



Civil Aviation Authority

Annual Report & Accounts 2023/24





Annual Report & Accounts 2023/24 Civil Aviation Authority

For the Period 1 April 2023 to 31 March 2024.

Presented to Parliament pursuant to section 15(2) of the Civil Aviation Act 1982, as amended by the Civil Aviation Authority (Auditing of Accounts) Order 1984.

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Strategic Framework and Business Model



We are a public corporation established by Parliament in 1972 and now constituted under the Civil Aviation Act 1982 (as amended). Our functions are set out in legislation, including the Civil Aviation Act 1982, the Aviation Security Act 1982, the Airports Act 1986, the Transport Act 2000, the Civil Aviation Act 2012, the 2018 Space Industry Act, the UK Basic Regulation, and secondary legislation made under those Acts, principally the Air Navigation Order and Implementing Regulations.

As the United Kingdom's aviation regulator, our statutory role is to ensure:

- > The aviation and aerospace industry meets the highest safety standards
- > Consumers have choice, value for money, are protected and treated fairly when they fly
- > Through efficient use of airspace, the environmental impact of aviation is effectively managed, and emissions are reduced
- > The aviation industry manages security risks effectively.

These roles inform our strategy and priorities, alongside our external context, risk landscape, and horizon scanning. The following pages and graphics set out our business model, strategy, priorities, objectives, and key enablers. These form the bedrock of our work and are referred to throughout this report. More detail on the purpose of each is set out before each graphic. Our latest Strategy, published in March 2024, replaced a standalone list of Board Priorities with Annual Strategic Objectives linked to our Strategic Focus Areas. In 2023/24 we worked to deliver our Board Priorities. Going forward, we will be focused on achieving our Annual Strategic Objectives.

Business Model

Our business model sets out the framework within which we operate and how our role and remit fit in with the wider aviation and aerospace sectors. It also sets out our statutory functions and duties which define our powers to act and guide our decision-making.

In setting our strategy and plans, we also take into account priorities set out publicly for us by the Secretary of State for Transport, including those elements relating to Government policy. These include supporting the recovery and growth of the industry, supporting innovation, modernising airspace and facilitating skills. The full set of the Government's priorities are published on our [website](#).

Our business model shows:

- > The key organisations we work with to achieve our aims
- > Those that oversee our work
- > The many companies and individuals we directly regulate
- > UK Parliament, to which we are accountable
- > The Department for Transport, which is our Government sponsoring department
- > The International Civil Aviation Organisation (ICAO), whose international regulations we must meet and who audit us and other national aviation regulators.

We also show the key risks we constantly track to monitor the success of our work.

CAA Business Model

Our Stakeholders

Those we PROTECT

- > Aviation consumers
- > The overflown

Those we REGULATE

- > Airlines and airports
- > Aircraft maintenance organisations
- > Approved training organisations
- > Air navigation service providers
- > Individual licence holders
- > General aviation
- > Remotely piloted aircraft systems
- > Commercial space industry

Those who WORK WITH us

- > Competition and Markets Authority
- > The Police
- > The Health and Safety Executive
- > National Cyber Security Centre
- > UK Space Agency
- > Other regulators, nationally and internationally

Those who OVERSEE our work



Our Statutory Functions

- > Regulating civil aviation safely, participating in the design of UK airspace, and considering all factors, including access and environmental impact
- > Advising and assisting the Secretary of State for Transport on all civil aviation matters, including policy on the use of UK airspace to meet the needs of all users, having regard for national security, economic and environmental factors, while maintaining a high standard of safety
- > The licensing of airlines and airports, including assuring their financial fitness
- > The economic regulation of airports with significant market power and the provision of en-route air traffic services
- > Concurrent competition powers (with the Competition and Markets Authority) over airports and air traffic control
- > Oversight of the design, maintenance, and repair of aircraft
- > The licensing of pilots, air traffic controllers, aircraft maintenance engineers, and commercial RPAS operators
- > The licensing of air travel organisers, and management of the ATOL protection scheme
- > Enforcing general consumer protection and aviation specific legislation, such as denied boarding compensation and persons with reduced mobility
- > The inspection of UK outbound aviation security and drafting of regulations as directed by the Secretary of State for Transport
- > Oversight of Cyber Security resilience
- > Overseeing satellite licensing, commercial and large rocket permissions

Regulatory Principles

Understanding and addressing risk	Delivering unique value	Acting proportionately	Engaging proactively and transparently	Acting on our combined insight
We will understand and address safety, security, and consumer protection risks across the sector, for the benefit of consumers and the general public. We will be clear that primary responsibility lies with those delivering the activity, and require them to show us how they manage their own risk. We will work with partners where they are best placed to deliver better outcomes.	We will take a proactive and collaborative approach to the functioning and development of the regulatory system in the UK and worldwide. We will facilitate and nurture innovation and help others to do the same. We will deliver independent regulatory oversight within the legislative and policy framework set by Parliament and Government.	We will explore different ways of achieving desired outcomes, regulating only where we have to. The benefits expected from our regulation will outweigh any burden or cost we impose. We will maintain a strong understanding of the differences among the organisations and individuals we regulate and will tailor regulatory approaches accordingly.	We will constantly look outwards and challenge ourselves to prepare for sectoral and technological innovation and new challenges. We will draw on a wide range of evidence, ideas, and feedback from those we regulate and wider society to inform our decisions. We will be clear about how our actions and decisions may affect our stakeholders. We will publish appropriate information in a clear and accessible manner to ensure transparency.	We will value the collective insights of the CAA, and continually encourage innovative approaches in our work. We will draw on evidence, data, best practice, and external insights, particularly when balancing competing interests or considering trade-offs.

Our Strategy



We published our new strategy in March 2024. It is designed to help position us for the future. It sets out our ambition to continually challenge ourselves to improve by drawing on a wide range of insights and evidence to deliver regulation in a way that the public, consumers, the regulated community, and those who oversee us would expect.

Our 2021 strategy placed a strong emphasis on our work to support the industry as it recovered from the COVID-19 pandemic. Since then, passenger numbers have returned close to their 2019 peak in the UK. Our focus now is on ensuring our regulation effectively protects them, while enabling innovation and sustainability, and providing excellent service to our customers. This refreshed strategy sets out our approach to the changing operating environment we work in.

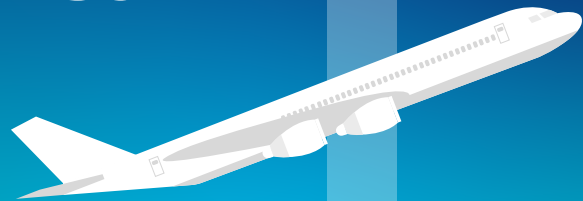
The way we cement strategy and planning is also changing – moving to a yearly process of setting out clear, deliverable Annual Strategic Objectives and using them to focus our business planning and objective setting. These annual objectives replace the Board Priorities which informed our work up to April 2024, and detail the activities where success is key to delivering our strategic focus. However, they are, by necessity, a small subset of the vital work undertaken across the CAA to support safe, secure, and sustainable aviation and aerospace working for consumers and the public.

Much remains familiar from our 2021 strategy – most fundamentally our focus on recruiting and retaining brilliant people who live our values and are supported to deliver our mission. The key priorities our people will focus on also remain the same, and while the names of each strategic focus area have changed, and our strategic aims simplified, their substance has not. When we published our last strategy, we were clear our core purpose to protect consumers and the public is timeless. This has not, and will not, change.

We are choosing to refresh our strategy now as we look to implement recommendations from reviews by both the International Civil Aviation Organisation and our own Arm's length bodies review, and as new Executives bed in. Delivering on our ambition will require significant engagement and support from Government – to set direction, policy, and help us bolster and prioritise limited resources to achieve our shared priorities. As a regulator, our strategic ambitions cannot be realised without buy-in and support from those we regulate. Achieving that will require a relationship of trust founded on excellent customer service.

Our new strategy is agile. It provides the foundations to continue to successfully deliver our core regulatory roles, as well as position ourselves to tackle new challenges and opportunities. It will also give us the flexibility required to respond to unforeseen shocks or seize new opportunities to deliver on our vision. Our Strategy will be delivered through our annual business planning process. It is designed to be both 'always on' and open to change as and when required, and therefore does not have a time period attached to it. In the future, we intend to update our strategy on a yearly basis, as the context we operate in will change, and thus so will our annual strategic objectives.

Our CAA Strategy



Our Mission Protecting people, enabling aerospace

Our vision Safe, secure and sustainable aviation and aerospace working for consumers and the public

Our Values



Do the right thing



Never stop learning



Build collaborative relationships



Respect everyone

Our Strategic Focus Areas



Protecting consumers and the public



Enabling aviation and aerospace to innovate and grow



Developing relationships to improve standards globally



Supporting aviation to improve environmental sustainability



Enhancing our organisation to deliver this strategy

Board Priorities



Every year the Board reviews the appropriateness of our strategy and reviews and approves our priorities for the next financial year. These are the activities the Board wants us to particularly focus on, which it will track closely.

The following infographic shows the Board priorities for the financial year 2023/24. Our annual business plan, also approved by the Board, aligned to these annual priorities with performance monitored at Board level.

For the 2023/24 financial year, our priorities included ensuring we continue to deliver on our core regulatory responsibilities, including safety, security, and consumer protection. The Board also highlighted a programme to improve our customer experience for those coming to us for licences and other transactional services and how our overall work can help future aviation sustainability. The following diagrams show our full Board priorities that supported their delivery.

Looking to the 2024/25 period, our new strategy moves away from the language of Board priorities, and replaces them with annual strategic objectives aligned to our strategic focus areas.

Board Priorities for 2023/24

Building on our strategy and the context in which we operate, these are the agreed-upon-in-year business plan items for 2023/24.



Core Regulation

Deliver a high degree of assurance that key safety, security and consumer risks are being well managed, as recovery from COVID-19 continues to address the consequential consumer impacts that affected the sector, while seeking to evolve our regulatory and oversight frameworks in light of the Reform of EU Legislation Bill and supporting economic growth.



Customer Experience

Define a Board-approved customer experience and modernisation programme for delivering measurable improvements for those that require licences and other transactions from the CAA, and deliver projects to improve our customer-facing services.



Future Aviation & Sustainability

Build advisory and regulatory capabilities that are both effective and scalable in enabling the UK to take a leading position in the development of new technologies including making a strong contribution to the sustainability challenge.



Governance & Effectiveness

Continue to seek improvements in our own governance and effectiveness, ensure that we have effective leadership during a period of senior leadership transition and successfully implement the agreed actions with the CAA Board and DfT following the ALB Review.



Organisation Capabilities & Capacity

Undertake a review of our future organisation capabilities and capacity and have an agreed action plan for delivery.

Together we will



Do the right thing



Never stop learning



Build collaborative relationships



Respect everyone

Key Strategic Enablers and Values



Our one-CAA approach underpins our people strategy to create a high-performing, values-based organisation. It is based on shared accountability where we all have a role to play in creating a culture and work environment where everyone's best talents are brought to bear in delivering the people strategy and realising our vision.

Our principal capability is the expertise and commitment of our people and their skills and knowledge which makes us a world leading aviation regulator. Our colleagues have the experience and knowledge to both regulate and guide the industry to achieve outcomes that maintain high levels of safety, while also enabling the UK's aviation system to grow and develop.

It is therefore critical that we recruit well and that we provide an environment which enables colleagues to develop and thrive. This allows us as an organisation to continue to perform at the highest level.

Our culture is supported by our four values which underpin how we operate:

- > **Do the right thing** - we always do the right thing, not the easy thing, to achieve our vision and mission
- > **Never stop learning** - we're always open to challenging our thinking
- > **Build collaborative relationships** - we have common goals and we use our diverse experiences, skills and knowledge to achieve them
- > **Respect everyone** - we know, and show, that everyone deserves respect

We commit to efficiency without jeopardising our role. We will always make sure our actions are evidence-based and that we follow the Government's better regulation principles.

From a financial perspective, in most years we are largely funded by those we regulate and to whom we provide services. However, due to the impact COVID-19 has had on the industry and therefore our income, we have gratefully received additional funding support from Government during this period up to the end of 2022/23.

What We Did



ATOL Licenses Granted

2,066 | **1,994**
 Through FY23-24 | Through FY22-23



Passenger Advice and Complaints

3,572 | **4,056**
 Through FY23-24 | Through FY22-23

We believe the reduction in complaints coming to the CAA is due to airlines improving their process of dealing with passenger issues.



Air Traffic Service Providers

70 | **69**
 As at end FY23-24 | As at end FY22-23



Training Organisations

261 | **280**
 As at end FY23-24 | As at end FY22-23



UK Registered Aircraft

18,800 | **19,072**
 As at end FY23-24 | As at end FY22-23

Flight Crew Licensing Applications Completed for Commercial Pilots

6,179 | **6,953**
 Through FY23-24 | Through FY22-23



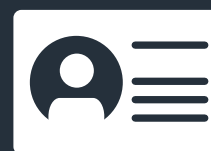
Air Operator Certificate (AOC) Holders

113 | **118**
 As at end FY23-24 | As at end FY22-23



Licensed Air Traffic Controllers

2,330 | **2,120**
 As at end FY23-24 | As at end FY22-23



Flight Crew Licensing Applications Completed for Private Pilots

4,824 | **5,176**
 Through FY23-24 | Through FY22-23

What We Did



Airspace Change Request Applications

80

Through FY23-24

114

Through FY22-23



Foreign Carrier Permits Granted

9,726

Through FY23-24

10,628

Through FY22-23



Space Orbital Licences Issued

204

As at end FY23-24

174

As at end FY22-23



Active Aerodromes

132

As at end FY23-24

133

As at end FY22-23



Active RPAS Operational Authorisations

2,806

As at end FY23-24

3,620

As at end FY22-23

Increased use of smaller drones and the ability for operators to fly commercially without extra permission has led to a reduction in requested approvals.

Active Part 145 Maintenance Organisations

763

As at end FY23-24

703

As at end FY22-23



Aeromedical Examiners

117

As at end FY23-24

125

As at end FY22-23



Pilot Licence Holders

48,602

As at end FY23-24

52,395

As at end FY22-23

EU Exit and the UK leaving the European Union Aviation Safety Agency system resulted in pilots leaving UK regulatory oversight and registering with EU nations. While pilots have the opportunity to also be part of the UK system many have chosen not to re-apply.

Licensed Maintenance Engineers

14,045

As at end FY23-24

13,307

As at end FY22-23



Active RPAS Users

562,034

As at end FY23-24

513,860

As at end FY22-23

2023/24 timeline

April 2023

CAA calls for views on a proposed framework to improve airline experiences for disabled and less mobile passengers.

Emergency services benefit from a share of more than £200,000 funding to allow air ambulances to land more safely in poor weather conditions.

May 2023

CAA announces plans to educate and explain the importance of the requirements and measures in place to support the safe shipping of lithium batteries by air.

Thousands of young people have signed up to lift off with the CAA take part in a virtual work experience programme to learn more about careers in aviation and aerospace.

June 2023

CAA and the National Civil Aviation Agency of Brazil sign a Letter of Intent to collaborate on an approach to eVTOL certification.

July 2023

UK Government Arms-Length Body review of the CAA reaffirms its status as a 'highly effective' industry regulator. It also sets out a series of recommendations to enhance the CAA's high level of service.

New extensive social media campaign aimed at people who aren't sure of the rules and requirements for drones reminds them to register with the regulator as a drone operator before they fly.

CAA takes enforcement action against Wizz Air following significant concerns over high volumes of complaints about the airline not paying passengers what they are owed.

Key:



Protecting consumers and the public



Enabling aviation and aerospace to innovate and grow



Developing relationships to improve standards globally



Supporting aviation to improve environmental sustainability



Enhancing our organisation to deliver strategy

September 2023

CAA announces creation of an Independent Review Panel to consider and report on the air traffic control technical issues which saw hundreds of flights delayed and cancelled.

CAA Chair Sir Stephen Hillier comments that aviation stands on the cusp of the next revolution for air transport with innovation changes at the Global Urban & Advanced Air Summit Asia in Singapore.

November 2023

CAA issues a safety permit for Virgin Atlantic to operate flight VS100: a world first transatlantic flight from London to New York on 100% Sustainable Aviation Fuel.

Consultation launched on proposals to make it easier for drone users to fly safely and meet regulatory requirements.

CAA publishes first UK aviation environmental review.

August 2023

UK CAA International completes comprehensive training programme for the State Civil Aviation Agency of Kythergyz Republic.

CAA issues a safety notice to the industry following our investigation into bogus spare parts giving guidance on the action to take.

October 2023

A third round of £2 million funding to help support airspace modernisation projects across the United Kingdom is launched.

The CAA appoints Rob Bishton as its new Chief Executive.

Six projects are chosen for trials under a CAA scheme that will help make beyond visual line of sight drone flights an everyday reality.

Saudi Arabia signs agreement with UK CAA International to support the implementation of its state and national safety plans.

December 2023

SaxaVord become the UK's first licensed vertical launch spaceport.

January 2024

Wizz Air action sees over £1m refunded to passengers.

Peak booking campaign to highlight ATOL protection launched.

Vertiport design proposals consultation.

CAA position on VTOL using battery for propulsion published.

Engaged with international colleagues at Middle East Space Conference in Oman.

Hydrogen Challenge survey issued to industry and academia.

February 2024

New proposed policy on BVLOS in atypical air environments.

New proposals on carbon monoxide detectors in light aircraft.

UK CAA and Singapore CAAS signed technical arrangement for airworthiness certification.

First companies selected for Hydrogen Challenge Sandbox.

March 2024

CAA Chair Sir Stephen Hillier re-appointed for four more years until 31 July 2028.

CAA publishes new strategy with a mission of protecting people, enabling aerospace, and a vision of safe, secure, and sustainable aviation and aerospace working for consumers and the public.

An interim report, prepared by Independent Review Panel into the air traffic control failure on 28 August 2023, is published.

Statements



Statement by the Chair

Sir Stephen Hillier

I am very pleased that we have delivered successfully on our strategy and priorities over the last year, not only meeting our core remit of protecting people, but also taking further significant strides in progressing our ability to enable the success of the aerospace enterprise, now and for the future. Maintaining the right balance between day-to-day delivery and looking toward the horizon is constantly in our minds, as is the balance between a regulatory environment, which on one hand offers the attractiveness of stability, certainty and predictability, while on the other, is sufficiently flexible and agile to adapt to a constantly growing and evolving aerospace environment.

Recent International Civil Aviation Organisation (ICAO) audits of the UK's aviation safety and security systems (reported on in last year's annual report) have stated that our core capabilities are strong, confirming our world-class national and international reputation as a safety regulator. The largely concurrent Arm's Length Bodies independent review of the CAA, sponsored by the UK Government, and reported in July 2023, similarly concluded our performance as a safety and security regulator was 'exemplary' and that we are regarded as 'world-leading'. These were reassuring outcomes, but our culture is never to be complacent and always to strive to improve further, so we have already started to deliver on the recommendations made in the review. Recent major incidents in global aviation have also confirmed the vital importance of us continuing to be a responsive and learning organisation which is relentlessly effective in discharging its responsibilities.

We have been similarly active across our consumer protection duties. The recovery of the aviation sector to pre-pandemic levels of activity, while not even in all respects, is now largely complete. The levels of disruption seen at times in 2022/23 was thankfully not repeated in 2023/24. Nevertheless, our aim is to recognise and respond to constantly growing levels of consumer expectation and to ensure that flying is available to everyone. The publication this year of our first consumer strategy has been important in this respect, allowing us to baseline the current position, identify priority areas where we seek better outcomes for consumers, and to measure performance improvement, working with the challenge and support of our expert Consumer Panel.

Incidents such as the NATS failure in late August 2023 are a further reminder that overall system resilience levels can be low and that impact on consumers can be rapid and significant. We look forward to seeing the recommendations of the independent review commissioned by the CAA into this incident, which will report later in 2024. Elsewhere in the consumer space, I am pleased we were finally able to conclude the latest Heathrow pricing process, and we look forward to the results of the review currently in progress, to determine how we can ensure the process going forward can be as timely, effective and efficient as possible. We continue to make the case, which the Government supports, for the CAA to have additional consumer protection powers which would bring us into line with those already available to other consumer-facing regulators.

The strength of our baseline capabilities gives us confidence in tackling new and emerging challenges. Looking back now over my first four-year term as Chair of the CAA, it is remarkable to see the extent to which our regulatory and wider enabling responsibilities have grown. We are now the UK's Space regulator; we defined and are steadily growing our role in aviation sustainability, supported by our expert Sustainability Panel. We have also successfully managed the transition out of the European Union Aviation Safety Agency system, while at the same time taking every opportunity to maintain and grow our connectivity internationally, including through our subsidiary organisation CAA International. We continue to invest significantly in developing the right regulatory environment for the new technologies and innovation which are driving a new generation of air platforms and propulsion. We sponsor airspace modernisation; and we play our part in ensuring aerospace is open and welcoming to everyone and remains an attractive opportunity for young people. These growing responsibilities have led to us becoming a larger organisation and underlined the enduring importance of being one which can attract people with the required skills, capacities and potential. We can face the same challenges in this respect as most organisations, but our recruitment and retention efforts are proving successful. I also take this opportunity sincerely to thank and congratulate colleagues across the CAA for their exemplary efforts and achievements – our successes over the last year are down to them.

It is particularly pleasing to see we sustained a high level of delivery performance in the face of significant senior leadership turnover. In this respect I recognise again the very successful tenure of Rob Bishton and Paul Smith as our Interim Joint CEOs between April and October 2023. I congratulate Rob again on his appointment as our permanent CEO, and offer my sincere thanks to Paul for his excellent leadership and achievements as Consumer and Markets Group (CMG) Director, as he left the CAA in April 2024.



Statement by the Chair

Sir Stephen Hillier

We also welcomed Tracey Martin to the Board as CFO and newest Executive Director (ED), with two further new EDs (in the CMG and Safety and Airspace Regulatory Group roles) planned to join during 2024. Within the Non-Executive cadre, my enormous thanks to Marykay Fuller and Anne Lambert for their first-class contributions to the CAA, as they conclude their terms in 2024. We will welcome two new Non-Executive Directors to the Board during 2024, and we have safeguarded Board Non-Executive continuity with three-year terms having been offered and accepted by Jane Hanson and Manny Lewis, chairs of the Audit and People Committees, respectively. I have also been re-appointed for a further four-year term, serving now until July 2028.

Looking forward to the coming year, we have decided to take a fresh approach to our strategy, one which still serves our core responsibilities, but which also better recognises the pace of change in the aerospace sector and better supports our need to respond and adapt accordingly. This is outlined in our new organisational strategy, published in March 2024, led by our mission of 'protecting people, enabling aerospace'. The future flight and airspace modernisation elements of the strategy require us to engage closely with industry, as well as wider stakeholders, not least those affected on the ground by changes in an evolving aerospace sector.

Within our business, we have initiated our important Customer Experience and Modernisation programme. The independent review of the CAA rightly identified that we have services and application processes which we could improve for our customers and that we could improve our online interfaces for those dealing with us. This programme is funded by efficiencies recycled from elsewhere in our business. In line with another review recommendation, we will also be holding our annual scheme of charges increase to CPI(H) minus one per cent, which will be welcomed by our customers but places a further premium on our need for close financial control and to look constantly for efficiency opportunities.

I am immensely proud and appreciative of the hard work and enormous contribution which the Board, ExCo and all my CAA colleagues have made to the success of the CAA over the last year. I am also very appreciative of colleagues at the Department for Transport, with whom we work closely and successfully at all levels. I am confident that, collectively, we are playing our part to the full in ensuring that we successfully protect people and enable aerospace in the UK and internationally.

Sir Stephen Hillier, Chair
19 June 2024



Statement by the Chief Executive

Rob Bishton

Introduction

Following the recovery challenges the UK's airline sector experienced in 2022, which were in part about operational resilience, there was relative optimism for the sector's performance in 2023 as the industry was expecting traffic to reach around only 85 per cent of 2019 figures. However, there were examples of where these volumes were surpassed, at least during certain periods and by some airports and airlines. It was very apparent that the European aviation sector was showing commercial resilience despite other economic and political factors. Globally, the International Air Transport Association (IATA) reported air travel to have returned to 99% of pre-pandemic levels.

While meeting this demand presented challenges for the sector, it was apparent that learnings from 2022 had been considered across the UK system, with a much-improved approach being taken to resourcing.

The prominence of our Air Travel Organiser Licensing (ATOL) system, now in its 49th year, together with the profile being given to consumer matters was welcome. The performance of the sector also allowed for a re-focusing on other strategic challenges, for example sustainability and airspace modernisation. Equally, the progress made on innovation, both in terms of improving the existing system and in pursuit of the creation of new markets, for example, Advanced Aerial Mobility (AAM), was encouraging.

Most importantly, however, there can never be complacency on safety and security matters and in the year under review it was evident these remained priorities for Government and industry during a year which presented many considerations. The UK State Safety Board, of which the CAA is a member, regularly convened relevant UK agencies to ensure the highest standards of safety performance of the UK system were maintained.

Our year

Significant progress was made in developing our organisational capability to deliver on our enhanced responsibilities, alongside refining our strategic focus areas as part of our new strategy. We placed a necessary focus on our financial sustainability and making sure we offered value for money to our stakeholders. We were able to increase our capacity to handle new and existing challenges and remits while deploying successful strategies to compete in the market for key skills – all under the renewed mission of 'protecting people, enabling aerospace'.

Some milestones for the year included:

- > On space, the licensing of SaxaVord represented a significant step forward for the UK in the pursuit of being the chosen country for small satellite launches.
- > On Remote Piloted Aerial Systems (RPAS), working with industry, progress was made on developing a programme approach with representative timelines agreed.

- > On AAM, working with international partners, the UK continued to play a key role in setting-out pathways for applicants, while supporting testing and development in a safe environment.
- > On sustainability, the UK celebrated supporting the first transatlantic Sustainable Aviation Fuel flight alongside launching our Hydrogen Sandbox Challenge and publishing the UK's first Aviation Environmental Review.

Arm's Length Body Review (ALB)

In last year's report we detailed the International Civil Aviation Organisation's (ICAO) audit of the UK and the excellent result we achieved. Following that, 2023 saw the conclusion of the CAA being reviewed as part of the Government's ALB review programme.

The review team produced a thorough and informative report having conducted a detailed call for evidence from stakeholders. Overall, it determined we are a world-class safety regulator and delivering a high-quality service. It also made recommendations on how we could further improve to make the CAA a better organisation. During 2023 these recommendations were enacted in a plan which is governed by the CAA Board and reflected in an updated framework document monitored by the Department for Transport (DfT).



Statement by the Chief Executive

Rob Bishton

Protecting consumers and economic regulation

The profile of our work on consumer rights has increased, alongside the importance and value of our economic regulation activity. Examples are the improved outcomes achieved for vulnerable passengers and on accessibility, as well as economic decisions relating to the price control of Heathrow and NATS. Also, we welcome the Government's public commitment to developing greater powers for the CAA on consumer rights enforcement.

We want to do the right thing by consumers, and this was demonstrated by the action we took in 2023 against the airline Wizz Air, prompted by the high volumes of complaints received by the airline in regards to not paying passengers monies owed and failing to meet its passenger rights obligations. Our action required Wizz Air to make changes to its policies to ensure that in future it consistently complies with its re-routing and care obligations. The airline cooperated with the action, and in January 2024, we were able to report it had completed its review of claims, leading to more than 25,000 claims being re-examined, and additional payments given in around 6,000 cases.

The future of aviation and aerospace

Traditional aviation sectors are responding to the signal that continued growth is partly contingent on making sure journeys are more sustainable. The intent to supply sustainable fuels by producers is developing and, while there is clearly still a scalability challenge, the key concern remains the creation of the right market conditions and the UK's competitive landscape.

For new technologies to break into the marketplace they need to demonstrate they are safe.

In both cases, we are embracing our role as an enabler, developing capability, capacity, and policies that assist existing and future applicants and provide them with clarity and transparency. The year under review was also the year we developed a multi-year customer experience and modernisation programme because we know that good service levels are key to our customers.

On such challenges, I must note the support given by DfT and other Government departments including acknowledging the level of funding provided and policy development work officials and Ministers have supported.

Colleagues

I must thank colleagues across the CAA. We have emerged from COVID-19, EU-Exit and other significant challenges having demonstrated agility and resilience, still with the intent to continue improving. Thank you also to the CAA Board, for the guidance and challenge offered. The stakeholder outreach during the year has been particularly helpful.

Our people are key. There has been and remains a lot of change and uncertainty in industry and across the world more broadly. Our approach to balancing experience with the generation of new talent and recruitment pipelines will enable us to prepare for the future while performing our key leadership role day by day. I'm particularly proud of our work with graduates and on STEM.

I'm very privileged to work in an organisation which is so focused on the work we do and I'm personally excited for the future of aerospace in the UK.

Rob Bishton, Chief Executive
19 June 2024



Strategic



Review of Our Business

As the UK regulator of civil aerospace, our prime role is to achieve the highest levels of safety, security and consumer protection. To do this, we need to ensure the aviation sector provides choice and value for all aerospace users. We also have a vital role in seeking to improve the sustainability and growth of aerospace generally.

Our regulatory principles guide us in our work and in everything we do. It means we can make effective regulatory decisions to drive our vision while making sure we act within the legislative and policy frameworks as set by Parliament and the Government.

With so much development and change in aerospace, we are committed to being an enabler to the industry, particularly for innovators and new technologies.

We also aim to work and collaborate internationally to learn from, share with and influence other regulators and the wider aerospace community.

In Autumn 2023, we started to redesign and refresh our organisational strategy, including re-titling our five strategic focus areas, though the newly titled areas cover the same topics and functions as before. Our new strategy was published in March 2024, with a new mission, vision, and simplified strategic focus area names.

The following annual review of our work is split into these new strategic focus areas which best represent the key issues and challenges we faced last year, and looking forward will continue to drive our focus.



Protecting consumers and the public

Consumer strategy

We exist to protect consumers in every aspect of aerospace. Safety is always our first priority. This is closely followed by what we do to protect consumers' rights, the money they have paid to fly and their access to flying in the first place.

One of our most extensive pieces of work in this area is setting the annual caps applying to the charges Heathrow Airport levies on airlines using the airport. In March 2023, we published our final decision for these costs, which will run until the end of 2026.

We decided to set a lower level of charges from 2024 onwards based on passenger volumes returning to pre-COVID-19 levels. This should benefit passengers in terms of lower costs, while also allowing the airport to continue investing for the benefit of consumers and supporting its financial operations.

Our decision included a £3.6 billion capital investment programme covering areas such as next-generation security scanners and a new baggage system for Terminal 2.

Following our decision, the airport and three airlines (British Airways, Delta Air Lines, and Virgin Atlantic Airways) launched an appeal to the Competition and Markets Authority (CMA), which is the appeal body for our pricing decisions.

The process allows those affected to challenge our decisions directly to the CMA. Its role in such appeals is not to re-take our decisions but to decide whether we have made any specific errors in our evaluation.

The CMA published the decision of its review in October 2023. It made some wider recommendations but principally upheld our final decision and found our price control broadly struck the right balance between ensuring prices for passengers are reasonable and encouraging investors to maintain and improve the airport over time.

This is a good outcome for consumers and a positive reflection of our work in this area.

As well as our oversight of Heathrow, we also regulate some of the charges imposed by UK air traffic control body NATS. We published our final decision at the end of October 2023 on the price control and incentive arrangements for en-route and other monopoly air traffic services in the UK and North Atlantic.

Our decision sets out what NATS is allowed to charge airlines, and the incentives on it to reduce delays and maximise environmental performance, for the five-year period from 2023 to 2027.

The process included an extensive review programme which started in late 2020 in response to the significant downturn in air traffic volumes resulting from the COVID-19 pandemic. Our final decision came into effect in December 2023, applying retrospectively from 1 January 2023.

Review of Our Business

Towards the very end of our review, in August 2023, there was an outage of one of NATS' systems. This led to significant disruption for airlines and their passengers. As a result, we quickly launched an independent review into the incident. It will consider the causes, response, how the incident was managed and lessons for the future. The review panel published its interim report in March 2024 which set out its understanding of the root causes of the incident; the effectiveness of communications between NATS, other parts of the aviation sector, and consumers; and the underpinning regulatory regime.

Where appropriate, we will need to consider the recommendations of the review in relation to the current and next price control reviews.

In July 2023, the Arm's-Length Bodies (ALB) review of the CAA recommended we should conduct a lessons-learned exercise following our Heathrow and NATS price control reviews. A consultation to start stakeholder engagement on this activity has been published. This will inform our regulatory approach to the next round of price control reviews.

We also work to deliver significant improvements around passengers' access to aviation. This includes developing guidance for UK airports so they can ensure people with non-visible disabilities such as autism, dementia, and hearing loss, as well as many other conditions that are not immediately obvious, have access to flying.

To continue these gains, in April 2023 we called for views on a proposed framework to improve airline experiences for disabled and less mobile passengers.

Our aim is to rank the performance of airlines based on their service for these passengers throughout their journey, from booking flight tickets and assistance at the airport to their onboard experience and handling of complaints.

This work follows the introduction of a similar framework for airports in 2014 which resulted in a multi-million-pound investment into improving experiences for passengers with reduced mobility.

The indications so far in 2024 are that the industry's overall performance in helping people with reduced mobility and those needing extra assistance is much improved.

Where frameworks such as these prove insufficient, we will not hesitate to use our powers to take enforcement action against the industry to protect consumers. In 2023, we took action against the airline Wizz Air. This was prompted by the high volume of complaints the airline was receiving about not paying passengers monies owed and failing to meet its passenger rights obligations.

Our action required Wizz Air to make changes to its policies to ensure in the future it consistently complies with its re-routing and care obligations.

The airline cooperated with the action, and in January 2024, we were able to report it had completed its review of claims, leading to more than 25,000 claims being re-examined, and additional payments given in around 6,000 cases equalling £1.24m.

As well as our work overseeing airlines and airports, we also protect UK air travel consumers through our Air Travel Organisers' Licensing (ATOL) scheme. ATOL offers financial protection to holidaymakers buying a package holiday that includes a flight. If their tour operator ceases trading the scheme makes sure they are never stranded abroad or, if they have yet to travel, it enables them to claim a full refund. Work in this area has been quieter this year as ATOL holders have recovered well from the COVID-19 pandemic. Overall, we have seen a positive year in terms of consumer demand and, as a result, the financial situation of regulated companies has been relatively stable.



Review of Our Business

Safety regulation

Aerospace safety will always be our first priority. In September 2023, we published our annual safety review looking at the UK aerospace sector's safety performance over the previous calendar year.

Our research reveals that in 2022, UK scheduled commercial passenger and cargo services flew over 106 million passengers and approximately 950,000 tonnes of cargo on just over 820,000 flights. Over that period the industry reported no fatal accidents, one reportable accident (during which an aircraft suffered multiple system failures) and 11 serious incidents.

UK non-scheduled commercial operations (such as corporate and air taxi flights) involve around 30 operators making approximately 28,000 flights in 2022. There were two reportable accidents and three serious incidents. The main causes for these were landing gear issues, aircraft handling and extreme weather conditions. For the helicopter industry there were two reported accidents, one involving a fatality.

While this data shows the UK commercial industry has an excellent safety record, we cannot, and will not, be complacent. The tragic accident in Japan in January 2024 highlighted the everyday issues around runway safety, acknowledged throughout the world as one of aviation's main risks. We continued to work with industry to understand and help them contain this risk at UK aerodromes. This included releasing a series of informative podcasts in 2023 featuring experts from the CAA and industry investigating occurrences and the lessons to be learnt from them.

Boeing's on-going issues with its 737 MAX series aircraft is another example of the need for constant vigilance and oversight. The prime regulator for Boeing is the US Federal Aviation Administration which takes the lead in its ongoing safety oversight. But, as the aircraft is used by some UK operators, we have stayed in close contact with both the FAA and Boeing to understand the issue and ongoing work.

While we have no major commercial aircraft manufacturer in the UK to oversee, the everyday maintenance and upkeep of aircraft by UK airlines and their maintenance suppliers is an equally important task.

These aircraft need a constant supply of replacement and spare parts to keep them safe and in service. The system that confirms the status and history of these parts, and particularly their original manufacture, is under constant pressure around the world from individuals and organisations attempting to sell illegal bogus parts.

In August 2023, we issued a safety notice to industry following a notification from the European Union Aviation Safety Agency (EASA) and an airline about suspect aircraft parts and false airworthiness release certificates allegedly supplied by spares supplier AOG Technics Limited of London. The suspect parts and certificates had been supplied to aircraft maintenance organisations and to other parts suppliers. Two UK-registered aircraft were identified as having parts supplied by AOG Technics

fitted and were immediately grounded and the parts replaced. Our safety notice gave guidance to the industry on the action to take. Following its publication, we carried out a safety investigation and at an early stage, we notified the UK Serious Fraud Office (SFO) of our preliminary findings. In December 2023, the SFO formally launched an investigation which we have supported.



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While not such an obvious issue, the shipping of certain goods by air cargo is an area we have been engaged with for some time. Items classed as dangerous goods, including bulk shipments of lithium batteries, must be correctly packaged and shipped. A lithium battery fire in the hold of an aircraft is a significant operational safety risk.

In May 2023, we launched a new campaign 'Batteries Are Included' to educate and explain to industry the importance of having requirements and measures in place to support the safe shipping of lithium batteries by air.

Aviation is not unique in being affected by the current global supply chain issues. Commercial aviation throughout the world has seen problems with shortage of materials, including spare parts. The major aircraft manufacturers use a multitude of smaller suppliers to input into the build of new aircraft. These organisations, like many others, suffer from shortages in workers and their own supply chain issues. We continue to oversee the UK industry to make sure any risks introduced to their operations by these issues are being safely managed.

Another key sector of UK aviation is General Aviation (GA) and the private flying community. The UK GA sector covers around 17,000 aircraft and includes activities such as pilot training, balloon operations, gliding, ex-military aircraft operations, parachuting and air displays. Overall, while the risk associated with GA is greater than commercial aviation, the safety level of GA in the UK is still acceptable given the nature of activities undertaken and the knowledge of the risk by those participating.

Our annual safety review collected data from owners and/or operators of close to 11,000 UK GA aircraft flying approximately 700,000 hours in 2022. In that same period, there were 221 reportable accidents and serious incidents involving GA aircraft, of which 88% resulted in no injuries (a similar number to the previous five-year average). However, 11 people were tragically killed in reportable accidents which occurred during this period.

Educating pilots and promoting best practice is a key trigger to improving GA safety levels. In 2023, we undertook extensive work to help the community in these areas. This included publishing new guidance for paramotor and powered hang glider pilots in our Paramotor Code. This is intended to be a guide for pilots on safe practices and includes details on aviation regulations.

Following a 12-month study into the fitting of low-cost carbon monoxide detectors in GA aircraft, we published information and guidance to pilots and sought their feedback to understand their views on this issue. Carbon monoxide monitors alert pilots to dangerous levels of carbon monoxide that can build up in aircraft cockpits, particularly if there is an engine fault.

Face-to-face contact with the GA community is key, and our GA team engaged with stakeholders and pilots at several events this year, including the Light Aircraft Association Grass Roots Fly-In at Popham and a selection of specific air display community events.

We also worked to further our principle of devolving oversight to the GA community where appropriate. In May 2023, we granted approval to the British Gliding Association to act as a Delegated Authority for the initial issue of sailplane pilots' licences.

All these projects with GA and the wider aerospace industry are on top of our everyday oversight work, which sees our Inspectors and supporting colleagues engaging with organisations to make sure they are aware of and managing risks. This work is key to maintaining the UK's excellent air safety record.

As a result of EU Exit, with more organisations requiring a UK approval to operate to trade in the UK, the size of this UK industry that we inspect and oversee has continued to grow. This is particularly the case in the areas of training, maintenance, and flight simulation training organisations.

In all our oversight and decision-making, safety comes first. Tied to this is a desire for industry to develop, and for individuals in aviation to have the opportunities they need to achieve their aims. This includes making some challenging decisions on whether a pilot or other aviation professional can maintain or achieve the medical approval required to use a particular licence. Where safe, and possible, we will always seek to grant such an approval and examples include cases where individuals have diabetes or are HIV positive. Our medical team had one of their busiest ever years in this area with over 4,000 complex case decisions made.



Review of Our Business

Security regulation

High levels of safety and security go hand-in-hand to protect the travelling public. One significant security priority this year has been assisting the Government and airports with the implementation of the Next Generation Security Checkpoint, the upgrading of equipment and processes used to screen passengers, crew, and staff as they pass through airport security. We led the development of the new regulatory framework underpinning this major project, which is set to transform the passenger experience at UK airports while further enhancing security.

Other work has included the development of a new regulatory framework for assuring the security of in-flight supplies, catering and other goods which are carried on board aircraft and tightening up some of the rules around air cargo security. We also provided a review of the current requirements around background checks for staff working airside and in other sensitive areas for the Government.

Alongside the Department for Transport, we worked closely with foreign partners to maintain and enhance global standards, in international fora such as the International Civil Aviation Organisation (ICAO) and the European Civil Aviation Conference. This year, we collaborated closely with the US Transport Security Administration, to work towards a mutual One Stop Security pilot arrangement. This included joint testing and airport assessments in both countries.

Closer to home, we conducted the first reciprocal airport assessment visits with the European Commission as envisaged under the UK-EU Trade and Cooperation Agreement following EU Exit.

Cyber security has been a key focus for the organisation for several years, to protect our own systems and oversee the industry's work to manage its risks. We continue to undertake a leading role in ICAO's Cyber Security Group as well as supporting the space industry and publishing cyber security guidelines for innovators.



Enabling aviation and aerospace to innovate and grow

Future of Flight

In a keynote speech at the Singapore Global Urban and Advanced Air Summit Asia in September 2023, CAA Chair Sir Stephen Hillier said he believes aviation stands on the cusp of the next revolution with the safe development and roll-out of drones, and new types of aircraft, poised to play a significant role in UK aviation.

We continue to work with the aviation and aerospace industry and Government to enable these new technologies to come to fruition.

Within the drone industry, a key enabler for future growth worldwide will be the rollout of everyday drone flying beyond the visual line of sight (BVLOS) of its operator. In the UK we have facilitated drone BVLOS trials for several years, including medical drone delivery services.

Building on these, we announced in October 2023 that six projects had been chosen to run new BVLOS trials. These will help develop plans for how drones can be safely integrated with other airspace users, as part of our wider Airspace Modernisation Strategy.

The trials will consider a new policy concept focusing on a specific type of airspace structure called a temporary reserved area to enable the trialling of systems and approaches to safely enable drones to operate within the same airspace as other aircraft.

As well as the airspace solution, the skills of drone operators and the standards of the drones themselves form an integral part of allowing wider BVLOS. We have consulted the industry on new pilot qualifications and are developing how drones can be assessed. In both cases, we will be looking to achieve a proportionate level of oversight, potentially with the work being carried out by approved commercial suppliers.

While full BVLOS operations are still to be developed, in February 2024 we consulted on a significant expansion to what is currently allowed. By introducing a policy known as 'Atypical airspace' we will allow drones to fly everyday BVLOS in a controlled manner. The process is intended for flights where the drone remains at very low level and close to a building or infrastructure that it is inspecting or working on.

As drone technology emerges, it is vital for us to continue to check our regulations to ensure they remain viable and support safe growth. In November 2023, we consulted on proposals designed to make drone flights safer and to make it easier for drone users to understand and comply with regulations.

Included in the consultation was the introduction of product requirements for drones, extension of the Flyer ID training to users of drones under 250g and the introduction of Remote ID for drones.

Review of Our Business

Aside from drones, one of the other key developments for the next generation of aerospace is Advanced Air Mobility (AAM), covering the development of new, environmentally friendly aircraft designs to move people and goods. In many cases, this involves electric-powered vertical take-off and landing aircraft. These technologies have the potential to benefit UK consumers and contribute to the UK's Jet Zero objectives.

Introducing these new aircraft and operations involves significant work. Gaining regulatory approval for new aircraft with new powerplants and new styles of operation means regulations and approval mechanisms must adapt. Innovators are also learning how to integrate with traditional national and international aviation frameworks.

To develop this work further we have initiated calls for evidence with industry covering pilot licensing, landing sites, flight operations and battery airworthiness.

Since becoming the UK's space regulator in July 2021, we have now approved more than 750 different satellites and two spaceports. The latest of these, SaxaVord, on the North Coast of the Shetland Islands, received a licence from us in December 2023.

Our safety assessment of SaxaVord verified that the appropriate safety, security, and environmental criteria have been met to operate a spaceport, and that it has the suitable infrastructure, equipment, and services to accommodate vertical space launches.

The spaceport licence puts Scotland at the forefront of the European launch market, with Scottish satellites already in space, and home-grown rocket companies breaking new ground.

The licence permits SaxaVord to host up to 30 launches a year, allowing the spaceport to grow as the UK space sector continues to expand.

The licence marks several firsts for the UK's growing space sector including being the first-ever vertical spaceport on UK soil and the first fully licensed vertical spaceport in western Europe.

In general, our oversight of the space sector has continued to mature over the year with improvements to the regulatory oversight and application process a key milestone.

Airspace Modernisation

The space industry is one of a huge variety of airspace users in the UK. The effective use of this finite resource is key to allow as much access as possible to those from across the spectrum of UK aerospace to conduct the flying they want as efficiently as possible.

Our plans for UK airspace modernisation will always place safety first. Our other key objectives are to facilitate new users into the system and make the process for changes to the system work for all parties. In October 2023, we delivered a package of improvements designed to clarify the airspace change process

for airports, air navigation service providers and those affected by airspace change.

In the same month we launched a third round of our £2 million funding to help support airspace modernisation projects across the UK. The Airspace Modernisation Support Fund is part of the work which will deliver quicker, quieter, and cleaner journeys by air. It gives the opportunity for organisations to seek financial support that cannot be funded by other means.

Investment in the UK's airspace positively impacts users across the industry. Emergency services in Gloucestershire, Worcestershire, Somerset, Sussex, and London received a share of more than £200,000 of funding in 2023 allowing air ambulances to land more safely in poor weather conditions.

This will see Almondsbury Helicopter Airbase, Strensham Airbase, Henstridge Airfield, Royal Sussex County Hospital and King's College Hospital receive funding to put in place new systems and approach procedures, using satellite technology, to allow helicopters to operate in more challenging conditions.

Emergency helicopters are among a section of airspace users which frequently need to operate at low levels. Key to the safety of their flying is being aware of ground-based obstructions, such as tall structures and temporary issues including cranes. In October 2023, we introduced our new Airspace Co-ordination Obstacle Management Service portal helping the construction industry to notify airspace users of cranes. This then enables pilots and drone users to safely plan lower-level flights.

Artificial Intelligence

Artificial intelligence (AI) is the branch of computer science dealing with creating machines or software which can perform tasks normally requiring human intelligence, such as reasoning, learning, decision making, natural language processing, computer vision, and more.

The aviation industry is embracing the transformative power of AI and is already using it to enhance safety and efficiencies through predictive maintenance, aiding air traffic control management and refining pilot training with advanced insights and simulations.

During the year under review, we began this process by starting work on our AI strategy, by publishing two documents which form the foundations of that strategy – a common terminology and five key principles for AI and autonomy.

Over the next few years, we are aiming to continue to provide foresight and clarity on our regulatory intent relating to the safe and secure use of AI in aviation and to support AI innovation within the sector and across the CAA.

Review of Our Business

Developing relationships to improve standards globally

Aerospace is a global industry, and we cannot seek to protect UK travellers and our infrastructure without engaging and influencing beyond our boundaries.

During this year we agreed to step up collaboration with the Irish Aviation Authority to help stop illegal public transport flights and other breaches of aviation safety laws and regulations. As a result, the two regulators will share pertinent information regarding any breaches of civil aviation law by organisations or individuals.

While the UK is no longer part of the EASA system we have continued to remain in contact with EASA to share safety data and information of mutual interest. The UK has also remained part of EASA's safety promotion network to share material and coordinate in work that crosses national boundaries.

CAA International Limited

Our wholly owned subsidiary, CAA International Limited (CAAi), has continued its role across the globe to help raise safety standards. Key projects this year included a partnership with the General Authority of Civil Aviation of the Kingdom of Saudi Arabia to assess and enhance the nation's aviation safety regulatory frameworks in line with global best-practice. We also entered into an agreement with the Ministry of Transport and Communications of the Kyrgyz Republic to review and update the country's state safety programme as per ICAO standards and recommended practices.

CAAi remains committed to its forward-thinking approach and has continued to expand its training and advisory services in key areas of innovation and aviation security and undertake several strategically important research projects.

Helping to train aviation professionals from around the world is a key role of CAAi. The team extended its Platinum FEEFO Trusted Services award for a third year, a recognition of the value training brings to global capacity and capability building in improving aviation standards. CAAi continued supporting regulators around the world with licensing examinations for professionals entering the aviation system.

National aviation regulators network

While we are an independent national regulator, many of the issues and challenges we face when undertaking our work are shared with similar bodies around the world. The National Aviation Regulators network which includes the UK CAA, US Federal Aviation Administration, Transport Canada, New Zealand CAA, and Australian Civil Aviation Safety Authority, allows these bodies to cooperate on key issues.

Current work covers supporting new entrants in the advanced air mobility market, horizon scanning, and the joint development of safety promotion materials.

Bilateral arrangements and agreements

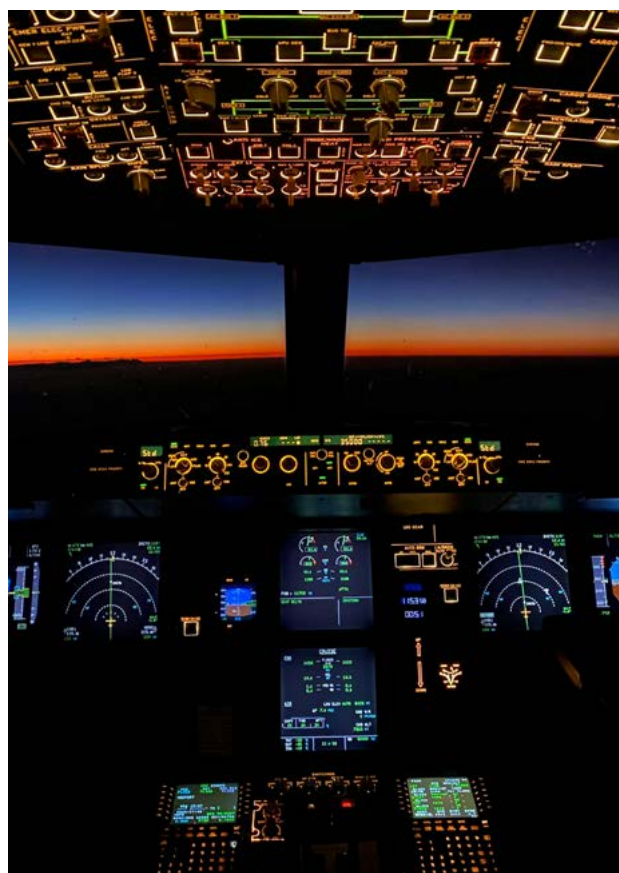
As an independent regulator, we negotiate and enter into bilateral safety arrangements with other national aviation authorities. Primarily, these allow the airworthiness certification of civil aeronautical products to be shared between countries.

A bilateral aviation safety agreement, memorandum of understanding or working arrangement, and their associated implementing procedures, allow this technical cooperation and help reduce duplication of activity, aiming for mutual acceptance of certificates.

As well as airworthiness certification they can cover other areas of aviation, including maintenance, flight operations, and environmental certification.

As part of this work, in April 2023, we signed a working arrangement with the Civil Aviation Authority of Israel. Both authorities will work closely together to reduce administrative burdens and duplicative efforts by allowing each country to rely on the other's safety oversight systems.

A similar arrangement with the Civil Aviation Authority of Singapore will step up collaboration in aviation safety, sustainability, training, innovation, and horizon scanning. We also signed a letter of intent to collaborate on an approach to eVTOL certification with the National Civil Aviation Agency of Brazil.



Review of Our Business

Supporting aviation to improve environmental sustainability

Sustainability is one of our Board priorities and in May 2022, we published our **Environmental Sustainability Strategy**. Since then, we have made steady progress in its implementation and delivery:

- > Internally, we are continuing to integrate sustainability in our governance mechanisms, and considering the environment in our regulatory decision-making as much as possible;
- > Externally, we are striving to engage proactively and visibly with Government, industry and other stakeholders to galvanise action and consensus so we can progress towards decarbonising the aviation and aerospace sector.

We continue to ensure safety, security and consumer protection in the aviation sector, but we are ambitious in the way we prioritise sustainability in our work. We are focusing our expertise on the areas where we have remit or can add unique value, including the areas below.

Supporting Jet Zero

The Government's Jet Zero strategy, published in July 2022, is a roadmap for achieving net-zero aviation for the UK. This year we have been directly involved in several of its key projects. This included working with other regulators, such as the Health and Safety Executive and Jet Zero Council to match UK regulation with the development of technology and seeking to fill gaps in regulation.

We contribute to and, where appropriate, lead the Jet Zero Council, its delivery and sub-groups, which were set up by Government to coordinate the net zero challenge in aviation. We recently undertook a review of the regulatory framework to identify gaps and barriers to entry into the market of low and zero-emission technology.

As the UK's aerospace regulator, it's important we safely enable the industry to embrace more sustainable practices and to push

the boundaries of what is possible to create a greener aviation industry.

A groundbreaking part of this work was the flight in November 2023 by a Virgin Atlantic aircraft which was the world's-first transatlantic 100% Sustainable Aviation Fuel (SAF) flight, testing and showcasing the feasibility of flying just on SAF. The Jet Zero programme includes SAF as a key element with the project being partly funded by the Department for Transport.

Following a programme of technical reviews by our safety teams, which analysed different aspects of the planned flight, including undertaking ground testing with the aircraft's engine manufacturer Rolls Royce on a Trent 1000 engine running on 100% SAF, we issued the airline with a safety permit for the flight.

This paved the way for Virgin Atlantic to get approvals from the US Federal Aviation Administration, Irish Aviation Authority, and Transport Canada to allow the flight to travel through their airspace.

As well as exploring the advantages of SAF, the strategy aims to investigate other environmentally friendly fuels and power sources. To support this, late in 2023, we launched a challenge for the aviation industry to help leverage the potential of hydrogen as a zero-carbon emission aviation fuel.

Hydrogen as an aviation fuel is at an early stage of development, and the industry does not yet have a comprehensive understanding of the risks to aviation safety and the right pathway to safety certification.

We introduced our Hydrogen Challenge, with funding from the Regulators' Pioneer Fund. This has seen us work with industry in the early pre-certification stages of the development of innovative zero-emission aircraft and associated airport infrastructure. This is part of a wider project, working with the Jet Zero Council, to develop our capability and understanding of the technical issues associated with certifying hydrogen and electric aircraft as the technology develops.



Review of Our Business

To be able to achieve our strategic goals to reduce aviation's adverse environmental impacts with projects such as these, and to measure their effectiveness, we first need to understand comprehensively where we stand today. So, we published the first **UK Aviation Environmental Review**, designed to provide an objective account of the state of environmental protection relating to civil aviation in the UK as well as a set of recommendations on how to improve it. We plan to refresh the review on an annual basis. To inform its development and key areas of focus, we continue to engage with Government, industry and other interested stakeholders.

We continue to explore how best to provide consumers with information on the environmental impact of their flights when they are looking for and booking them. The aims of the project are to provide information to encourage both better travel choices by consumers and improvements in emissions from the aviation industry. In January 2023, we published a Call for Evidence. Its role is to seek evidence on questions such as what information is already available, which is the most comprehensive methodology for calculating the emissions for each flight, and what is the best format, time and location to present this consumer environmental information to ensure maximum value. We have also worked with the Department for Transport (DfT) to develop research exploring consumer perceptions to eco-labels and the impact of different labels on consumer preference and understanding. We will consult on a final proposed approach in late summer 2024, alongside the publication of the Summary of Responses to the 2023 Call for Evidence and the DfT's Consumer Research.

Enhancing our organisation to deliver our strategy

Arm's-Length Bodies review implementation

The Government led a review of the CAA which concluded in 2023 as part of its programme to assess all arm's-length bodies. It was designed to evaluate our efficacy, governance, accountability, and efficiency in carrying out our regulatory responsibilities.

The review's report, published in July 2023, noted the high regard in which we are viewed by other aviation regulators around the world and was clear in its assessment of the value of the independent status of the CAA in supporting the continuing success of UK aerospace.

It also made a series of recommendations to promote the improvement of the CAA which we welcomed. We are committed to constantly improving our service, efficiency, governance, and adaptation towards new technologies, while at the same time maintaining our relentless focus on safety, security and protecting consumer interests.

Several key recommendations included areas of focus in which we already have plans for improvement, and these recommendations will help to support this work.

We are aiming to strengthen our governance and accountability, to ensure we continue to operate effectively as an independent regulator, making improvements in transparency, decision-making processes, and reporting mechanisms.

Also covered was increasing our efficiency and effectiveness, including streamlining processes, reducing bureaucratic burden, and using technology to enhance our capabilities.

The review emphasised the importance of continuing to deliver priorities and objectives in sustainability, innovation, and international competitiveness, which are also Government priority areas.

The review recommended we should continue to engage with stakeholders, including the aviation industry, consumers, and other Government bodies, to ensure our regulatory approach is well-informed and responsive to the needs of the industry and the public.

We have put in place a detailed implementation plan to deliver on these recommendations over the coming years. Many have already been acted on during the 2023/24 reporting period, with the remaining recommendations being delivered as part of multi-year change programmes.

A key element is delivering value-for-money to customers, and the recommendations included in the review will support this. We developed an efficiency reinvestment plan in 2023 which commits the organisation to deliver a five per cent reduction in like-for-like operating costs over the three years to March 2026. The savings this will generate will be passed onto our customers and investment in our customer-facing systems.

We also commenced a review of our financial model, aimed at providing an overhaul of our scheme of charges by March 2027. This recognises a long-standing ambition to introduce a funding model which provides improved transparency and stability.



Review of Our Business

Engagement and focusing on continual improvement of our people capabilities

In June 2023, we conducted an organisation-wide colleague experience survey. 80% (1,171) of colleagues responded to the survey. Our overall engagement score increased, despite the challenges around ways of working and cost of living pressures, to 77%, with colleagues feeling more enabled around having access to the things they need to do their jobs. This tells us we have improving organisational resilience and a continued willingness of colleagues to do a great job. Collaboration, manager support and wellbeing also remained strong. 93% said our teams support one another and 86% said teamwork within the organisation is encouraged.

The overall scores showed experiences vary according to where in the organisation a colleague works. However, the biggest gaps in the scores overall were around people feeling energised by the CAA's vision for the future, and clarity and confidence around that vision; a concern around reward and its impact on key talent for the future, and a risk around technology and how that improves efficiency. Our new strategy has refreshed both our vision and mission, and cross-organisation engagement around the Board and Executive Committee's vision of the future. Our customer experience programme, now underway, will also assist colleagues by providing them with better systems and processes.

Another key theme from this year's survey was that while some teams have seen change as a result of previous surveys, there are parts of the organisation that did not see how survey feedback was used. Following the 2023 survey, we have put considerable effort into sharing with colleagues examples of work in progress that relate to their feedback so they can see the value of completing the survey. Equally, we have actively encouraged all colleagues to play their respective part in helping devise action plans to take the organisation forward.

Early careers

In September 2023, we welcomed our first graduate cohort of nine graduates covering two programmes. The first is a two-year corporate business management graduate programme to provide agility and flexibility in the workforce and to strengthen the talent pipeline. The second is a three-year travel and finance graduate programme including a fully funded professional finance qualification. This programme is hosted by our Consumer Markets Group and was targeted at graduate students interested in the world of travel and finance with exceptional drive and numerical, analytical, communications skills.

In September 2024, we will be welcoming eight more graduates across both programmes.

In 2023, a cross-organisational apprenticeship scheme was introduced aimed at filling entry-level roles across a range of disciplines in the organisation. This is in addition to offering talent apprenticeships to develop, retrain or upskill existing colleagues as part of our learning and development offering. In 2023 we welcomed 12 early careers apprentices.

Following the success of the virtual work experience initiative, delivered as part of our science, technology, engineering, and mathematics programme, we launched, in November 2023, our first corporate in-person work experience programme. We are offering 20 places for students in Year 10 (14/15 years old) and Year 12 (16/17 years old).

Since 2022, we have also supported summer internship placements in partnership with Cranfield University. In 2024, we have expanded the programme to support other universities. Students will be invited to apply for a three-to-six-month placement.

Our internal efficiency and effectiveness

As well as the work connected to the Arm's-Length Bodies review, we have continued to push forward other measures to improve our efficiency and effectiveness. Post-EU-Exit legislative changes are ongoing, with updates and new additions to guidance material across all our work. As part of this, there has been a three-year programme to review and replace retained EU rules on aviation security, the aim of which is to consolidate these with domestic regulations in a simplified and updated regulatory framework which will be easier to understand, implement and enforce.



Companies Act s.172 Statement

The following paragraphs explain how we have, over the course of the year under review, fulfilled our obligations set out in Section 172(1) (a) to (f) of the Companies Act 2006.

Our approach

The CAA's remit is broad and underpinned by an extensive statutory and legal framework. In performing our functions and carrying out our duties in any given context, the CAA Board considers a range of factors, identifying in that context a course of action or decision that takes due account of:

- > The consequences of action or inaction by the CAA for consumers and the public;
- > The importance of maintaining sound relationships with regulated entities, consumer and special interest groups, other public authorities and institutions, international stakeholders, suppliers and business partners;
- > The role of and impact on the CAA's employees; and
- > The CAA's performance as a corporate citizen.

When preparing for and taking significant policy decisions, the CAA Board ensures that meaningful and appropriate steps have been taken to engage and, where necessary, consult with, all affected stakeholders.

The CAA Board ensures suitable options for action are identified and carefully considered before conclusions are reached. By following the explicit application of the CAA's various policies, the CAA Board makes sure, when taking regulatory decisions, that all relevant matters are considered and that the Board is clear about the outcome to be achieved.

Members of the CAA Board, its Executive Committee and many CAA employees engage regularly with a range of key stakeholders around the country to understand the concerns and interests of industry sectors, users and consumers to enable our early action or intervention as and when needed.

During the year, the Non-Executive Directors engaged with external stakeholders during Board visits to Glasgow and Belfast, and during 18 individual Non-Executive Director stakeholder visits and conference attendances.

As well as this direct engagement we seek to use all the channels at our disposal to communicate and consult with our stakeholders and audiences. These can range from formal regulatory consultations following a set legal process to using targeted social media as an education and awareness tool.

Those we regulate

Timely and appropriate engagement with both those we regulate and the users and consumers of the aviation sector is key to achieving our priorities and the safety and success of the aviation industry.

Aviation is a dynamic and changing industry, as such we have a duty to constantly keep our rules and regulations under review to make sure they remain fit for purpose. Given the fast-paced nature of the sector we have a frequent need to alert those we regulate to requirements and changes and to offer advice in our role as regulator. During the year under review, we transitioned to a new system to host and surface our publications, including much of our regulatory advice. This enables those we regulate to have easier access to information. As part of this work, we also updated our critical safety alerting system and encouraged more stakeholders to subscribe to these services. This, and other improvements to our online information, such as our new website strategy, will help us to meet some of the recommendations from the Arm's-Length Bodies review.

Helping those we regulate to continually improve their own safety levels is a key role for our safety promotion and education work. This year has included successful campaigns to raise awareness of the requirements for shipping bulk lithium batteries, educate drone users on restrictions around airfields and General Aviation pilots use of carbon monoxide detectors in the cockpit.

Consumers

We exist to protect consumers and those affected by aviation. One key aspect of this work is consumer rights and financial protection. It's a topic we regularly communicate directly with consumers about. Having clear and available information helps consumers to make informed choices and understand their rights. We make use of a variety of media channels and online resources including our social media feeds to make this information available. We particularly use social media to alert passengers to their rights in times of disruption, such as during episodes of bad weather. As well as financial protection, we also seek to educate passengers about safety. For Christmas 2023 we promoted a social media video for passengers travelling with electrical items or sending these goods by air.

Companies Act s.172 Statement

Colleagues

The CAA Board recognises that all CAA employees are key to effective performance. Accordingly, the CAA Board makes strenuous efforts to engage with all CAA employees and oversees a range of actions designed to foster real employee engagement. These include receiving regular reports from the CAA People Director on employee matters, such as diversity, inclusion and gender pay performance. The CAA Employee Forum meets regularly and offers elected employee and trade union representatives an opportunity to discuss matters of interest or concern with CAA leadership. Senior managers attend each Employee Forum, and other directors attend by invitation. The Employee Forum is actively involved in improvements to ways of working.

In line with our programmes to those we regulate, we also offer colleagues our 'Speak Up' process providing guidance on what to report and to whom. The programme is backed up by recourse to independent investigation and oversight where necessary or appropriate. The Board receives an annual report on all confidential reporting and is briefed on any important issues arising as and when necessary, throughout the year. Increasing diversity in decision-making has been found by many studies to have positive benefits for organisations. Our Skyline Board, which launched in 2021, is comprised of ten colleagues from across the business, from a range of roles below leadership team level. They work alongside ExCo to help establish greater diversity of thought at Board level. Members share their knowledge, areas of expertise and qualifications, and their experiences from a variety of different backgrounds. It all helps to play a big part in how we develop leadership throughout our organisation.

We consider the wellbeing of every colleague to be of the utmost importance and we seek to support and enable wellbeing as a core element of 'business as usual' for the whole organisation. The CAA's Wellbeing Board, chaired by the CAA's International Director and the Wellbeing Manager, meets monthly and is responsible for the implementation of all necessary actions, supported by a network of representatives from each group.

We also continue to use smaller, regular employee pulse surveys which allows us to stay informed of any immediate actions required. Early in 2024, we also undertook a Mind workplace wellbeing survey.

Government

We have extensive contact and coordinated work with a number of Government departments, though principally with our sponsor, the Department for Transport (DfT). In the year under review, work to enable innovation in aerospace and improve the industry's sustainability was the prime cause for interactions. Our work to support the UK Government's Future Flight Programme saw us working closely with a number of organisations, particularly with UK Research and Innovation and directly with their stakeholders.

The Arm's-Length Bodies review saw us have close contact with both the review team itself and the ongoing oversight via the DfT on outcomes and actions.

Those we work with

Aviation is an international industry, and we have counterparts and partners across the world. These range from global bodies, such as the International Civil Aviation Organisation (ICAO), to other national regulators. We use a variety of fora, working groups and project team contacts to coordinate work and information and share best practice. We have colleagues seconded to support the ICAO's work in situ as part of a UK delegation. Our advisory arm, CAA International, continue to develop their offer to match the needs of regulators around the world.

On a national level, we use working groups and team partnerships with bodies such as the Military Aviation Authority and Health and Safety Executive to ensure there is close coordination on shared areas of regulation. In addition to meeting all relevant legal requirements, such as those relating to Modern Slavery, we actively participate in initiatives of wider societal impact. We undertake extensive STEM related work including direct engagement with schools and colleges. The CAA is a signatory to the Women in Aviation and Aerospace Charter, and colleagues actively support programmes designed to encourage girls and women to pursue careers in science and technology.

Risk Management

Our Framework and Approach

We have an established Risk Management Framework (RMF). It is embedded at all levels of the organisation to ensure we apply a consistent approach to identifying, assessing, and mitigating risks.

Our Regulatory Safety Management System is a core part of the RMF. It is the mechanism we use to provide oversight of aviation safety risks owned and managed by the aviation industry.

Risk reporting is standard practice in all our business areas. Risks are escalated through the management chain where necessary, supported by our central risk function.

Regular updates are provided to the Board on any significant changes to our top risks. The Executive Committee and Board conduct periodic reviews to ensure we capture the right threats and are managing these effectively.

Our Audit Committee receives regular updates on the overall health of our risk management processes, undertakes reviews of key risks and provides challenges on any areas for improvement.

We are continuing to evolve our risk management arrangements using the advice of our Audit Committee and best practice more widely. This includes expanding our current RMF to become an Enterprise Risk Management Framework (ERMF). A key part of this work is the development of high-level risk appetite statements and assessing and enhancing our three lines of defence model.

Three Lines of Defence

First line of defence

Executive Management

- > Identify, manage and own risks
- > Ensure the embeddedness of the risk management framework
- > Design and implement systems of internal control
- > Deliver risk mitigations
- > Monitor and respond to emerging threats
- > Ensure there is a transparent risk reporting culture at all levels across the organisation

Second line of defence

Risk Management Function

- > Maintain and update risk management framework and oversee its application
- > Assist management to identify and assess risks
- > Monitor the progress of mitigation strategies
- > Provide quality assurance/constructive challenge
- > Facilitate risk escalation
- > Report on key risks
- > Provide second line insights/advice on key risks

Third line of defence

Internal Audit

- > Provide independent and objective assurance over the effectiveness and sustainability of the CAA's governance, risk management and internal control framework

Key Risks

A core element of our ERMF is the categorisation of risks, which encourages us to consider risk as widely as possible. We have three risk categories:

- > **Consumer and Public Risks**- these are risks that could impact directly on consumers and the public. We do not exclusively own these risks as they often belong, or are relevant, to others, such as industry or the Government.
- > **Strategic Risks** - risks to the delivery of our strategy.
- > **Business Risks**- routine risks to our day-to-day operations/the running of the CAA including compliance with legislation.

A summary of the overarching consumer and public risks our work seeks to influence, followed by the principal strategic and business risks facing our organisation, is set out below. Each risk is linked to one or more of our strategic focus areas:

- > Protecting consumers and the public
- > Enabling aviation and aerospace to innovate and grow
- > Developing relationships to improve standards globally
- > Supporting aviation to improve environmental sustainability
- > Enhancing our organisation to deliver our strategy

We have also indicated the trend/direction of travel for each risk:

- ↓ Risk on downward trend
- ↑ Risk on upward trend
- ↔ Risk steady (neither trending up or down)

Risk Management

Consumer and Public Risks

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Aviation Safety	<p>Commercial air transport accidents in the UK or affecting UK passengers globally.</p> <p>General aviation accidents in the UK, including remotely piloted aircraft systems.</p>	↔	>>>	<p>We oversee the UK aviation sector’s compliance with the required safety standards and the management of the safety risks it owns. We use a performance-based approach to target our resources and ensure the industry addresses any weaknesses we identify.</p> <p>Following the publication of the UK National Aviation Safety Plan (NASP), we have produced a detailed road map setting out the actions we will take to meet our commitments in the NASP. These actions include mitigations for key safety risks, such as the carriage of potentially dangerous goods (lithium batteries) in the cargo holds of some aircraft.</p> <p>We continue to monitor industry’s ability to maintain safety standards in light of resilience challenges, such as shortages of some key personnel, and in the availability of some components and parts.</p> <p>Our work also includes enabling new aviation technologies to enter the aviation system ensuring that any associated safety risks have been identified and addressed (see Emerging Risks page 39).</p> <p>We continue to evolve our approach to safety risk management. This includes moving towards the use of a Key Risk Area methodology, which will help to enhance our ability to holistically focus on industry wide safety threats.</p>
Aviation Security (including cyber security)	<p>A terrorist or other malicious attack at a UK airport or on an aircraft.</p> <p>A cyber-attack on aviation services/infrastructure.</p>	↔ ↑	>>>	<p>We work to ensure security regulations reflect and remain proportionate to the threat.</p> <p>Through our oversight activity, we monitor the regulated industry’s compliance with UK and international law. This includes ensuring the aviation industry addresses any improvements required.</p> <p>During the year we have continued to work with the Government and the industry on the installation of new advanced screening equipment in UK airports. We now have a new regulatory framework in place with the requirements industry must follow when adopting this new capability.</p> <p>Cyber-attacks are increasing, and the UK aviation industry (and its supply chain) is an attractive target, particularly those organisations that are critical national infrastructure. Our Cyber Security Team continues to support and oversee industry compliance with the Cyber Assessment Framework. This framework helps aviation organisations identify and manage their cyber security risks. These risks include ransomware and distributed denial of service attacks (such as those emanating from the geopolitical situation).</p> <p>In the year ahead, we will continue to review the regulatory framework as we consolidate and simplify retained EU Law within a single UK regulation.</p>

Risk Management

Consumer and Public Risks (continued)

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Consumer choice, value and fair treatment	<p>Consumers are provided with air transport services which do not perform as expected and consumers have difficulties seeking redress.</p> <p>Consumers are stranded abroad following a UK tour operator failure(s).</p>	↔	>	<p>During the year the CAA Board approved our Consumer Strategy. The strategy sets out our continuing work to uphold consumer rights and competition law and ensure that the consumer interest is embedded across the CAA.</p> <p>When transport services do not perform as expected, we will seek to ensure the industry meets its obligations to consumers. We take enforcement action where necessary, and we did so during the year regarding Wizz Air. We also encourage airlines to appoint Alternative Dispute Resolution (ADR) providers so consumers can seek independent redress.</p> <p>Our work includes protecting vulnerable consumers and those who might need additional help accessing air travel.</p> <p>Our economic regulation of airports and air traffic services also furthers the interests of consumers, in areas such as cost and service quality.</p> <p>We operate the Air Travel Organisers' Licensing (ATOL) scheme to protect consumers in the event of a failure of a UK tour operator(s). This includes repatriation and payment of claims for which we work closely with (and act as agent for) the Air Travel Trust.</p>
Environment	<p>Insufficient action is taken to reduce the impacts of aviation (and its contribution to climate change).</p> <p>Or the actions taken disproportionately affect consumers (higher prices and less choice).</p>	↔	>	<p>We have a Sustainability Strategy and a dedicated team to help drive and influence industry to take the actions we consider they need to deliver. Our strategy is currently being refreshed and an updated version will be published during 2024.</p> <p>The role of our Sustainability Team includes progressing work to meet consumer demand for information on the carbon impact of aviation. This work will help consumers to make informed choices when booking air travel in the future. We will be consulting stakeholders on a draft set of principles to enable this.</p> <p>We continue to be a member of the Government's Jet Zero Council and we lead a regulatory sub-group on zero emission flight.</p> <p>We also continue to jointly sponsor with DfT the modernisation of UK airspace, to deliver cleaner, quicker and quieter journeys for the benefit of those who use, and are affected by, UK airspace.</p>

Risk Management

Principal Strategic and Business Risks

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Demand Management	<p>We may not be able to meet demand and expectations for our regulatory work.</p> <p>Delays and backlogs could occur which might impact on the aviation industry, our customers and other stakeholders.</p>	↔	>>>>	<p>Our Prioritisation & Performance Board continues to oversee performance across the CAA and make prioritisation decisions where needed. We have also established a CAA Resource Board to ensure recruitment is focused on priority areas.</p> <p>We have initiated a Customer Experience Programme to review and enhance our services including our website. This work will improve our ability to manage demand and make it easier for customers, consumers and stakeholders to engage with the CAA.</p> <p>During the year we established a Future Safety and Innovation Team to enhance our ability to manage demand for our services in relation to emerging aviation technologies.</p> <p>This year we also developed a plan to ensure we have the future skills and capabilities needed to support the aviation industry as it continues to innovate and grow.</p>
Information Security and Management	<p>Information stored and processed by the CAA may become unavailable or corrupted.</p> <p>Sensitive information may be unduly disclosed.</p> <p>We may not fully comply with applicable legislation and standards.</p>	↑	>	<p>We maintain a range of measures to protect the information we hold.</p> <p>These include controls to prevent, detect and minimise the impact of cyberattacks, such as using the services of the National Cyber Security Centre to identify malicious activity and our own internal measures; continuous (24x7) monitoring, network security controls and our ongoing security maturity programme.</p> <p>Cyber security risks are dynamic and constantly evolving. There are (and may always be) some aspects of our cyber security arrangements we need to enhance. So, we continue to review our arrangements, through audits, penetration tests and using the Government 'Cyber Assessment Framework'. Any improvements identified are prioritised and acted upon.</p> <p>We also work to ensure information, including sensitive personal information, is managed in line with applicable legislation/standards and initiate corrective actions where needed.</p>

Risk Management

Principal Strategic and Business Risks (continued)

Title	Description	Trend	Strategic Focus Area	Key Mitigations
Financial Exposure	<p>Changes in the income we receive from industry (as a result of macro-economic conditions) or from Government (due to funding constraints / changing priorities) could create financial pressures.</p> <p>Changes in the financial markets could increase the liabilities of the Defined Benefit Pension Scheme.</p>	↔	>	<p>We continue to monitor the status of the industry and how this might affect our income. Issues might include potential changes to consumer booking levels due to the cost of living, and industry’s ability to meet demand during peak periods, or other factors.</p> <p>We continue to work closely with the DfT, including when the level of Government funding we receive might reduce and create financial pressures.</p> <p>We will take mitigating actions to minimise the impact any changes to our income could have on our operations. In extreme situations, such as pandemics, this may include engaging with the Government regarding the provision of ongoing financial support for the delivery of our core regulatory functions.</p> <p>We continue to work with the CAA Pension Scheme (CAAPS) and our advisors around changes in financial markets and how this might affect our Defined Benefit Pension Scheme. The latest triennial valuation of CAAPS, as of 31 December 2021, did not result in any changes to the contributions payable by the CAA in relation to colleagues’ ongoing membership of the scheme.</p> <p>We also continue to monitor the rate of inflation and will manage any potential impacts this might have on us. The next triennial review is due on 31 December 2024.</p>

Risk Management



Emerging Risks

Mechanisms are in place to identify emerging risks, such as new aviation technologies and how these could be safely incorporated into the aviation system. During the year we established a central Horizon Scanning Team to consolidate and enhance this capability across the CAA.

A core part of the Horizon Scanning Team's role is drawing together information from a wide range of sources to identify signals and trends in relation to emerging technological and innovative developments in the aviation sector. We use this work, alongside our advisory work with individual innovators, to help identify and manage any emerging threats or opportunities at an early stage. This includes where we might need to adapt aviation safety regulations.

In the coming year, our Horizon Scanning Team will expand its focus to include signals and trends beyond new aviation technologies, such as changes to consumer attitudes, legislation, etc. This will help prepare the CAA for a wide range of potential changes.

Climate Change

We recognise climate change will lead to more extreme weather events which impact how we work, such as physical risks to our staff and infrastructure. We are able to adapt if necessary. This may be prioritising essential business travel in relation to the delivery of our core regulatory functions (where alternative delivery methods are not feasible) and minimising business travel (through remote working) for other CAA functions where on-site/office attendance is not essential.

Our approach to procurement, enables us to secure value for money and manage the risk of climate change which could lead to higher costs, insurance and utilities, for example.

We do not currently consider climate change as a significant threat to our viability, but we will continue to actively monitor the issue.

As well as focusing on the impact climate change could have on our operations and viability, we also continue to improve our own environmental performance. For more information on this, see our corporate environmental sustainability section on [pages 49 to 50](#).

Financial Review

Significant financial developments

- > Total revenue: £185.8m, up by 13.6% (2023: £163.6m)
- > Operating profit: £6.1m (2023: operating profit £2.8m)
- > Pension surplus: £31.1m, down by 58.9% (2023: £75.6m)

The aviation industry has seen a stronger than anticipated recovery from the COVID-19 pandemic and industry volumes have largely recovered to the levels seen in 2019. At the same time as consumer demand continuing to grow, rapid technological change and innovation is adding new dimensions to the aerospace sector, leading to increased demands on the CAA as regulator and enabler.

We have achieved an operating profit of £6.1m in 2023/24 which includes savings of £5.0m, in line with our efficiency strategy to deliver a 5% reduction in like-for-like operating costs over the three years to March 2026. The £5.0m of savings are being used for re-investment in customer-facing systems and to ensure that our price increases are capped to 1% below the rate of inflation – this has been reflected in our approved budget for 2024/25.

We are directed by the DfT to prepare the financial statements in accordance with the accounting and disclosure requirements of companies' legislation currently in force and generally accepted international accounting practice. The financial results of the Group are assessed, however, by reference to financial targets agreed with the Secretary of State for Transport. We achieved a 6.5% rate of return in 2023/24 compared to the target rate of 3.5% for the Regulatory Sector, the rate set by the Secretary of State for Transport. During the year the CAA began a three-year efficiency and reinvestment plan, aimed at reducing operating expenditure for the purpose of accumulating funds to invest in the Customer Experience and Modernisation programme. This plan followed recommendations from the Arm's-Length Body review of the CAA. The programme seeks to digitise the CAA's services to improve the service offering for customers and realise efficiencies in the CAA's processes. In the year the CAA realised £5.0m in efficiency savings, of which £3.9m has been spent. Of this, £1.1m has been recognised in the Income Statement within operating expenditure and a further £2.8m within additions to intangible assets under the course of construction, which will be released to the Income Statement in future periods as amortisation of intangible assets. The CAA regulatory sector profit figure above includes a ringfenced net reduction in expenditure of £3.9m to be spent in future years. More information on this plan is included in the Strategic Report.

Although we are required to comply with International Accounting Standard (IAS) 19 'Employee Benefits' in accounting for pension costs in its financial statements, the regulatory target is based upon the amount of employer cash contributions paid to the CAA Pension Scheme (CAAPS) during the financial year, rather than pension costs evaluated under IAS 19.

In order to manage its pension liability, CAAPS has been implementing a strategy of buy-in annuity contracts for pensioners since 2015. The value of the buy-in policies held on behalf of the members is equal to the value of the benefits covered by the policies and is included under insured annuity policies. The value

of these benefits as at 31 March 2024 is estimated to be £986.8m (2023: £1,034.8m).

The last formal actuarial valuation of the CAA Section of the CAAPS was carried out as at 31 December 2021. The 2021 valuation revealed a deficit of £17.9 million. A recovery plan was agreed by the CAA and the Trustees of the scheme, whereby we will remove the deficit over the period to 31 December 2030. The primary reason for the difference in valuation between the last formal valuation and that used for accounts purposes is that IAS 19 requires that the discount rate used to value scheme liabilities is determined by reference to high quality corporate bonds.

Overall Financial Performance

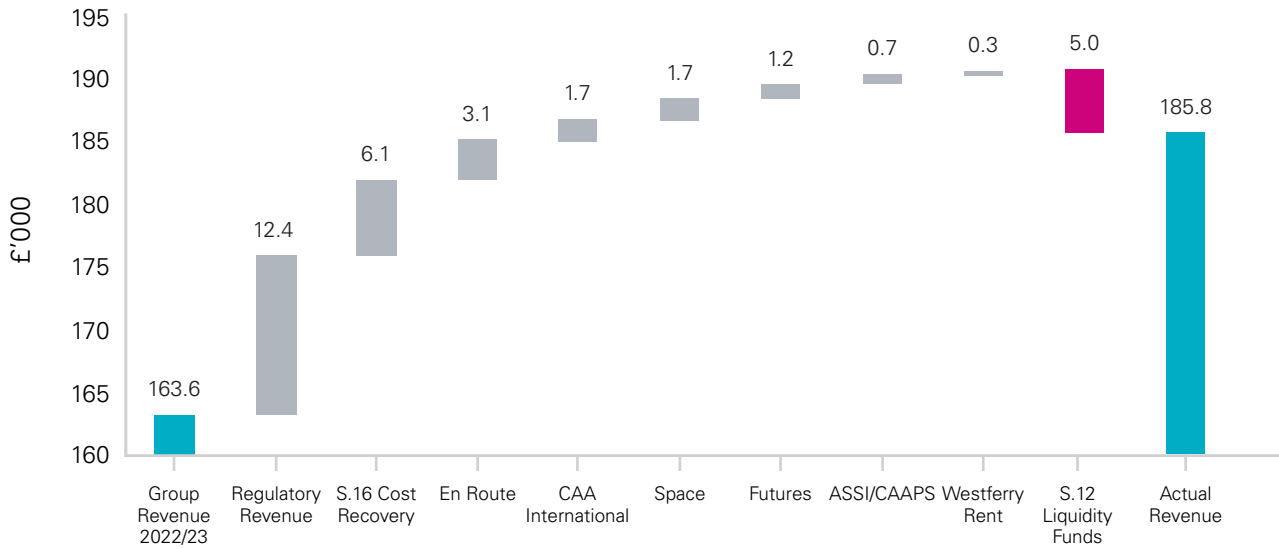
In the year ended 31 March 2024, the CAA recorded an operating profit before interest and tax of £6.1m (2023: operating profit £2.8m). These results included the effects of IAS 19. Within the operating result, the Regulatory Sector, comprising the activities of Safety & Airspace Regulation, Consumers & Markets, Aviation Security and Space Regulation, made a £3.3m profit before IAS 19 adjustments (2023: £1.3m profit) and a profit after adjustments for IAS 19 pension costs and net interest, but before tax, of £4.8m (2023: £2.1m profit).

CAA Financial Performance Results	2024 £m	2023 £m
Group revenue	185.8	163.6
Operating costs (excluding IAS 19 pension scheme adjustment)	(181.7)	(161.9)
Group operating profit	4.1	1.7
IAS 19 pension scheme adjustment	2.0	1.1
Group adjusted operating profit	6.1	2.8
Net interest	5.1	6.9
Profit before taxation	11.2	9.7
Taxation	(3.0)	(2.6)
Profit after taxation	8.2	7.1

Financial Review

Revenue

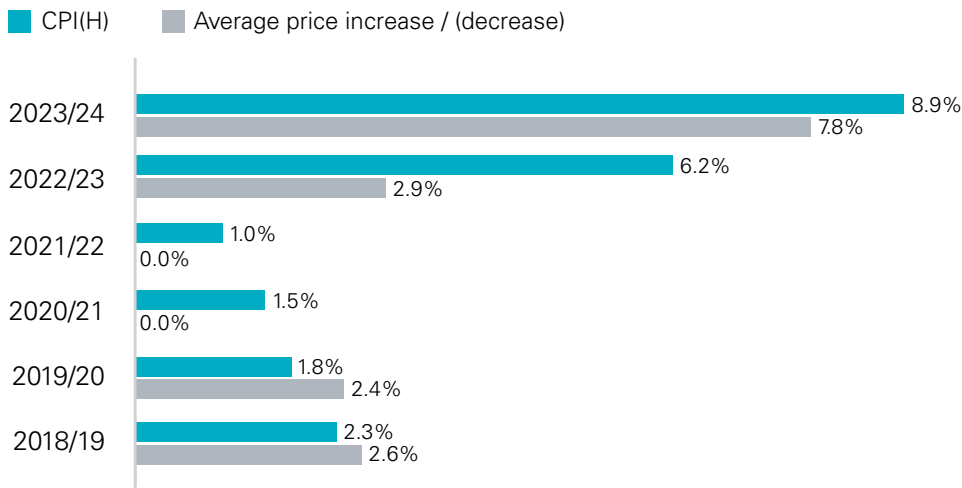
Movement in Group Revenue



Group revenue for the year ended 31 March 2024 was £185.8m (2023: £163.6m), an increase of £22.2m (13.6%). The Regulatory Sector saw an increase of £9.4m (8.2%) to £123.5m (2023: £114.1m). This increase in income has arisen primarily because of the positive impact of the industry's ongoing return to pre-pandemic levels as well as the general charge increase implemented from April 2023.

Average price changes

Price increase/(decrease) versus CPI(H) (%)



CPI(H) source is Office for National Statistics

We are required to set statutory charges to recover our operating costs. The average increase in charges excludes any new charges that we have been consulting on during this financial year. In the light of COVID-19 and the severe financial impact it had on the aviation industry, the CAA agreed that there would be no increases to charges for the financial years 2020/21 and 2021/22, with charges therefore remaining at 2019/20 levels. General increases of 2.9% and 7.8% were implemented across all charges schemes for 2022/23 and 2023/24 respectively, which were below the rate of inflation (CPIH).

Financial Review

Operating Costs

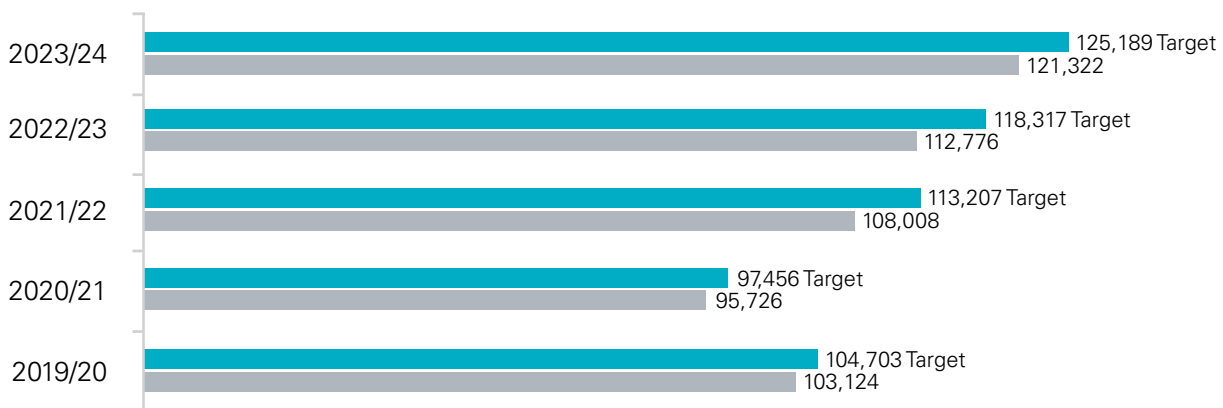
Operating costs (including IAS 19 pension scheme adjustment) for the year ended 31 March 2024 increased to £179.7m (2023: £160.8m). The significant areas of change are described below:

- > Employment costs were £119.8m, showing an increase of £11.9m (11.0%) compared to the prior year. An annual pay increase of 5% and pay progression through grade based on performance, together with an increase in the average number of employees in the Group by 103 (7.4%) in the financial year to 1,490 (2023: 1,387) as disclosed in note 3 contributed to this increase.
- > Other expenses costs were £35.6m (2023: £29.2m). The majority of the year-on-year increase is due to professional fees and legal costs in respect of s.16 projects and the Heathrow pricing control judicial review. Other expenditure areas that have also contributed to the increase are travel and related expenditure, security vetting services and irrecoverable VAT costs.

Operating Costs - Regulatory Sector

The graph below shows the operating costs for the Regulatory Sector, which is made up of the activities of safety and airspace regulation, consumers and markets, aviation security and space regulation.

Operating costs – Regulatory Sector (£000s)



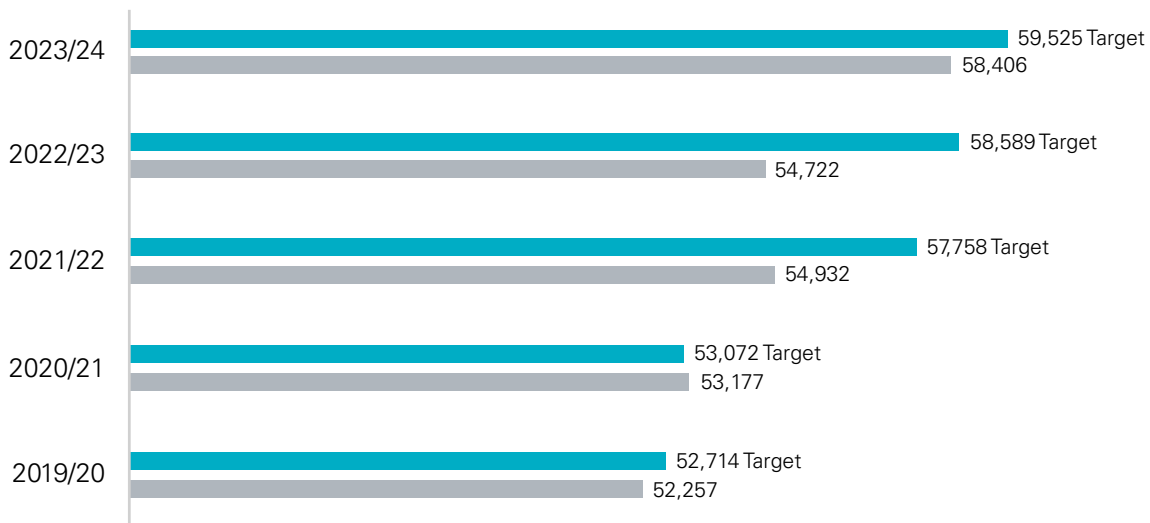
Regulatory costs were £3.8m lower than budgeted for the year, although they were £8.6m higher than the previous year. The CAA has continued to see a significant upturn in recruitment activity with average staff numbers increasing by 103, including resources needed to support the organisation's new and growing regulatory activities. As well as employment costs, there have been rises in professional fees, legal fees, travel and related expenses, security vetting services and irrecoverable VAT.

Financial Review

Cost per employee including CAA Board

The cost per employee in the graph below represents an average employment cost. All employees, including our Board members, are included within the cost per employee.

Cost per employee (£)



The nominal terms increase in the average cost per employee this year compared to 2022/23 is largely attributable to:

- > A 5% cost of living increase awarded to colleagues effective 1 April 2023; and
- > Pay progression increases of 1.5% or 2.5% (based on colleagues' zone positions within their grades) for colleagues that met certain performance criteria, effective 1 October 2023.

Corporation Tax

The estimated tax charge for this year is £3.0m (2023: £2.6m). This is primarily as a result of the £11.2m net profit (before tax) that was achieved by the Group for the year.

Capital Expenditure

Capital expenditure additions during the year totalled £3.6m (2023: £0.8m). This principally related to IT development projects (£2.8m), more specifically, the development of the DiSCO platform – more information on this project can be found in Our Efficiency Report on [page 51 to 59](#). The remaining £0.8m of spend was on tangible assets, primarily in respect of improvement works at our Aviation House premises.

Financial Review

Financial Management

Treasury Policy

Our Board sets our terms of reference for treasury policy. This covers strategy, control and overall financial management, including compliance with any borrowing covenants. All relations with banks and other third parties are governed by dealing mandates, facility letters and other agreements.

We do not enter into speculative treasury arrangements as we match all transactions in financial instruments to our underlying business requirements. Our treasury department works closely with all areas of our business to manage and minimise all material financial exposures; and to anticipate what our funding requirements will be. In addition, our internal auditors regularly review our treasury activities.

The aim of our funding policy is to ensure that we are not constrained by lack of funds, so we can meet our operational requirements, and that we are not unreasonably or imprudently bound by restrictive covenants or liquidity risks. Working within the constraints of the public sector, we aim to ensure that we can meet all our forecast cash needs on a short, medium and longer-term basis. Our cash forecasts are subject to stress testing and reverse stress testing based on a number of different historical and hypothetical scenarios.

We primarily place our surplus sterling funds with either HM Treasury debt management office or on short-term or overnight deposit at banks that have money market credit ratings of at least BBB+. We keep these institutions under constant review to secure the best returns available, consistent with the minimum credit rating we require. We limit our credit exposure to individual banks and other counterparties by reviewing credit ratings and closely

monitoring aggregate exposures. The majority of our expenditure is settled in sterling. There is some foreign currency exposure on part of the revenue earned by CAA International Limited, although this exposure is minimised through hedging contracts where the cash flows are material and reasonably certain.

Liquidity

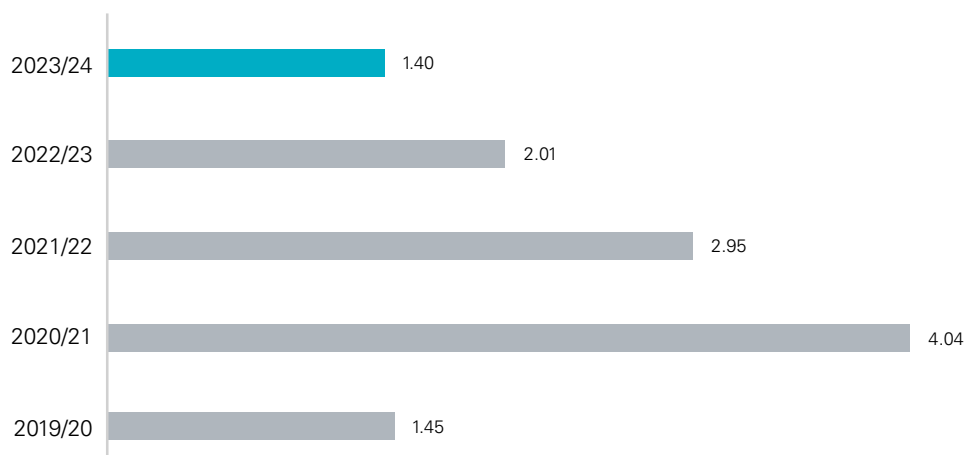
This graph below shows the level of cash resources available to the Group compared to relevant levels of current liabilities in the Group's Statement of Financial Position. Current liabilities for this purpose include the following: trade payables, social security and other taxes, and other payables.

The cash balance was £32.3m at the end March 2024. This balance includes advance grant funding received from the DfT of £16.9m for specific project costs that are expected to be incurred in 2024/25.

We had a £5.0m overdraft facility with our bankers, NatWest, until 31 May 2023 and this facility was not utilised. The decision was made not to renew this facility as the Group's current and future expected cash flows were assessed as being sufficient to the extent that no use of an overdraft facility was anticipated in the foreseeable future.

An analysis of our borrowing facilities can be found in note 14 to the accounts on [page 125](#).

Cash resources / current liabilities ratio

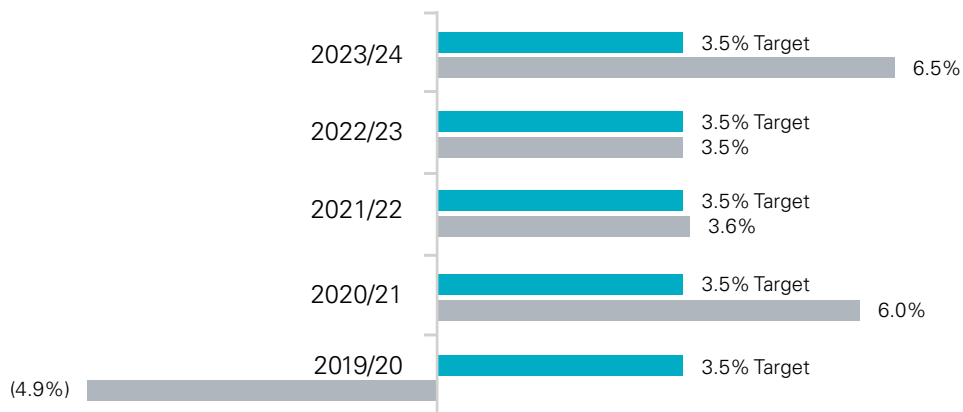


Financial Review

Financial Target

The Secretary of State for Transport sets us a financial target for the Regulatory Sector, which covers safety and airspace regulation, consumers and markets, aviation security and space regulation. The target is the higher of an annual 3.5% rate of return on average current cost of capital employed or break-even after charging interest and tax. This both reflects Government policy and allows the CAA to retain a modest level of reserves for investment and managing risks.

Rate of Return (%)



The rate of return for 2023/24 was 6.5%, reflecting the efficiency savings achieved as planned in our efficiency strategy. This is explained in more detail on [page 40](#).

The receipt of s.12 grant funding in 2022/23, 2021/22 and 2020/21 covered the revenue shortfalls faced due to the downturn in activity in the aviation industry due to COVID-19.

Financial Review

Business Sector Review

Our activities are divided into seven sectors.

Safety and Airspace Regulation

Through the work of our Safety and Airspace Regulation Group (SARG) we actively assess compliance with UK civil aviation safety standards in a co-operative and cost-effective manner. We must be satisfied that: aircraft are properly manufactured, operated and maintained; airlines are competent; flight crews, air traffic controllers and aircraft maintenance engineers are fit and competent; licensed aerodromes are safe to use; and air traffic services and general aviation activities meet required safety standards.

To monitor the activities of this complex and diverse industry, we employ a team of specialists. They have an exceptionally wide range of skills, including: pilots qualified to fly in command of current airliners; flight test examiners; experts in flight training, leisure and recreational aviation activities; aircraft maintenance surveyors; surveyors who are fully up-to-date with the latest design and manufacturing techniques; aerodrome operations and air traffic control specialists; and physicians skilled in all branches of aviation medicine.

The operating costs of the safety and airspace regulation activities for the year ended 31 March 2024 (excluding the effects of IAS 19 pension scheme adjustments) were £81.9m (2023: £75.8m), an increase of £6.1m (8.0%). Revenue for the year was £82.5m (2023: £75.4m), an increase of £7.1m (9.4%). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £0.6m (2023: loss of £0.4m). Average staff numbers for the year were 714 (2023: 674), an increase of 40.



Consumers and Markets

Our Consumers and Markets Group's (CMG) work covers the economic regulation of airports and NATS en route air traffic services. We advise the Government on aviation policy, including the liberalisation of airline markets, economic regulation and competition in the supply of aviation services and infrastructure and economic aspects of environmental policy. We also compile our published statistical information on airlines, airports and passengers.

Our general approach is to consider the extent of competition and its implications for regulation and then to involve, to the greatest extent possible, the commercial parties.

CMG is also responsible for implementing legislation on airline licensing and administering the ATOL scheme. The consumer protection function is responsible for managing the consequences for consumers when an ATOL holder becomes insolvent. The activities include organising repatriation flights, dealing with hotels and paying refunds, where appropriate, to those who have not yet travelled.

Operating costs of Consumers and Markets activities for the year ended 31 March 2024 (excluding the effects of IAS 19 pension scheme adjustments) were £17.7m (2023: £16.5m), an increase of £1.2m (7.3%). Revenue for the year was £19.3m (2023: £19.9m), a decrease of £0.6m (3.0%). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £1.6m (2023: £3.4m). The average number of staff in the year ended 31 March 2024 was 104 (2023: 129). In addition, the CAA employed, on average, 8 survey staff at airports.

Aviation Security

Our Aviation Security Group oversees how the aviation industry meets UK and international legal security requirements. Our regulatory team gives the Secretary of State for Transport advice and assistance on security policy and the future evolution of the regulatory framework in accordance with better regulation principles. We also give advice to industry on interpreting and understanding the regulations.

Aviation Security had an operating profit (excluding the effects of IAS 19 pension scheme adjustments) of £0.9m (2023: £1.2m loss). Operating costs for the year ended 31 March 2024 (excluding the effects of IAS 19 pension scheme adjustments) were £14.0m (2023: £14.0m). Revenue for the year was £14.9m (2023: £12.8m). The average number of Aviation Security staff in the year ended 31 March 2024 was 130 (2023: 129).

Financial Review

Space Regulation

The UK Space Regulation team was established in 2021 to implement the Space Industry Regulations 2021, the modern and innovative new legislation enabling new space activities to operate from within the UK. The multi-disciplinary team contains a wide range of experience, including outcome-focused regulation across hazardous sectors, space and aerospace engineering specialists, environment experts and regulatory officers. The team assesses applications for the space sector, issues relevant licences and monitors and oversees operators to ensure they are meeting their legal obligations in relation to safety. The key regulated elements include launch operators, spaceport operators, range operators and satellite/in-orbit operators.

Space Regulation achieved a breakeven result (2023: breakeven) for the year ended 31 March 2024. Revenue for the year was £7.6m (2023: £5.9m), an increase of £1.7m (28.8%). Operating costs were £7.6m (2023: £5.9m), an increase of £1.7m (28.8%). The average number of Space Regulation staff in the year was 50 (2023: 40).

UK En Route Air Traffic Services (UKATS)

As a signatory to the Eurocontrol Multilateral Agreement relating to route charges, the UK has agreed to adopt a common policy in respect of route charges and is subject to the Eurocontrol Principles for establishing the cost-based en route charges and the calculation of unit rates, the costs of providing air navigation services. Consistent with ICAO, these principles allow the recovery of the costs of provision of en route air navigation services from those that use them - i.e. airlines. In addition to ANSP costs, they also include the costs incurred by competent authorities (the CAA), costs stemming from international agreements (DfT's share of costs for the running of Eurocontrol), and costs for meteorological services (the Met Office).

Under the Eurocontrol Principles, the costs are established for a 5 year regulatory period and set out in a performance plan. The current period runs from 2023 to 2027. The costs of national authorities like the CAA (and DfT) are not subject to volume risk and are recovered on a fixed basis, to reflect expected costs for the period. The Principles include provisions that where actual costs are higher, or lower, than forecast, national authorities may recover, or return, the difference from or to airlines.

Costs of UKATS for the year ended 31 March 2024 were £23.8m (2023: £20.6m). Our UKATS costs arise from SARG activities, and legal and financial support to the route charges system. Operating costs include the recovery of additional sums relating to pension liabilities in respect of NATS pensioners inherited at the time of the separation of NATS from the CAA in 2001.

Revenue for the year was £24.2m (2023: £21.0m). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £0.4m (2023: £0.4m).

CAA International (CAAi)

CAA International Limited is a leading, globally recognised aviation advisory group and a wholly owned subsidiary of the CAA. The company provides best-practice advice and training to civil aviation authorities and industry worldwide, as well as examinations and licensing systems. CAAi is a social enterprise and, as such, it helps to extend our regulatory influence overseas, working to raise aviation standards across the globe to protect UK air passengers travelling abroad or on non-UK airlines. CAAi's objectives are wholly aligned to the strategic safety, security, consumer protection and environmental objectives of the CAA.

The company's principal business activities include independent advisory services, training, licensing systems and examinations for pilots, engineers and air traffic controllers. Throughout the year, CAAi has been providing advisory technical assistance, mainly to: Civil Aviation Authorities in Asia, the Middle East, Africa and Europe (including some projects for EASA), the Ministry of Defence, UK Research and Investment (UKRI) and innovators in the UK. Activities spanned all regulatory areas including: aviation safety, security, environment, economic regulation and consumer choice and value.

The company also provides open access courses and in company training programmes for Civil Aviation Authorities and industry; in addition, it has a strategic partnership with other training providers, such as Singapore Aviation Academy (SAA), Malaysia Aviation Academy (MAVA) and Gulf Aviation Academy (GAA).

CAAi achieved revenues of £9.4m (2023: £7.7m), excluding intercompany revenue. The company's operating result (excluding the effects of IAS 19 pension scheme adjustments) was a net operating profit of £0.6m (2023: £0.5m loss). The company employed an average of 51 staff (2023: 45) during the financial year, with a further 17 full-time equivalents being supplied from other areas within the CAA (2023: 23). A combination of resources supplied from the CAA totaling £1.5m (2023: £2.1m) and net operating profit before tax of £0.6m (2023: loss of £0.5m) provided a contribution to the Group of £2.1m (2023: £1.6m).

Financial Review

Miscellaneous Services

This includes both our corporate functions and other activities, which are either funded or operated by us but where a degree of independence from the Regulatory Sector is required. These include:

- > CAA Corporate Centre (including our Board, HR, IT, Office of the General Counsel, Finance and Corporate Services and Portfolio Delivery);
- > Air Safety Support International Limited (a subsidiary of the CAA); and
- > Other activities (including the UK Airprox Board and the administration of the CAA Pension Scheme).

Turnover for the year was £27.9m (2023: £20.8m), an increase of £7.1m (34.1%). The net operating result for Miscellaneous Services (excluding the effects of IAS 19 pension scheme adjustments) was breakeven (2023: £0.3m profit). The average number of staff in the year ended 31 March 2024 was 441 (2023: 370).

Financial Outlook

Following a return to near normal levels of activity achieved through 2023/2024, the aviation industry continues to report strong growth with a backdrop of falling inflation and stabilisation of interest levels. This is reflected in the Group's budget and cash flow forecasts which do not envisage any external funding requirements for the foreseeable future.

Tracey Martin, Chief Financial Officer
19 June 2024

Corporate Environmental Sustainability

Environment reporting from our operations

Improving environmental performance is a priority for the CAA and the wider organisation. This includes the efforts we put in to minimise our own environmental impacts. To align our exposure to climate-related risks with a 1.5°C temperature rise scenario and achieve the Government's net zero by 2050 targets, we have set the following targets:

- > Transition our car fleet to electric by 2030.
- > Achieve Net zero GHG emissions by 2035.

Our approach to achieve the above is to reduce usage, be more efficient and switch to sustainable resources.

During 2023/24, we focused on aligning our estate strategy with our net-zero targets. We have also assessed options for reducing emissions from business travel and secured an internal commitment to recruit dedicated resource to continue progressing this work.

Streamlined Energy and Carbon Reporting (SECR)

In 2023/24, our total net greenhouse gas (GHG) emissions were 1,225.8 tonnes of carbon dioxide equivalent (tCO₂e). This represents a decrease of 33% compared with 1,824.1 tCO₂e in the baseline year, 2019/20 and a decrease of 12% compared with 2022/23.

Aspect	FY23/24	FY22/23	FY21/22	FY20/21	FY19/20	% Change from baseline
GHG Emissions (tCO₂e)						
Total emissions from combustion of gas and oil (Scope 1)	339.3	337.8	367.5	375.0	371.5	(9%)
Emissions from combustion of fuel for transport purposes (Scope 1)	6.1	36.4	32.1	33.2	55.5	(89%)
Emissions from purchased electricity (Scope 2)	352.3	315.9	400.4	382.0	714.8	(51%)
Emissions from electricity for transport purposes (Scope 2)	2.8	1.1	-	-	-	-
Emissions from business mileage claimed by employees and from car rentals (Scope 3)	525.2	703.5	457.7	178.0	682.2	(23%)
Total gross GHG emissions	1,225.8	1,394.8	1,257.7	968.3	1,824.1	(33%)
Energy (MWh)						
Total annual gas consumption for combustion purposes	1,854.7	1,850.8	2,006.6	2,039.6	1,978.2	(6%)
Total annual transport fuel	56.2	216.2	243.1	255.9	417.9	(87%)
Total annual purchased electricity consumption	1,701.6	1,633.7	1,885.5	1,638.7	2,796.7	(39%)
Total annual purchased electricity for transport purposes	13.6	5.7	-	-	-	-
Total from business travel mileage claimed by employees and from car rentals	2,167.3	2,853.5	1,860.4	717.7	2,662.9	(19%)
Total annual energy consumption used to calculate emissions	5,793.5	6,559.8	5,995.7	4,652.0	7,855.8	(26%)
Intensity ratio: tCO₂e/GIA (m₂)	0.10	0.10	0.09	0.07	0.10	(6%)

Corporate Environmental Sustainability



Streamlined Energy and Carbon Reporting (SECR) (continued)

We are reporting on SECR on a voluntary basis, according to the criteria stated in The Companies and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018, as CAA is a Public Corporation. The reporting period this submission covers is 1 April 2023 to 31 March 2024. We have followed the GHG Protocol Corporate Accounting and Reporting Standard, 2023 UK Government Conversion Factors for Company Reporting and manufacture emission factors for company cars. We have used an operational control approach, including activities from our two subsidiaries. We have measured our scope 1 (excluding fugitive emissions), scope 2 and scope 3 (transport consumption and emissions). The intensity ratio chosen was tCO₂e per gross internal area. This was chosen as it is deemed to be the best metric which could be used consistently year-on-year. We have reported our emissions of CO₂ on a carbon dioxide equivalent basis. We have no emissions of methane, nitrous oxide and fluorinated gases.

Energy use during the period has reduced by 26% compared with the 2019/20 baseline due to energy efficiency improvements and changes due to hybrid working. The principal measures undertaken to improve energy efficiency included a review of our estate strategy for alignment with net zero targets, the inclusion of hybrid cars in the fleet and replacement chillers at Aviation House. The 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 scope 1, 2, and 3 energy consumption and associated emissions within our report have been independently assured through a limited assurance engagement conducted in accordance with the International Standard on Assurance 3410 "Assurance engagements on greenhouse gas statements" (ISAE 3410).

Our Efficiency Report

We are better able to achieve our key objectives by being efficient and effective. Our commitment to better regulation principles means we understand the impact of our regulation and seek to minimise costs and unnecessary 'red tape' where possible. Being efficient also ensures we have the resources to focus on the aviation industry's most significant risks. We strive for a regulatory framework which can effectively and efficiently deliver high safety, security and consumer protection standards.

Our approach to efficiency is based on three core principles:

1. Challenging ourselves to make sure our regulation is proportionate to the risks being managed;
2. Continuously improving our engagement with stakeholders; and
3. Aiming to achieve efficiency and value for money in our costs of operation.

This report provides a review of the efficiencies we have achieved and the improvements we have planned.

Efficiency strategy

The CAA recognises the importance of demonstrating value for money to customers, and the recommendations included in the ALB review will support this moving forward. The CAA developed an Efficiency Reinvestment Plan in 2023, which commits the CAA to delivering a 5% reduction in like-for-like operating costs over the three years to March 2026. The savings this will generate will be split between a real-term decrease in prices (CPIH-1%) passed onto CAA customers and investment in CAA customer-facing systems, which should ultimately deliver greater and permanent efficiencies in the longer term. Prices on like-for-like activities will have a capped increase of 1% below the rate of inflation in September prior to the effective year for each of the next three years. This is broadly consistent with the approach the CAA has taken over the past decade. However, this mechanism is a formal commitment to industry. The remaining surplus generated by reducing the cost base by 5% over the period is being ringfenced for the Customer Experience and Modernisation (CX&M) programme, aimed at delivering tangible improvements to customers' end-to-end journeys, providing efficiencies to both customers and colleagues and improving the productivity of the CAA.

Efficiencies totalling £5.0m were delivered in 2023/24 through reducing operating costs relating to use of external professional services and third-party costs, delivering enhanced IT solutions, reductions in operating costs relating to overtime (driven by more efficient workforce planning), economies of scale through centralisation of some costs including training and publicity. These efficiencies are recurring and, therefore, will provide £15.0m to be available for reinvestment across the three-year ALB window. Reinvestment programmes have already commenced and some have been successfully delivered, including AvSec Security IT Migration and Payment Strategy. Other reinvestment programmes underway include:

> **Digitising Specific Category Operations (DiSCO):** The DiSCO project is a crucial initiative to enable scalable Beyond-Visual-Line-of-Sight (BVLOS) Remotely Piloted Aircraft Systems (RPAS) operations in the UK, transforming the operational authorisation process for RPAS in the Specific category. The project has delivered a standardised approach to risk assessments in this category, along with a new online application tool bringing significant customer benefits and CAA efficiencies. The application process is much easier and quicker, and turnaround time for authorisations has been reduced from weeks to hours. The more consistent and standardised way to assess operational risk, aligned to global standards, enables an efficient application process that is scalable to meet the forecast demand in the industry in the future, from around 7,000 per annum today to over 75,000 per annum by 2030.

> **Modernising Aviation Services Licensing & Oversight (MASLO):** The MASLO workstream is the next phase of our work to deliver customer experience improvement and modernisation for some of our services, which still retain a more traditional application process approach. Starting with personnel licensing and air traffic controller licensing in particular, we will be delivering transformed services from end to end, which are digitally native. The services are designed to optimise the customer experience and emulate the successes we have achieved with modern service provision in areas such as RPAS open category (Drone and Model Aircraft Registration and Education Service), RPAS specific category (DiSCO) and airspace coordination (ACOMS). This multi-year programme and work in 2024 will focus on discovery and design.

Modernisation of our IT infrastructure

We have completed further decommissioning and upgrading a number of legacy systems this year and are progressing well towards our goal of zero legacy technology in place. Important updates to our crucial personnel information management system (PIMS), which manages flight crew, air traffic controller and engineer licensing, means it is now running on current operating system and database versions. It no longer relies on legacy platforms. Similarly, our main aircraft information system (AIS) has been migrated to a modern operating system and database platform.

We have also modernised our publications service on the CAA website to provide a more effective search capability and decommissioned the old version, which relied on an end-of-life operating system. A small number of further systems are being worked on to enable decommissioning of remaining legacy technologies. We are dependent on the migration to the new ECCAIRS 2 platform and some of the work in the MASLO workstream, which is part of the CX&M programme, to complete our goals here.

The Payments Strategy project has completed and delivered a consistent and simplified service for collecting payments from customers across a broad range of CAA services. These changes have improved the accuracy of initial fees charged and the speed of collection in a PCI-compliant manner, which will also reduce the extent to which we need to refund or request additional payments.

Our Efficiency Report

ATOL claims portal and master booking database

Later this year we will be releasing a replacement to the ATOL claims portal which became necessary when our previous supplier announced the withdrawal of the services we were using. The new portal provides a range of improvements over the previous version including the ability to handle much larger failure scenarios. It is developed and managed in house to give us greater flexibility for ongoing improvements in future. This project has also introduced a new master booking database which will allow us to proactively collect booking data from ATOL holding organisations and ensure we are better prepared to respond promptly to a failure, both in terms of repatriation and payment of refunds. These significant improvements to customer experience will develop over the coming months as that data is collected and maintained for this purpose and will also improve our ability to identify and intervene to avoid potential failures of ATOL protected organisations.

Airspace Coordination and Obstacles Management Service (ACOMS)

This year, we have completed the rollout of the new portal, case management and mapping solution for coordinating and deconflicting Unusual Aerial Activity. This has enabled us to accommodate the dramatic increase in volumes for this service caused by the introduction of regulations affecting the erection of large cranes and has also delivered significant efficiencies for the operational team in processing applications and issuing notifications across different channels. Automation of the initial application process has removed the need for manual processing in many application categories and improved the speed of delivery of approval.

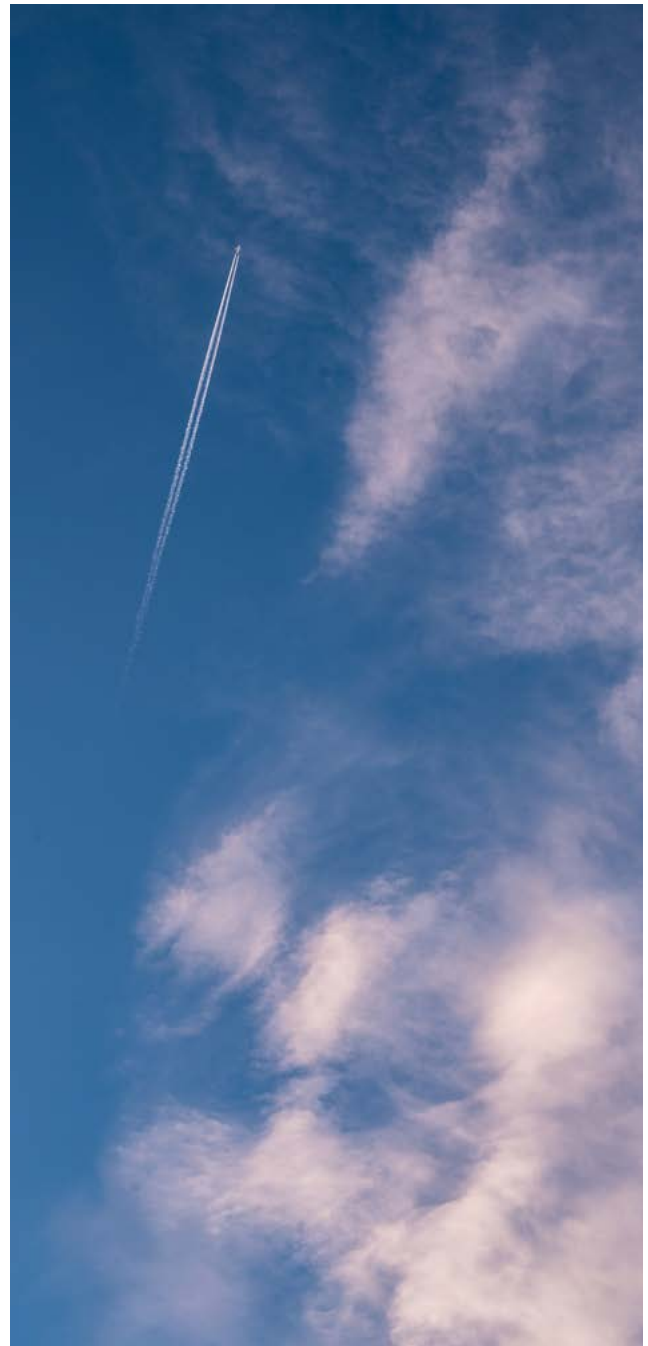
Foreign carrier permits (FCP)

The FCP process allows the CAA to ensure that UK commercial operations undertaken by foreign registered aircraft meet the necessary requirements in relation to traffic rights, safety, security and insurance. The need for certainty, and the just-in-time nature of such flights, necessitate an efficient system to promote connectivity and meet the needs of UK industry and consumers. EU Exit and changes in the way goods and people travel post COVID-19 means the Airline Licensing Department issued some 9,500 FCPs in 2023/24 in comparison to 4,800 in 2019. Administrative burden was removed by the introduction in 2023/24 of an online PCI-compliant payment system, removing the need to take individual payments for an FCP. Agreement was also reached with all EU27 States on our proposal for an annual Block Permit scheme allowing EU-UK flights to be undertaken without the need for individual approvals, reciprocally competitively supporting UK and EU carriers' 'Go Now' operations.

The introduction of new methods of working, eg dedicated points of contact, and 'one stop shop FCP applicant meetings' with UK Border Force and the Department for Transport security teams has improved the service applicants receive and the pace with which the advice on the grant of an FCO is given. This is leading to more informed and faster decision-making.

Third country operators (TCO)

In order to hold an FCP, all foreign operators undertaking UK commercial air transport are required to hold a TCO authorisation to ensure they meet ICAO safety standards. The CAA Air Licensing Department and Air Safety Unit took on the administration of TCO's following EU Exit, having reviewed, issued and now continuing to monitor some 800 TCO certificates. Work has begun on the introduction of a new IT solution which will allow certificate holders to file more information online through a web portal, reducing administration for them and the CAA.



Our Efficiency Report

Complaints about the CAA

We are committed to providing a high standard of service to our stakeholders and welcome complaints. This feedback enables us to improve continuously. Over the past year, we have made changes to ensure a more consistent and effective complaints handling service, including a new process to ensure we consistently learn from complaints.

A table highlighting the number of complaints received during the last three years can be seen below. The number of complaints received this financial year was reduced to 131 (a decrease of 34% compared to last year).

While the number of complaints received has decreased, they are predominantly about licensing applications where demand and staffing levels in some service areas have adversely affected application and correspondence lead times. More detailed information on our complaint handling performance can be found in CAP2603 Annual Complaints Report on our Complaint performance and learning webpage.

Complaints about the CAA	FY2023/24	FY2022/23	FY2021/22
Number of complaints in line with our complaints policy	131	199	270
Upheld in full or in part	77 (65%)	118 (59%)	207 (77%)
The categories of upheld complaints are:			
Poor service, including:	47 (61%)	64 (54%)	162 (78%)
Application processing delays	35 (74%)	31 (48%)	104 (50%)
Failure to respond to enquiries	5 (11%)	17 (27%)	13 (6%)
Other (quality and systematic issues)	7 (15%)	16 (25%)	45 (22%)
Charges/fees	4 (5%)	4 (3%)	4 (2%)
Staff behaviour	5 (6%)	4 (3%)	3 (1.5%)
Lack of CAA action	17 (22%)	34 (29%)	20 (10%)
Unfair treatment/bias	2 (3%)	1 (1%)	6 (3%)
Over regulation/gold plating	1 (1%)	3 (3%)	1 (0.5%)
Incorrect advice	1 (1%)	8 (7%)	11 (5%)

Learning from complaints

Complaints remain a valuable insight tool to learn more about the experiences of people using our services, to track and monitor any trends and pinpoint any recurring issues. The complaints process provides us with an opportunity to reflect, analyse and transform complaints into learning and intelligence to determine areas for improvement. It's important to share this learning with our customers and more information is available on our website ([Complaint performance and learning | Civil Aviation Authority \(caa.co.uk\)](https://www.caa.co.uk)) with some listed below.

Actions taken from learning:

- > Following complaints relating to our engineers' licence and PPL applications, improvements have been made to the application processes, which has reduced the processing time.
- > To improve communication, consistency, collaboration and the customer experience,
 - > the guidance on applications from Type Rating Examiners (TRE) with EASA qualifications has been updated on our website and
 - > where complaints involve multiple teams, we identify a lead investigator to manage them
- > Collaboration and engagement between our Licensing and Finance Teams has introduced new guidance for processing customer refunds to ensure there is a clear approvals process, providing consistency and status tracking ability.

Our Efficiency Report

Aiming to achieve efficiency and value for money in our costs of operation

The table below sets out the financial efficiency targets we have set and shows our performance against those targets.

Target	Outcome
Deliver on our efficiency strategy commitment of achieving a 5% real terms reduction in like-for-like operating costs over the three years to March 2026.	Efficiencies totalling £5.0m (3.2%) were delivered in 2023/24, in line with our efficiency strategy.
Achieve a real terms charges reduction of CPIH-1% per annum.	A general price increase of 7.8% was implemented for 2023/24 versus CPI(H) of 8.9%.
Manage our pension costs to reduce as a percentage of total employment costs over time.	Our defined benefit scheme is closed to new members. The overall pension cost in the Income Statement has increased by £0.5m. However, average actual contribution per employee has reduced by 0.5% year-on-year as the proportion of defined benefit members continues to drop due to staff turnover and retirements.

To continue our efficiency outcomes, we have set ourselves financial efficiency targets for the next financial year, including:

- > Continue to deliver cost savings to meet the targeted 5% reduction in like-for-like operating costs over the three years to March 2026.
- > Achieve a real terms charges reduction of CPIH-1% per annum.
- > Manage our pension costs to reduce as a percentage of total employment costs over time.

Schemes of charges

We are primarily funded directly by charges paid by those we regulate and, accordingly, we are required fully to recover our costs. In recent years, our focus has been on addressing the impact the COVID-19 pandemic has had on the aviation sector, helping support the industry that we regulate, and our colleagues.

Assessing where we are in 2024, industry volumes have largely recovered to levels last seen in 2019. At the same time, we see growing consumer demands on capacity and reliability of service, alongside rapid technological change and innovation, adding new dimensions to the aerospace sector and growing the demands on the CAA as regulator and enabler. Welcome financial assistance from the DfT during COVID-19 allowed our charges to be frozen for two years during the peak of the pandemic, with below inflation price increases on like for like activity delivered following this period.

The CAA, the aviation industry, and the UK public are facing a challenging economic environment, characterised by inflationary pressures. Despite these challenges, the commercial aviation sector has surpassed expectations in 2023, with consumers placing a high value on international air travel. While inflation has moderated compared to a year ago, it still has an impact on our costs, including the secondary impact inflation has had on UK salaries in 2023.

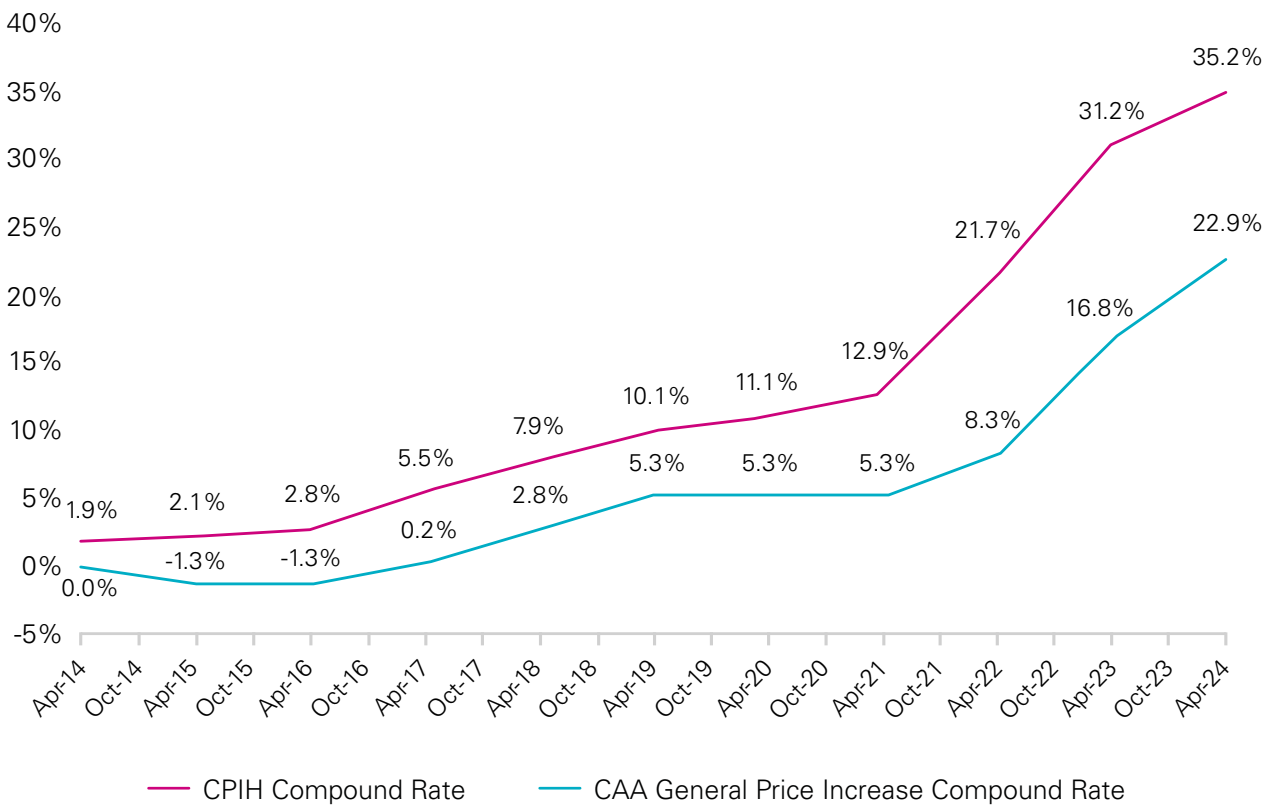
The CAA is continuing to find ways of providing improved value-for-money to our customers, and through the realisation of internal efficiencies we are able to propose an increase to our charges for like-for-like activity below our standard reference point for inflation, which is the September CPIH rate published by the Office for National Statistics (ONS). This aligns with our approach to price increases over the past decade, in which time the CAA has provided the industry with real-terms price reductions amounting to 14.5%, representing an annual saving to our customers of £16.2m. The inflation related increase to our statutory charges in 2023/24 was 7.8% (general price increase) on like-for-like activities (the equivalent of CPIH-1%), ensuring that we continue to maintain a sustainable future funding structure. In parallel, the CAA is committed to delivering a 5% efficiency saving in like for like activities to generate funds to invest in our customer service programme.

The chart below sets out the cumulative historic price increases and decreases, including the charges increase for the next financial year (2024/25), alongside the cumulative changes in CPI(H). The general price increase of 5.3% has been implemented from 1 April 2024. Since 2014 our charges have increased +22.9% compared to the increase in inflation of 35.2% in that period for existing activities.

Our Efficiency Report

Cumulative price increases versus CPI(H) (CPI(H) source: Office for National Statistics)

CPIH v CAA General Price Increases April 2014 - April 2024
(Inclusive of 5.3% increase in April 2024)



In November 2023 the Funding Structure Reform (FSR) project was commenced with the core aims centring around transparency, ensuring customers can easily identify what they are being charged for and how the charge is justified, and on financial sustainability. This will ensure that the CAA is appropriately funded to act as an effective and enabling regulator now and into the future. We remain committed to the timelines set out in the Arm's-Length Body review report (published July 2023) with the public consultation on our proposals to commence in 2024/25 and the expected roll out of the new funding model from 1 April 2027.

Funding model

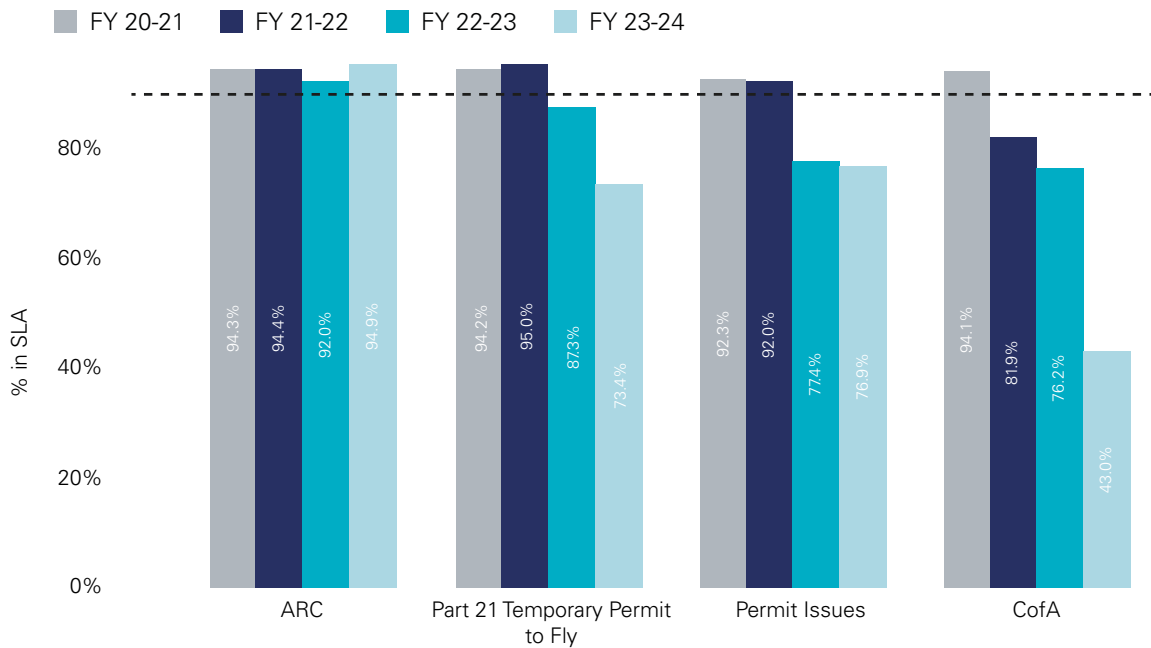
We commenced a review of our financial model in 2023/24 (funding Structure Reform, or FSR), aimed at providing a strategic overhaul of our Schemes of Charges by March 2027. This recognises a long-standing ambition to introduce a funding model to provide improved transparency and stability into the future. The model will be designed with consideration to the guidelines set out in Managing Public Money over the fairness and transparency of charges for public services. It will continue to follow the core underlying principle of user-pays (as recommended by the ALB review team and in line with MPM).

By focusing on simplicity, this model will deliver meaningful change through realising efficiencies to both our customers and colleagues. It will also give us a mechanism to continually invest in innovation, regulatory development and systems, and provide clarity to customers on what they are paying for and why. It will ultimately demonstrate the value for money we supply to the UK aviation and aerospace industry. Where possible, changes to the funding model will be delivered in a coordinated way with other corporate improvement projects, such as the CX&M programme, and/or as early as possible.

Our Efficiency Report

Percentage of services delivered within published Service Level Agreements

% inside service level agreement (SLA)



Airworthiness Review Certificates (ARC)

We have seen a small increase in applications, and performance against the service standards for Airworthiness Review Certificates has been consistently delivered within agreed service levels over the last 12 months.

Part 21 Temporary Permits to Fly

Temporary Permits to Fly remain to be treated as a priority due to grounded aircraft needing to be moved urgently. Resource and process challenges have impacted this work. A resilience and recovery plan has been developed and delivered over the last 12 months. This has focussed on optimising the process to improve customer service and efficiency as well as up skilling and training to increase resource resilience. Moving into 2024/25 we are now consistently meeting our SLA and anticipate improvements to enable us to maintain this position.

National Permit Issues

Due to resource challenges, this work has continued to be impacted. Following the resilience and recovery plan, we have also recruited an additional Technical Specialist to support this work with plans to build further resilience in this area. Moving into 2024/25 we are now consistently meeting our SLA and anticipate improvements to enable us to maintain this position.

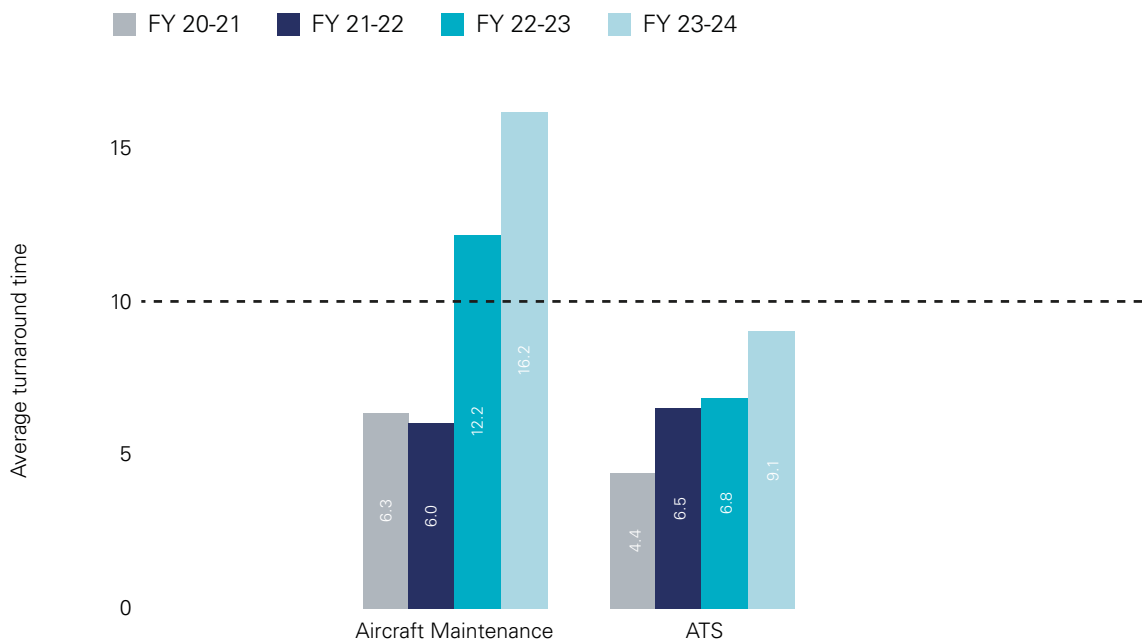
Certificates of Airworthiness (CoFA)

We have seen a small increase in volumes of applications. Resource and process challenges have also impacted this work. A resilience and recovery plan has been developed and delivered over the last 12 months, this has focussed on optimising the process to improve customer service and efficiency as well as training additional resources to increase resource resilience. Moving into 2024/25 we are now consistently meeting our SLA and anticipate improvements to enable us to maintain this position.

Our Efficiency Report

Percentage of services delivered within published Service Level Agreements (continued)

Average turnaround time of applications against 10 day service level agreement



Aircraft Maintenance

Aircraft Maintenance application (Part-66) turnaround times have averaged 16.2 working days for 2023-24, an increase of four working days on the previous year and remains outside of SLA. The demand for applications was -8% versus the previous year (2022/23) and +8% versus two years ago (2021/22).

The increased turnaround time reflects the ongoing impact of the exceptional demand received for EU-UK applications. Overall, 5,466 EU-UK applications were received, equating to an additional annual demand of ~46% of our BAU volume across each of the last three years. 98.8% of EU applications have now been completed as of March 2024, with the remaining volume folded into the BAU workstack. While the team size was increased, the volume exceeded our forecasts and was compounded by resourcing and recruitment issues for surveyors within Airworthiness and the Shared Service Centre. This unexpected demand deflected resource from BAU work and resulted in a less stable service delivery overall for the last 12 months.

An upshot of this level of demand is the total number of UK Part-66 aircraft maintenance engineers is now in excess of 14,000, with the EU-UK officers now commencing training for BAU applications to both improve resilience and turnaround times.

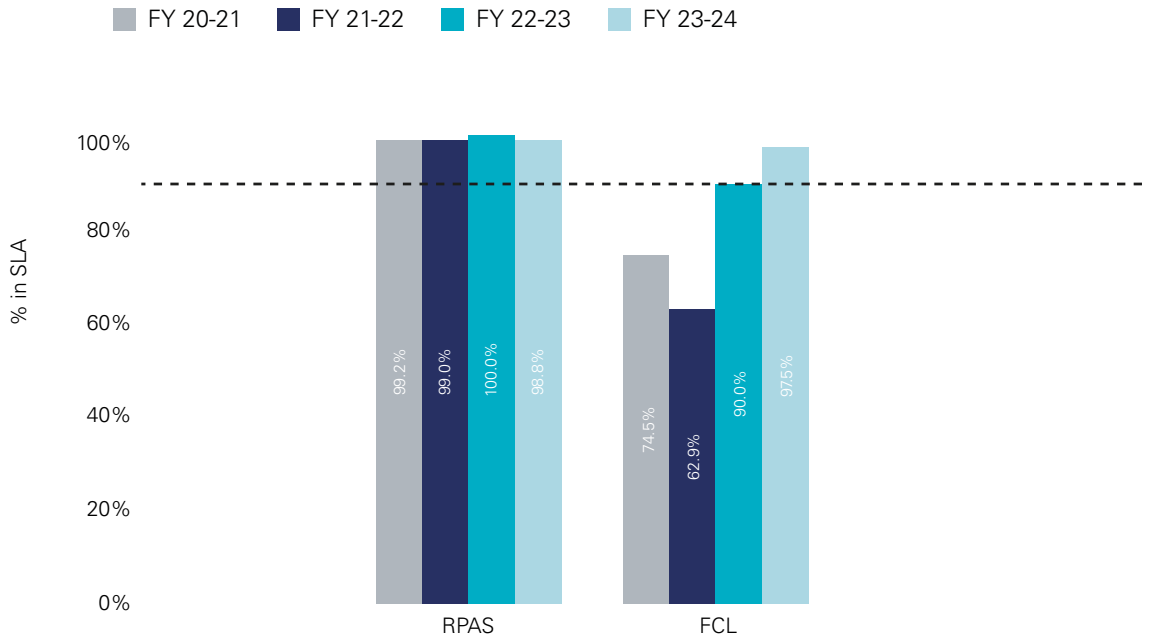
Air Traffic Services (ATS)

Within Air Traffic Services licensing, 96.1% of applications were processed within service levels with an average turnaround time of 9.1 working days in 2023-24, an increase on 2022/23 (6.8). The demand of applications was -7% versus the previous year (2022-23) and +1% versus two years ago (2021-22). This represents a strong continued service delivery over the last 12 months. Moving into 2024/25 we are now consistently meeting SLA and anticipate our improvements will enable us to maintain this position.

Our Efficiency Report

Percentage of services delivered within published Service Level Agreements (continued)

% inside service level agreement (SLA)



RPAS Pre-Defined Risk Assessment (PDRA01)

All applications were delivered within SLA. The number of applications received for the period totalled 2652, a 22.1% reduction on the previous year (3,403). We have seen a reduction in permissions over the last year which is most likely to be where an authorisation is not automatically triggered by doing commercial operation where many businesses operate their work within the open category.

The new PDRA01 criteria have been a success. The new Digitising Specific Category Operations (DISCO) project was introduced on 3 March 2024 and is allowing drone operators to issue permissions within 24 hours.

Flight Crew Licensing (FCL)

FCL service delivery has continued to deliver against service levels and improved throughout 2023/24, resulting in 97.5% of applications being processed within 10 working days, versus 90% for 2022/23.

The last of the EU-UK applications for FCL were completed by the end of October 2023, with resources moved to the BAU team to improve resilience. Demand for FCL was -13% versus the previous year (2022/23) and +11% versus two years ago (2021/22). The lower demand reflects a smaller pool of licence holders following COVID-19 and EU Exit. The performance represents a strong service delivery over the past 12 months.

Our Efficiency Report

Auditor's Statement

Under section 102 of the Civil Aviation Act 2012 the Board members of the Civil Aviation Authority (the "Authority") are required to prepare a statement of efficiency in the performance of the CAA's functions during the year ended 31 March 2024 (the "Efficiency Statement") and to have it independently assessed. As noted in our audit report on the financial statements, as the Authority's auditors we read all the financial and non-financial information in the Annual Report & Accounts 2023/24 to identify:

- > any material inconsistencies with the audited financial statements; and
- > any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

We have no exceptions to report in relation to the Efficiency Statement. The full audit report can be found on [pages 87 to 93](#).

BDO LLP

Chartered Accountants and Statutory Auditors
55 Baker Street
London
W1U 7EU
19 June 2024





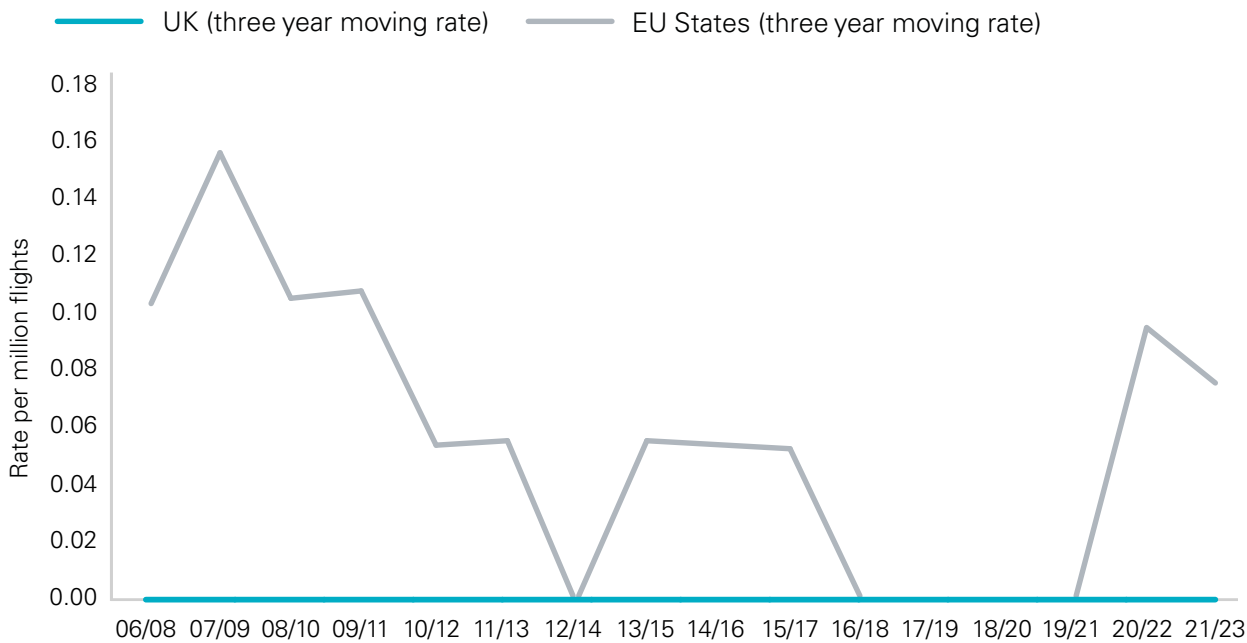
Key Safety and Service Performance Indicators

Fatal accident rates

The safety performance indicators are for UK-registered or operated passenger aircraft, using a three-year moving rate (based upon the preceding calendar years) of fatal accidents per million flights. A fatal accident is defined as an accident that results in fatal injury to any person in or upon the aircraft, by direct contact with any part of the aircraft or by direct exposure to jet blast.

UK-registered/AOC fixed wing passenger aircraft above 5,700kg MTWA

Fatal Accident Rate



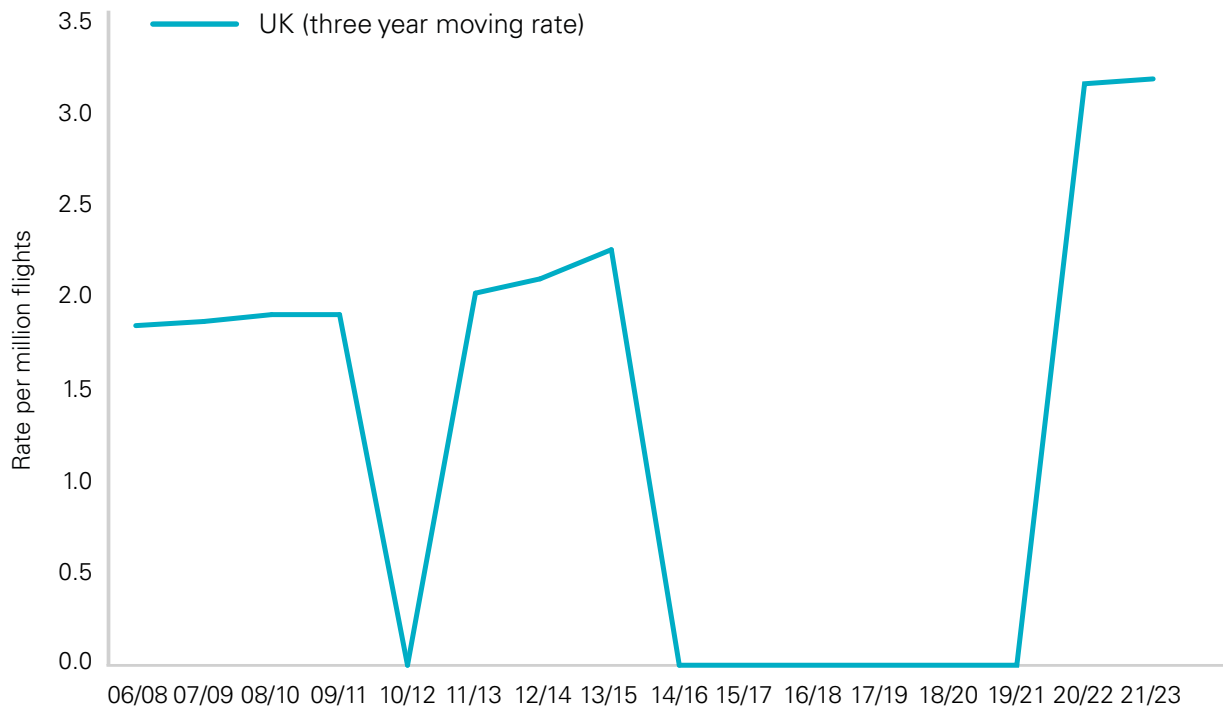
Analysis

In the three-year period between 2021-2023 there were no fatal accidents involving UK operators. The last fatal accident for an EU member state involved a Portuguese A320. On landing at Conakry Airport in Guinea, the aircraft struck a motorbike which had mistakenly entered the runway and the riders of the motorbike were both fatally injured. The UK fatal accident rate in this category has remained at zero since 1999 when a Boeing 757 experienced a heavy landing in Girona, Spain, resulting in one fatality.

Key Safety and Service Performance Indicators

UK-registered/AOC public transport helicopters above 3,175kg MTWA

Fatal Accident Rate



Analysis

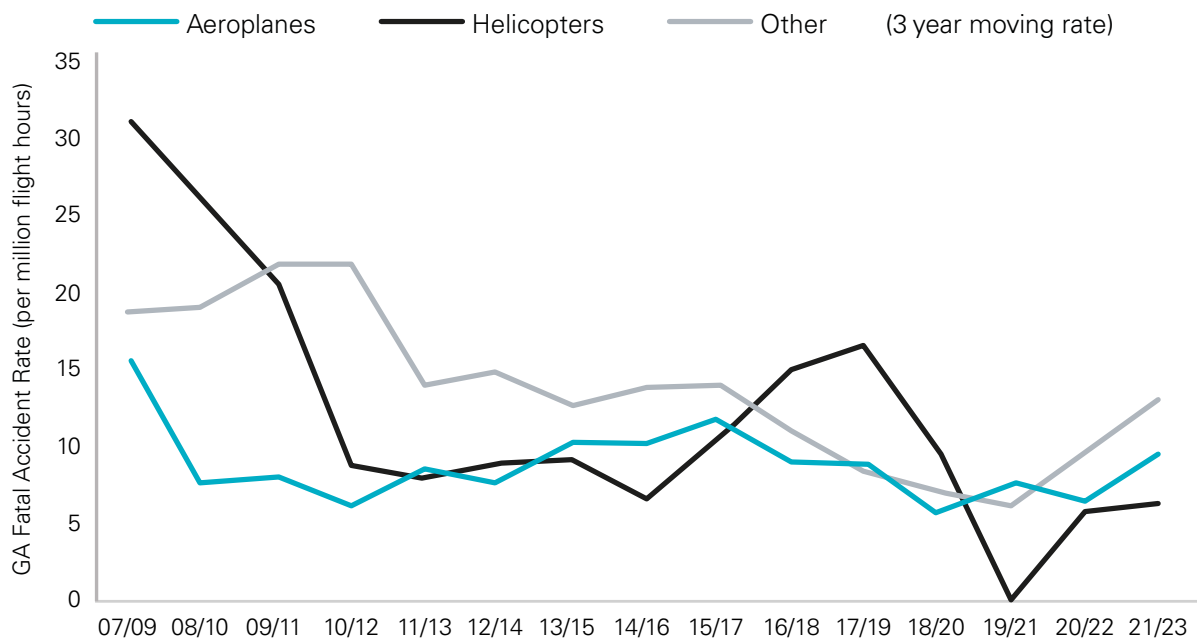
The fatal accident rate for UK commercial air transport helicopter operations rose for the three-year period from 2021 to 2023 due to a fatal accident on 4 March 2022. The accident involved a Sikorsky S92-A which was landing with a patient at Derriford Hospital, Plymouth. The downwash from the arriving helicopter fatally injured one pedestrian and injured another.

Prior to this the last fatal accident involving this category of aircraft occurred in 2013 when an AS332 Super Puma crashed into the North Sea, resulting in four fatalities.

Key Safety and Service Performance Indicators

UK General Aviation

Fatal Accident Rate



The general aviation (GA) fatal accident rate for UK registered aircraft has been segmented into three categories: Fixed Wing Aeroplanes, Helicopters and Other. The Other category includes lighter than air vessels (eg balloons and airships), gliders, gyroplanes and microlights.

The rates shown above have been calculated using aircraft utilisation (eg annual flight hours) as gathered by UK CAA aircraft registration team. The utilisation data for 2023 is likely to be incomplete.

For each group, the number of reported fatal accidents has been expressed as the rate per one million flying hours, which has then been aggregated into a three-year moving average presented by sector on the chart above.

Analysis

Aeroplanes

According to AAIB Annual review 2023, the predominant factor in GA fatal accidents was loss of control in flight (like most previous years). This usually resulted from low speed near to the ground and the aircraft stalling leading to an incipient or fully developed spin.

The CAA has issued an updated Safety Sense leaflet to inform, remind and educate pilots on the avoidance of loss of control in flight.

Helicopters

There were no fatal accidents involving a GA helicopter in 2023.

Other

There were 10 reported fatal accidents involving other sector aircraft reported between 2020-2022, with four fatal accidents reported during 2023. This sector has seen an increase in fatal accident rate in the past two years, specifically accidents involving gliders.

CAA Consumer Panel: Summary of 2023/24 Annual Report

The Rt. Hon Jenny Willott OBE

The CAA Consumer Panel is an independent non-statutory body providing expert advice to the CAA to make sure that the consumer interest remains central to its policy development. The Panel acts as a critical friend, helping the CAA to understand fully and take account of the interests of current and potential aviation consumers. We publish our own Work Programme and Annual Report, which are available on the Consumer Panel page of the CAA website.

Over the year to 31 March 2024, we continued to deliver the Work Programme that we published in September 2022 with a focus on building the evidence base, driving better outcomes for consumers, and influencing future frameworks.

Following a few turbulent years, we were able in 2023 and early 2024, to return to some long running themes and subjects where the Panel is keen to see improvements for consumers. We are pleased to have aided progress in a number of areas of the CAA's work and to have provided our expert opinion and unique voice in response to emerging issues and consultative work with various Government departments.

We responded to a number of CAA and Government consultations including:

- > **Improving price transparency and product information for consumer:** As part of the Government's "smarter regulation" review, there was a consultation to gather views on, amongst other topics, the extent to which the existing law protects consumers from drip pricing and whether more should be done to ensure transparency. The consultation gave examples from aviation of how the cost of a service can escalate with the addition of extra items, such as allocated seating. The Panel has been vocal in the past on the issue of seat allocation and our response referenced this, but also highlighted that there is already legislation in place to ensure the price advertised is achievable. In our view, any legal change in this area must recognise the value of offering a basic service with the opportunity to add optional extras, as this enables wider access to aviation by making lower prices possible. The Panel added that there would be value in reviewing whether all additional costs are genuinely optional, and reiterated the need for the CAA to have stronger powers to enforce the consumer protection legislation that already exists in this area.
- > **Consumer Environmental Information:** Having helped the CAA shape the call for evidence, published in early 2023, the Panel responded to the call, supporting the work conducted by the CAA in this area. The Panel stressed the need for consistency in calculation to aid consumers' understanding of the impact of their choices, the importance of consumers' trust in a new system, and clarity around timeframes to

focus industry attention on this work. The CAA, and industry, face a significant challenge in making such information understandable and meaningful and the Panel applauded the work undertaken to date and stressed the importance of consumer research.

- > **Airline Accessibility Framework:** The Panel strongly support the CAA's proposal to put in place an Airlines Accessibility Framework and believe that it has the potential to significantly improve the overall experience for disabled and less mobile passengers. Following the publication of the CAA's consultation, the Panel conducted a workshop with the CAA to consider the specific details in depth. The Panel emphasised the importance of placing passengers' needs at the heart of the framework and urged the CAA to be ambitious when defining the criteria against which airlines will be assessed. The Panel also suggested a review of the language used to ensure the framework focussed on inclusivity rather than processes and recommended that phrases such as 'reasonable efforts' should be clarified to avoid any doubt over the CAA's expectations. Further engagement on how to rate and rank airlines will take place when the proposals progress further.
- > **Meeting with Government's Aviation Minister:** The Chair of the Panel was invited to meet Anthony Browne MP to discuss the main issues facing aviation consumers. We were pleased that the minister recognised the value of the Panel and understood the importance of effective disruption management processes and redress channels for consumers. He also reiterated the need for more effective enforcement powers for the CAA, which the Panel has been pushing for to enable swifter and more effective interventions on behalf of consumers.

CAA Consumer Panel: Summary of 2023/24 Annual Report

The Rt. Hon Jenny Willott OBE

The Panel also worked closely with the CAA on the development of their consumer strategy, published in September 2023. We are delighted to see a dedicated consumer strategy from the CAA, which provides further opportunity to hold the CAA to account for its role in addressing potential consumer harm as well as a chance to celebrate when CAA action has had a clear, measurable impact on aviation consumers. The Panel was particularly pleased to see the CAA make direct reference to the Consumer Principles, a set of criteria by which policy makers can and should frame their approach to consumers. Following publication, the CAA sought advice from the Panel on the monitoring and recording of the key activities contained in the strategy. A consumer outcomes dashboard is in development for internal reporting purposes and the Panel stressed the importance of ensuring that the data demonstrates passengers' experiences, capturing where possible the outcomes for passengers and not merely the completion of an action. We also requested that further thought be given to how this could be developed into a tool for consumers to use, combining CAA activities with information about industry performance. This could help with decisions when making a booking as well as manage passenger expectations when things go wrong.

The Panel was also pleased to see the CAA's overarching strategy evolve to include clear commitments to the consumer strategy and a new mission that clearly puts consumers at the forefront of its work.

Engagement with the CAA was formalised following the recommendations from the Government's Arm's-Length-Body review of the CAA. The review, published in July 2023, made recommendations regarding the CAA's engagement with the Panel, specifically recommending that the Chair of the Consumer Panel should attend at least two CAA Board meetings a year and meet regularly with one of the CAA's non-executive directors. The Panel agreed that these recommendations would help embed a more systematic approach to discussing the aviation consumer interest at board meetings, and the Chair or an alternate from the Panel has already attended two board meetings and two meetings of the executive committee's policy and information exchange (PIE) meeting since last summer.

In addition, this year the Consumer Panel has had particular impact in the following areas:

> **Consumer intelligence and insights:** as well as providing advice on the development of the consumer dashboard, the Panel inputted into the development of the 2023 UK aviation tracker survey and discussions at PIE on how the CAA makes use of this intelligence. We also discussed the intelligence held by the CAA that may be usefully presented to consumers and pressed for greater transparency around industry performance.

> **Economic regulation:** The Panel has continued to work with the CAA to ensure that the consumer is at the forefront of the CAA's approach to economic regulation and specifically the NATS En Route plc (NR23) reviews. We also engaged with the independent review of NATS that the CAA commissioned following major disruption in August 2023. The interim report, published in March 2024, included reference to the need for effective consumer representation and the difficulty they experienced in gathering views from affected passengers. The Panel agrees with both these points and will continue to engage as recommendations are finalised.

> **Consumer Panel Chairs:** There is much that can be learned from looking across sectors to see what has been effective elsewhere, as evidenced by the membership of the Panel. The Chairs of the various Consumer Panels that exist to enhance regulators' consumer capabilities meet regularly and share their experiences. We were able to explain how the CAA is incorporating consumer interest into policy development in innovation and emerging technologies and have gained inspiration for strengthening the effectiveness of our influencing role.

In the last year we have delivered several aspects of our Work Programme. Over the next year, the Panel will continue to work with the CAA on strengthening the consumer evidence base and encouraging innovative uses of available data for internal and external audiences. We look forward to driving better outcomes for consumers through continued engagement with the CAA on the big proposals that it is pursuing, including ATOL reform and the Airline Accessibility Framework, and issues on which the Panel feels strongly, such as effective dispute resolution and improvements to industry complaints handling. With enhanced engagement with the CAA Board and the relationships that we are building across the CAA, we look forward to helping the CAA achieve the commitments made in its consumer strategy and seeing what new topics emerge in the ever changing and ever challenging aviation sector.

The Rt. Hon Jenny Willott OBE
Chair of the CAA Consumer Panel

CAA Environmental Sustainability Panel: Summary of 2023/24 Annual Report

Dr Ruth Mallors-Ray OBE

The CAA Environmental Sustainability Panel was established in June 2022 as a specialist, non-statutory and non-executive panel providing expert technical advice to the CAA. The Panel supports and challenges the CAA on its **Environmental Sustainability Strategy**; alongside this, the panel provides insights and expertise to CAA functions across the organisation to aid broader understanding and knowledge development of environmental sustainability challenges and opportunities. Environmental impacts and effects are wide ranging, incorporating global climate change (and the mitigations and adaptations that must be made to accommodate the resulting changing weather) alongside impacts and effects on a more local level such as noise, air quality and biodiversity. The Environmental Sustainability Panel provides insight and expertise across a broad range of disciplines to support the CAA in its execution of its own environmental agenda, roles and responsibilities seeking to bring a system view of environmental matters.

The role of the Environmental Sustainability Panel

The Environmental Sustainability Panel is acting as a 'critical friend' to the CAA providing expert technical insights to help the CAA consider environmental sustainability issues across the CAA's policy developments. The Panel does this by:

- > Providing expert technical advice to the CAA to support its work relating to its environmental roles, or on specific tasks that it may require, including input to its response to any relevant external consultations;
- > Helping the CAA to understand and take account of environmental interests and impacts in its regulatory policy and framework (although the Panel does not review or comment on individual regulatory decisions);
- > Challenging and supporting the CAA on its progress towards its strategic focus on improving environmental performance, both across the aviation and aerospace sectors as well as within the CAA itself, including informing the delivery and future evolution of its Environmental Sustainability Strategy;
- > Providing advice and critique on the CAA's research helping to identify where further research may be needed to inform its sustainability agenda.

Panel work programme

In its second year of operation, the Panel's activities have been guided by a two-year work programme running from April 2023 to March 2025. The work programme is structured around five pillars:

1. Supporting delivery of the CAA's Environmental Sustainability Strategy;
2. Providing technical advisory support to CAA activities that are directly and indirectly concerned with environmental impacts;
3. Working collaboratively with the CAA Consumer Panel on mutually agreed themes of interest;
4. Supporting the development of the CAA's collective knowledge, understanding and awareness of environmental sustainability; and
5. Providing strategic Panel input based on Panel's expertise and views of developments in environmental sustainability.

During the first year of this work programme, the Panel has provided:

- > Input and challenge to the evolution of the CAA's Environmental Sustainability Strategy, as the CAA undertakes a strategy refresh;
- > Expert technical advice to support CAA programmes of work including the Airspace Modernisation Strategy, environmental reporting and regulation of future technologies and innovations which may directly or indirectly address environmental impacts;
- > Support to the development of the CAA's environmental sustainability literacy, by delivering webinars, providing the CAA with the latest relevant research and providing critical insight and review of developments in industry and academia;
- > Strategic Panel input on the importance of systems thinking in aviation sustainability, including how the CAA can build systems thinking into its own considerations and how environmental impacts and effects may interact and affect each other.
- > Support and insight in the development of the CAA's Aviation Environmental Review (AER) published in 2023, including advice to the CAA on developing its requirement to make recommendations as part of the review and strategic advice on the direction the CAA could take the AER in future to maximise its impact and effectiveness in driving environmental performance.



CAA Environmental Sustainability Panel: Summary of 2023/24 Annual Report

Dr Ruth Mallors-Ray OBE

Word from the Chair

It has been another busy and interesting year as Chair of the CAA Environmental Sustainability Panel. CAA teams are proactively engaging with the Panel and increasingly seeking insights at the outset of work programmes to factor in environmental thinking. This is a noticeable shift from our first year of discussions and, demonstrates how the CAA is seeking to better understand environmental matters with a view to supporting the wider industry reduce its environmental footprint.

There is much to be done to move the aviation sector forwards to reduce its impact across all environmental matters. The pace for a sector which is so globally integrated is always a challenge; however, as the CAA deepens its own expertise on environmental sustainability, its role, remit and ability to influence transformation will become clearer. The Panel members and I continue to look forward to working with the CAA Environmental Sustainability Team and wider functions across the CAA.

Dr Ruth Mallors-Ray OBE

Chair of the CAA Environmental Sustainability Panel



Governance

Board Members



CAA Chair

Sir Stephen Hillier

Sir Stephen Hillier became Chair of the Civil Aviation Authority on 1 August 2020.

He previously had a long career in the Royal Air Force, eventually becoming Chief of the Air Staff, the head of the Service. He has extensive military flying experience as a pilot and instructor on a wide range of aircraft types, although his flying career started at age 17 when the CAA issued him his first private pilot's licence.

He also has extensive experience leading large, complex, and high-profile portfolios and programmes and managing change and risk within regulated environments.



Executive Board members

Rob Bishton

Rob Bishton is the Chief Executive of the UK Civil Aviation Authority and has held the role since 21 October 2023.

Rob became Chief Executive after holding the Interim Joint CEO position between April and October 2023.

Appointed to the Board as Group Director of Safety and Airspace Regulation in November 2019, Rob has been at the CAA since 2014, and previously held the role of Head of Flight Operations.

He has extensive experience in the aviation industry, including positions at Fastjet, Astraeus and easyJet. Rob, as a qualified commercial pilot, has more than 10,000 flying hours on B787 and B737 aircraft.

Rob has also represented the UK at the EASA Management Board and was formerly a NED of the UK Flight Safety Committee.



Tracey Martin

Tracey Martin was appointed Chief Finance Officer and a member of the Civil Aviation Authority Board on 20 September 2023.

Tracey was initially appointed as interim Chief Finance Officer in May 2023. She is also a Trustee of the Air Travel Trust.

Tracey brings her vast experience to the role, having previously held senior executive finance positions at Bristol Health, the Gambling Commission, NHS England, North Wales Police, and, more recently, the British Transport Police.

Board Members



Non-Executive Board members

Katherine Corich

Katherine Corich was appointed as a Non-Executive member of the Board on 1 July 2019. She is on the Audit and People Committees and also serves as a Non-Executive member of CAA International.

Currently Chair of the Sysdoc Group and IAP boards, Katherine is an Independent Member of the Royal New Zealand Air Force Leadership Board and a trustee of Pure Advantage Climate Change Think Tank.

Katherine trained as a commercial pilot before becoming a technology entrepreneur, founding Serendata Transformation Intelligence Platform, she was inducted into the NZ Hi-Tech Hall of Fame in 2015 and has been twice named as an EY Entrepreneur of the Year.



Marykay Fuller

Marykay was appointed to the Board as a Non-Executive Director in January 2019 and CAA Board Senior Independent Director in 2021 and serves as a member of the Audit Committee. She is Chair of the Air Travel Trust Fund and is also a Board member of CAA International Ltd. Marykay is the Chair of Intu Milton Keynes Limited and also chairs the Audit Committee of MSX International (Pacific Bidco). She serves as a director on GCP Asset Backed Income Fund Limited where she is a member of the Audit, Risk and Remuneration Committees. She is a Non-Executive Director for Tilbury Douglas (TD) Bidco and a Board member of Carnegie Mellon University (USA). Marykay's executive career was in finance and consulting and she is a former senior advisory partner at KPMG LLP. Earlier in her career, she also worked for the US Government where she worked on numerous US airline restructurings and served on the White House National Airline Commission.



Jane Hanson CBE

Jane was appointed as a Non-Executive member of the Board on 1 September 2021.

Jane also serves as the Chair of the Audit Committee, which helps direct the Civil Aviation Authority's corporate governance and internal control frameworks and oversees the financial audit processes.

A fellow of the Institute of Chartered Accountants, Jane brings a wealth of experience at Board level, holding Executive, Non-Executive Director, Chair and Chair of Audit Committee positions at several large and regulated organisations during her career including Aviva plc, Welsh Water plc, Direct Line Group plc, John Lewis Partnership and HM Treasury. Other roles have included Honorary Treasurer at the Disasters Emergency Committee, Chair of the Reclaim Fund and Chair of the Government's Dormant Asset Expansion Board and Chair of the Bardi Symphony Orchestra.

Jane qualified as a Chartered Accountant with KPMG, latterly leading the advisory practice for the delivery of Corporate Governance, Internal Audit and Risk Management advisory services in the North of England.

She has extensive experience in Enterprise Risk Management, Corporate Governance and Internal Control frameworks in predominantly heavily regulated sectors. Jane is also a Magistrate. In 2022, she received a CBE for services to the charitable sector.

Board Members



Vice-Marshal Tim Jones CBE
Assistant Chief of the Air Staff

Air Vice-Marshal Tim Jones CBE was educated at Inverkeithing High School in Fife, Edinburgh University (BSc (Hons) Physics), King's College London (MA Defence Studies) and the UK Joint Services Command and Staff College.

He joined the RAF in 1995 as a pilot and began his operational career in 1999 flying the Hercules C-130, first on LXX Squadron and subsequently on 24 Squadron and 30 Squadron. Qualified in all air-land and air-drop disciplines, his aircrew operational experience took him to East Timor, Iraq, Afghanistan, the Balkans and the Falkland Islands, as well as in support of 16 Air Assault Brigade as the RAF's Lead Captain. In 2013, Tim served in the British Embassy, Kabul in the Strategic Communications role for UK Forces. He has served in the Capability Sponsor (MOD) and in Finance and Military Capability Plans (MOD) and was responsible for devising the RAF's Strategic Workforce Plan during the 2015 Strategic Defence and Security Review. From 2016, Tim commanded RAF Brize Norton, the RAF's largest station, before attending the Royal College of Defence Studies in 2018. From 2019, he was the UK's Air Component Commander in the Middle East, before being appointed Head of Air Resources and Plans in HQ Air Command in 2020. In 2022, Tim became Assistant Chief of the Air Staff (Plans); in 2023 this merged with the role of Assistant Chief of the Air Staff (Strategy) and he became Assistant Chief of the Air Staff.



Anne Lambert CMG

Anne was appointed as a Non-Executive Member of the Board on 1 February 2019.

She is currently also a non-executive member of the Horseracing Betting Levy Board.

She was an Inquiry Chair at the Competition and Markets Authority 2014 to 2019 and a Non-Executive Director of the CMA from 2016 to 2018.

Previous roles include the UK's Deputy Permanent Representative to the EU and Director, European and Government Affairs for NATS. She also works as a freelance trainer on negotiating skills.



Manny Lewis

Manny Lewis was appointed as a Non-Executive member of the Board in October 2021, serving as a Non-Executive Director leading on people, change and business excellence.

Manny brings with him a wide array of skills and experience having worked in numerous leadership roles across the public sector and local government, including as Executive Director, Greater London Authority, Chief Executive of the London Development Agency and Managing Director of Watford Borough Council. He also brings considerable non-executive experience from chairing roles in the NHS and Social Housing.

Governance Statement



Good corporate governance is vital to us at the CAA, and our Board ensures we have the right corporate governance procedures in place and reviews them regularly.

We have applied the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code 2018, as appropriate for a public corporation, throughout the year ended 31 March 2024.

Board effectiveness

As reported in last year's Annual Report and Accounts, the CAA Board commissioned Flint Global to review its work, with a principal but not exclusive focus on the Board's skills and capability with respect to the CAA's five strategic focus areas. This review was completed and reported on in March 2022.

As mentioned in the Review of Business, the Government's 2023 review of the CAA as part of its programme to assess all arm's-length bodies, was designed to evaluate our efficacy, governance, accountability, and efficiency in carrying out our regulatory responsibilities. The review's report, published in July 2023, noted the high regard in which we are viewed by other aviation regulators around the world and was clear in its assessment of the value of the independent status of the CAA in supporting the continuing success of UK aerospace. It also made a series of recommendations to promote the improvement of the CAA, including several key recommendations in areas of focus in which we already have plans for improvement. Further details are set out on [page 30](#).

In addition, our Audit Committee conducted its annual assessment of CAA governance against the UK Corporate Governance Code's requirements. The Committee also assessed its own work against its terms of reference and reported the results of both assessments to the Board.

The Board

The Board comprises the non-executive Chair, three executive members and six independent non-executive members of the CAA. Except for the ex-officio MoD representative, the Secretary of State for Transport appoints non-executive members on fixed-term contracts and also appoints the Chair and sets his objectives. In December 2021, the Chair appointed Marykay Fuller as the Senior Independent Director.

Our Board members must declare all their interests and memberships when appointed and throughout their terms of office. We actively and continuously manage any actual or perceived conflicts. Non-executive members of the Board are considered to be independent.

During the reporting period there were the following changes to the Board:

- > Richard Moriarty ceased to be a Board member on 5 April 2023.
- > Paul Smith and Rob Bishton took on responsibility for the joint interim CEO role with effect from 5 April 2023.
- > Tracey Martin was appointed to the Board on 13 September 2023 as permanent Chief Finance Officer.
- > Rob Bishton was appointed to the permanent CEO position on 21 October 2023.
- > Air Vice Marshall Simon Edwards ceased to be a Board member on 31 December 2023.
- > Air Vice Marshal Tim Jones CBE was appointed to the Board on 1 January 2024.

The following changes occurred after the end of the reporting period:

- > Paul Smith ceased to be a Board member on 29 April 2024.
- > Air Vice Marshall Tim Jones CBE ceased to be a Board member on 14 June 2024.
- > Air Vice Marshall Suraya Marshall CBE took up a position on the Board on 14 June 2024.

Governance Statement

Board meetings and attendance

Two Committees assist the Board:

- > **Audit Committee** – chaired by Jane Hanson CBE; and
- > **People Committee** – chaired by Manny Lewis.

Members' attendance at Board and Committee meetings is shown below. When invited by the Committee's Chair, they can also attend meetings of committees of which they are not members.

Attendance for the 12 months to 31 March 2024	Board meetings	Audit Committee meetings	People Committee meetings
Number of meetings held	11	6	5
Sir Stephen Hillier	11	*4	*5
Richard Moriarty	1	N/A	N/A
Rob Bishton	11	*4	*4
Katherine Corich	9	6	5
AVM Simon Edwards	2	N/A	N/A
Marykay Fuller	11	6	N/A
Jane Hanson CBE	9	6	N/A
Anne Lambert CMG	11	6	3
Manny Lewis	11	N/A	5
Tracey Martin	**9	*5	N/A
Paul Smith	11	*4	*1
AVM Tim Jones CBE	2	N/A	N/A

* Meetings attended by invited non-members

** 2 of the meetings attended by Tracey Martin were prior to her becoming a Board member

The Board delegates responsibility for operations and management, and the development of strategy and policies to executive members. Executive members and management make regular reports and presentations so that the Board is aware of developments within each business sector. In addition, the CAA's Governance Statement provides details of matters reserved for decision by the Board. The Governance Statement was published on the CAA website on 25 May 2023.

The Board is given appropriate and timely information in advance of its meetings and care is taken to ensure that the form and quality of this information enables it to fulfil its responsibilities: maintaining strategic direction, approving major capital expenditure, considering significant financing matters and monitoring our overall performance and key business risks.

Our General Counsel and Company Secretary is responsible for ensuring the Board follows correct procedures. As part of this, they ensure that members are offered guidance on complying with relevant rules and regulations. All Board members have access to the advice of the General Counsel and Company Secretary.

It is the responsibility of the non-executive members to ensure Board reports are fully discussed and critically examined. Their different backgrounds and experience complement those of the executive Board members and they bring independent judgement to Board decisions. They also make up the membership of the Audit and People Committees.

Governance Statement

Accountability and audit

Financial reporting

We present a balanced and comprehensible assessment of our position and prospects in the Statement by the Chair, Statement by the Chief Executive, the Review of Our Business and the Financial Review, which can be found on [pages 17, 19, 22 and 40](#). In particular, the Financial Review details each business sector's performance and financial position.

For the Board members' responsibilities for the financial statements see [pages 68 to 70](#).

Risk management and internal control

The Board is responsible for our systems of risk management and internal control and monitors and reviews their effectiveness. The Board's meeting agendas include a regular item on risk and control. The aim is to give the Board regular oversight and assurance about the degree of risk control rather than ad-hoc reports when exceptional risks arise.

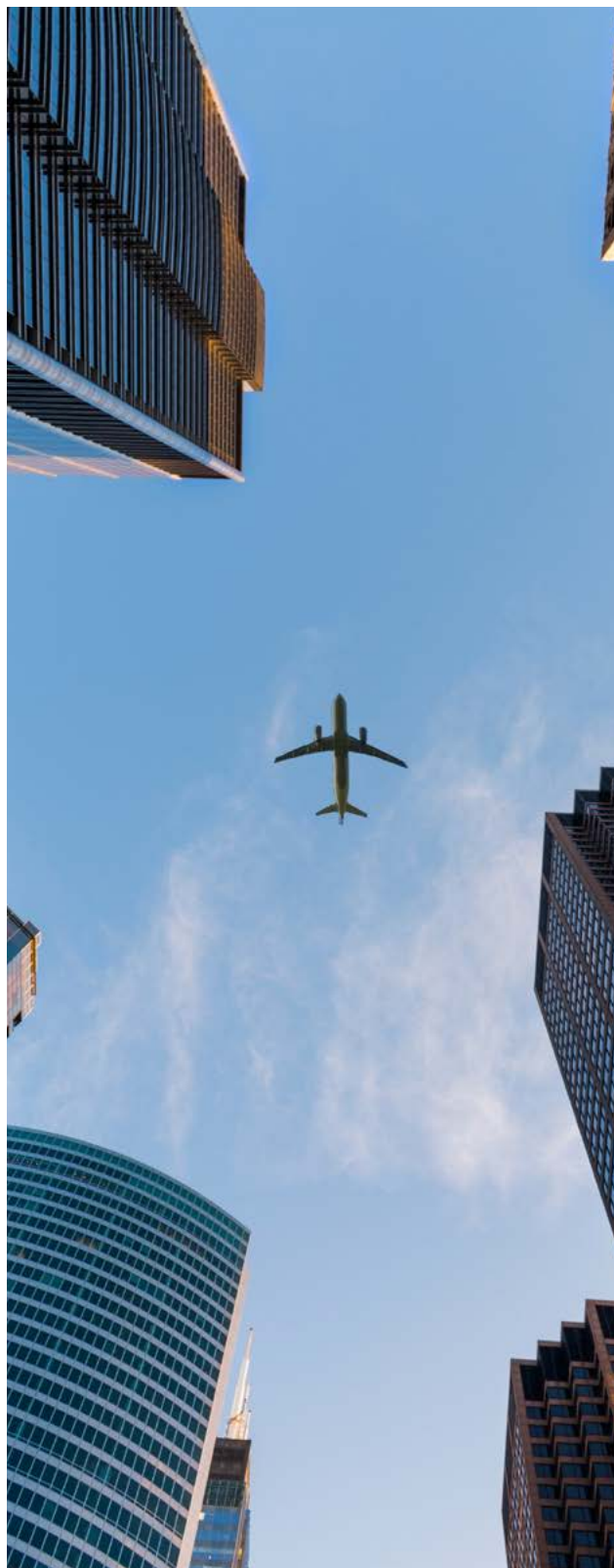
Internal control systems are designed to manage the risk of failure to achieve business objectives, but they cannot eliminate them. The systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

We have a robust assessment process for identifying, evaluating, and managing our emerging and principal financial, operational and compliance risks. It was in place for the year ended 31 March 2024 and up to the date of approval of the annual report and accounts. The Board regularly reviews it. It complies with the internal control guidance for directors of the UK Corporate Governance Code 2018. See [pages 34 to 35](#) for a detailed description of the principal risks and uncertainties.

Executive members report to the Board on possible control issues brought to their attention by operational units' early warning mechanisms. In addition, our risk management arrangements are subject to regular scrutiny by our Audit Committee. This includes receiving regular reports from our internal auditors, which incorporate recommendations for improvement. The Audit Committee then monitors how the recommendations are implemented.

The Board completed its annual review of the effectiveness of our risk management and internal control systems in June 2024. It confirmed that the necessary actions have been taken to remedy any significant failings or weaknesses and that no material weaknesses in the internal control system relating to financial reporting have been identified.

Our Head of Internal Audit's annual independent opinion provided adequate assurance that our governance, risk management and internal control processes were designed and operating effectively. Several in-year improvements were noted as were initiatives to further strengthen management's internal control framework.



Governance Statement

Viability statement

The aviation industry operates within a long-standing and well understood international legal framework. While the UK has now left the EU and is in transition to a new long-term relationship with the bloc, the international framework's requirement for the UK to have an independent, competent and sustainable regulator remains unchanged. That is the structural context within which the Board has assessed the CAA's continued viability.

The Board has also considered the financial context in which the CAA operates. The CAA is largely funded by charges payable by those subject to its oversight. Prior to the COVID-19 pandemic, approximately 35% of those charges were fixed in amount and payable annually by charge payers. Of the remainder, 37% of the CAA's income was calculated by reference to passenger / cargo / available seat kilometre volumes and 28% by reference to levels of industry activity, principally relating to applications received. Accordingly, where industry's financial performance is adversely affected by economic factors, there is also an effect on the CAA. The aviation industry has continued to see a strong recovery during the year ended 31 March 2024 which is forecast to continue through the coming year and beyond. The Board and Executive Committee consider these matters in setting the annual budget and in actively managing expenditure.

While we have been actively involved in supporting the Government in its work associated with the war in Ukraine, we have no reason to believe that the conflict will result in a significant financial impact to the CAA.

For the purposes of this Annual Report the Board has assessed the CAA's ability to continue to operate and meet its liabilities through to 31 March 2026. The Board chose this period for its review as there is a reasonable degree of certainty about our regulatory objectives.

It considered the information in the strategic plan, the approved budget for the financial year ending 31 March 2025 and plan for the following year. It also carried out a robust assessment of the principal risks that would threaten our business model, future performance and solvency.

The Board has regularly reviewed the CAA Group's three-year cash forecasts, which have typically incorporated a sensitivity analysis on CAA's cash position in the event of several crisis scenarios, primarily involving the potential loss of income as a result of the failure of large and medium-size UK airlines. During the COVID-19 pandemic, the Group's three-year cash flows were subjected to detailed stress tests and reverse stress tests of the revenue assumptions underpinning them with various scenarios considered in relation to the duration and severity of reduced demand in the aviation industry. Following emergence from the pandemic, the Group's three-year cash flows have been subjected to similar tests in terms of the potential speed of aviation growth and the associated revenue assumptions on which they are based.

Based on these tests, the Board is satisfied that the scenarios modelled could be managed within the CAA's existing funding resources.

The Board members confirm that they have a reasonable expectation that the Group and Authority will be able to continue in operation and meet its liabilities as they fall due through to 31 March 2026.

Going concern

The Board considered it appropriate to prepare the financial statements on the going concern basis. An explanation can be found in note 1.1 to the accounts on [page 100](#).



Governance Statement

Compliance statement

We are directed by the Secretary of State for Transport to report on our compliance with the Financial Reporting Council's July 2018 UK Corporate Governance Code provisions throughout the accounting period. The Code includes 18 principles of good governance and 41 supporting provisions. The Board considers that it has complied, throughout the year ended 31 March 2024 and up to the date of approval of the annual report and accounts, with all relevant provisions of the Code, except for provisions 14, 23, 33 and 41. We have provided a full explanation for this as below:

- > **Provision 14:** The Department for Transport writes annually to the Chair of the CAA setting out their priorities for the organisation. The most recent letter, from the Aviation Minister, covering priorities for 2023/24, is available on the CAA website. The terms of reference for the Audit and People Committees are also available on the CAA website. The CAA's Governance Statement, which sets out the Board's responsibilities, was published on the CAA website in May 2023.
- > **Provision 23:** The People Committee normally meets four times a year. One meeting per year has a dedicated agenda item to discuss Diversity and Inclusion where progress against the strategy and goals is reviewed.

The People Committee is updated annually with metrics on progress against our Diversity and Inclusion policy, including our progress to date in gaining better representation at senior levels.

We publish externally our Ethnicity Pay Gap report alongside our Gender Pay Gap report.

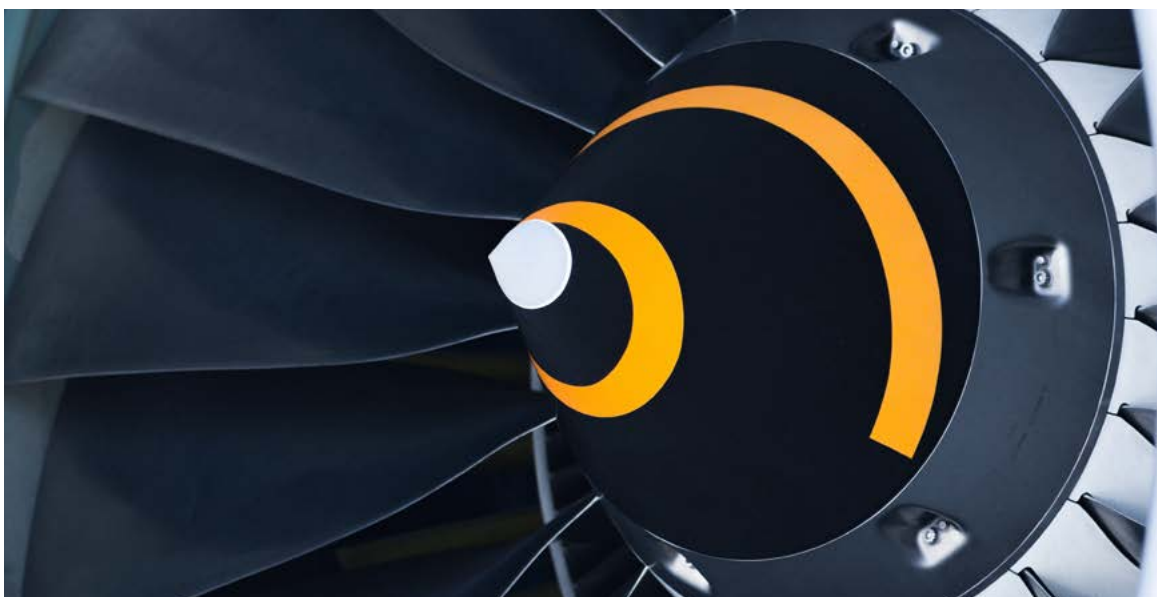
- > **Provision 33:** The People Committee has delegated responsibility for the policy for, and setting of, executive director remuneration. With the exception of the 5% increase agreed at the same rate as that applied in the general CAA pay settlement, no other pay awards were made to Executive Directors or the Executive Committee during 2023/2024.

The People Committee has no responsibility for determining the policy for Chair remuneration as this is a matter for the Secretary of State.

- > **Provision 41:** We have covered the work of the People Committee (which combined the previous Remuneration and Nomination Committees) and the strategic rationale for Executive Directors' remuneration policies and structures within the People Committee Report.

Our focus in 2023/24 continued to be on the Reward Strategy for the CAA rather than on executive remuneration. However, CEO and Executive Director remuneration is benchmarked externally as part of any recruitment campaign, with the People Committee approving the final remuneration package. Any remuneration package for a CEO is submitted via the Department for Transport to the Chief Secretary to the Treasury for review.

The factors set out in Provision 40 (clarity, simplicity, risk and predictability) are reflected within our newly developed and published reward philosophy and principles which underpin reward for everyone in scope at the CAA. Additionally, the People Committee reviews annually the reward arrangements for colleagues below the Executive Committee and takes this into consideration when approving any changes to Executive remuneration. The People Committee undertakes a rigorous assessment of Executive Director performance against performance metrics when approving bonus arrangements. Our level of compliance with Provision 41 is considered by the Board to be appropriate for our organisation.



Audit Committee Report

Jane Hanson CBE

Chair of the Audit Committee

Committee membership

- > **Jane Hanson CBE:** Chair
- > **Katherine Corich:** Independent Non-Executive Director
- > **Marykay Fuller:** Independent Non-Executive Director
- > **Anne Lambert CMG:** Independent Non-Executive Director

Audit Committee main responsibilities:

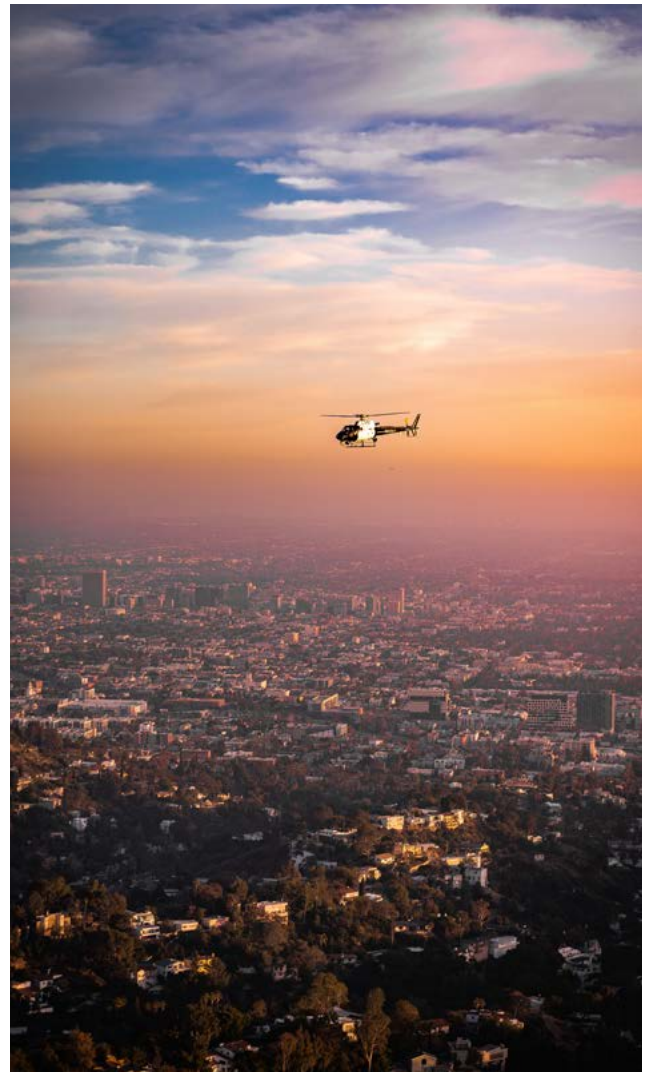
- > Oversee the integrity of the Group's financial statements.
- > Oversee and challenge the effectiveness of the CAA's financial and other control systems, risk management framework, statutory and other external compliance requirements and financial reporting.
- > Oversee and challenge the plans, reporting and effectiveness of the Internal and External Auditors.
- > Oversee the CAA's financial and non-financial disclosures including any climate-related financial disclosures.

Areas of focus in the reporting period

- > **Pensions estimate:** a significant estimate in the financial statements is the valuation of net pension surplus for employees in the CAA Pension Fund. The net pension surplus at 31 March 2024 was £31.1 million (2023: £75.6 million), an overall decrease in the surplus of 58.9% in the past 12 months. Having taken into account the External Auditor's view, the Committee considered the reasonableness of the assumptions underlying the pension calculations and agreed the assumptions are within an acceptable range.
- > **Key accounting judgements and estimates:** the Committee considered the key accounting judgements and estimates made by management where these may have a significant impact on the financial results of the organisation and the approaches taken in determining those estimates. See significant judgements and issues table on [page 78](#).
- > **Accounting principles and policies:** the Committee scrutinised and approved the selection of significant accounting policies and practices that have, or could have, a material effect on the statement of accounts. We were satisfied there were no new or revised accounting standards that would have a significant impact on the financial statements.

- > **Going concern and viability:** we considered the impact of the continued recovery of the aviation industry from COVID-19 on the financial statements and the future cash flows of the Group. This is in particular regard to the measures in place to mitigate these impacts and the assessment of the CAA to remain viable and to be able to meet going concern requirements as at the signing date of the accounts. For more information on the viability statement see [page 74](#).

The Committee considered whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and whether it gives the Secretary of State for Transport the necessary information to assess the CAA's performance, business model and strategy. We reported to the Board that we believed this to be the case and the Board were in agreement with this assessment.



Audit Committee Report

Jane Hanson CBE

Chair of the Audit Committee

Other Committee activities during 2023/24

Financial Reporting:

- > Reviewed lessons learned from the 2022/23 annual report and accounts production process and the associated external audit.
- > Reviewed and approved the 2023/24 annual report and accounts timetable.
- > Reviewed and provided inputs to the 2022/23 and 2023/24 annual report and accounts outline, format and structure.
- > Reviewed the CAA liquidity and stress testing policies.
- > Reviewed arrangements in place for mitigating risk of Direct Debit fraud.
- > Reviewed the CAA's debt recovery escalation process.
- > Reviewed proposals for developing the CAA Strategic Finance Function.
- > Reviewed environmental reporting frameworks and their appropriateness to the CAA.
- > Reviewed an update on monitoring of key financial controls.
- > Reviewed proposals in respect of the management and utilisation of CAA's reserves.

External Audit:

- > Reviewed the Auditor's audit completion report for 2022/23 and the draft letters of representation.
- > Reviewed the Auditor's response to an Audit Quality Inspection report published by the FRC.
- > Reviewed the Auditor's effectiveness, independence and fees.
- > Reviewed the Auditor's interim audit plans and 2023/24 audit planning report.
- > Received updates on the re-tender of the CAA external audit contract.

Risk Management:

- > Reviewed the health of the CAA's risk management arrangements and received an update on the resourcing of the risk function.
- > Carried out in depth reviews of key risk areas including: Office of General Counsel, Consumers and Markets Group, the issuance of commercial and private pilot licences, and Professional Services Group.
- > Reviewed updates on cyber and information security risks.
- > Received updates on the adoption of the Three Lines of Defence Framework.
- > Received an update on the development of Risk Appetite Statements.

Internal Audit:

- > Reviewed activity reports from the Head of Internal Audit.
- > Reviewed the Head of Internal Audit's opinion on governance, risk management and internal control.
- > Reviewed and approved the Internal Audit planning process and the themes arising, the assurance need, and the forward plan of audits.
- > Reviewed and approved the CAA Internal Audit Charter, Mandate and strategy.
- > Reviewed Internal Audit's self-assessment against the International Professional Practices Framework.
- > Reviewed the External Quality Assurance of the Internal Audit function.

Governance:

- > Reviewed an assessment of CAA's compliance with the UK Corporate Governance Code 2018.
- > Reviewed and approved the Audit Committee terms of reference.
- > Reviewed interim governance arrangements following the departure of the Chief Operating Officer.
- > Reviewed the annual update on GDPR risks.
- > Reviewed arrangements in place to maintain the independence of Non-Executive Board Members in respect of the CAA Regulation 6 Process.



Audit Committee Report

Jane Hanson CBE

Chair of the Audit Committee

Committee skills and experience

In line with the UK Corporate Governance Code 2018 ('the code'), all members of the Audit Committee are independent. The Board has confidence that, given our considerable financial, aviation, regulatory and business experience (as outlined in the Committee members' profiles on [pages 68 to 70](#)) we have sufficient recent and relevant financial and other experience to fulfil the Committee's functions.

Significant Judgements and Issues

Matter Considered	Description	Action
Valuation of pension scheme assets and obligations	The defined benefit pension scheme funding position as determined under International Accounting Standard 19 'Employee Benefits' requires a number of actuarial assumptions to be made, including judgements in relation to long-term inflation, salary growth and longevity. The final calculations in respect of the scheme are carried out by a qualified actuary that is independent of the scheme. Note 17 to the accounts sets out the main actuarial assumptions used, including sensitivity analysis.	The Committee were satisfied that assumptions bases were consistent with previous years and professional advice received from CAA's consultant actuaries.
Intangible assets and impairments	Historically, the CAA has capitalised development and project costs, particularly in relation to transformation programmes. A review has been undertaken to consider whether there are any impairments of projects from previous years' capitalisations or new project costs capitalised in this financial year. Given the level of associated management judgement, the options arising from such reviews are subject to senior review and scrutiny.	The Committee were satisfied with management's approach for intangible assets impairment reviews in the financial year.
Expected credit losses	The level of bad debt provision is subjective in nature. A number of factors, including the age of the debt, specific customer knowledge, past history of the CAA, and the aviation environment generally, inform our approach to bad debt provisioning. We also make an expected credit loss (ECL) provision based on the ageing category for debt not otherwise specifically provided for.	The Committee considered the basis used for the Group's ECL provisions and was satisfied that this was appropriate in the current operating environment.

Audit Committee Report

Jane Hanson CBE

Chair of the Audit Committee

Risk Management

Risk management is a standing agenda item at each Audit Committee meeting. The Committee receives regular updates on the health of the CAA's risk management arrangements including risk identification, management and escalation by the CAA's first line of defence functions. The Committee also regularly reviews the resourcing and capability of the second line corporate risk function. Any areas for improvement identified by the Committee are followed up and addressed.

At each meeting, the Audit Committee reviews the outcomes of the Executive Committee's rolling review of all CAA risks (by functional area). These updates enable the Audit Committee to determine whether or not risks are being appropriately scrutinised. Where necessary, the Committee will seek additional assurance in relation to any risks of particular concern, including the actions being taken to manage them.

The Committee also reviews the work undertaken by CAA functions covering specific risk areas and/or disciplines. During the year under review, this included reviewing the mechanisms in place to manage cyber and information security risks and the work undertaken to comply with the General Data Protection Regulation. The Committee also uses the insights of the CAA's third line of defence (Internal Audit) to inform its view of the CAA's risk management arrangements.

The Chair of the Audit Committee continues to help the CAA further evolve its approach to risk management, including risk appetite and the three lines of defence model.

The CAA Board receives regular updates from the Chair of the Audit Committee. These updates provide an overview of the work of the Committee including its ongoing review of the CAA's Risk Management Framework.

Internal Audit

During the year, Internal Audit provided the Committee with independent and objective reports on the adequacy and effectiveness of the CAA's governance, risk management and internal controls. Our Head of Internal Audit suggests a forward plan of risk-based assurance audits that should be carried out. The forward plan is then reviewed and, if thought fit, is approved by the Committee during the year.

All audits are carried out independently by our Internal Audit function, in accordance with the Institute of Internal Auditors (IIA), international standards for professional practice of internal auditing and the Public Sector Internal Audit Standards (PSIAS), as required by the UK Corporate Governance Code of July 2018.

The assurance ratings from these audits inform our Head of Internal Audit's report to the Committee on governance, risk management and internal control arrangements. The Internal Audit function has two permanent staff members, internal secondments, and 'co-sourced' resources obtained from a third-party supplier on an

assignment basis. Our Head of Internal Audit, Andrew Broadhead, is a Certified Information Systems Auditor (CISA) and holds a Master of Business Administration (MBA).

Internal Audit regularly assesses the effectiveness and independence of the internal audit function, including:

- > taking stakeholder feedback on the quality of internal audit activity
- > running a biannual private discussion between the Head of Internal Audit and Committee members
- > Internal Audit's self-assessment against an assertion of compliance with the IIA international standards and the PSIAS.

It is good practice to perform an External Quality Assessment (EQA) of the Internal Audit (IA) function every five years. The last one was carried out by the IA in late 2022. The EQA report and action plan was reviewed by the Audit Committee and monitored until full completion achieved.

Key areas Internal Audit covered during 2023/24

The audits undertaken comprised a dynamic risk-based programme of work across a range of key internal areas, agreed with management and approved by the Audit Committee. Audits performed during the period included assessments of the adequacy of:

- > the lessons learned activity performed following the Spaceflight function's first 12 months of operation;
- > the intended strategy for policy horizon scanning;
- > the controls put in place to mitigate Direct Debit fraud;
- > the intended revised approach to business continuity;
- > the arrangements in place to oversee entities to which the CAA has delegated authority;
- > the CAA's action plan in response to the outcomes of the Arm's-Length Body review commissioned by the DfT;
- > the planned approach to the delivery of the Customer Experience and Modernisation programme;
- > the planned approach to compliance and risk-based oversight in the Aviation Security function;
- > the regulatory and operational delivery approach in place in the General Aviation unit;
- > the approach to rulemaking and the associated programme of activity; and
- > the approach to economic regulation.

The Audit Committee received quarterly reports on the progress of audits, changes to the forward plan of work in response to the evolving risk landscape, and, where appropriate, management's response to findings as well as progress made in addressing the issues identified.

Audit Committee Report

Jane Hanson CBE

Chair of the Audit Committee

External Audit

The external auditors are appointed on a three-year basis, with the option to extend for a further period. In 2021, the Committee held a full tender process, following which BDO LLP were reappointed with effect from 1 September 2021. BDO's initial contract commenced in 2017 and the current one expires on 31 August 2024. The tender process complied with the applicable parts of the FRC's guidance "Audit Tenders: Notes on best practice". Michael Simms is the responsible BDO partner for the audit.

A new tender process to appoint external auditors for a 5 year period commencing 1 September 2024 is currently in progress.

The Audit Committee is proactive in ensuring an effective relationship with the external auditor. Steps taken to promote this include:

- > Senior members of the external audit team are invited to attend all Committee meetings held during the year.
- > At least one meeting with the external auditor is held each year at which there are no CAA management attendees present.
- > The Chair of the Committee is consulted separately by the external auditor during the audit planning process, particularly on matters relating to risks and internal controls.

Each year, the Committee assesses the effectiveness of our external audit by reviewing partner rotation, audit and non-audit fee levels and trends, audit plans, reports, other communications and independence. The Financial Reporting Council (FRC) published its latest Audit Quality Inspection and Supervision report of BDO LLP in July 2023. We discussed the report's findings, as well as BDO's plans to address areas for improvement, with the senior external audit team.

A formal process is in place for the approval of non-audit-related services, which may be proposed to be carried out by the external auditor. The Committee ensures, in order to protect the independence of the external auditor, that such services should not be provided unless there is a strong, clear and understandable business reason.

In addition, the external auditor cannot provide a service that results in it auditing its own firm's work. Nor can it make management decisions for the CAA, create a common interest or advocate for the CAA.

It would not be in the CAA's interest to engage our external auditor to carry out services where there is a conflict of interest with one of its other clients and we do not do so.

Non-audit services, permitted by the Financial Reporting Council's Ethical Standard (2019), may be provided by the external auditors but only after pre-approval by the Audit Committee. Non-audit

work performed by the auditor is awarded under the CAA's normal procurement procedures and is monitored by the CAA's Head of Procurement. The Audit Committee monitors the application of these procedures and the independence of the external auditor. £0.016m of non-audit fees were paid to the external auditor during the year (2023: £0.015m); £0.001m related to the provision of grant assurance reports (2023: £0.001m) and £0.015m was for Streamlined Energy and Carbon Reporting assurance work (2023: £0.014m).

Jane Hanson CBE, Chair, Audit Committee
19 June 2024





People Committee Report

Manny Lewis

Chair of the People Committee

2023/24 saw the second full year of operation of the People Committee following its establishment in November 2021.

Committee membership

- > **Manny Lewis:** Chair
- > **Katherine Corich:** Independent Non-Executive Director
- > **Anne Lambert CMG:** Independent Non-Executive Director

The CAA Chair and Chief Executive are invited to attend meetings when matters applying to them are not under discussion. When matters involving the appointment of non-executive members are under discussion, that discussion in the meeting is chaired by the CAA Chair. The People Committee met five times during 2023/24.

People Committee main responsibilities:

- > In consultation with the Senior Independent Director, agree objectives for the Chair of the Board.
- > Agree objectives for the Chief Executive and other Executive Board Members and, on recommendation from the CEO, agree the objectives applying to all members of the Executive Committee.
- > Assess performance and agree reward for the Chief Executive, other Executive Board Members and members of the Executive Committee.
- > Consider and make recommendations in respect of the appointment of Members of the CAA.



Board appointments

'Members' of the CAA are (up to) 16 individual members of the body corporate which is legally accountable for the discharge of the various functions of the CAA. Board members are appointed as set out in the Civil Aviation Act 1982, and as amended by the Civil Aviation Act 2012. In summary, the provisions are:

- > the Secretary of State for Transport appoints the CAA Chair,
- > the Secretary of State appoints the non-executive members on the basis of recommendations made following an OCPA-aligned process conducted by the CAA and DfT,
- > the non-executive members appoint the Chief Executive, subject to approval by the Secretary of State,
- > the Chief Executive appoints other executive members, subject to the approval of the Chair and at least one other non-executive member.

The People Committee, which is chaired by Manny Lewis, with the support of the ExCo Talent Board, oversees the succession planning for key CAA roles, including the Chief Executive, other Executive Board Members and members of the Executive Committee on an annual basis.

The role of the Board is to provide specific focus on the management of talent across the organisation. It oversees and approves talent approaches as well as reviewing talent pipelines in line with our Diversity and Inclusion (D&I) commitments.

There were no changes among our non-executive members during the year under review. The terms for Marykay Fuller and Anne Lambert come to an end in June 2024 and October 2024 respectively and we have begun the recruitment process to replace them.

The DfT has extended the appointment of our Chair, Sir Stephen Hillier to 31 July 2028. Extensions have also been approved for non-executive members, Manny Lewis and Jane Hansen to September 2027.

In terms of our search for a new CEO, we appointed the Executive search firm Saxton Bampfylde to conduct the process on our behalf. The Chair and selected Non-Executive Board members, together with a representative from the DfT and an independent panel member, successfully conducted the selection process for a new CAA CEO.

Their recommendation was referred to the Secretary of State for approval and in October 2023, Rob Bishton was appointed as the new CEO.



People Committee Report

Manny Lewis

Chair of the People Committee

Board appointments (continued)

The People Committee has also overseen the appointment of a Chief Finance Officer, Tracey Martin, to replace the outgoing Chief Operating Officer. Tracey took up the role in May 2023 and was appointed to the Board on 13 September 2023.

The CAA runs an annual Colleague Experience Survey to measure colleagues' engagement. The People Committee reviews the survey results and monitors organisational action plans. The CAA also runs pulse surveys throughout the year to measure progress.

The Committee approved an interim People Strategy to March 2025 so as to provide the opportunity for the new CEO and Executive Board members to shape the longer-term people plan whilst taking account of the refreshed CAA corporate strategy. The interim People Strategy has a strong focus on:

- > Organisational engagement
- > CAA culture and learning
- > Customer service
- > Reward strategy
- > Future capability, talent and succession planning
- > Diversity, inclusion and wellbeing

Wellbeing is an important part of colleague engagement. To evaluate our wellbeing offering comprehensively, the CAA is seeking external accreditation with mental health charity MIND. Working with MIND will ensure we use honest and independent feedback to help us develop and implement our wellbeing initiatives.

The CAA is in the third year of its 'All are Included' diversity and inclusion strategy. Our D&I Board operates under ExCo sponsorship and comprises colleagues from across the organisation. The D&I Board contributes to the development of proposed deliverables each year and has been included in the development of our D&I strategy for 2024/25.

The People Committee takes an active role in monitoring our D&I progress and our gender and ethnicity pay gap data. It regularly reviews our D&I workforce data. This includes commitments to reducing our gender and ethnicity pay gaps annually and diversifying our workforce through our gender and ethnicity targets. It monitors the progress of delivering our existing D&I Strategy and plans and reviews new proposals.

Board members' contracts

All current non-executive members were appointed on fixed-term appointments of between three and four years. Our executive members are all on open-ended, permanent employment contracts and all have a termination notice period of six months. The People Committee monitors Board composition to maintain the right skills required to successfully lead the CAA and ensures effective succession planning.

CAA members' terms

CAA member	Date of first appointment	Date of expiry
Sir Stephen Hillier	10 June 2020	31 July 2028
Rob Bishton	6 November 2019	N/A
Katherine Corich	1 July 2019	30 June 2026
AVM Tim Jones	24 January 2024	Ex-officio appointment
Marykay Fuller	14 January 2019	30 June 2024
Jane Hanson CBE	1 September 2021	31 August 2027
Anne Lambert CMG	1 February 2019	31 October 2024
Manny Lewis	1 October 2021	30 September 2027
Tracey Martin	13 September 2023	N/A
Paul Smith	21 May 2018	N/A

The CAA follows the provisions of the UK Corporate Governance Code 2018 (see our Governance Statement on [pages 71 to 75](#)) and complies with the Directors' Remuneration Regulations 2002, as applicable to public corporations. We also apply the principles of good governance to executive Board members' remuneration.

During 2023/24, we focussed significantly on the embedding of the new reward model for the wider CAA with effect from 1 April 2023. We are conducting a post implementation review in order to understand if any amendments need to be made. The People Committee's role is to ensure remuneration policy is operated as intended and that the workforce is engaged with and understands how executive remuneration aligns with the wider company pay policy. This year, executives' pay increased at the same rate as that applied in the general CAA pay settlement – 5.0% - with effect from 1 April 2023.



People Committee Report

Manny Lewis

Chair of the People Committee

Remuneration policy

The CAA remuneration policy is to reward executive members appropriately so we can recruit and retain members who are qualified and motivated to deliver our objectives effectively. Executive members' remuneration is reviewed every year. The CAA conducts an annual pay bargaining process with trade unions and ensures all colleagues are consulted on proposals, balancing affordability with consideration of market competitiveness and the importance of retaining the right expertise across the organisation.

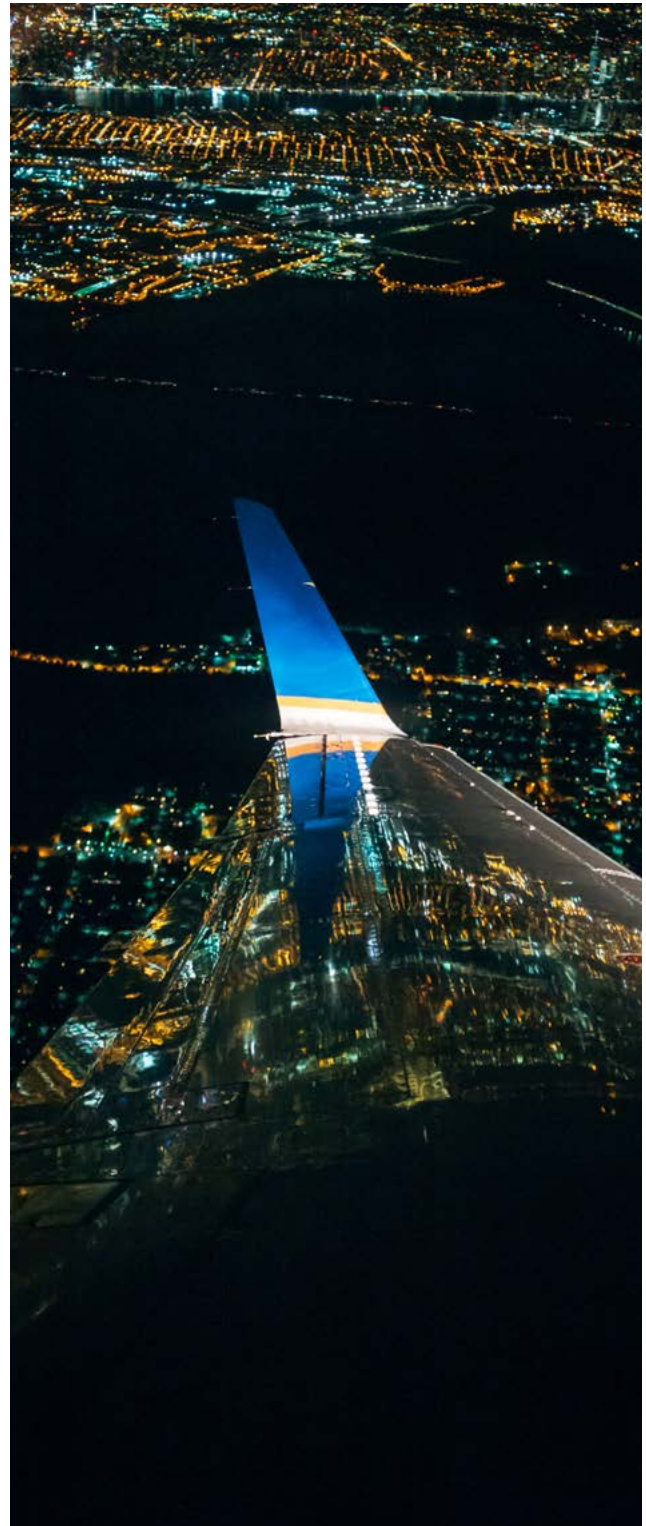
Salaries and fees

When deciding on salaries, fees, and the total package of benefits, we look at relevant market rates to ensure internal consistency and relativity. The ratio of the salary of our lowest paid permanent employee to that of the CEO is 16:1. The ratio of the average CAA salary to that of the CEO is 6:1. We consider these figures in mind when making decisions on executive remuneration.

Performance-related pay

The CAA has a long-established policy of considering performance-related payments for Executive Board members, based on clear individual and team objectives. These are agreed by the Committee at the beginning of each financial year and evaluated at the end of the performance year. Under their employment contracts, the performance-related payment is normally up to 25% of basic annual salary for the Chief Executive and up to 20% of basic annual salary for other executive Board members. Performance-related payments are not pensionable. The amounts paid are reflected in the emoluments table for 2023/24.

When performance-related payments are made, we reserve the right to recover them where, following payment, it is discovered that there is material evidence of a criminal act, misconduct, dishonesty or other deliberate wrongdoing which, had we been aware of such evidence at the time, would have influenced our decision to make the payment. Performance-related payments, when they are made, are agreed on that basis.



People Committee Report

Manny Lewis

Chair of the People Committee

Board members' emoluments

Emoluments (excluding pension arrangements) of the Chair and Board members for the financial year ended 31 March 2024 were as follows:

Board member	Note	Salary and fees	Benefits	2023/24 Performance-related payments	2023/24 Total	2022/23 Total
Sir Stephen Hillier		130.0	0.0	0.0	130.0	130.0
Richard Moriarty		18.6	0.1	0.0	18.7	415.8
Rob Bishton		285.0	1.0	39.8	325.8	246.7
Tracey Martin		100.5	0.6	19.2	120.3	0.0
Paul Smith		222.3	0.0	30.9	253.2	231.1
Katherine Corich	1	26.0	0.0	0.0	26.0	26.8
Marykay Fuller	1,2	28.0	0.0	0.0	28.0	28.0
Jane Hanson CBE	1,3	28.0	0.0	0.0	28.0	28.0
Anne Lambert CMG	1	26.0	0.0	0.0	26.0	29.6
Manny Lewis	1,4	28.0	0.0	0.0	28.0	28.0
Tim Jones	5	0.0	0.0	0.0	0.0	0.0
Board members' emoluments as per the annual accounts		892.4	1.7	89.9	984.0	1,395.0

- 1 Non-executive members are paid a non-pensionable fixed rate of £25,000 p.a. This is uprated by £3,000 for chairing Committees. In addition, a per-diem rate of £430 is paid for serving on licensing panels. The rates of pay for non-executive members are set by the DfT.
- 2 Marykay Fuller's salary includes remuneration for her role as Chair of the Air Travel Trust.
- 3 Jane Hanson's salary includes remuneration for her role as Chair of the Audit Committee.
- 4 Manny Lewis's salary includes remuneration for his role as Chair of the People Committee.
- 5 AVM Tim Jones is a MoD nominee holding an ex-officio post with no remuneration.

In the event of termination of a member's contract by the CAA, the executive Board members would receive compensation on broadly similar terms to those applicable to a CAA employee. Non-executive Board members would not be eligible to receive termination compensation.



People Committee Report

Manny Lewis

Chair of the People Committee

Pension arrangements

CAA Pension Scheme (CAAPS), a defined benefit scheme governed by an independent trust, has been closed to new members since December 2012. None of the executive members of the CAA were either contributing members of CAAPS or CAAPS pensioners.

A description of the scheme is given on **page 128** in note 17 to the consolidated financial statements.

Since the closure of CAAPS to new entrants we have provided a Defined Contribution (DC) pension scheme. Paul Smith, Rob Bishton and Tracey Martin were members of our DC scheme during the year. Like other employees who are members of the CAA's DC scheme, executive Board members can elect to pay 3%, 5%, or 6% of their pensionable pay into this scheme and receive a contribution from the CAA of 6%, 10% or 12% respectively.

Four years ago, the CAA introduced a scheme offering cash alternatives to pension contributions to those impacted by the pensions' statutory lifetime allowance and/or annual allowance. No Board members have elected to take part in this scheme throughout this year.

Board members' pension arrangements – DC scheme

Board member	CAA contribution during the year	Board member's contribution during the year*
	£000	£000
Rob Bishton	52.3	0.0
Tracey Martin	9.3	0.0
Paul Smith	41.3	0.0

* The CAA DC scheme operates a salary sacrifice arrangement for employee contributions. Executive Board members were members of this arrangement and so have not directly paid contributions to the scheme since the beginning of the salary sacrifice arrangement, or since joining the CAA, if later. The amount of salary sacrificed is equivalent to the employee pension contribution paid and was equal to £17.4k in relation to Rob Bishton, £3.1k in relation to Tracey Martin and £13.8k in relation to Paul Smith.

Manny Lewis, Chair, People Committee
19 June 2024



Statement of Board Members' Responsibilities

Jonathan Spence

The Board members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

The Accounts Direction issued by the Secretary of State for Transport requires the Board members to prepare financial statements for each financial year. Under the Accounts Direction the Board members have prepared the Group and CAA financial statements in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006. Under the Accounts Direction the Board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the CAA and of the profit or loss of the Group and of the CAA for that period. In preparing the financial statements, the Board members are required to:

- > select suitable accounting policies and then apply them consistently;
- > state whether applicable IASs have been followed, subject to any material departures disclosed and explained in the financial statements;
- > make judgements and accounting estimates that are reasonable and prudent; and
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the CAA will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the CAA's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the CAA and enable them to ensure that the financial statements comply with Civil Aviation Act 1982 and the Accounts Direction made thereunder by the Secretary of State for Transport.

The Board members are also responsible for safeguarding the assets of the Group and the CAA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board members are responsible for the maintenance and integrity of the CAA's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each Board member in office at the date the annual report is approved:

- > so far as the Board member is aware, there is no relevant audit information of which the Group's and the CAA's auditors are unaware; and
- > they have taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the Group's and the CAA's auditors are aware of that information.

By order of the Board.

Jonathan Spence, General Counsel & Secretary
19 June 2024





Independent Auditors' Report to the Secretary of State for Transport

Opinion on the financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Authority's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- > the Authority financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Civil Aviation Act 1982 (the "Act") and the Report and Accounts Directions made thereunder by the Secretary of State for Transport.

We have audited the financial statements of the Civil Aviation Authority (the "Authority") and its subsidiaries (the "Group") for the year ended 31 March 2024, which comprise the Group's Income statement, the Group's and the Authority's Statements of Comprehensive Income, the Group's and the Authority's Statements of Financial Position, the Group's and the Authority's Statements of Changes in Equity, the Group's and the Authority's Statements of Cash Flows and notes to the financial statements, including a summary of material accounting material information. The financial reporting framework that has been applied in their preparation is UK adopted international accounting standards in accordance with the requirements of the Companies Act 2006, the Civil Aviation Act 1982 and the Reports and Accounts Directions made thereunder by the Secretary of State for Transport.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the board members assessment of the Group and the Authority's ability to continue to adopt the going concern basis of accounting included:

- > we obtained the Board members going concern assessment, budgets, and forecasts, for a period covering 12 months after the date of approval of the financial statements and assessed the suitability of the inputs and mathematical accuracy of the budgets and forecasts, through discussion with the Board members and obtaining relevant support for key inputs and assumptions.
- > we compared the previous forecasts to actual performance to assess the Board members forecasting abilities.
- > we assessed the adequacy of the going concern disclosure to check that it gives a complete and accurate description of the Board members assessment of going concern and is consistent with our understanding obtained from audit procedures performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Authority's voluntary reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Board members' statement in the financial statements about whether the Board members considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.



Independent Auditors' Report to the Secretary of State for Transport

Overview

Coverage	100% (2023: 100%) of Group profit before tax		
	100% (2023: 100%) of Group revenue		
	100% (2023: 100%) of Group total assets		
Key audit matters		2024	2023
	Valuation of defined benefit pension scheme assets and liabilities	✓	✓
Materiality	Overall materiality		
	Group - £ 2.3m based on 1.25% of revenue (2023: £2.0m based on 1.25% of revenue)		
	Authority - £ 2.0m based on 1.25% of revenue (2023: £2.2m based on 1.25% of revenue)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the board members that may have represented a risk of material misstatement.

The Group is structured with a parent Authority i.e., the Civil Aviation Authority (the 'CAA' or the 'Authority'), and two subsidiary companies, Air Safety Support International Limited ('ASSI') and CAA International Limited ('CAAI'). The parent Authority was considered to be a significant component and was subject to a full scope audit by the group engagement team. The subsidiaries of the Group were considered non-significant; however, these have been subject to full scope audits for statutory reporting purposes and were audited by the group engagement team.



Independent Auditors' Report to the Secretary of State for Transport

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter in our audit
<p>Valuation of defined benefit obligations and fair value of plan assets</p> <p>Given the materiality and the level of judgement involved in the valuation of the defined benefit retirement obligations and certain defined benefit plan assets, the valuation of the defined benefit retirement obligations and the insured annuity policies within plan assets is considered to be a significant risk.</p> <p>The assumptions used in the valuation of the defined benefit obligations represent significant management estimates.</p> <p>The accounting policies, assumptions and relevant disclosures are included within the following notes of the financial statements: 1.14, 1.19 and 17.</p>	<p>We reviewed the accounting policies and disclosures related to the valuation of scheme assets and defined benefit obligations and checked that these are in line with the accounting framework.</p> <p>We reviewed the scheme audited accounts for the year ended 31 December 2023 to check that there were no operational issues related to the pension scheme itself.</p> <p>We evaluated the competence of management's actuarial expert used to value the pension scheme obligations and the insured annuity policies.</p> <p>With the assistance of our external pension expert, we reviewed the assumptions used in calculating the value of the pension scheme obligations and the insured annuity policies prepared by the Authority's pension actuary.</p> <p>We considered whether the discount and inflation rates used in the valuation of the pension obligations were consistent with our pension experts.</p> <p>We evaluated the competence of management's actuarial expert.</p> <p>We considered whether the discount and inflation rates used in the valuation of the pension obligations were consistent with our pension expert's internally developed benchmarks.</p> <p>Key observations:</p> <p>We are satisfied the methods and assumptions used in the valuation of defined benefit obligations and insured annuity policies are not inappropriate.</p>

Independent Auditors' Report to the Secretary of State for Transport

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Materiality	Group - £2.3m (2023: £2.0m) Authority - £2.2m (2023: £1.9m)
Basis for determining materiality	2024: Overall materiality - 1.25% of revenue Specific materiality - Nil 2023: Overall materiality - 1.25% of revenue Specific materiality - Nil
Rationale for benchmark applied	2024 and 2023: Revenue is a key measure used both internally by management and externally by entities regulated by the Authority in evaluating the performance of the Group and Authority.

The level of performance materiality applied was set after having considered a number of factors including expected level of likely misstatements based on past experience and managements attitude towards proposed adjustments. Based on our risk assessments, together with our assessment of the Group's and Authority's overall control environment, our judgement was that performance materiality for the Group and the Authority should be set at 80% (2023: 70%) of our overall materiality being £1.8m (2023: £1.4m).



Independent Auditors' Report to the Secretary of State for Transport

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £69,000 (2023: £40,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The board members are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Board members statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Authority compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit.

Going concern and longer-term viability

- > The Board members' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- > The Board members' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- > Board members' statement on fair, balanced and understandable;
- > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- > The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- > The section describing the work of the Audit Committee.

Responsibilities of the Board members

As explained more fully in the Statement of Board Members' Responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members either intend to liquidate the Group or the Authority or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Secretary of State for Transport

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Group and industry in which it operates, discussion with management, those charged with governance and the Audit Committee, and obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations we considered the significant laws and regulations to be applicable accounting framework, the Civil Aviation Act 1982 and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety, anti-bribery, employment law and certain aspects of relevant applicable legislation in the countries where the Group operates.

Our procedures in respect of the above included:

- > review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- > review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;

- > review of financial statement disclosures and agreeing to supporting documentation;
- > involvement of tax specialists in the audit; and
- > review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- > enquiry with management, those charged with governance and the Audit Committee, regarding any known or suspected instances of fraud;
- > obtaining an understanding of the Group's policies and procedures relating to:
 - > detecting and responding to the risks of fraud; and
 - > internal controls established to mitigate risks related to fraud.
- > review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- > discussion amongst the engagement team as to how and where fraud might occur in the financial statements.
- > performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- > considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management bias in accounting estimates and posting inappropriate journal entries to manipulate revenue (management override of controls).

Our procedures in respect of the above included:

- > testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation; and
- > assessing significant estimates and judgments made by management for bias, including those set out in the key audit matters section of our report.



Independent Auditors' Report to the Secretary of State for Transport

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Use of our report

This report is made solely to the Secretary of State for Transport, in accordance with Section 15 of the Civil Aviation Act 1982. Our audit work has been undertaken so that we might state to the Secretary of State for Transport those matters we are required to state to the Secretary of State for Transport in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Secretary of State for Transport, for our audit work, for this report, or for the opinions we have formed.

BDO LLP, Chartered Accountants
London, UK
19 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Financial



Income Statement

For the years ended 31 March	Note	Group 2024 £'000	Group 2023 £'000
Revenue	2	185,789	163,592
Operating costs			
Employment costs	3	(119,825)	(107,929)
Services and materials		(17,503)	(17,077)
Repairs and maintenance		(3,350)	(3,212)
Research	6	(60)	(39)
Depreciation, amortisation, impairments and disposals	6	(3,301)	(3,298)
Other (losses)/gains	6	(9)	16
Other expenses		(35,612)	(29,219)
Net operating costs		(179,660)	(160,758)
Operating profit	See below	6,129	2,834
Finance income	7	5,255	6,959
Finance costs	7	(153)	(80)
Finance income - net		5,102	6,879
Profit before income tax		11,231	9,713
Income tax charge	8	(2,981)	(2,628)
Profit for the financial year		8,250	7,085

The Authority has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Authority Income Statement. The profit for the Authority for the year was £7,556k (2023: £7,719k). The profit before IAS 19 adjustments for the Authority for the year was £1,883k (2023: £2,247k).

The supporting notes on [pages 100 to 140](#) are an integral part of these financial statements.

Analysis of operating profit	2024 £'000	2023 £'000
Profit before IAS 19 adjustments	4,083	1,695
IAS 19 pension scheme adjustments	2,046	1,139
Operating profit	6,129	2,834

Statements of Comprehensive Income

For the years ended 31 March	Note	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Profit for the financial year		8,250	7,085	7,556	7,719
Other comprehensive loss					
Unrealised foreign exchange differences		(25)	1	(25)	4
Movement on deferred tax relating to unrealised foreign exchange differences	16	6	(1)	6	(1)
Actuarial loss on post employment benefit obligations	17	(43,755)	(161,259)	(43,755)	(161,259)
Movement on deferred tax relating to post employment benefit obligations	16	10,939	40,315	10,939	40,315
Total other comprehensive loss		(32,835)	(120,944)	(32,835)	(120,941)
Total comprehensive loss for the year		(24,585)	(113,859)	(25,279)	(113,222)

The supporting notes on [pages 100 to 140](#) are an integral part of these financial statements.

Statements of Financial Position

As at 31 March	Note	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Non-current assets					
Property, plant and equipment	9	6,347	7,431	6,138	7,139
Intangible assets	10	5,258	4,022	5,159	3,769
Investments in subsidiaries	11	-	-	-	-
Deferred tax assets	16	312	526	300	512
Retirement benefit assets	17	31,052	75,579	31,052	75,579
Total non-current assets		42,969	87,558	42,649	86,999
Current assets					
Trade and other receivables	12	30,078	27,816	27,058	24,727
Current income tax assets		-	370	-	364
Cash and cash equivalents	13	32,336	21,132	30,844	20,096
Total current assets		62,414	49,318	57,902	45,187
Total assets		105,383	136,876	100,551	132,186
Capital and reserves					
Retained earnings		42,532	67,117	34,875	60,154
Total capital and reserves		42,532	67,117	34,875	60,154
Total equity		42,532	67,117	34,875	60,154
Non-current liabilities					
Trade and other payables	15	4,261	5,046	4,018	4,746
Deferred tax liabilities	17	7,763	18,895	7,763	18,895
Retirement benefit obligations	17	705	1,034	705	1,034
Total non-current liabilities		12,729	24,975	12,486	24,675
Current liabilities					
Trade and other payables	15	46,984	44,673	50,259	47,246
Current tax liabilities		3,038	-	2,831	-
Retirement benefit obligations	17	100	111	100	111
Total current liabilities		50,122	44,784	53,190	47,357
Total liabilities		62,851	69,759	65,676	72,032
Total equity and liabilities		105,383	136,876	100,551	132,186

The supporting notes on [pages 100 to 140](#) are an integral part of these financial statements. The financial statements on [pages 95 to 140](#) were authorised for issue by the Board on 19 June 2024 and were signed on its behalf.

Rob Bishton, Chief Executive

Statements of Changes in Equity

	Note	Group Retained Earnings £'000	Authority Retained Earnings £'000
Balance as at 1 April 2022		180,976	173,376
Profit for the financial year		7,085	7,719
Unrealised foreign exchange differences		1	4
Movement on deferred tax relating to unrealised foreign exchange differences	16	(1)	(1)
Actuarial loss on post employment benefit obligations	17	(161,259)	(161,259)
Movement on deferred tax relating to post employment benefit obligations	16	40,315	40,315
Balance as at 31 March 2023		67,117	60,154
Balance as at 1 April 2023		67,117	60,154
Profit for the financial year		8,250	7,556
Unrealised foreign exchange differences		(25)	(25)
Movement on deferred tax relating to unrealised foreign exchange differences	16	6	6
Actuarial loss on post employment benefit obligations	17	(43,755)	(43,755)
Movement on deferred tax relating to post employment benefit obligations	16	10,939	10,939
Balance as at 31 March 2024		42,532	34,875

The supporting notes on [pages 100 to 140](#) are an integral part of these financial statements.

Statements of Cash Flows

For the years ended 31 March	Note	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Cash flows generated from/(used in) operating activities					
Cash from/(used in) operations	19	13,343	(8,087)	13,097	(7,515)
Interest paid	7	(3)	(80)	(294)	(256)
Income tax received		367	-	369	-
Net cash generated from/(used in) operating activities		13,707	(8,167)	13,172	(7,771)
Cash flows (used in)/generated from investing activities					
Purchase of property, plant and equipment	9	(596)	(664)	(596)	(663)
Purchase of intangible assets	10	(2,803)	-	(2,803)	-
Interest received	7	1,765	753	1,765	753
Net cash (used in)/generated from investing activities		(1,634)	89	(1,634)	90
Cash flows used in financing activities					
Lease liability instalments	20	(807)	(722)	(731)	(642)
Lease interest paid	7	(62)	-	(59)	-
Net cash used in financing activities		(869)	(722)	(790)	(642)
Net increase/(decrease) in cash and cash equivalents		11,204	(8,800)	10,748	(8,323)
Cash and cash equivalents at beginning of year		21,132	29,932	20,096	28,419
Cash and cash equivalents at end of year	13	32,336	21,132	30,844	20,096

The supporting notes on [pages 100 to 140](#) are an integral part of these financial statements.

Notes to the Financial Statements

1. General information and material accounting policies

The Civil Aviation Authority (CAA) is a public corporation in the UK, established by Parliament in 1972. The CAA is the UK's independent specialist aviation regulator and its activities include economic regulation, airspace policy, safety regulation, consumer protection, aviation security and space regulation. The Group comprises the CAA (Authority) together with its subsidiary undertakings, Air Safety Support International Limited and CAA International Limited.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of the CAA have been prepared in accordance with international accounting standards, as adopted by the UK, in conformity with the requirements of the Companies Act 2006, the Civil Aviation Act 1982, the Civil Aviation Act 2012 and the Accounts Directions for the year ended 31 March 2024 authorised by the Secretary of State for Transport. The consolidated financial statements have been prepared under the historical cost convention on a going concern basis as modified by financial assets and liabilities (including derivative instruments) being stated at fair value; year on year movements are taken through the Income Statement or Statements of Comprehensive Income.

The preparation of financial statements in conformity with international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 1.18.

The financial statements, prepared on the going concern basis, assume that the Group and Authority will generate sufficient working capital to continue operational existence for the foreseeable future. The Board has, at the time of approving the financial statements, an expectation that the Group and Authority have adequate resources to continue in operational existence for the foreseeable future. The aviation industry has continued its strong recovery from the impacts of Covid-19 during the year ended 31 March 2024, with passenger volumes broadly returning to pre-pandemic levels by the end of the period. Based on the Group and Authorities plans and cash flow projections the Board believe that the Group and Authority will have sufficient cash flows available to continue to operate for at least twelve months from the approval of these financial statements.

It is not anticipated that the ongoing global conflicts in Ukraine and the Middle East will impact the going concern of the Group and Authority.

1.1.1 Changes in accounting policies and disclosures

Adoption of new and revised standards

New standards impacting the Group that have been adopted in the financial statements for the year ended 31 March 2024 are:

- > IFRS 17 Insurance Contracts;
- > Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- > Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- > Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- > International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

The above amendments had a transition date of 1 January 2023. The amendments to IAS 1 has resulted in some immaterial policies within note 1 being removed. The amendments to IAS 12 had already been adopted by the CAA at an earlier date and as a result there is no impact from this change in standard on the CAA's accounting policies or financial statements. There has been no impact on the financial statements as a result of the remaining amendments, nor is there expected to be any impact in the coming financial year.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB (International Accounting Standards Board) that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the Group for the period beginning 1 April 2024:

- > Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- > Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- > Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- > Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning 1 January 2025:

- > Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The above accounting standards are not expected to have a material impact on the Group.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.2 Consolidation

The CAA's subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Shareholding of more than one half of the voting rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Air Travel Trust (ATT) does not operate for the benefit of the Authority and its exclusion from the consolidated financial statements has been directed by the Secretary of State for Transport.

Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries are consistent with those of the Authority.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CAA Executive Committee. The Executive Committee is responsible for strategic decisions, the allocation of resources and assessing performance of these operating segments.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in pounds sterling, which is the Authority's functional and presentational currency.

(b) Transactions and balances

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Foreign exchange gains and losses resulting from the movement in the fair value of foreign currency derivative instruments are recognised in the Statements of Comprehensive Income. All other foreign exchange gains and losses are presented in the Income Statement within 'Other (losses) / gains'.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount, or recognised as separate assets, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Right of use assets are initially measured at the total value of the remaining lease obligations, including lease instalments, provisions for expenditure and net of any inducements. Right of use assets are depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The estimated useful lives of right of use assets are determined on the same basis as those of similar plant and equipment. In addition, the carrying value of the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation is calculated using the straight-line method to allocate assets' costs or revalued amounts to their residual values over their estimated useful lives, as follows:

> Freehold buildings	10-30 years
> Leasehold buildings	Over the remainder of the lease
> Plant and equipment	3-10 years
> Furniture, fixtures and fittings	10 years
> Vehicles	5 years
> Right-of-use assets	Length of lease (2-10 years)

Assets in the course of construction are not depreciated. Once the asset is brought into use it is transferred to the relevant category and depreciation commences from that date.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Depreciation, amortisation, impairments and disposals' in the Income Statement.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.6 Intangible assets

Intangible assets are stated at historical cost less amortisation and impairment with amortisation charged to operating costs within the income statement. Historical cost includes expenditure that is directly attributable to the generation of the items. Subsequent costs are included in the asset's carrying amount, or recognised as separate assets, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Amortisation is calculated using the straight-line method to allocate assets' costs or revalued amounts to their residual values over their estimated useful lives, typically as follows:

- > Software and development costs 5-10 years
- > Intellectual property 5 years

Assets in the course of construction are not amortised. Once the asset is brought into use it is transferred to the relevant category and amortisation commences from that date.

1.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are separately distinguished at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets in the course of construction are reviewed for impairment at each reporting date. Impairment losses are recognised in the Income Statement where required. Assets that are subject to impairment are subsequently reviewed at each reporting date to ensure the impairment continues to be appropriate. If necessary, the value of any impairment is reduced or extended through the Income Statement.

1.8 Financial instruments

Financial assets and liabilities are initially recognised on the statement of financial position at fair value when the Group has become party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction

costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Income Statement.

Classification of financial assets

Financial instruments that meet the following conditions are measured subsequently at amortised cost:

- > the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- > the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- > the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- > the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Group's financial assets, except derivatives, are categorised as financial assets held at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value, less allowances for any expected lifetime credit losses.

The Group's financial assets measured at amortised cost comprise trade and other receivables, contract assets, receivables from related parties and cash and cash equivalents in the Statement of Financial Position. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost including trade receivables and contract assets. The level of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group assesses at the reporting date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. The Group uses criteria such as significant financial difficulty of the counterparty the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.8 Financial instruments (continued)

Definitions of default and write off

The Group considers a financial asset to be in default when contractual payments are 365 days past due. In certain cases, however, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within 'Other (losses) / gains' in the period in which they arise.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Capital management

The capital structure of the Group consists of retained earnings only with a net surplus of £42,532k (2023: £67,117k). The Group's main objective when managing capital is to safeguard its ability to continue as a going concern.

The Group reviews its capital structure regularly. The Group is not subject to any externally imposed capital requirements.

1.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. These are subsequently remeasured at their fair value and the gain or loss arising is recognised in the Income Statement within 'Finance income- net'.

1.10 Contract balances

Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks or HM Treasury, and other short-term highly liquid investments with original maturities of three months or less.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries, as the timing of the reversal of the temporary differences associated with the investment, including dividend policy, is controlled by the Group.

1.13 Employee benefits

(a) Short-term employee benefits

The cost of short-term employee benefits (wages, salaries, social security contributions, annual leave, bonuses and non-monetary benefits) is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement, or in the case of non-accumulating absences, when the absences occur.

(b) Post-employment benefits - pension obligations (note 17)

The Group has defined benefit and defined contribution retirement benefit plans, and an unfunded scheme for past Board members.

The Group has two defined contribution plans, one in which contributions are paid into an independently administered fund and a second where contributions are paid to the Civil Service Pension Plan following the transfer of responsibility for regulating aviation security from the Department for Transport to the Civil Aviation Authority as from 1 April 2014.

The defined benefit plan, The Civil Aviation Authority Pension Scheme, is a fully funded defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund. The plan was closed to new entrants on 30 November 2012. The asset recognised in the Statements of Financial Position in respect of the defined benefit scheme is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the Statements of Comprehensive Income in the period in which they arise.

The CAA also operates an unfunded scheme for some past members of the Board. Costs associated with this scheme are charged to the Income Statement in accordance with the advice of a professionally qualified actuary. A current and a non-current liability are held in the Statements of Financial Position in respect of post employment benefits payable under this scheme.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

1.14 Provisions and dilapidations

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money at the balance sheet date, and the risks specific to the obligation. The movement in the provision is recognised within 'Finance income- net'.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.14 Provisions and dilapidations (continued)

Where a dilapidations provision is included as part of a lease contract recognised under IFRS 16, the value of the provision is included within the right of use asset and lease liability balances in the Statements of Financial Position. These are measured at their present value, discounted by the interest rate implicit in the lease contract. The carrying value of the right of use asset is released to the Income Statement evenly over the lifetime of the lease.

1.15 Revenue recognition

The Group recognises revenue at the transaction price, in line with progress towards the completion of the performance obligation of the particular service being provided. The Group provides a number of different services, and uses both input and output methods to assess both the transaction price and the point of revenue recognition, using the most appropriate for each individual service. The transaction prices for the majority of the Group's services are as per our published Scheme's of Charges and may be either fixed or variable. Additional services may be delivered under an agreed contract at a negotiated price. Revenue is shown net of value-added tax, credits and discounts and after eliminating sales within the Group.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Group bases its contract assets estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Group's activities can be classified as follows:

(a) Statutory charges

Revenue is primarily derived from 13 statutory charges schemes approved by the Secretary of State for Transport under section 11 of the Civil Aviation Act 1982. The charges are published on the CAA website.

(b) Eurocontrol service charges

Revenue is derived from the collection of en route air traffic service charges. These charges are effective for a period of one year commencing on 1 January each year.

(c) Other service charges

The Group derives revenue from non-statutory aviation related activities which are either for a fixed price, or derived on a time and materials expended basis. The Group also derives revenue from

its commercial aviation related services in providing examination services, training courses and aviation consultancy services.

(d) Rental income

Rental income arises from the letting of leased property in London, based on an open market rate.

(e) Pensions administration

Revenue is derived from the recharging of the cost of providing services to the Civil Aviation Authority Pension Scheme.

(f) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1.16 Leases

At the inception of the contract, the Group assesses whether the contract contains any element relating to the lease of a specific asset. This is defined by the Group obtaining the right to use a specific asset for a period of time, in exchange for consideration. The following exception criteria have been applied when determining whether to recognise a liability for the lease contract:

- > Any contract which, at the point of inception, is deemed to be short-term (i.e. expected to expire in the following 12 months) has not been considered.
- > Where the contract defines the lease of an asset which is considered to be low-value the lease has not been considered. Low-value in relation to the Group is any amount, or aggregate amounts, which are considered immaterial to these Financial Statements. A lease liability value of £5k has been used for this assessment.
- > Where the Group is not reasonably certain that a short-term lease (less than 12 months) will be extended beyond its non-cancellable term the contract has not been considered.

Any leases in line with the exception criteria above are recognised as incurred through services and materials in the Income Statement.

As a lessee, if the Group identifies a contract which contains an identifiable lease in line with the conditions above, a right-of-use asset and a lease liability are recognised. The right-of-use assets are separately identified under property, plant and equipment within the Statements of Financial Position. These are recognised at the value of the remaining lease commitments at the point of commencement of the lease. These assets are depreciated on a straight-line basis over the lifetime of the lease, or the remaining useful economic life of the asset, whichever is shorter.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.16 Leases (continued)

The lease liability is recognised within trade and other payables, with a split between the current and non-current element. The value of this is determined from the remaining lease commitments at the point of commencement of the lease, measured at amortised cost using the effective interest method. The effective interest rate for leases is the Group's incremental borrowing rate, which is in line with those advised by HM Treasury.

1.17 Government grants

Government grants are recognised in the Income Statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate.

Under the direction of the Secretary of State for Transport, Air Safety Support International Limited, a subsidiary of the CAA, carries out enhancement of regulatory oversight of aviation safety in the UK's Overseas Territories providing further assurance of safety standards. The operating costs are met primarily by way of a grant from the Department for Transport.

1.18 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions concerning the future are made by the Group and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The accounting standard IAS 19 requires that the Authority selects a discount rate based on yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The

funding strategy actually adopted and the investment portfolio held, are ignored for the purposes of IAS 19.

The assumption used for the year end insured annuity policies includes the rolling forward of member data from 31 December 2021, updated for current mortality rates. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 17.

Intangible assets

Estimates are made in relation to the value in use and useful economic lives of the fixed assets. These are included within the impairment review calculations. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects the current market assessment of the time value of money. Additional information is disclosed in Note 10.

Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Fair value measurement

Assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- > Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- > Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- > Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Due to their short-term nature, the carrying value of those approximates their fair value. Derivatives are the only financial instruments that are measured at fair value and are included in Level 2 in the above grouping classifications.

Notes to the Financial Statements

1. General information and significant accounting policies (continued)

1.18 Significant accounting estimates and judgements (continued)

Deferred tax assets

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Additional information on deferred tax assets is disclosed in note 16.

2. Segment information

The operating segments have been based on the reports reviewed by the CAA Executive Committee that are used to make strategic decisions. The Executive Committee considers the activities from a regulatory function perspective. The country of domicile is the UK for all of the Group entities. The Executive Committee does not consider the performance according to the geographic location of its customers.

The reportable operating segments derive their revenue primarily from the Regulatory Sector, comprising the activities of Safety & Airspace Regulation, Consumers & Markets, Aviation Security and Space Regulation, in addition to that derived from UK en route Air Traffic Services and the commercial activities of CAA International. All other results are included in the Miscellaneous Services column. In accordance with the Accounts Direction issued by the Department for Transport (DfT), disclosure is also given regarding revenue analysed between statutory scheme charges and other revenue.

During the year, the DfT did not provide Group with S.12 grants in relation to financial support following the collapse of aviation activity brought on by the COVID-19 pandemic (2023: £5,000k). COVID-19 had a significant impact on the Group's variable revenue streams which are directly linked to passenger and cargo volumes in the UK. The cessation of financial support from the DfT in the form of S.12 grant funding reflects the return to continued strong recovery in the aviation sector over the year, with passenger volumes broadly returning to pre-pandemic levels by the end of the period, providing a greater level of variable statutory revenue to the Group and Authority than in recent years. The grant, received in the previous year, is not repayable to the DfT and the revenue has been included in other revenue in the table below, split between the regulatory segments in line with the loss of revenue in the year.

Other grants from the DfT amounting to £2,634k during the year (2023: £2,340k), of which £153k relates to the release of a grant received for the refurbishment of Aviation House (2023: £106k) and £2,479k relates to work undertaken by Air Safety Support International Limited on behalf of the DfT (2023: £2,234k), are also included. As in prior years, part of the DfT funding has been deferred to be utilised against operating expenditure in future years. As at the year to 31 March 2024 funding of £888k has been deferred (2023: £727k deferred).

Notes to the Financial Statements

2. Segment information (continued)

The segment information for the year ended 31 March 2024 is as follows:

	Safety & Airspace Regulation	Consumers & Markets	Aviation Security	Space	Regulatory Sector Subtotal	UK en route Air Traffic Services	CAA International	Miscellaneous Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue									
Statutory and scheme charges	79,889	17,772	12,533	-	110,194	-	-	-	110,194
Eurocontrol service charges	-	-	-	-	-	24,157	-	-	24,157
Other revenue	2,610	1,558	2,378	7,647	14,193	-	9,386	27,859	51,438
Total revenue	82,499	19,330	14,911	7,647	124,387	24,157	9,386	27,859	185,789
Operating costs (excluding IAS19 pension scheme adjustments)	81,898	17,728	14,049	7,647	121,322	23,757	8,768	27,859	181,706
Profit/(loss) before IAS19 adjustments	601	1,602	862	-	3,065	400	618	-	4,083
IAS19 pension scheme adjustments	1,112	198	155	59	1,524	-	56	466	2,046
Operating profit/(loss)	1,713	1,800	1,017	59	4,589	400	674	466	6,129
Profit before income tax	4,208	2,247	1,470	232	8,157	400	840	1,834	11,231

A reconciliation of operating profit to profit before income tax is provided as follows:

	£'000
Operating profit for reportable segments	6,129
Finance income	5,255
Finance costs	(153)
Profit before income tax	11,231

A breakdown of revenue from contract assets and liabilities is disclosed within Note 12.

Notes to the Financial Statements

2. Segment information (continued)

The comparable segment information for the previous year ended 31 March 2023, is as follows:

	Safety & Airspace Regulation	Consumers & Markets	Aviation Security	Space	Regulatory Sector Subtotal	UK en route Air Traffic Services	CAA International	Miscellaneous Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue									
Statutory and scheme charges	70,248	17,702	9,795	-	97,745	-	-	-	97,745
Eurocontrol service charges	-	-	-	-	-	21,047	-	-	21,047
Other revenue	5,179	2,204	3,025	5,901	16,309	-	7,687	20,804	44,800
Total revenue	75,427	19,906	12,820	5,901	114,054	21,047	7,687	20,804	163,592
Operating costs (excluding IAS19 pension scheme adjustments)	75,825	16,539	14,044	5,901	112,309	20,647	8,152	20,789	161,897
(Loss)/profit before IAS19 adjustments	(398)	3,367	(1,224)	-	1,745	400	(465)	15	1,695
IAS19 pension scheme adjustments	554	106	106	33	799	-	37	303	1,139
Operating profit/(loss)	156	3,473	(1,118)	33	2,544	400	(428)	318	2,834
Profit/(loss) before income tax	3,499	4,113	(477)	230	7,365	400	(206)	2,154	9,713

A reconciliation of operating profit to profit before income tax is provided as follows:

	£'000
Operating profit for reportable segments	2,834
Finance income	6,959
Finance costs	(80)
Profit before income tax	9,713

Notes to the Financial Statements

3. Employment costs

In respect of the employees included in the table below the related employee benefits expenses are as follows:

	Note	2024 £'000	2023 £'000
Wages and salaries		91,191	80,627
Social security costs		10,403	9,699
Defined benefit pension plan costs	17	9,887	10,590
Defined contribution pension plan costs	17	6,985	5,690
Unfunded pension plan surplus	17	(233)	(95)
Other employee benefits expenses		1,592	1,418
Total employment costs		119,825	107,929

Other employee benefits expenses include termination payments, costs of relocation, professional subscriptions, car leasing and allowance costs.

The monthly average number of employees (including Executive Members) for the Group during the year was:

By business segment	2024 Year end	2024 Average	2023 Year end	2023 Average
Safety and Airspace Regulation	741	714	693	674
Consumers and Markets	103	104	124	129
Aviation Security	134	130	126	129
Space	53	50	48	40
CAA International	52	51	46	45
Miscellaneous Services	463	441	380	370
Total employees	1,546	1,490	1,417	1,387

Notes to the Financial Statements

4. Board members' and key management personnel emoluments

	2024 £'000	2023 £'000
Board member emoluments		
Salaries and fees	892	1,267
Benefits	2	3
Performance related payments	90	125
Emoluments excluding pension contributions	984	1,395
Pension contributions	103	80
Pension payments to past Board members	96	98
Board member emoluments	1,183	1,573

Details of aggregate emoluments for each of the 10 Board members (2023: 10) who received remuneration in the year are included in the table above. The People Committee Report provides details for each Board member.

	2024 £'000	2023 £'000
Key management personnel emoluments		
Salaries and fees	917	937
Benefits	8	12
Performance related payments	40	32
Emoluments excluding pension contributions	965	981
Pension contributions	160	168
Key management personnel emoluments	1,125	1,149

There were 7 employees considered to be key management personnel in the year (2023: 7).

5. Auditors' remuneration

	2024 £'000	2023 £'000
Fees payable to external auditor for:		
Audit of parent corporation and consolidated financial statements	147	147
Audit of subsidiary company financial statements	21	21
Audit of Group's Malaysia branch financial statements	12	12
Audit related assurance services	15	15
Total auditors' remuneration	195	195

Notes to the Financial Statements

6. Profit for the year

	Note	2024 £'000	2023 £'000
Profit for the year has been arrived at after charging/(crediting):			
Net foreign exchange losses/(gains) on operating activities		9	(16)
Total realised other losses/(gains)		9	(16)
Short-term/low-value operating lease payments:			
Properties (included within services and materials)		36	40
Vehicles (shown within employment costs and other expenses)		3	16
Total short-term/low-value operating lease payments		39	56
Depreciation, amortisation, impairments and disposals:			
Depreciation on property, plant and equipment	9	1,890	1,799
Grant released on property, plant and equipment	15	(155)	(106)
Amortisation of intangible fixed assets	10	1,567	1,249
Proceeds from sale of vehicles		-	(2)
Profit on disposal of property, plant and equipment and software development		(1)	41
Impairment of intangible fixed assets	10	-	317
Total depreciation, amortisation, impairments and disposals		3,301	3,298

Profit or loss on disposals is shown within 'Depreciation, amortisation, impairments and disposals' on the Income Statement.

In the year ended 31 March 2022 the Department for Transport (DfT) provided £850k of grant funding for the continued refurbishment of Aviation House. This is being released on a systematic basis over the lives of the assets to which the resources were applied (see note 15).

	2024 £'000	2023 £'000
Research expenditure (all in respect of safety regulation):		
Internal costs (included within employment costs)	1,028	1,611
External costs (included within research)	60	39
Total research expenditure	1,088	1,650

Notes to the Financial Statements

6. Profit for the year (continued)

	Note	2024 £'000	2023 £'000
Charitable donations:			
Confidential Human Factors Incident Reporting Programme		289	-
General Aviation Safety Council		20	20
UK Flight Safety Committee		40	78
Total charitable donations		349	98

7. Finance income and costs

	Note	2024 £'000	2023 £'000
Finance income:			
Interest on short-term deposits		1,756	753
Interest received on overpayment of corporation tax		9	-
Employee benefit scheme - Expected return on assets	17	67,360	51,917
Employee benefit scheme - Interest charge on liabilities	17	(63,870)	(45,711)
Total finance income		5,255	6,959
Finance costs:			
Other interest costs		(3)	(3)
Lease contract interest expense	20	(62)	(77)
Interest paid on underpayment of corporation tax		(88)	-
Total finance costs		(153)	(80)
Finance income - net		5,102	6,879

Notes to the Financial Statements

8. Income tax charge

	2024 £'000	2023 £'000
Analysis of tax charge in the year:		
Current tax:		
UK corporation tax at 25% (2023: 19%) on profit for year	2,956	(5)
Adjustment in respect of prior years	(3)	(368)
Adjustments in respect of prior periods (overseas tax)	1	1
Total current tax charge/(credit)	2,954	(372)
Deferred tax:		
Origination and reversal of temporary differences	240	684
Adjustment in respect of prior periods	(20)	480
Origination and reversal of temporary differences in relation to the defined benefit pension scheme	(193)	1,836
Total deferred tax charge	27	3,000
Income tax charge	2,981	2,628
Reconciliation of effective tax rate:		
Profit before income tax	11,231	9,713
Corporation tax calculated at 25% (2023: 19%)	2,808	1,845
Tax effects of:		
Fixed asset differences	129	124
Expenses not deductible for tax purposes	60	5
Adjustments to brought forward values	-	(65)
Adjustments to current tax charge in respect of previous periods	(2)	(376)
Adjustments to deferred tax charge in respect of previous periods	(20)	480
Temporary differences not recognised in the computation	6	10
Remeasurement of deferred tax due to change in rates	-	605
Income tax charge	2,981	2,628

In Autumn Statement 2022, the government confirmed the planned increase in the Corporation Tax rate to 25% for companies with over £250,000 in profits will go ahead. This will still be the lowest rate in the G7 ensuring the UK remains strongly competitive internationally. The Corporation Tax rise in April 2023 will only affect the most profitable companies because of the Small Profits Rate.

The rate of 25% has been reflected in the calculation of deferred tax at the balance sheet date. Deferred tax balances should be measured at the substantively enacted rate at which the balances are expected to reverse. As the increase to the rate of corporation tax has been substantially enacted at the signing date of these financial statements, the 25% rate has been used to measure deferred tax balances.

Notes to the Financial Statements

9. Property, plant and equipment

Group	Freehold buildings £'000	Leasehold buildings £'000	Plant & equipment £'000	Vehicles £'000	Furniture, fixtures & fittings £'000	Right-of-use assets £'000	Assets in the course of construction £'000	Total £'000
Cost:								
At 1 April 2022	21,942	1,534	2,694	99	3,804	8,137	626	38,836
Additions	-	-	-	-	98	101	566	765
Disposals	-	-	(275)	(16)	(125)	(117)	-	(533)
Transfer	-	-	232	-	536	-	(768)	-
Declassification	-	-	-	-	-	(2,129)	-	(2,129)
At 31 March 2023	21,942	1,534	2,651	83	4,313	5,992	424	36,939
Additions	-	-	-	-	-	210	596	806
Disposals	-	-	-	(6)	-	(126)	-	(132)
Transfer	-	-	30	37	892	-	(959)	-
At 31 March 2024	21,942	1,534	2,681	114	5,205	6,076	61	37,613
Accumulated depreciation:								
At 1 April 2022	21,327	479	1,953	99	2,154	3,408	-	29,420
Charge for the year	145	178	354	-	411	711	-	1,799
Eliminated on disposal	-	-	(273)	(16)	(107)	(117)	-	(513)
Declassification	-	-	-	-	-	(1,198)	-	(1,198)
At 31 March 2023	21,472	657	2,034	83	2,458	2,804	-	29,508
Charge for the year	145	119	350	1	555	720	-	1,890
Eliminated on disposal	-	-	-	(6)	-	(126)	-	(132)
At 31 March 2024	21,617	776	2,384	78	3,013	3,398	-	31,266
Net book value:								
At 31 March 2024	325	758	297	36	2,192	2,678	61	6,347
At 31 March 2023	470	877	617	-	1,855	3,188	424	7,431

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Authority	Freehold buildings £'000	Leasehold buildings £'000	Plant & equipment £'000	Vehicles £'000	Furniture, fixtures & fittings £'000	Right-of-use assets £'000	Assets in the course of construction £'000	Total £'000
Cost:								
At 1 April 2022	21,942	1,534	2,646	99	3,676	7,546	626	38,069
Additions	-	-	-	-	97	101	566	764
Disposals	-	-	(257)	(16)	(125)	(117)	-	(515)
Transfer	-	-	232	-	536	-	(768)	-
Declassification	-	-	-	-	-	(2,129)	-	(2,129)
At 31 March 2023	21,942	1,534	2,621	83	4,184	5,401	424	36,189
Additions	-	-	-	-	-	210	596	806
Disposals	-	-	-	(6)	-	(126)	-	(132)
Transfer	-	-	30	37	892	-	(959)	-
At 31 March 2024	21,942	1,534	2,651	114	5,076	5,485	61	36,863
Accumulated depreciation:								
At 1 April 2022	21,327	479	1,917	99	2,027	3,181	-	29,030
Charge for the year	145	178	348	-	410	633	-	1,714
Eliminated on disposal	-	-	(255)	(16)	(108)	(117)	-	(496)
Declassification	-	-	-	-	-	(1,198)	-	(1,198)
At 31 March 2023	21,472	657	2,010	83	2,329	2,499	-	29,050
Charge for the year	145	119	345	1	555	642	-	1,807
Eliminated on disposal	-	-	-	(6)	-	(126)	-	(132)
At 31 March 2024	21,617	776	2,355	78	2,884	3,015	-	30,725
Net book value:								
At 31 March 2024	325	758	296	36	2,192	2,470	61	6,138
At 31 March 2023	470	877	611	-	1,855	2,902	424	7,139

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Right-of-use assets

The values relevant to each category of leased asset are shown below:

	Group				Authority			
	Leasehold buildings	Plant & equipment	Vehicles	Total	Leasehold buildings	Plant & equipment	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
At 1 April 2022	5,835	85	2,217	8,137	5,244	85	2,217	7,546
Additions	-	-	101	101	-	-	101	101
Disposals	(34)	(44)	(39)	(117)	(34)	(44)	(39)	(117)
Declassification	-	-	(2,129)	(2,129)	-	-	(2,129)	(2,129)
At 31 March 2023	5,801	41	150	5,992	5,210	41	150	5,401
Additions	161	-	49	210	161	-	49	210
Disposals	(115)	-	(11)	(126)	(115)	-	(11)	(126)
At 31 March 2024	5,847	41	188	6,076	5,256	41	188	5,485
Depreciation:								
At 1 April 2022	2,089	69	1,250	3,408	1,861	69	1,251	3,181
Charge for the year	684	9	18	711	606	9	18	633
Eliminated on disposal	(34)	(44)	(39)	(117)	(34)	(44)	(39)	(117)
Declassification	-	-	(1,198)	(1,198)	-	-	(1,198)	(1,198)
At 31 March 2023	2,739	34	31	2,804	2,433	34	32	2,499
Charge for the year	676	6	38	720	598	6	38	642
Eliminated on disposal	(115)	-	(11)	(126)	(115)	-	(11)	(126)
At 31 March 2024	3,300	40	58	3,398	2,916	40	59	3,015
Net book value:								
At 31 March 2024	2,547	1	130	2,678	2,340	1	129	2,470
At 31 March 2023	3,062	7	119	3,188	2,777	7	118	2,902

In the prior year a review was performed to assess the Group's on-going compliance with IFRS 16. As a result of this review, it was determined that employee vehicles, leased from a third party through the organisation's salary sacrifice car leasing scheme, did not meet the criteria of a lease as per the guidance laid out in IFRS 16, which applied with effect from 1 April 2019.

The right of use assets for these vehicles were declassified from the Authority and Group's Statement of Financial Position at 31 March 2023 and show a £nil carrying value at the reporting date (2023: £nil). The associated lease liability for these vehicles was also declassified at 31 March 2023 and show a £nil carrying value at the reporting date (2023: £nil). The net charge to the Income Statement for the year ended 31 March 2023 from the declassification of the right of use assets, lease liability and all other balances associated with these vehicles was £112k, which was not deemed to be material.

The remaining leased vehicles included in the financial statements have been identified as company cars and meet the IFRS 16 criteria of leases.

Notes to the Financial Statements

10. Intangible assets

Group	Software development costs £'000	Assets in the course of construction £'000	Total £'000
Cost:			
At 1 April 2022	17,875	-	17,875
Disposals	(223)	-	(223)
At 31 March 2023	17,652	-	17,652
Additions	-	2,803	2,803
At 31 March 2024	17,652	2,803	20,455
Accumulated amortisation and impairment:			
At 1 April 2022	12,265	-	12,265
Charge for the year	1,249	-	1,249
Eliminated on disposal	(201)	-	(201)
Impairment	317	-	317
At 31 March 2023	13,630	-	13,630
Charge for the year	1,567	-	1,567
At 31 March 2024	15,197	-	15,197
Net book value:			
At 31 March 2024	2,455	2,803	5,258
At 31 March 2023	4,022	-	4,022

Notes to the Financial Statements

10. Intangible assets (continued)

Authority	Software development costs £'000	Assets in the course of construction £'000	Total £'000
Cost:			
At 1 April 2022	16,419	-	16,419
Disposals	(223)	-	(223)
At 31 March 2023	16,196	-	16,196
Additions	-	2,803	2,803
At 31 March 2024	16,196	2,803	18,999
Accumulated amortisation and impairment:			
At 1 April 2022	11,160	-	11,160
Charge for the year	1,150	-	1,150
Eliminated on disposal	(200)	-	(200)
Impairment	317	-	317
At 31 March 2023	12,427	-	12,427
Charge for the year	1,413	-	1,413
At 31 March 2024	13,840	-	13,840
Net book value:			
At 31 March 2024	2,356	2,803	5,159
At 31 March 2023	3,769	-	3,769

During the year asset values totalling £2,803k were included in additions to 'Assets in the course of construction' (2023: nil). The expenditure relates to investment in software which is being delivered as part of the CAA's Customer Experience & Modernisation Programme (CX&M).

An annual review is performed to assess the remaining useful economic lives (UELs) and the carrying values of intangible assets. Impairment losses of £317k for the Group and £317k for the Authority are included within 'Depreciation, amortisation, impairment and disposals' in the Income Statement for the previous year, as a result of the UEL review of the Group's e-Licensing solution carried out in 2023.

Available for use intangible assets are reviewed at least annually for any indications of impairment. Intangible assets that have any elements still unavailable for use are tested for impairment using a value in use model, based on their approved business cases and adjusted for any known material changes. This testing occurs annually or whenever a material change to the project occurs. The current discount rate used in our models is 2%, which is a value provided by the HMT and is in line with market rates.

A rise in the discount rate by 10 basis points (i.e. +0.1%) would result in a further impairment of £nil. A decrease in the discount rate of 10 basis points (i.e. -0.1%) would result in a reversal of impairments totalling £nil.

Notes to the Financial Statements

11. Investments in subsidiaries

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of voting rights held by parent	Investment
CAA International Limited	UK	Aviation consultancy, training and examination services	100%	100%	£1
Air Safety Support International Limited	UK	Regulatory oversight	100%	100%	£1

The registered office of both subsidiaries is:

Aviation House
Beehive Ring Road
Crawley
West Sussex
England
RH6 0YR

Shares in Group undertakings

There was no movement in the investments in subsidiary undertakings during the year.

	2024 £	2023 £
Beginning and end of the financial year	2	2

Investments in Group undertakings are recorded at cost which is the fair value of the consideration paid.

Notes to the Financial Statements

12. Trade and other receivables

	Note	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Current receivables:					
Trade receivables		7,541	5,898	6,620	4,914
Less: provision for doubtful trade receivables		(280)	(186)	(236)	(163)
Trade receivables - net		7,261	5,712	6,384	4,751
Social security and other taxes		-	1	-	-
Prepayments		4,305	4,534	4,020	4,177
Contract assets		18,317	16,649	16,232	14,636
Amounts due from related parties	21	-	-	268	278
Other receivables		195	920	154	885
Total current receivables		30,078	27,816	27,058	24,727
Total trade and other receivables		30,078	27,816	27,058	24,727

The carrying amounts of trade and other receivables are deemed to approximate their fair value.

Invoices raised in relation to statutory charges are due for payment immediately on presentation, unless otherwise stated in the Schemes of Charges. Standard credit terms for commercial activities are 30 days, unless otherwise specified in individual contracts with customers.

Notes to the Financial Statements

12. Trade and other receivables (continued)

As at 31 March 2024 Group trade receivables of £6,763k (2023: £2,820k) were past their due date but were not impaired. The ageing analysis of these is as follows:

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Past due:				
Up to 3 months	6,632	2,769	6,177	2,054
From 3 to 12 months	131	51	-	8
Over 12 months	-	-	-	-
	6,763	2,820	6,177	2,062

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Movements on the provision for doubtful trade receivables:				
At 1 April	186	336	163	309
Provision for receivables impaired	97	106	97	106
Receivables written off during the year as uncollectable	(36)	(137)	(36)	(137)
Unused amounts reversed	(75)	(76)	(75)	(76)
Expected credit loss provision	108	(43)	87	(39)
At 31 March	280	186	236	163

Notes to the Financial Statements

12. Trade and other receivables (continued)

The creation and release of provision for doubtful receivables have been included in 'Other expenses' in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The expected credit loss figure has been arrived at by allocating a risk probability against different categories of debt after removing balances against which a specific provision has already been made. The probabilities for each category of debt have been calculated based on the average actual loss experienced over the past three financial years. The provision is forward-looking, based on the expected losses of debtor balances held at the reporting date.

Details of this are as follows:

	Probability		Net value		Expected credit loss	
	2024 %	2023 %	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Group:						
Trade debtors not due	1	1	254	2,606	3	26
Trade debtors overdue by 0-30 days	2	2	4,892	2,109	98	39
Trade debtors overdue by 31-60 days	4	4	1,310	645	52	26
Trade debtors overdue by 61-90 days	8	8	430	15	34	1
Trade debtors overdue by 91-365 days	16	16	131	51	21	8
Already provided and not subject for impairment	-	-	524	472	-	-
Expected credit loss provision			7,541	5,898	208	100
Authority:						
Trade debtors not due	1	1	13	2,406	-	24
Trade debtors overdue by 0-30 days	2	2	4,690	1,510	94	30
Trade debtors overdue by 31-60 days	4	4	1,207	542	48	22
Trade debtors overdue by 61-90 days	8	8	280	2	22	-
Trade debtors overdue by 91-365 days	16	16	-	8	-	1
Already provided and not subject for impairment	-	-	430	446	-	-
Expected credit loss provision			6,620	4,914	164	77

The creation and release of provision for doubtful receivables have been included in 'Other expenses' in the Income Statement.

The maximum exposure to credit risk at the reporting date is the carrying value of all financial assets. The Group does not hold any collateral as security.

Notes to the Financial Statements

12. Trade and other receivables (continued)

The values of trade receivables and other receivables are denominated in the following currencies:

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
British Pounds	7,279	6,526	6,538	5,636
Euros	128	38	-	-
Thai Baht	36	31	-	-
US Dollars	1	35	-	-
Other currencies	12	2	-	-
Total trade and other receivables	7,456	6,632	6,538	5,636

The risk of currency fluctuations impacting amounts receivable from third parties is not material to these Financial Statements.

Contract Balances	Contract assets 2024 £'000	Contract assets 2023 £'000	Contract liabilities 2024 £'000	Contract liabilities 2023 £'000
Group:				
At 1 April	16,649	15,617	(23,233)	(35,030)
Transfers in the period from contract assets to trade receivables	(16,146)	(13,980)	-	-
Excess of revenue recognised over cash (or rights for cash)	17,814	15,012	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	15,428	18,033
Cash received in advance of performance and not recognised as revenue during the period	-	-	(8,196)	(6,236)
At 31 March	18,317	16,649	(16,001)	(23,233)
Authority:				
At 1 April	14,636	14,114	(20,936)	(32,330)
Transfers in the period from contract assets to trade receivables	(14,636)	(13,103)	-	-
Excess of revenue recognised over cash (or rights for cash)	16,232	13,625	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	14,608	17,135
Cash received in advance of performance and not recognised as revenue during the period	-	-	(7,824)	(5,741)
At 31 March	16,232	14,636	(14,152)	(20,936)

Notes to the Financial Statements

13. Cash and cash equivalents

The following cash and cash equivalents are included within the Statements of Cash Flows:

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Cash at bank and in hand	3,169	2,319	1,677	1,283
Short-term bank deposits	29,167	18,813	29,167	18,813
Total cash and cash equivalents	32,336	21,132	30,844	20,096

The Group is of the opinion that the credit risk on cash and cash equivalents is limited as its counterparties are major European financial institutions with high credit-ratings assigned by credit rating agencies.

The carrying amounts of cash and cash equivalents are deemed to be approximate to their fair value.

The Group has assessed its exposure to liquidity risk as part of the going concern assessment, details of which can be found in note 1.1. The risk of currency fluctuations impacting amounts held in foreign currencies is not material to these Financial Statements.

14. Borrowings

The Authority has maximum borrowing powers of £550 million (2023: £550 million) under the Civil Aviation Act 1982 (as amended). Below are details of the Authority's undrawn and uncommitted borrowing facilities at the reporting date:

	2024 £'000	2023 £'000
Bank overdraft facility	-	5,000
Total undrawn and uncommitted borrowing facilities	-	5,000

The Authority's overdraft agreement expired on the 31 of May 2023. The decision was taken to not renew this facility as the Authorities current and future expected cashflows are sufficient to the extent that no use of an overdraft facility is anticipated in the foreseeable future.

Notes to the Financial Statements

15. Trade and other payables

	Note	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Current liabilities:					
Trade payables		7,691	5,636	7,445	5,377
Social security and other taxes		10	38	6	37
Amounts due to related parties	21	-	-	6,209	5,920
Accrued expenses		7,427	8,128	6,733	7,462
Contract liabilities	12	15,553	22,719	13,733	20,451
Other payables		15,428	7,355	15,314	7,277
Lease liabilities	20	875	797	819	722
Total current trade and other payables		46,984	44,673	50,259	47,246
Non-current liabilities:					
Other payables		523	567	523	567
Contract liabilities	12	448	514	419	485
Lease liabilities	20	3,290	3,965	3,076	3,694
Total non-current trade and other payables		4,261	5,046	4,018	4,746
Total trade and other payables		51,245	49,719	54,277	51,992

The carrying amount of trade and other payables is deemed to approximate their fair value. The Group is expected to meet the debts listed above as they fall due for payment. None of the debt listed above is interest bearing, therefore the Group carries no risk in relation to interest rate fluctuations. The risk of currency fluctuations impacting amounts payable to third parties is not material to these Financial Statements.

In the year ended 31 March 2022 the Department for Transport (DfT) provided the CAA with liquidity funding support. Contained within this grant funding was an element to support the redevelopment of the CAA's estates portfolio. Of this, £850k was incurred on capital expenditure and the associated grant is being released on a systematic basis over the lives of the assets to which the resources were applied.

Included in contract liabilities are the amounts shown below in respect of the grants received from the DfT:

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
No later than 1 year	170	134	170	134
Later than 1 year and not later than 5 years	419	486	419	486
Total grant outstanding	589	620	589	620

Notes to the Financial Statements

16. Deferred income tax

The gross movement on the deferred income tax account is as follows:

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
At 1 April	526	1,682	512	1,323
Income statement tax charge	(220)	(1,155)	(218)	(810)
Other comprehensive income tax credit/(charge)	6	(1)	6	(1)
At 31 March	312	526	300	512

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the taxation authority where there is an intention to settle the balances on a net basis.

The offset amounts are as follows:

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Deferred tax assets	312	526	300	512
Deferred tax assets - net	312	526	300	512

The movement in deferred tax assets and liabilities during the year is as follows:

	Group			Authority		
	Accelerated tax depreciation £'000	Other £'000	Total £'000	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2023	38	488	526	26	486	512
Income statement tax charge	(109)	(111)	(220)	(108)	(110)	(218)
Other comprehensive income tax charge	-	6	6	-	6	6
At 31 March 2024	(71)	383	312	(82)	382	300

At Spring Budget 2021, the government announced an increase in the Corporation Tax main rate from 19% to 25% for companies with profits over £250,000 together with the introduction of a small profits rate of 19% with effect from 1 April 2023.

The rate of 25% has been reflected in the calculation of deferred tax at the balance sheet date. Deferred tax balances should be measured at the substantively enacted rate at which the balances are expected to reverse. As the increase to the rate of corporation tax has been substantially enacted at the signing date of these financial statements, the 25% rate has been used to measure deferred tax balances.

The Statement of Comprehensive Income shows a deferred tax credit of £10,939k (2023: credit £40,315k) which is a result of movements in the pension scheme surplus (see note 17).

On the face of the Statements of Financial Position, the deferred income tax liability of £7,763k (2023: £18,895k) relates to the pension scheme surplus (see note 17).

Notes to the Financial Statements

17. Retirement benefit obligations

The Group's retirement benefit obligations comprise of both defined benefit and defined contribution retirement benefit plans, as well as an unfunded scheme for past Board members. The Group's main plan is the Civil Aviation Authority Pension Scheme which is a defined benefit plan that was closed to new entrants on 30 November 2012. After that date new entrants have been able to join a defined contribution plan, currently the Civil Aviation Authority Personal Pension Plan, contract based arrangement. In order to further mitigate the increase in the defined benefit liabilities the CAA has introduced a cap on the growth of future pensionable earnings. The cap is based upon the members' pensionable earnings as at the 31 March 2013 level plus inflation.

Defined contribution plan: a defined contribution plan is a pension arrangement under which the benefits are linked to contributions paid; the performance of each individual's chosen investments and the form in which the individuals choose to take their benefits. The Group has two defined contribution plans, one in which contributions are paid into an independently administered fund and a second where contributions are paid to the Civil Service Pension Plan following the transfer of responsibility for regulating aviation security from the Department for Transport to the Civil Aviation Authority as from 1 April 2014. The Income Statement charge in respect of the defined contribution plans represents the contributions payable by the Group based on a percentage of the employees' pay. The CAA has no exposure to investment and other experience risks. Costs associated with these schemes of £6,985k (2023: £5,690k) were charged to the Income Statement (see note 3).

Unfunded scheme: the CAA also operates an unfunded scheme for some past members of the Board. The revaluation of the unfunded scheme at the end of the period has resulted in a credit of £233k (2023: £95k) to the Income Statement in accordance with the advice of a professionally qualified actuary (see note 3). A non-current liability of £705k (2023: £1,034k) and a current liability of £100k (2023: £111k) are held in the Statements of Financial Position in respect of post employment benefits payable under this scheme.

Defined benefit plan: a defined benefit plan is a pension arrangement under which participating members receive a pension benefit at retirement determined by the plan rules dependent upon factors such as age, years of service, and pensionable pay and it is not dependent upon the contributions made by the Group or members. The Income Statement service cost in respect of the defined benefit plan represents the increase in the defined benefit liability arising from pension benefits earned by active members in the current period. The CAA is exposed to investment and other experience risks. The pension cost relating to the scheme is assessed in accordance with the advice of independent qualified actuaries and is such as to spread the cost of pensions over the working lives of the employees who are scheme members.

The scheme is currently governed by the Trust Deed and Rules effective from 6 April 2006 and amending documents. The assets of the scheme are held in a separate trustee administered fund. The Trustee is responsible for the operation and the governance of the scheme, including making decisions regarding the scheme's funding and investment strategy in conjunction with the CAA. The Trustee directors meet at least quarterly and, with the exception of the Chair, all the Trustee directors are either contributing members or beneficiaries of the scheme.

In July 2015, the Trustee of the scheme, with the support of the CAA, agreed to purchase a bulk annuity contract with Rothesay Life in respect of pensioners at 31 December 2014, with a second contract put in place with Pensions Insurance Corporation in January 2017 for uninsured pensioners at 30 June 2016; in July 2018, a further tranche of pensioner liabilities was insured with Pensions Insurance Corporation covering the uninsured pensioner population at 31 March 2018. During the 2020/21 financial year an additional contract was placed, with Legal and General, covering the uninsured pensioner population at 31 August 2020. The value of the buy-in policies held on behalf of the members is equal to the value of the benefits covered by the policy and is included under the asset class 'Insured annuity policies'. The value of these benefits as at 31 March 2024 is estimated to be £987 million (2023: £1,035 million).

The last formal actuarial valuation of the CAA Section of the Civil Aviation Authority Pension Scheme was carried out as at 31 December 2021. Following discussions with the Scheme Actuary, the Trustee determined and agreed with the CAA the assumptions to be used for the latest actuarial valuation as at 31 December 2021. The 2021 valuation revealed a deficit of £17.9 million. A recovery plan has been agreed by the CAA and the Trustees of the scheme, where the CAA will remove the deficit over the period to 31 December 2030. In addition, the CAA will pay contributions in line with the updated Schedule of Contributions dated 27 September 2022 which took effect immediately. The funding rate was set at 28.2% of pensionable earnings for the year 2023/24 (2023: 28.2%) in respect of which the CAA paid contributions of £5.6 million (2023: £11.7 million). The reduction in CAA Group contributions for the year 2023/24, when compared to 2022/23, was due to the £6.0m unwinding of contributions prepaid in previous financial periods. The expected contribution for the Group in the 2024/25 year is £10.6 million. The expected future benefit payments for 2024/25 are forecast to be £111.3 million for the Group.

The methodology underlying the formal valuation differs from that used for annual IAS 19 disclosures, particularly in relation to the financial assumptions used. The formal valuation has a more prudent basis than IAS 19 disclosures and this is allowed for by means of adjustments to the discount rate and future improvements in mortality assumptions, and the inclusion of a reserve for contingent events. The main differences in methodology are summarised below:

IAS 19 disclosures:

- (i) Discount rate based on AA-rated corporate bonds
- (ii) Best estimate assumptions for future improvements in mortality
- (iii) No allowance for a reserve for contingent events

Measurement of liabilities for the 31 December 2021 formal valuation:

(i) Discount rates:

- > Pensioner and deferred liabilities- gilt yields less 0.1% p.a.
- > Pre-retirement discount rate for active members- gilt yields plus 0.75% p.a.

(ii) Allowance for additional future improvements in mortality above best estimate assumptions

(iii) Allowance for a reserve for contingent events

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2024 £'000	2023 £'000
Statements of Financial Position assets for Group and Authority:		
Post employment benefits - fully funded pension fund	23,289	56,684
Total Statements of Financial Position assets	23,289	56,684
Statements of Financial Position obligations for Group and Authority:		
Non-current post employment benefits - unfunded pension scheme	(705)	(1,034)
Current post employment benefits - unfunded pension scheme	(100)	(111)
Total Statements of Financial Position obligations	(805)	(1,145)
Income Statement charge for Group:		
Pension benefits (note 3)	9,887	10,590
Post employment benefits - unfunded pension scheme (note 3)	(233)	(95)
Total Income Statement charge	9,654	10,495
Funded pension benefits		
The amounts recognised in the Statements of Financial Position are determined as follows:		
Fair value of plan assets	1,383,930	1,469,599
Present value of future obligations	(1,352,878)	(1,394,020)
Surplus in funded scheme	31,052	75,579
Related deferred tax liability at 25% (2023: 25%) (note 16)	(7,763)	(18,895)
Net surplus in funded pension scheme	23,289	56,684

The CAA has determined, based on legal advice, that it has a right to any surplus that arises within the scheme. As such no asset ceiling (IFRIC14) is applied.

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2024 £'000	2023 £'000
The movements in surplus in funded pension scheme are as follows:		
Surplus in funded pension scheme brought forward	75,579	229,447
Income Statement movement	(6,397)	(4,384)
Remeasurement effects recognised in Statements of Comprehensive Income	(43,755)	(161,259)
Employer contributions	5,625	11,729
Additional employee contributions	-	46
Surplus in funded pension scheme carried forward	31,052	75,579
The movements in the defined benefit obligations (DBO) over the year are as follows:		
DBO brought forward	1,394,020	1,774,330
Current service cost (excluding administration costs)	7,796	8,465
Interest costs on the DBO	63,870	45,711
Scheme participants' contributions	57	56
Actuarial loss - membership experience	16,908	103,192
Actuarial gain - demographic assumptions	(10,648)	-
Actuarial gain - financial assumptions	(11,330)	(438,205)
Benefits paid from scheme assets	(107,795)	(99,529)
DBO carried forward	1,352,878	1,394,020
The movements in the fair value of plan assets in the year are as follows:		
Fair value of assets brought forward	1,469,599	2,003,777
Interest income on scheme assets	67,360	51,917
Return on scheme assets less than discount rate	(48,825)	(496,272)
Employer contributions	5,625	11,729
Scheme participants' contributions	57	56
Additional scheme participants' contributions	-	46
Benefits paid	(107,795)	(99,529)
Administrative costs paid	(2,091)	(2,125)
Fair value of assets carried forward	1,383,930	1,469,599

The CAA provides pensions administration services to the scheme and has charged £1,082k (2023: £1,013k) over the course of the year.

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2024		2023	
	£m	%	£m	%
The scheme assets are allocated as follows:				
Index Linked (UK)	180.7	13.1%	222.5	15.1%
Total Dedicated Bond Fund	180.7	13.1%	222.5	15.1%
Pooled investments vehicles - equity	74.9	5.4%	54.6	3.7%
Total Quoted Equities	74.9	5.4%	54.6	3.7%
Insured Annuity Policies	986.8	71.3%	1,034.8	70.4%
Total Insured Annuity Policies	986.8	71.3%	1,034.8	70.4%
Alternatives	37.2	2.7%	34.3	2.3%
Corporate debt/bonds	74.8	5.4%	69.7	4.8%
Cash and cash equivalents	29.5	2.1%	53.7	3.7%
Total Other Holdings	141.5	10.2%	157.7	10.8%
Fair value of scheme assets carried forward	1,383.9	100.0%	1,469.6	100.0%

As disclosed earlier in this note, the scheme holds a number of bulk purchasing annuity (buy-in) contracts in respect of ensuring all future payments to existing pensioners as at 31 August 2020. The value of the buy-in policies held on behalf of the members matches the value of the benefits covered by the policy and is included under the asset class 'Insured annuity policies'.

	2024 £'000	2023 £'000
Amounts recognised in the Income Statement are as follows:		
Current service cost	7,796	8,465
Administrative costs paid	2,091	2,125
Total Income Statement charge included in employment costs	9,887	10,590
Net interest on defined benefit obligation	63,870	45,711
Expected return on funded pension scheme assets	(67,360)	(51,917)
Total credit to finance income (note 7)	(3,490)	(6,206)
Total included in Income Statement	6,397	4,384
Analysis of the amounts recognised in Statements of Comprehensive Income:		
Actuarial loss due to liability experience	16,908	103,192
Actuarial gain due to liability assumption changes	(21,978)	(438,205)
Return on scheme assets less than discount rate	48,825	496,272
Actuarial loss/(gain) recognised in Statements of Comprehensive Income	43,755	161,259

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

	2024 % p.a.	2023 % p.a.
The principal actuarial assumptions used for the purpose of IAS 19 were as follows:		
Discount rate	4.85	4.75
Inflation assumption (RPI)	3.25	3.25
Inflation assumption (CPI)	2.75	2.70
Rate of increase in salaries in future years (over the next 3 years)	2.60	2.60
Rate of increase in salaries in future years (3 years onwards)	2.00	2.00
Rate of increase in pensions (pre 1 June 2015) *	3.25	3.25
Rate of increase in pensions (post 1 June 2015) *	2.75	2.70

* In excess of any guaranteed minimum pension

Mortality assumptions are based on the Self-Administered Pension Scheme All Pensioner Light series 3 tables with allowance for future improvements in line with the Continuous Mortality Investigation 2021 Core Projections model. The expected lifetime of a current pensioner who is aged 60 and the expected lifetime of a current non-pensioner (at age 60) are shown in years below:

	Males Years	Females Years
Age		
60	27.3	29.3
60 in 10 years	28.0	30.1

Additional information	2025 £'000
Expected contributions for the following year end:	
Employer	10,600
Scheme participants	57
Total expected contributions for the following year end	10,657

Notes to the Financial Statements

17. Retirement benefit obligations (continued)

The principal risks that the scheme is exposed to include:

Investment risk: the present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate it will reduce the reported surplus.

Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: the present value of the defined benefit plan liability is calculated by reference to future salaries of plan participants. As such, an increase in salary of plan participants will increase the plan liability.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, expected salary increases and mortality. The table below shows the effect of changes in those assumptions:

Assumption	Base assumption	Sensitivity	Effect on Defined Benefit Obligation
Discount rate increase	4.85%	0.5% increase	4% reduction
Discount rate decrease	4.85%	0.5% decrease	5% increase
Inflation increase	3.25% (RPI), 2.75% (CPI)	0.5% increase	4% reduction
Inflation decrease	3.25% (RPI), 2.75% (CPI)	0.5% decrease	4% increase
Mortality rating	105% (male)/103% (female)	1 year increase	4% increase
Salary increase	2.6% (1-3 years), 2.0% (3+ years)	0.5% increase	0.3% increase

Notes to the Financial Statements

18. Financial instruments by category

	2024			2023		
	Assets at fair value through the Income Statement	Other financial assets at amortised cost	Total	Assets at fair value through the Income Statement	Other financial assets at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group:						
Assets as per Statements of Financial Position						
Trade and other receivables	-	7,456	7,456	-	6,632	6,632
Cash and cash equivalents	-	32,336	32,336	-	21,132	21,132
Net book amount	-	39,792	39,792	-	27,764	27,764
Authority:						
Assets as per Statements of Financial Position						
Trade and other receivables	-	6,806	6,806	-	5,914	5,914
Cash and cash equivalents	-	30,844	30,844	-	20,096	20,096
Net book amount	-	37,650	37,650	-	26,010	26,010

Trade and other receivables includes trade receivables net of expected credit losses and other receivables where a contractual receipt of payment is due. Statutory amounts receivable, contract assets and prepayments have been excluded.

Notes to the Financial Statements

18. Financial instruments by category (continued)

	2024			2023		
	Liabilities at fair value through the Income Statement	Other financial liabilities at amortised cost	Total	Liabilities at fair value through the Income Statement	Other financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000

Group:

Liabilities as per Statements of Financial Position

Trade and other payables	-	27,807	27,807	-	18,320	18,320
Net book amount	-	27,807	27,807	-	18,320	18,320

Authority:

Liabilities as per Statements of Financial Position

Trade and other payables	-	33,386	33,386	-	23,557	23,557
Net book amount	-	33,386	33,386	-	23,557	23,557

Trade and other payables includes trade payables, lease liabilities and other payables where a contractual payment is due. Statutory amounts payable, contract liabilities and accrued expenses have been excluded.

The Group and Authority are exposed to risks that arise from its use of financial instruments. Further quantitative information in respect of these risks is presented throughout these financial statements.

Financial risk management disclosures are set out in the Financial Review on [pages 40 to 48](#).

Notes to the Financial Statements

19. Cash generated from/(used in) operations

	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Profit before income tax	11,231	9,713	10,324	10,000
Adjustments for:				
Depreciation, amortisation, impairment and adjustment on disposal	3,457	3,365	3,220	3,181
Proceeds from sale of vehicles	-	(2)	-	(2)
(Loss)/Profit on disposal of asset	(1)	41	1	41
Grant amortisation	(155)	(106)	(155)	(106)
Finance income - net	(5,102)	(6,879)	(4,813)	(6,704)
Unrealised foreign exchange difference	(25)	1	(25)	4
Changes in working capital:				
Trade and other receivables	(2,106)	186	(2,177)	946
Trade and other payables	1,782	(13,267)	2,460	(13,736)
IAS19 current service cost net of cash contributions	4,262	(1,139)	4,262	(1,139)
Cash generated from/(used in) operations	13,343	(8,087)	13,097	(7,515)

Notes to the Financial Statements

20. Commitments

Capital commitments

At 31 March 2024 the Group had capital commitments valued at £27k that were contracted for but not provided (2023: £201k).

Lease liabilities

At both 31 March 2024 and 31 March 2023 the Group was committed to a number of lease contracts for buildings, plant and machinery and vehicles.

The following amounts are included within the Statements of Financial Position for lease liabilities:

	Note	Group 2024 £'000	Group 2023 £'000	Authority 2024 £'000	Authority 2023 £'000
Brought forward		4,762	6,109	4,416	5,683
Additions		210	101	210	101
Declassification	9	-	(726)	-	(726)
Interest expense	7	62	77	59	74
Lease payments		(869)	(800)	(790)	(716)
Total lease liabilities		4,165	4,762	3,895	4,416
Analysis of lease liabilities:					
Non-current		3,290	3,965	3,076	3,694
Current		875	797	819	722
Total lease liabilities		4,165	4,762	3,895	4,416

Right of use assets associated with the lease liabilities above of £2,678k for the Group (2023: £3,188k) and £2,470k for the Authority (2023: £2,902k) were included within the Statements of Financial Position at the end of the current financial period (note 9).

21. Related party transactions

Group

The Civil Aviation Authority is a statutory corporation whose duties, powers and functions are established in and pursuant to primary and secondary legislation. By virtue of provisions in the Civil Aviation Act 1982, the Airports Act 1986 and the Transport Act 2000 in specified circumstances the Secretary of State for Transport may direct the Civil Aviation Authority as to the performance of those duties, powers and functions.

During the year the Group has undertaken work for the Department for Transport (DfT) and has recognised revenue of £25,108k (2023: £26,800k). In the prior year the DfT provided £5,000k in S.12 funding directly linked to supporting the Group financially through the COVID-19 pandemic. No funding was provided in the current period. At the end of the year £82k was owed by the DfT to the CAA (2023: £Nil). The CAA also purchased £84k of services from the DfT in the year (2023: £65k), primarily in relation to an employee secondment. Further detail on the financial support provided by the DfT is included within note 1.1 Basis of preparation.

The Air Travel Trust (ATT) exists to fund repatriation or reimbursement of holiday-makers in the event of the failure of a tour operator. The ATT is funded by contributions made when ATOL-protected holidays are purchased and, in certain circumstances, has recourse to bonds or insurance. M. Fuller, P Smith and T Martin (Board members of the CAA) and J Spence, (Secretary to the CAA) were Trustees of the ATT during the year. As detailed in note 1.2, the ATT is excluded from the consolidated financial statements of the CAA. At the end of the year nothing was owed by the ATT to the CAA in relation to failure administration and recharged expenditure (2023: £nil).

Notes to the Financial Statements

21. Related party transactions (continued)

During the year, the CAA charged £180k (2023: £282k) for failure administration services to the ATT, none of which was accrued at the year end. The CAA also recharged £3,408k (2023: £1,780k) to the ATT during the year for repatriation activities, legal fees, accommodation costs, accounting and other administrative service.

During the year revenue of £8k (2023: £24k) was invoiced to The Royal Air Force (RAF) by the CAA, primarily in respect of desk rental at CAA's offices. Simon Edwards was a non-executive member of the CAA Board during part of the year and he also serves as Assistant Chief of the Air Staff on the RAF Board.

Board member and key management personnel emoluments are detailed in note 4 and the People Committee Report.

The following revenue transactions with fellow Group undertakings occurred during the year:

	2024 £'000	2023 £'000
Re-charge of Corporate legal, finance, IT and facilities costs:		
CAA International Limited	680	713
Air Safety Support International Limited	358	341
Re-charge of Corporate Board member costs:		
CAA International Limited	40	16
Air Safety Support International Limited	28	27
Work carried out on behalf of other Group entities with regard to technical assistance:		
Air Safety Support International Limited	9	9
Work carried out on behalf of other Group entities with regard to commercial aviation related services:		
CAA International Limited	1,503	2,152
Total intra Group income	2,618	3,258

The following expenditure transactions with fellow Group undertakings occurred during the year:

	2024 £'000	2023 £'000
Work carried out by Group entities with regard to aviation regulatory services:		
CAA International Limited	(199)	(338)
Cost of internal training delivered by other Group entities:		
CAA International Limited	(259)	(163)
Cost of internal exams hosting and maintenance charges by other Group entities:		
CAA International Limited	(258)	(224)
Total intra Group charges	(716)	(725)

Notes to the Financial Statements

21. Related party transactions (continued)

	2024 £'000	2023 £'000
Interest receivable on Group trading balances:		
Air Safety Support International Limited	1	1
Interest payable on Group trading balances:		
CAA International Limited	(292)	(179)
Net interest payable on Group trading balances	(291)	(178)

The year-end balances owing (by)/to the Authority (to)/by Group undertakings:

	Note	2024 £'000	2023 £'000
CAA International Limited	15	(6,209)	(5,920)
Air Safety Support International Limited	12	268	278
Total payables owing to Group undertakings		(5,941)	(5,642)

As part of the treasury function, the Group operates a cash pooling arrangement for the Authority and CAA International Limited. A number of other functions, including payroll and accounts payable, are carried out and settled by the Authority on behalf of its subsidiaries. These transactions are not included in the above disclosures.

The Group has not considered it necessary to include an expected credit loss provision against amounts owing by other Group entities. This is owing to the fact that all group entities are fully owned subsidiaries, each with an assessment that they are a going concern, therefore there is no expectation of non-recovery of intra-group debt and all balances are repayable on demand.

Notes to the Financial Statements

22. Current cost return on capital employed

	Operating profit £'000	Average capital employed £'000	Return on capital employed %
CAA Regulatory Sector	2,980	45,952	6.5%

The Group is set financial targets by the Department for Transport of a 3.5% rate of return for the regulatory and en route sectors. The targets are based upon the annual rate of return before interest and tax, on average capital employed revalued at current cost for the target period. The financial target is calculated to provide sufficient reserves for future capital investment, interest payments and corporation tax. Further analysis is included on [page 45](#) within the Financial Review.

The differences in accounting convention used when comparing current cost accounts with historic cost accounts are:

- (i) the current cost accounts have been prepared in accordance with the withdrawn Statement of Standard Accounting Practice Number 16, by the application of Government indices to the historic cost of fixed assets together with a working capital adjustment, so as to allow for the impact of price changes on profits and losses and asset values; and
- (ii) the treatment of the pension scheme under IAS 19 has been excluded from the Statements of Financial Position and from the Income Statement.

The alternative basis has been used as it provides a more consistent basis for assessing the financial target set by the Department for Transport.

The reporting business segment and target rate of return is as follows:

	Target period	Target rate
CAA Regulatory Sector	01/04/2023 - 31/03/2024	3.5%

The business segment is required to achieve the higher of either the annual target rate of return on the average current cost of capital employed or break-even after charging interest and tax.

23. Ultimate controlling party

The corporation's ultimate controlling party is the Secretary of State for Transport in pursuance of the Civil Aviation Act 1982 and the Civil Aviation Act 2012.

Group Five-Year Summary

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Income Statement (historic cost accounts):					
Revenue	185.8	163.6	142.3	128.0	281.9
Operating profit/(loss) before finance income - net and income tax charge/(credit)	6.1	2.8	3.2	4.9	(0.9)
Finance income - net	5.1	6.9	4.2	5.8	2.3
Income tax charge	(3.0)	(2.6)	(2.0)	(2.1)	(0.4)
Profit for the financial year	8.2	7.1	5.4	8.6	1.0
Statement of Financial Position (historic cost accounts):					
Non-current assets	43.0	87.6	246.2	231.2	278.4
Current assets	62.4	49.3	56.9	31.7	42.3
Total assets	105.4	136.9	303.1	262.9	320.7
Reserves	42.5	67.1	181.0	185.0	218.7
Equity	42.5	67.1	181.0	185.0	218.7
Total liabilities	62.9	69.8	122.1	77.9	102.0
Total equity and liabilities	105.4	136.9	303.1	262.9	320.7

Outturn against financial target set by the Department for Transport based on current cost accounting:

	2024	2023	2022	2021	2020
CAA Regulatory Sector	6.5%	3.5%	3.6%	6.0%	(4.9)%

Civil Aviation Authority (Accounts) Direction 2022

The Secretary of State for Transport, with the approval of the Treasury, in pursuance of section 15(1) of the Civil Aviation Act 1982, hereby gives the following Direction:

1. The statement of accounts, which it is the duty of the Civil Aviation Authority (the Group, which is comprised of the Regulatory Authority and its subsidiaries) to prepare in respect of its financial year ending 31 March 2022 and in respect of any subsequent accounting year, shall comprise:

- a. an annual report;
- b. a statement on internal control;
- c. a statement of Board members' responsibilities;
- d. an income statement;
- e. a statement of comprehensive income;
- f. a balance sheet of the Regulatory Authority and of the Group;
- g. a statement of changes in equity; and
- h. a statement of cash flows

including in each case such notes as may be necessary for the purposes referred to in paragraphs 2 and 3 below.

The statement of accounts shall, without limiting the information given, meet insofar as they are appropriate to public corporations:

- a. the accounting and disclosure requirements of companies legislation currently in force;
- b. the accounts disclosure requirements of paragraphs 9.8.6 and 9.8.8 of the UK Listing Rules;
- c. International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- d. any additional disclosure or accounting requirements that the Treasury may issue from time to time in respect of public corporations' accounts.

2. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 to this Direction. The annual accounts shall include the information set out in Schedule 2 to this Direction.

3. The accounts kept and the statement prepared in pursuance of Section 15, subsection (1) of the Civil Aviation Act 1982 ("the Act") shall be audited by auditors who are appointed, after consultation with the CAA, for each year by the Secretary of State, and a person shall not be so appointed unless he / she is eligible for appointment as a company auditor under the Companies Act 2006 or is a member of the Chartered Institute of Public Finance and Accountancy with a current practicing certificate and approved to carry out the audit by a firm of auditors registered with one of the bodies listed below:

- > the Institute of Chartered Accountants in England and Wales;
- > the Institute of Chartered Accountants of Scotland;
- > the Association of Chartered Certified Accountants;
- > Chartered Accountants Ireland;
- > any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of the Companies Act 2006 by the Secretary of State;
- > but a Scottish firm may be so appointed if each of the partners therein is qualified to be so appointed.

This paragraph supersedes section 15, subsection (2) of the Civil Aviation Act 1982.

4. The Direction issued to the Authority dated 29 March 2021 is hereby revoked.

Benjamin Smith, Director, Aviation
Signed by authority of the Secretary of State
7 April 2022

Civil Aviation Authority (Accounts) Direction 2022

Schedule 1

1. The Companies Act 2006 requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate; the information relating to the Civil Aviation Authority shall be contained in the Annual Report.
2. The income statement shall be prepared in accordance with International Accounting Standard (IAS) 1.
3. The summary financial position shall be prepared in accordance with IAS 1, separating the classification of the current and non-current assets, and current and non-current liabilities on the face of the balance sheet.
4. The Civil Aviation Authority has no power over the Air Travel Trust Fund (ATTF) and no exposure to variable returns from its involvement with the ATTF. Accordingly, the ATTF shall not be consolidated as part of the Group financial statements.

Schedule 2

Supplementary Information

1. The income statement or the notes thereto shall include:
 - a. analyses of revenue and operating profit or loss over the following:
 - > Regulatory Sector made up of:
 - > Safety & Airspace Regulation
 - > Consumers & Markets
 - > Aviation Security
 - > Space
 - > UK en route Air Traffic Services
 - > CAA International
 - > Miscellaneous Services
 - b. revenue shall be analysed, as appropriate, between statutory and scheme charges and other income;
 - c. expenditure shall be analysed between employment costs, services and materials, repairs and maintenance, research, depreciation, amortisation and disposals, other gains/ (losses) (as appropriate)- net and other expenses; and
 - d. a statement showing separately the interest on capital loans.
2. The balance sheet or a note thereto shall show:
 - a. the Group's maximum borrowing power; and
 - b. all sums borrowed showing separately amounts borrowed from the National Loans Fund and other borrowings and showing separately when repayment is due.
3. The statement of accounts or notes thereto shall include:
 - a. statement of the target rate of return achieved by the Regulatory operations based upon the average total equity based upon changing prices;
 - b. an explanation of the manner in which the returns have been computed and a definition of the target to be achieved;
 - c. comparisons with other financial targets which have been agreed with the Group; and
 - d. the amount, source and purpose of capital grants receivable.

Civil Aviation Authority (Report) Direction 2024

The Secretary of State for Transport, in exercise of his power under Section 21(2)(d) of the Civil Aviation Act 1982 hereby specifies that the Annual Report of the Civil Aviation Authority (the Group which is comprised of the Authority and its subsidiaries) ending 31 March 2024, and in respect of any subsequent accounting year, should include:

1. the agreed performance and service aims of the Group, and the outturn against them;
2. the main features of the latest Strategic Plan of the Group;
3. an audited statement of efficiency;
4. a full and fair review of the development of the business during the year, the significance of the circumstances facing the Group, and an indication of likely future developments for each of the significantly different classes of business.
5. dealing separately with the Group's financial position:
 - a. a comparison of results against targets, including an explanation of the relationship between current and historic cost accounts and the significance of returns on the assets employed;
 - b. comments on and changes to funding levels;
 - c. significant changes in property, plant and equipment and intangible assets, with a brief description of the assets involved;
 - d. a description of activities in the field of research;
 - e. comments on other relevant aspects of the financial results; and
 - f. a summary of significant events up to the end of the reporting period.
6. a five-year summary of the Group's financial results, including and identifying amongst other things:
 - a. appropriate analyses of income and expenditure and assets and liabilities;
 - b. total equity;
 - c. operating profit/(loss), as appropriate, before interest, expressed as a return on average current cost of total equity, excluding treatment of the pension scheme under International Accounting Standard 19, analysed between the different classes of business; and
 - d. this Direction and the still extant 2022 Accounts Direction.

The Secretary of State has agreed that the CAA shall continue to make a separate report on its Growth Duty which he will lay before both Houses of Parliament, alongside the Annual Report and Accounts, and both of which the CAA shall then publish on its website.

The Report Direction previously issued to the Civil Aviation Authority dated 20 April 2023 is hereby revoked.

David Silk, Director, Aviation
Signed by authority of the Secretary of State
5 April 2024

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