

# HIGHLANDS AND ISLANDS AIRPORTS LIMITED (HIAL) FRAMEWORK DOCUMENT

## Introduction

1. This framework document has been drawn up by Transport Scotland (TS) in consultation with Highlands and Islands Airports Limited (HIAL). It sets out the broad framework within which HIAL will operate and defines key roles and responsibilities which underpin the relationship between HIAL and TS. This document constitutes an act of entrustment for Services of a General Economic Interest (SGEI) as defined in the Commission Communication on European Union framework for State Aid in the form of public sector compensation<sup>1</sup> (hereinafter: “the SGEI Framework”). It does not, however, convey any legal powers or statutory duties. The document should be reviewed and updated as necessary and at least every 5 years. Any proposals to amend the framework document either by TS or HIAL will be taken forward in consultation and in the light of TS priorities and policy aims. Any question regarding the interpretation of the document shall be determined by TS after consultation with HIAL. Legislative provisions shall take precedence over any part of the document.
2. References to HIAL includes any subsidiaries and joint ventures owned or controlled by HIAL. HIAL shall not establish subsidiaries or enter into joint ventures without the express written approval of TS.
3. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the TS and HIAL websites.

## Entrustment

4. HIAL is entrusted with the following Public Service Obligation (PSO):
  - Maintain the safe operation of the airports located at Barra, Benbecula, Campbeltown, Dundee, Islay, Inverness, Kirkwall, Stornoway, Sumburgh, Tiree and Wick John O’Groats and ensure that they remain open to all commercial air traffic for the five year period 2017 to 2022.
5. The activities that HIAL may undertake in relation to the PSO set out in paragraph 4 are limited to:
  - Construction of airport infrastructure and equipment (runways, terminals, aprons, control tower) or facilities that directly support them (fire-fighting facilities, security or safety equipment);
  - Operation of the infrastructure, comprising the maintenance and management of airport infrastructure; and
  - Provision of airport services ancillary to air transport, such as groundhandling services and the use of related infrastructure, fire-fighting services, emergency services, security services etc.

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<sup>1</sup> [European Union framework for State Aid in the form of public sector compensation.](#)

C 8 of 11.1.2012, p.15.

6. HIAL will ensure that all of its airports shall be open to all airlines wishing to take-off and land under the prevailing commercial conditions and within the published opening hours in order to ensure that there is no discrimination.
7. All financial links between the airports and airlines shall be compatible with the Market Economy Operator Test as defined in the Aviation Guidelines or the applicable PSO Regulation.
8. HIAL may pursue commercial activities not directly linked to the airports' core activities subject to any restrictions stated elsewhere in this document or separately imposed by Scottish Ministers or TS. This may include construction, financing, use and renting of land and buildings, not only for offices and storage but also for the hotels and industrial enterprises located within the airports, as well as shops, restaurants and car parks. HIAL may pursue the development of commercial air services and related activities at the airports. No activities covered by this paragraph shall be eligible for grant payments from any public body.
9. HIAL is not assigned any exclusive or special rights in relation to the PSO set out in paragraph 4.

### **Relationship between Transport Scotland and HIAL**

10. Effective strategic engagement between TS and HIAL is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both TS and HIAL will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on 'Strategic Engagement between the Scottish Government and Scotland's NDPBs'.

### **Governance and accountability**

#### **Legal origins of powers and duties**

11. HIAL was incorporated in Edinburgh on 4 March 1986 as a private limited company under the Companies Act 1985. HIAL is a company wholly owned by the Scottish Ministers and is sponsored by TS in accordance with Section 34 of the Civil Aviation Act 1982. The constitution of HIAL is set out in its Memorandum & Articles of Association. HIAL does not carry out its functions on behalf of the Crown.

#### **Ministerial responsibilities**

12. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of HIAL and its use of resources. They are not however responsible for day to day operational matters. Their responsibilities include:
  - agreeing HIAL's strategic aims and objectives and key targets as part of the corporate planning process;
  - agreeing the budget and the associated grant in aid requirement to be paid to HIAL, and securing the necessary Parliamentary approval;

- appointments to the HIAL board, approving the terms and conditions of board members; and
- other matters such as approving HIAL's pay remit and laying the accounts (together with the annual report) before the Parliament.

## **HIAL Board Responsibilities**

13. HIAL's board consists of five non-executive and two executive directors. A non-executive Chair and four non-executive directors are appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The Managing Director and the Finance Director are the executive board members. The role of the Board is to provide leadership, direction, support and guidance to ensure that HIAL delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:

- establishing the overall strategic direction of HIAL within the policy, planning and resources framework determined by the Scottish Ministers;
- determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of HIAL or on the attainability of its operational targets;
- promoting the efficient, economic and effective use of staff and other resources by HIAL consistent with the principles of [Best Value](#), including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that HIAL acts corporately in accordance with the priorities set out in the Scottish Government's statement of corporate expectations;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The board must set up an audit committee chaired by a non-executive director to provide independent advice and assurance on the effectiveness of the internal control and risk management systems;
- ensuring that, in reaching decisions, it takes into account relevant guidance issued by the Scottish Ministers;
- ensuring that the board receives and reviews regular financial information concerning the management and performance of HIAL and is informed in a timely manner about any concerns regarding the activities of the HIAL;
- appointing, with the approval of the Scottish Ministers, the HIAL Managing Director and, in consultation with TS, setting appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of HIAL and the delivery of outcomes;
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making; and

- taking action if the Chair and/or the Managing Director are contemplating a course of action which the Board considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness.

Further guidance on how the board should discharge its duties is provided in appointment letters and in 'On Board: A guide for Board Members of Public Bodies in Scotland'.

### **The Chair's Responsibilities**

14. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the HIAL board and the Scottish Ministers should normally be through the Chair. He or she is responsible for ensuring that HIAL's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

15. In leading the board the Chair must ensure that:

- the work of the board is subject to regular self-assessment and that the board is working effectively;
- the board has a balance of skills appropriate to directing HIAL's business, in accordance with recognised good practice in corporate governance;
- the board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- succession planning takes place to ensure that the Board is diverse and effective and the Scottish Ministers are advised of HIAL's needs when board vacancies arise;
- there is a code of conduct for board members in place, approved by the Scottish Ministers.

16. The Chair assesses the performance of individual board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Managing Director.

## Individual Board Members' Responsibilities

17. Individual board members should act in accordance with the responsibilities of the board as a whole and comply at all times with the code of conduct adopted by HIAL and with the rules relating to the use of public funds and to conflicts of interest. In this context "public funds" means not only any funds provided to HIAL by the Scottish Ministers but also any other funds falling within the stewardship of HIAL, including trading and investment income, gifts, bequests and donations. General guidance on board members' responsibilities is summarised in their appointment letters and is also provided in [On Board: A Guide for Board Members of Public Bodies in Scotland](#).

## HIAL Managing Director responsibilities

18. The Managing Director of HIAL is employed and appointed by the board with the approval of the Scottish Ministers. He/she is the board's principal adviser on the discharge of its functions and is accountable to the board. His/her role is to provide operational leadership to HIAL and ensure that the board's aims and objectives are met and that HIAL's functions are delivered and targets met through effective and properly controlled executive action. His/her general responsibilities include the performance, management and staffing of HIAL. General guidance on the role and responsibilities of the Managing Director is contained in 'On Board.' Specific responsibilities to the board include:

- advising the board on the discharge of its responsibilities – as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers – and implementing the decisions of the board;
- ensuring that financial considerations are taken fully into account by the board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed;
- ensuring that HIAL adheres, where appropriate, to the SG's [Programme and Project Management \(PPM\) Principles](#);
- having robust performance and risk management arrangements, consistent with the [Risk Management](#) section of the SPFM, in place that support the achievement of HIAL's aims and objectives and that facilitate comprehensive reporting to the board, TS and the wider public;
- ensuring that adequate systems of internal control are maintained by HIAL, including effective measures against fraud and theft consistent with the [Fraud](#) section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](#) section of the SPFM;
- advising the board on the performance of HIAL compared with its aim[s] and objectives;

- preparing HIAL's corporate and business plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers;
- ensuring effective relationships with TS officials; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to TS; that the TS is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to TS in a timely fashion.

### **HIAL Accountable Officer responsibilities**

19. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Managing Director as the Accountable Officer for HIAL. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These include:

- ensuring the propriety and regularity of HIAL's finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of HIAL are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value;
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM;
- signing the annual accounts and associated governance statements; and
- a statutory duty to obtain written authority from the board / Chair before taking any action which he/she considered would be inconsistent with the proper performance of the Accountable Officer functions.

20. It is incumbent on the Managing Director to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/her wider responsibilities to the board. The board / Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Managing Director, including the statutory duty described above.

21. The Managing Director may delegate the day-to-day administration of his/her Accountable Officer responsibilities to other employees in HIAL. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

### **Portfolio Accountable Officer responsibilities**

22. The Principal Accountable Officer for the Scottish Administration will designate the Director-General with responsibility for Transport Scotland as the Accountable Officer for the SG portfolio budget for the HIAL. Withdrawal of the Accountable Officer designation would also be a matter for the Principal Accountable Officer. The responsibilities of a Portfolio Accountable Officer are set out in detail in the

[Memorandum to Accountable Officers for Parts of the Scottish Administration.](#)

He/she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by HIAL conform to the requirements both of propriety and of good financial management;
- the key roles and responsibilities which underpin the relationship between the SG and HIAL are set out in a framework document – and that this document is regularly reviewed;
- effective relationships are in place at Director and Deputy-Director level between TS and HIAL in accordance with the strategic engagement principles; and
- there is effective continuous assessment and appraisal of the performance of the Chair of HIAL, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

### **Transport Scotland Chief Executive and Director**

23. The Chief Executive of TS and the Director of Aviation, Maritime, Freight and Canals (AMFC) have responsibility for overseeing and ensuring effective relationships between TS and HIAL which support alignment of HIAL's business to the SG's Purpose and National Outcomes and high performance by HIAL. They will work closely with the HIAL Managing Director and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with HIAL characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director of AMFC shall be responsible for assessing the performance of the HIAL Chair, at least annually.

### **Sponsor unit responsibilities**

24. The TS sponsor unit for HIAL is the Aviation Team. It is the normal point of contact for HIAL in dealing with TS. The Aviation Team, under the direction of the Director of AMFC, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of HIAL and undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document 'Strategic Engagement between the Scottish Government and Scotland's NDPBs' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and HIAL;
- ensuring that appointments to the HIAL board are made timeously and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;

- proportionate monitoring of HIAL's activities through an adequate and timely flow of appropriate information, agreed with HIAL, on performance, budgeting, control and risk management;
- addressing in a timely manner any significant problems arising in HIAL, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
- ensuring that the objectives of HIAL and the risks to them are properly and appropriately taken into account in TS's risk assessment and management systems; and
- informing HIAL of relevant TS / SG policy in a timely manner.

### **Internal audit**

25. HIAL shall:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
- set up an audit committee of its board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the Managing Director in his/her capacity as the HIAL Accountable Officer;
- forward timeously to TS the audit charter, strategy, periodic audit plans and annual audit assurance report, including the HIAL Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested; and
- keep records of, and prepare and forward timeously to TS an annual report on fraud and theft suffered by HIAL and notify TS at the earliest opportunity of any unusual or major incidents.

26. The SG's Internal Audit Division has a right of access to all documents held by HIAL's internal auditor, including where the service is contracted out. TS has a right of access to all HIAL records and personnel for any purpose.

### **External audit**

27. In accordance with the Companies Act – and as agreed with Audit Scotland – HIAL is responsible for making appropriate arrangements for the appointment of external auditors. HIAL shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to TS.

28. The Auditor General for Scotland (AGS), or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which HIAL has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by HIAL to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, HIAL shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

### **Annual report and accounts**

29. HIAL must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of HIAL.

30. The accounts must be prepared in accordance with appropriate accounting standards and regulations. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by HIAL shall be consolidated in its accounts.

31. The draft report and audited accounts should be submitted to TS for comment by 31 July. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by 31 August. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been shared with the Scottish Ministers and must not be published before they have been laid. HIAL shall be responsible for the publication of the report and accounts e.g. on the HIAL website.

### **Internal Accounts**

32. As required by Point 44 of the SGEI Framework, HIAL shall keep Internal Accounts which show separately the costs and revenues for activities falling both inside and outside the scope of the PSO set out in paragraph 4 in line with the principles set out in Point 31 of the SGEI Framework.

## **Management responsibilities**

### **Corporate and business plans**

33. HIAL must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on their website. HIAL shall agree with TS the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect HIAL's strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how HIAL contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and alignment with the SG's [National Performance Framework](#) (NPF). The corporate plan for HIAL should include:

- the purpose and principal aims of HIAL;
- an analysis of the environment in which HIAL operates;
- key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF;
- indicators against which performance can be judged;
- details of planned efficiencies, describing how HIAL proposes to achieve better value for money, including through collaboration and shared services; and
- other matters as agreed between TS and HIAL.

34. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for HIAL should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of HIAL's business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

### **Transparency**

35. As required by Point 18 of the SGEI Framework, HIAL shall ensure that it is fully compliant, where applicable, with Directive 2006/111/EC<sup>2</sup>.

36. Pursuant to Point 14 of the SGEI Framework, HIAL shall undertake an annual customer survey at all of the airports specified in paragraph 4. This survey will seek customers' views on, but is not limited to, whether the airports are satisfactory in terms of the facilities provided, accessibility and customer service.

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<sup>2</sup> [Directive 2006/111/EC on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings.](#)

37. HIAL will proactively publish on its web site the agendas and minutes of all Board meetings. Publication must take place no later than two weeks after the meeting has taken place. Minutes may be redacted only so as to ensure compliance with any relevant legislation (e.g. the Data Protection Act 1998) or to protect HIAL's interests in relation to its commercial activities.

### **Budget management – calculating, controlling and reviewing compensation levels**

38. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, TS will send to HIAL a formal statement of its budgetary provision (grant letter), a note of any related matters and details of the budget monitoring information required by TS. All transfers of budgetary provision between resource and capital budgets and between "cash" and "non-cash" headings require the prior written approval of TS. Other transfers between main budget headings may be undertaken without the prior approval of TS, subject to any constraints on specific areas of expenditure e.g. the approved pay remit or any conditions set within the formal statement of HIAL's budgetary provision.

39. In calculating the budget allocation, the overarching aim will be for HIAL to breakeven on a cash basis both in any given financial year and over the lifetime of the period of entrustment of the PSO set out in paragraph 4. This calculation will be informed by HIAL's assessment of its budgetary requirement for the given period based upon its forecast costs and revenue. The methodology based on cost allocation, as set out in paragraphs 28 to 32 of the SGEI Framework, should be used for this assessment. All revenues from both aeronautical and non-aeronautical activities must be taken into account when forecasting subsidy requirement. HIAL will be required to provide evidence based forecasts for its income and expenditure (both for activities covered and not covered by the PSO) to assist in the budget setting process.

40. If HIAL's overall commercial revenue in a given period is less than projected then expenditure should be reduced by a corresponding amount. If HIAL's overall commercial revenue in a given period is more than projected then there is an expectation that this will reduce the subsidy requirement with the mechanism of achieving this to be agreed with TS.

41. The award and / or payment of grant will be suspended if HIAL still has at its disposal earlier unlawful aid that was declared incompatible by a Commission Decision (either as individual aid or aid under an aid scheme being declared incompatible), until HIAL has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid and the corresponding recovery interest.

## Cash management

42. Any [grant in aid](#) (i.e. the cash provided to HIAL by TS to support the provision of the PSO set out in paragraph 4) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of HIAL and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by HIAL.
43. HIAL shall have sufficiently robust financial management procedures in place so as to avoid overcompensation for the activities covered by the PSO set out in paragraph 4. Should overcompensation occur, this will normally be reconciled against the next grant claim after the overcompensation has been identified. If the overcompensation is of a magnitude that cannot be addressed within one grant claim, HIAL shall make an immediate cash payment to TS of any outstanding amount.
44. TS may provide loan funding to HIAL to support their activities not covered by the PSO set out in paragraph 4. Any loan funding will be provided on a commercial basis in line with EU State Aid requirements. The rate of interest to be applied to any loan will be considered on a case by case basis depending on the reason for the loan and the prevailing economic situation.
45. The banking arrangements adopted by HIAL must comply with the [Banking](#) section of the SPFM.

## Efficiency incentives

46. The budget allocation referred to in paragraph 38 will be less than HIAL's assessment of its budgetary requirement. HIAL will make cost savings and / or increase its commercial revenue in order to offset the difference between the budget and its projected costs. The exact difference will be calculated on an annual basis taking into account HIAL's work programme and the wider Scottish Government financial position.

## Risk management

47. HIAL shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. HIAL's audit committee is also required, at the earliest opportunity, to notify the relevant TS Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

## **Fraud management**

48. HIAL should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud. In addition, HIAL should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

## **Performance management**

49. HIAL shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to the HIAL board and copied to TS. TS shall assess HIAL's performance on a continuous basis. The responsible Cabinet Secretary / Scottish Minister shall meet the HIAL Chair at least once a year.

## **HIAL staff management**

### *Broad responsibilities for HIAL staff*

50. HIAL will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- personnel policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits);
- the performance of its staff at all levels is satisfactorily appraised and HIAL's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve HIAL's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs – see chapter 5 of [Public Bodies: A Guide for Departments](#).

### *Pay and conditions of service*

51. HIAL shall submit to TS for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG Pay Policy for Staff Pay Remits and negotiate a pay settlement within the terms of the approved remit. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. HIAL shall comply with employment and equalities legislation. The terms and conditions of the Managing Director are subject to a separate approval exercise in line with the SG Pay Policy for Senior Appointments.

### *Pensions, redundancy and compensation*

52. Superannuation arrangements for HIAL staff are subject to the approval of TS. HIAL staff shall be eligible for a pension provided in line with all relevant statutory requirements.

53. Any proposal by HIAL to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior written approval of TS. Proposals on compensation payments must comply with the [Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for an individual outwith any existing approved scheme and *before* the individual is approached and any offer made either orally or in writing.

### **Asset and property management**

54. HIAL shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Management of Assets](#) section of the SPFM. "Fixed" assets should be disposed of in accordance with the [Disposal of Property, Plant & Equipment](#) section of the SPFM. The SG's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 1 month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property should comply with the [Acquisition of Property](#) section of the SPFM. HIAL is also subject to the [SG Asset Management Policy](#), including the requirement for any new commitments to be signed off by the Scottish Ministers. Information concerning HIAL should be accurately recorded and updated as necessary by HIAL on the Office of Government Commerce [electronic Property Information Mapping System](#) (e-PIMS).

### **Specific financial provisions**

#### **Delegated authorities**

55. HIAL's specific delegated financial authorities are set out in the attached **Appendix**. HIAL shall obtain TS's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. HIAL shall also comply with any requirements for prior TS approval included in the SPFM and/or this document. Prior TS written approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

## **Income generation**

56. HIAL shall seek to optimise income from all sources, including from the [European Union](#), and ensure that TS is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by TS. Fees or charges for any services supplied by HIAL shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.
57. Gifts, bequests or donations received by HIAL score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with TS. However, HIAL should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc HIAL shall consider if there are any associated costs in doing so or any conflicts of interests arising. HIAL shall keep a written record of any such gifts etc and what happened to them.

## **Financial investments**

58. Unless covered by a specific delegated authority HIAL shall not make any financial investments without the prior written approval of TS. That would include equity shares in ventures which further the objectives of HIAL. HIAL shall not invest in any venture of a speculative nature.

## **Borrowing**

59. Notwithstanding paragraph 44, borrowing cannot be used to increase HIAL's spending power. All borrowing by HIAL, excluding agreed overdrafts, shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

## **Lease arrangements**

60. Unless covered by a specific delegated authority HIAL shall not enter into any finance, property or accommodation related lease arrangement, including the extension of an existing lease or the non-exercise of a tenant's lease break, without TS's prior written approval. Before entering / continuing such arrangements HIAL must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property / accommodation related operating leases are subject to a specific delegated authority. HIAL must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

## **Tax arrangements**

61. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by TS. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. HIAL must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of HIAL to observe VAT legislation and recover input tax where it is entitled to do so. HIAL must also ensure that it accounts properly for any output tax on sales or disposals.

## **Lending and guarantees**

62. Any lending by HIAL must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit HIAL shall not, without TS's prior written approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

## **Third party grants**

63. Unless covered by a specific delegated authority HIAL shall not, without the TS's prior written agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the [State Aid](#) section of the SPFM. Guidance on a framework for the control of third party grants is provided as an [annex](#) to the Grant & Grant in Aid section of the SPFM.

## **Impairments, provisions and write-offs**

64. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset, and that includes investments, suffers impairment it is important that the prospective impairment and background is communicated to TS at the earliest possible point in the financial year to determine the implications for HIAL's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with TS. Write-off of bad debt and/or losses scores against the HIAL's resource DEL budget classification and is subject to a specific delegated limit.

## **Insurance**

65. HIAL shall take out commercial insurance where there is a legal requirement to do so and may also take out insurance in the circumstances described in the [Insurance](#) section of the SPFM – where required with the prior approval of TS. In the event of uninsured losses being incurred TS shall consider, on a case by case basis, whether or not it should make any additional resources available to HIAL.

## **Procurement and payment**

66. HIAL's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving HIAL's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. Unless covered by a specific delegated authority any proposal to award a contract without competition (non-competitive action) must be approved in advance by TS.
67. Any major investment programmes or projects undertaken by HIAL shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and is also subject to a specific delegated authority. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Information Services Investment Board.
68. HIAL shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM, and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

## **Gifts made, special payments and losses**

69. Unless covered by a specific delegated authority HIAL shall not, without TS's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

## **Clawback**

70. Where HIAL has financed expenditure on assets by a third party, HIAL shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without the HIAL's prior consent. HIAL shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds or an appropriate proportion of them if HIAL contributed less than the whole cost of acquisition or improvement. HIAL shall also ensure that if assets financed by HIAL cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to HIAL.

## **Board expenses**

71. Remuneration, allowances and expenses paid to board members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

**HIAL FRAMEWORK DOCUMENT: APPENDIX**  
**SPECIFIC DELEGATED FINANCIAL AUTHORITIES**

	<b>Delegated Limit</b>
External business and management consultancies	£100,000
Non-competitive action	£50,000
Operating leases – other than property / accommodation related leases	£50,000
Property / accommodation related leases	£50,000
Gifts	£0
Special payments	£50,000
Claims waived or abandoned	£50,000
Write-off of bad debt and/or losses	£50,000
Contracts for goods and services	£250,000
Capital investment projects	£250,000
Acquisition of assets	£250,000
Loans / guarantees / indemnities / letters of comfort	£50,000
Grants	£0
Financial investments	£0