financial Officer)
- (LS) Loraine Strachan (Non-Executive Director) **(Virtual)**
- (CH) Chris Holliday (Non-Executive Director)
- (IT) Isabel Todenhoefer (Non-Executive Director)
- (LC) Lynne Clow (Non-Executive Director)

In Attendance:

- (AG) Alistair Gleave (HIAL, Chief Commercial Officer)
- (AS) Andrea Sillars (HIAL, Chief People Officer)
- (DS) Denise Sutherland (Director of Comms & Corp Affairs)
- (GCx) Gary Cox (Transport Scotland)
- (JC) Jackie Clark (HIAL Executive Assistant – Minutes)
- (DM) Darren MacLeod (HIAL – Accountable Manager)

Apologies: (KOL) Kevin O’Leary (HIAL, Chief Operating Officer)

HIAL Board Meeting commenced at 14:30**Apologies**

Apologies were received from Kevin O’Leary, Chief Operating Officer.

Declarations of Interest

The Chair took as read the usual declarations of interest unless advised of any change. No changes were advised.

LC advised although no conflict of interest, her husband had joined the Board of Highlands & Islands Enterprise.

LJ advised Wylie Bisset were rebranding and would be known as wbg (lowercase) from 1st May 2024.

Minutes and Matters Arising

The minutes of the meeting held 14.02.24 were recorded as accurate.

Following on from an email sent 15 February 2024 to Board members containing the ATMS Lessons Identified report, the Board members acknowledged they had reviewed the report. LC had some comments on the report.

ACTION: LC, DS and DM to discuss LC’s comments on the ATMS Lessons Learned report. Any significant changes to the report would require to be reviewed by the Audit Committee. The Board will confirm via email whether they accept the report.

For the purpose of the minute, it was noted that the Board approved the **Information withheld No 1** via email correspondence on 3rd April 2024.



Item 1,2,3 29.01.24 KOI AGL - DM advised he had emailed Board members the previous day the relevant correspondence to the 3 actions.

ACTION: Board members to review the documents and go back to DM via email with any questions before the next Board meeting in June.

Item 5 23.08.22 Commercial Report – JM advised there had been significant changes made to Skyport with the split of GA and Business jet revenue now being recognised separately from May 24. Action to be left open until June when data will be shown separately.

Chair's Report

The Chair advised the CEO recruitment was complete. Paul Kelsall (PK) has already participated in a light induction with the business. PK would be joining the NXDs later in the day for an introduction and then attending the stakeholder dinner in the evening. The Chair and AG met with a prospective business development opportunity in Glasgow and would update if anything came from it. The Chair advised a meeting had been setup for herself and PK to meet with the new Chair and CEO of Loganair and also with Jim Fairlie the Minister for Agriculture and Connectivity who has taken on responsibility for Aviation under the umbrella of Fiona Hyslop's portfolio.

Audit Committee Update

LS covered the key points discussed in the Audit Committee held 20th April 24 which were non appointment of an internal auditor, Updated Audit Committee Terms of Reference for job title changes, Audit Assurance Handbook checklist which will now be reviewed annually and will include a review of the governance statement (pre-Board approval) and self-assessments which look at the Audit Committee's own effectiveness, strategic risks including commercial risks around reliance on one customer, Pay & Grading, Pensions and IABP improved financials.

JM provided an overview to the Board on the working capital paid annually to IABP.

ACTION: JM to acquire a copy of the original signed agreement between HIAL and IABP regarding the annual working capital payment and update the Board accordingly.

Safety Security and Environment Committee Update (SSEC)

CH advised two meetings of the SSEC had been held since the last Board meeting in April 24. The first meeting being more a dry run session and the second meeting more active and productive. CH advised the Board that the SSEC discussed potential risks of lithium batteries, with the business working on actions and mitigations on risk of lithium battery fires. Benefits from rejoining the AOA were noted. The SSEC focussed on an event where a passenger was injured at LSI and the importance of training and maintenance within third-party agreements where HIAL equipment is used. The SSEC reviewed the CAA findings from the Wick Airport audit and on environment the risk of PFAS was also noted.

Accountable Manager Report

DM provided an overview of the Board paper highlighting that the health and safety week campaign was commencing on 13th May 24, an update on PFAS and ongoing discussions with SEPA, CAA regulation changes on Cyber Security and fiscal penalties on non-compliance.

The Board asked about Inverness Airport exceeding electricity capacity and DM reassured the Board that it was not a safety risk, that HIAL were monitoring the levels, looking at possibly diverting supply to another substation on the airfield or acquiring a substation upgrade for Inverness Airport.

The Board raised questions on strategic risks around **Information withheld No 4** and how the risk appetite for these risks was measured. The Board observed that the current key corporate risks are summarised and require to be individually shown as risks and it was important to have visibility of emerging risks. DM advised the descriptions for each risk would be improved. It was noted that the Board should be reviewing a high-level dashboard of the risks following a review of the details by the Audit, People and SSE committees.

ACTION: Strategic risks to be included within the Board pack and each of the Audit, SSE and People committee packs with the risk description providing a full explanation of the risk.

CFO Report

The Board positively noted the £4m better than budgeted result for the financial year 2023/24. The capital spend for financial year 2023/24 amounted to £12m. The finance team are working on an updated timetable in advance of the audit work starting in June and July. JM explained the lower-than-normal cash position at year end.

JM provided an explanation of the draft corporate governance handbook which held all key documents including the framework document which would be a live document which will evolve and be updated regularly. It was noted the Articles of Association require updating.

ACTION: GCx to check on the status of the 2021 reviewed and updated framework document which has not yet been approved by the transport minister and to provide clarity on the position re Accountable Officer.

ACTION: Board to provide feedback via email to JM on the draft corporate governance handbook with any corrections required.

JM advised the Board that the People Committee had discussed the HIAL Pension Scheme (HPS) Guaranteed Minimum Pension (GMP) equalisation and had endorsed the trustees to use Method B for the affected individuals.

Decision: The Board agreed with the People Committees decision to endorse the trustees to use Method B and approved JM to advise the trustees of the decision.

It was noted that JM was a member of the HIAL Pension Scheme and took no part in the decision. The Board noted the pensions update including the update on Investment Strategy and the HPS strategic review.

The Board discussed the Insurance level renewals for 2024 and JM explained the levels taken. The Board requested that each level of coverage should cover the possible risk.

ACTION: JM to circulate the policy coverage levels for each different policy to Board members and any questions to be raised at the June Board meeting.

JM advised the grant offer letter for financial year 2024/25 had now been received and he would circulate a copy to Board members for discussion at the June Board meeting.



The Board discussed the increased repairs and maintenance costs for 2023/24 and discussed how this impacted on the Capital Plan for future years.

The Board broke for lunch at 13:00

The Board reconvened at 13:30

People Committee

LC provided an update on the Pay & Grading project stating an agreement in principle (not approval) was given for further work to be carried out on using option 2 of the 4 options provided to the People Committee on the Pay and Grading project. AS provided an overview of the 4 options including the costs, savings, and risks of each.

The Board noted the update on the Pay & Grading project.

LC provided an update on the 35-hour working week and the rostering project and how the two projects are split and who is responsible for each project. AS explained the development of the draft rostering policy which will be owned by airport managers and the difficulty of fitting some areas into a 35-hr roster. The Board discussed the need for ownership of the P&G project and 35-hr rostering projects and the affordability of achieving both.

LC highlighted to the Board the increase in short term sickness levels in the business and added that this was not just a HIAL issue but UK wide.

Chief People Officer Report

AS provided a high-level summary of the results from the staff survey advising that the number of responses this year had decreased, however the results had not changed. Following an IIP accreditation there were several areas identified to be addressed to ensure future accreditation is met.

All HIAL staff who were seconded to HITRANS for the SATE project have now transferred employment to HITRANS.

AS advised the Board on current staff vacancies and two additional posts which had been identified following the budget process. The Board discussed the additional vacancies identified and were happy for any additional business critical posts to be recruited via redeployment of resource within the agreed budget establishment figure but clarified that the budgeted headcount and salaries budget could not be exceeded. The Board further discussed the budgeted staff headcount and agreed it should be added to the risk register.

ACTION: Ensure headcount is included as a risk on the risk register.

Chief Operating Officer (COO)

SATE2

The Board discussed the request for **Information withheld No 1** for WP5 phase 4B and asked why after being informed by the COO at two previous Board meetings that no further costs would be incurred for SATE2, there was now a further request. In the absence of the COO, JM explained the background to the request and the breakdown of the requested cost.

***DECISION:** The Board did not approve the **Information withheld No 1** unbudgeted spend at the present time and requested further detailed justification and affordability of the request.*



The Board asked about Project CAELUS and were advised that no HIAL airport was currently engaged on project CAELUS.

Capital Plan 2024/25

The Board discussed the updated 2024/25 capital plan and the proposed 10-year capital plan. DM explained the APMs and functional managers scrutinise the capital spend prior to it being added to the capital plan. The Board asked the executive team to further scrutinise the 2024/25 capital plan and identify noncritical spend and update the classification status of each item. It was important to ensure that deliverability of the capital grant could be met. The Board asked that the 10-year capital plan be further investigated to look at essential and deliverable spend only.

DECISION: The Board noted they approved the 2024/25 £22m capital plan in February 2024, however, would like the executive team to review the updated £24.5m capital plan, noting previous approval for all programmed capital spend including business cases approved, review and update all other capital spend and sort by classification and deliverability.

Information withheld No 4 Legal Case

The Board reviewed and discussed the three options provided by Addleshaw Goddard and felt Option B was the best option for moving forward.

DECISION: The Board approved the executive team move forward with option B.

Operations Update

The Board noted the update.

Management Facilities

The Board noted the update.

Inverness Belt Replacement

DM advised the Board on the two periods of failure on the belt this year and the difficulty to acquire spare parts for the aged kit. DM advised the spend was in this financial year capital plan.

DECISION: The Board approved the spend of Information withheld No 1 in the capital plan and not the Information withheld No 1 requested in the Board paper which includes Information withheld No 1 risk pot for the replacement of the Inverness Airport arrival carousel belt.

Inverness Airspace Change Proposal

DM provided an update to the Board on the status of the Inverness airspace change proposal and advised the Inverness DVOR would need to be replaced at a cost of around Information withheld No 1 if this change does not go ahead. The Board discussed the safety risks of not going ahead.

DECISION: The Board approved the revenue spend of Information Withheld No 1 which had not been budgeted and noted this was being carried out to avoid a cost of Information withheld No 1 for a new INV DVOR.

Chief Commercial Officer Report

AG provided an overview of the Board paper covering airline agreement progress, DND Airport working group, WIC Airport working group, Twin Otter lease, BEB-SYY PSO, the adoption of performance metrics and aero revenue update. The Board received an update on the recovery of AFISO costs from **Information Withheld No 1** and the progress on the sale of **Information withheld No 1**.

Conditions of Use, Fees and Charges

AG apologised to the Board for the changes made to the 2024/25 conditions of use, fees and charges in December in relation to parking charges by tonnage which had caused concerns to the general aviation users. He briefed the board on the new recommended daily charges for aircraft weights. The Board discussed how to look at inducing the GA population back to using HIAL airports.

DECISION: The Board approved the new charging mechanism for aircraft weights up to 2.5 tonnes and greater than 80 tonnes.

Director of Communications and Corporate Affairs

The Board noted the Engagement Policy and the new local airport filming edits due to staff changes. DS updated the Board on the request for information from the Covid-19 enquiry.

AOB

Paul Kelsall joined at the end of the Board meeting and introductions were made to the NXDs.

HIAL Board Meeting concluded at 16:45

Next Meeting on 25th June, Dundee

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