

CIVIL AVIATION AUTHORITY
MINUTES OF THE 544th BOARD MEETING HELD
ON THURSDAY 16 JULY 2020, 10:15, BY SKYPE

Present:

Dame Deirdre Hutton	Chair
Richard Moriarty	
Rob Bishton	
Katherine Corich	
Marykay Fuller	
Sir Stephen Hillier	
AVM Ian Gale	
David King	
Anne Lambert	
Paul Smith	
Chris Tingle	
Graham Ward	
Kate Staples	Secretary and General Counsel

Apologies:

None

In Attendance:

Peter Drissell	
Tim Johnson	
Richard Stephenson	
Ben Alcott	
Jane Cosgrove	
Philip Clarke	
Barbara Perata-Smith	Minute-taker

Glenn Bradley	for item 7
David Malins	for item 7
Ray Forster	for item 8
Troy Preston	for items 8 and 9
Peter Gardiner	for items 8 and 9

I. APOLOGIES AND INTRODUCTIONS

1. No apologies were received.
2. The Chair noted that Ben Alcott and Jane Cosgrove would join the entire meeting.

3. The Chair thanked Tim Johnson and the team for organising the awayday day, the estates team for making the arrangements for the Board to hold the session at Aviation House and the Board members for attending.

II. CONFLICTS OF INTEREST, PREVIOUS MINUTES AND MATTERS ARISING

4. No new conflicts of interest were declared.
5. The minutes for the June 2020 meeting were approved with a minor addition and would be published in due course.
6. The matters arising from previous meetings were noted.

III. CHAIR'S UPDATE

7. The Chair commented that she had had no face-to-face meetings recently, due to the lockdown restrictions, but had attended many online meetings.
8. She mentioned that she had recently visited Aviation House and had met the team in the Shared Service Centre (SSC) who were one of the few groups of people that had returned to working in the office.
9. She added that she had had telephone calls with Gareth Davies and Bernadette Kelly at DfT and an online session with colleagues from the CAA Strategy and Policy Team (CSP) to discuss the environmental information provision project which had now started.
10. The Board noted the update.

IV. CHIEF EXECUTIVE REPORT (DOC 2020-55) BY RICHARD MORIARTY

11. Richard Moriarty provided an update on a number of live issues.

External issues

12. Airlines: Paul Smith provided an update on airlines' recovery and refund services.
13. Project Palomon: Paul Smith provided an update on Project Palomon.
14. Brexit: Richard Moriarty noted that negotiations continued in respect of a Bilateral Aviation Safety Agreement (BASA) with the EU. CAA colleagues were supporting the negotiations and providing technical advice to DfT policy officials.

Internal issues

15. Recruitment for State of Design team: Richard Moriarty commented that there was a requirement for 21 FTEs, with 10 having been recruited already and a good proportion of the rest were closed to being appointed. More details would be provided under item VII.

16. ICAO Audit: Ben Alcott explained that the last ICAO audit was in 2009 and had required a year worth of preparation and planning, including a thorough analysis of every aspect of compliance in the relevant Annexes. The next audit was likely to take place in 2022, as ICAO had designed a more proportionate audit process which it wanted to test with the UK first. The teams had started to prepare, with assistance by SARG colleagues.
17. Rob Bishton commented that this was an opportunity to obtain valuable external views on our performance as a regulator and focus on the supporting documentation and evidence to ensure our house was in order. Some of these had been updated already during the height of the Covid crisis.
18. Litigation: Kate Staples noted that the litigation with Jet 2 had now been settled. She also updated the Board on the Shoreham inquest and related matters.
19. Finance: Richard Moriarty noted that staff would be given an additional day's holiday, to be taken around the late August Bank Holiday, as a thank you for their continued dedication and hard work during the Covid-19 crisis. He added that the ExCo had also discussed whether to reinstate full pay, following the pay reductions that had been implemented across the organisation to support the financial challenge. Board members were supportive and endorsed the decision.
20. People: Jane Cosgrove focused on three capability areas: technical/analytics, leadership and management, and professional courses. On the first, 31 colleagues had started the Data Fellowship, which had been set up using the apprenticeship levy. On completion it would provide a professional qualification in data science and much needed expertise for the organisation. The second set of skills were also being developed using the levy and supported by a professional qualification. And finally, the MSc in Aviation Safety Management, Risk and Regulation at Cranfield University had now been approved for delivery in 2021.
21. Ms Cosgrove explained that the above had been achieved with a small team of 1.5 FTEs, but that she had now appointed a Talent and Capability manager who would join in September.
22. With regard to diversity and inclusion, Ms Cosgrove noted that a number of listening sessions had been arranged and were now fully booked and taking place until the end of July. ExCo would receive a presentation from Pearn Kandola, the organisers, in the Autumn, to absorb the findings from the sessions. Marykay Fuller asked whether NEDs could join a session, but Ms Cosgrove explained that the providers had recommended only colleagues should be allowed to attend, in order to get the best response.
23. The Board noted the report.

V. MONTHLY FINANCE REPORT (DOC 2020-56) BY CHRIS TINGLE

24. Financial update: Chris Tingle updated the Board on the financial position and explained that financial support package from DfT had now been agreed. Discussions were taking place to agree how we would meet the conditions stipulated, including how we tracked against the forecasts submitted, whether we managed to remain cash positive and achieve the P&L target required to maintain regulatory performance, as well as planning how we could reduce reliance on taxpayer funds over time. The team would produce monthly reports for the Board and DfT to highlight progress.
25. Richard Moriarty assured the Board that the team had been working with DfT to draw up a realistic and achievable forecast and the Chair expressed hers and the Board's thanks to Mr Tingle, Tim Johnson and colleagues in delivering this vital piece of work.
26. Budget: Mr Tingle noted that the budget had been presented at last month's Board but not formally adopted as there had been no certainty on receiving support for the financial position. In these circumstances, Mr Tingle proposed that he would report variances against the projections used to agree the funding with DfT. Mr Tingle requested the Board's endorsement. The Board agreed with the approach proposed.
27. Mr Tingle commented that the results for the first two months were positive as a result of slightly higher revenue compared to the projections and good performance on cost management. The cash position was also stronger than forecast. There was a risk in relation to CAAi, given the position of the EASA contracts, which had been included in the forecast.
28. The Board noted the report.

VI. CAA ANNUAL REPORT AND ACCOUNTS (DOC 2020-57) BY CHRIS TINGLE

29. Chris Tingle sought Board approval to sign off the Annual Report and Accounts (ARA) and the accompanying Letter of Representation. The key issue to highlight was the auditors' keen interest in the financial challenge brought by the pandemic. Financial support had recently been provided by DfT and supplemented by a Letter of Comfort which should resolve the issue. This was also another year where the accounts had been impacted by a significant ATOL failure.
30. The key figure to note in the balance sheet was the pension fund, which, on the basis of the accounting standards used to prepare the annual report, resulted in a surplus thanks to well-performing corporate bond rates. This was also the first year

where the accounts were run using the new SAP accounting system which had worked well, with the added advantage of supporting remote working.

31. Graham Ward noted that the Audit Committee had carried out a thorough review of the principles and processes underlying the preparation of the ARA, including the auditors' work and their conclusions. The review confirmed the ARA had been produced to a satisfactory standard and that there were no events that would affect the figures.
32. Mr Ward highlighted some key points to note. The Letter of Representation by the auditors provided an overview of the conclusions and in its 'Fraud and Errors' section requested the Board to confirm that to the best of their knowledge they were not aware of instances of these. The Board confirmed that to be the case.
33. Mr Ward highlighted the statement on page 236 which should be signed by Richard Moriarty, Chris Tingle and Kate Staples to confirm that the Board should approve the Letter of Representation. The Board agreed.
34. The 'Mis-statements' section showed an incongruity on the calculations underlying the pension information in last year's ARA. However, the auditors confirmed the potential adjustment was not material. The Board agreed with the statement.
35. In relation to the 'No relevant audit information not provided' section, the Board confirmed that to be the case.
36. Mr Ward reported that the Audit Committee had considered the ARA taken as a whole to be fair, balanced and understandable and that it would give the Secretary of State for Transport the necessary information to assess the CAA's performance, business model and strategy. The Audit Committee recommended that the Board should approve the document.
37. Mr Ward suggested the Board noted the two resolutions on page 55: first, to recommend the ARA was approved and that Mr Tingle and Mr Moriarty were authorised to sign it on behalf of CAA. And second, to approve the Letter of Representation and to allow the Chair and the Secretary to sign it on behalf of the Authority. The Board endorsed both proposals.
38. The Audit Committee thanked Mr Tingle and Mr Johnson for obtaining the Letter of Comfort. With regard to audit fees, although the cost was fixed, it was subject to additional work required and this year this had included work on Thomas Cook, the new IT system and the incremental work that had to be carried out in the context of the going concern. The Audit Committee and Mr Tingle confirmed these extra charges were reasonable and the Board agreed with that statement.

39. The Chair thanked the Portfolio Delivery team for implementing the SAP accounting system, the COO's team for the work done on the ARA, the Communications Department for managing the narrative, and Graham Ward as Chair of the Audit Committee for an excellent job.
40. The Board noted the report.

VII. SARG MONTHLY SAFETY ISSUES REPORT (DOC 2020-58) BY ROB BISHTON

41. The Board welcomed David Malins and Glenn Bradley to the meeting, who provided an update on the State of Design, Brexit preparations and return to service plans for the Boeing 737 Max 8.
42. Rob Bishton noted that the team was in the process of revising the SARG Monthly Report to make it more concise and easier to read, by separating it from the annexes which would be uploaded in the Library Folder of Huddle as optional reading.
43. Airports: Glenn Bradley summarised the outcomes of a number of aerodrome inspections where the entities were on notice. He added that the team would be working with the airports to improve their safety management systems and the retention of key staff.
44. Airlines: Mr Bradley summarised the issues that had been identified with a number of airlines, including financial issues, cabin safety and retention of personnel in key posts.
45. The Chair enquired about a recent incident where a single engine GA aircraft had flown across London. Mr Bradley commented that the Rules of the Air required a pilot to be able to land clear. The team was continuing to investigate this line of enquiry and would then consider the most appropriate action in the circumstances.
46. State of Design: David Malins provided a progress report on recruitment and reassured the Board that much work was in place recording risks on our management framework. The new department needed 21 FTEs; 10 had already been transferred internally as they could demonstrate several of the required competencies which would be supplemented with targeted training; the rest continued to be recruited externally, with six offers made – including to the Manager of the State of Design and to other SMEs – and further interviews due to take place shortly for the remaining posts. The areas of most demand were UAS, GA, innovation, electrical systems and avionics. Cyber was also important and capability needed to be developed or acquired. The team was trying to grow the contractor pool to further increase resilience of the team.

47. Mr Malins outlined the risks and mitigations in place to ensure successful recruitment and retention of staff, including longer term aspects such as succession planning and a graduate scheme. Mr Malins confirmed that he was confident the resource would be in place by the required deadline and Mr Bishton noted that the team was focused on delivery, as well as being constantly challenged to reshape the airworthiness department in order to maintain the cost base and include efficiencies.
48. Boeing 737 Max 8: Mr Bishton advised that the FAA and EASA had managed to identify the final issues for resolution to enable return to service of the Max 8. The CAA now needed to consider questions around opening the airspace for aircraft coming to the UK, including those requesting to fly in for maintenance. Once the final issues were resolved, the likely return to service would be around the Autumn.
49. Mr Malins explained that there had been a request to open the airspace to allow a ferry flight for the Max 8, before a full return to service had been formally approved. He assured the Board that the team had carried out their own review and risk analysis to confirm it was safe to do so, as per the Safety Directive, which specified that no aircraft could enter UK airspace unless authorised by UK CAA. It was also important to consider the views and potential concerns of the public, which would need to be addressed effectively. SARG and Communications Department colleagues were preparing clear messaging.
50. The Chair asked the Board to endorse the team's approach and to agree to a minded-to decision to allow the aircraft to enter UK airspace at a specific airport in order for maintenance to be carried out. Stephen Hillier, as future Chair, confirmed that he was happy with that approach and the Board endorsed the approach and minded-to decision.
51. Glenn Bradley provided an overview of the safety risk picture and noted that although the risks had not changed during the crisis, the way they manifested had, particularly with regard to human factors. Mr Bradley explained that the team had created a checklist to focus industry on the core aspects of an effective safety management system, such as crew competency management. The checklist supported remote oversight activity, but the human factors element had to be observed first hand, to gauge how staff worked in the live operational space and in difficult circumstances. The team had engaged extensively with companies to advise on the mental health of safety critical officers, thus carrying out onsite audits as well as offsite ones.
52. David Malins commented that, with regard to airworthiness, there were over 40 risks and hazards on the register that had been identified during the crisis and that

particular attention was given to the human factors aspect of engineering as it could have a significant impact on operations. Mr Malins reiterated that remote audits were only effective to a point and that industry's operations had been affected by staff cuts, loss of experienced personnel and low morale. The team understood that there was a need to reinstate on site audits and work with industry as soon as practicable.

53. Rob Bishton added that the team had had a lot of engagement with industry to understand and consider their challenges and that guidelines to support companies during the restart were in place.
54. Katherine Corich asked whether we could carry out a holistic analysis of upstream and downstream suppliers, industry and government to map out the interdependencies. Mr Moriarty replied that there may be areas where we could influence, but would not be able to do so globally due to lack of resource or bandwidth, however, we had set out the conditions for industry to engage with government to secure a rescue package. Ms Corich asked to attend one of the Safety Directors meetings to share her thoughts in more detail.

ACTION: Rob Bishton, Katherine Corich

55. The Chair summarised the discussion's three key points: first, the transparent accounting of risks we faced and the mitigations in place while reopening aviation; second, the opportunity for CAA to influence where possible, even as an intermediary role; and third, the need to be aware that the risks will not stop once recovery is in place will continue for 6-9 months at least, across industry and supply chain.
56. The Board noted the report.

VIII. ANNUAL SAFETY RISKS REPORT (DOC 2020-59) BY ROB BISHTON

57. The Board welcomed Ray Forster, Troy Preston and Peter Gardiner to the meeting.
58. Mr Forster focused on the key safety risks, noting the top safety risks to industry. The heatmap showed the risks that scored 12 or more among the 150 recorded on the register, such as dangerous goods, the Max 8 return to service, wildlife management at airports – which was not new but had become more critical during the crisis -, the Max 8 ferry flight and airborne conflict between General Aviation aircraft.
59. The Chair commented that the top risks looked very familiar and that the team should reflect whether there were risks that we had not thought of. For example, volcanic eruptions, which were known but were not traditionally associated with

aviation. Mr Forster said that the CAA promoted the reporting of risks internally and with industry, via the whistleblowing function and management meetings. The team also encouraged the raising of blue-sky ideas, some of which made it on the regulatory safety management system, and looked after a database of issues. David King added that the risk of lithium batteries had been at the top of the register for a long time and was a global issue, so we should reflect whether we can influence further action. Rob Bishton agreed and commented that we had much evidence to demonstrate our attempts to maintain focus on this topic with DfT and globally, despite still not having identified a solution. The risk was not specifically a UK one, but the UK public could be affected, so SARG and CAAi collaborated to keep the focus on it, splitting the risk between what we could influence and mitigate within the UK.

60. Katherine Corich asked whether we were looking broadly enough beyond our remit and leadership and whether there might be ways we could engage with industries to enable and encourage innovative solutions. Ben Alcott confirmed that we had done some work internationally with manufacturers and ICAO. Mr King added that perhaps the key would be looking at the manufacturing materials used and whether commercial penalties were stopping their evolution.
61. The Chair requested that Mr Forster consider amending the heatmap to provide an estimate on how much action was in the CAA's control and date/time information to show movement and trends.

ACTION: Rob Bishton, Ray Forster

62. Chris Tingle asked whether the risks associated with human factors and mental health should be part of the top 10. The Chair and Mr Bishton agreed, especially in relation to the risk of the restart. Mr Forster commented that all risks were assessed to see whether the human factors element would affect them, which was the case as all aviation endeavours had a human factors aspect. The crisis had weakened that element which might show as aviation recovers.
63. The Board noted the report.

IX. SAFETY ASSURANCE REPORT (DOC 2020-60) BY ROB BISHTON

64. Troy Preston introduced the topic and said that having a health and safety culture allowed good reports which kept improving. The current report had been categorised as having a yellow status.
65. Peter Gardiner explained that the focus was on two areas: first, on the safety accountability during the crisis, and second, enforcement, as previously requested by the Board. On the latter, the team found that enforcement activity was taking

place and was documented, however, there was little statistical and evidential data to compare departments. Consistency and standardisation would need to improve. The Chair commented that the Board was aware of the issue.

66. Richard Moriarty enquired about the stock of MORs and the criteria for triage. Mr Preston said that the team was able to process about 500 per week and that the safety critical ones were addressed first. Chris Tingle added that staffing issues had affected the stock of MORs and that the increase was due to Covid-related issues arising, for example crew fatigue.
67. Graham Ward enquired about preparations for the ICAO audit and Mr Preston confirmed the team had already started planning and reviewing how we complied with regulation, quality assurance, gap analysis etc, to ensure we were ready. Mr Preston would share the result of the work with Mr Ward.

ACTION: Rob Bishton, Troy Preston

68. The Board noted the report.

X. AUDIT COMMITTEE REPORT (DOC 2020-61) BY GRAHAM WARD

69. Graham Ward noted that the last Audit Committee meeting had taken place in early June where the Annual Report and Accounts had been discussed and the conclusions of the review finalised.
70. The Chair passed the Board's thanks to Mr Ward and the Audit Committee.

XI. FORWARD AGENDA AND ANY OTHER BUSINESS

71. Tim Johnson ran through the Forward Agenda, noting there would be no ExCo or Board meetings in August. Meetings would resume in September, with specific items including Project Horizon next steps, Brexit preparedness and Respect and Dignity at Work.
72. Recognition Event: Richard Stephenson noted that the Annual Recognition Event was due to take place in the next week and that if members wanted to attend (virtually) to speak to him directly.
73. Stephen Hillier thanked Dame Deirdre for her leadership and professionalism while in the role of CAA Chair, over the past 11 years. The Board also expressed their sincere appreciation for her significant contribution to the CAA.

Date and Time of Next Meetings:

Wednesday 16 September, 12:00 hours, Aviation House