

CIVIL AVIATION AUTHORITY
MINUTES OF THE 552nd BOARD MEETING HELD ON
WEDNESDAY 21 APRIL 2021, 11:00, on Microsoft Teams

Present:

Sir Stephen Hillier

Chair

Richard Moriarty

Rob Bishton

Katherine Corich

Marykay Fuller

AVM Ian Gale

David King

Anne Lambert

Paul Smith

Kate Staples

Secretary and General Counsel

Chris Tingle

Graham Ward

Apologies:

None

In Attendance:

Ben Alcott

Jane Cosgrove

Peter Drissell

Tim Johnson

Alex Kaufman

Philip Clarke

Barbara Perata-Smith

Minute-taker

Julie Bryer

for items 5 and 6

Ella Payne

for items 5 and 6

Glenn Bradley

for item 8

Rick Newson

for item 8

Rob Olney

for item 8

Briar Mulholland

for item 9

Laura Milton	for item 9
Nic Stevenson	for item 9
Russell Veale	for item 10

I. APOLOGIES AND INTRODUCTIONS

1. No apologies were received.

II. CONFLICTS OF INTEREST, PREVIOUS MINUTES AND MATTERS ARISING

2. No new conflicts of interest were declared.
3. Graham Ward recused himself from the discussion on the minutes from the Extraordinary Board Meeting (EBM) that took place on 7 April, at which a decision had been taken on the request by Heathrow Airport Limited that there should be an adjustment to the Regulatory Asset Base. The minutes from the meeting were approved with some minor corrections.
4. The Chair asked the Board whether there were comments on the additional material that had been provided to clarify certain points raised at the EBM and the Board confirmed it had no comments.
5. Paul Smith confirmed that the evidence pack underpinning the decision would be published in the early part of the following week. The team was working with the communications department to this intent.
6. Mr Ward re-joined the meeting.
7. The minutes from the previous Board meeting were approved with some amendments which would be provided offline by the relevant parties.
8. The matters arising were reviewed and a number of actions highlighted to be closed after this session.

III. CHAIR'S REPORT (DOC 2021-33) BY SIR STEPHEN HILLIER

9. The Chair summarised a number of headline points for discussion.
10. Global Travel Taskforce (GTT): significant work had taken place across the organisation to input into the GTT. The report that had been published by government in early April had referenced the CAA and its efforts into coordinating the sector's preparedness.
11. CAA strategy and regulatory principles: this would be an important discussion at today's meeting, to reconcile the Board's ambition with the budget.

12. Board reporting: The Chair thanked ExCo for having reviewed the process and materials submitted to the Board and for having improved the content uploaded to the library folder.
13. The Board noted the update.

IV. CHIEF EXECUTIVE REPORT (DOC 2021-34) BY RICHARD MORIARTY

Live issues

14. The CEO provided an update on the meeting the Chair and he had had with Robert Courts MP.
15. Global Travel Taskforce (GTT): CAA had been involved in the GTT work through the Rapid Capability Office (RCO) that had collaborated with industry to explore recovery scenarios and prepare an operational baseline for the upcoming summer months. However, government's stance was cautious due to the development of variants to the virus, in turn impacting industry's hopes of a summer upturn.
16. There were implications from the government's more prudent position. First, it brought a more pessimistic outlook on industry's ability to pay for the full costs of regulation, a view that was shared by DfT. Second, there would be a rapid increase of risk associated with the safety and security restart which CAA would have to monitor carefully. The CEO added that it would be beneficial to enrol the Boards of regulated entities into this thinking, rather than merely correspond with their CEOs, as governance would have a role to play in this issue. The Chair suggested that the letter that CEO planned to send should raise the challenge brought about by the steeper risk and the balance required between safety, security and health. This approach received support from the Board as it was important to make safety explicit in cases such as these, when it might have had a tendency to become implicit. And third, industry's financial challenge was more acute now that the hopes of a summer recovery were less clear.
17. The government was still keen for the rules related to the Passenger Locator Form to be enforced, which indicated a policy that encompassed health as well as travel.
18. Recovery plans from industry were likely to be designed for the short-term, which meant putting long-term issues on the back burner, as such teams should be mindful of the pressure already on the sector when engaging with regulated entities.
19. An update was provided on the general financial health of ATOL holders. The Board was assured that, if insolvencies were to take place, a plan to reprioritise resource was in place, allowing for experienced staff to supplement the core

agency team on refunds. The refunds portal continued to work well, promoting positive exchanges between claimants and handlers.

20. The CEO highlighted, from his report in the Library, the CAA's ongoing engagement with the round canopy parachuting community. He said that the CAA needs to be satisfied that any parachute organisation must be fit and competent to conduct parachuting safely having regard to previous conduct and experience, equipment, organisation and staffing. The CEO said that Rob Bishton's team had continued to work with the applicants who had been advised to follow the standard process and provide the appropriate documentation and evidence to support their applications. This approach was applicable to all types of applicant, including those who had served in the military and wanted to operate in the civilian environment.
21. He said that the Round Canopy Parachute group have submitted a parachute training organisation (PTO) application (from Pegasus PTO limited) to be an independent training organisation for a UK round canopy parachuting rating and an Approved Persons application (from the Parachuting association) to be an approved persons to regulate the sector. The CAA had received various monetary amounts and information from the applicants, but none of these were either the correct fee or the information required. Therefore, in March 2020, the CAA refunded the amounts and returned the applications. The Round Canopy Parachute group can re-apply if they would like to do so.
22. The CEO added that in parallel the CAA has received multiple Freedom of Information and subject access requests on communications relating to the above. He said that the General Aviation Unit is working through these with support from External Response, OGC and the Chair/CEO's office. There are currently no active applications with this stakeholder group, but the team continues to receive requests for information.
23. The Board agreed that a consistent message, from government and CAA alike, was paramount, highlighting the need to follow the appropriate, tried and tested channels to obtain recertification, regardless of background.
24. The Chair asked the appropriate Directors to reinforce the above message with the relevant teams, emphasising that Board support was unanimous.
25. Data breach: the Board was informed that a limited data breach had occurred in one of the CAA's new systems. A small amount of data had been corrupted during data migration from the old to the new system. The breach had been notified to the GDPR and legal teams as soon as it had been identified. The data in question

was limited in extent and the breach itself was an isolated incident that had now been resolved.

26. The Board noted the report.

V. FINANCE REPORT FOR THE ELEVEN MONTHS TO 28 FEBRUARY 2021 (DOC 2021-35) BY CHRIS TINGLE

27. The Board welcomed Julie Bryer and Ella Payne to the meeting.
28. The financial results for the month of February were presented, noting a position that was positive and ahead of budget. An overview of the draft year-end figures was also provided, indicating: a small profit, in the context of the drawdown from the grant received; higher than forecasted revenue; and successful cost savings and controls. The cash position was also positive, but included the supplementary funds provided to the CAA for security maturity and digitalisation.
29. Progress with digitalisation in the SSC was taking place, in an attempt to bring all services onto the e-licence platform, rather than continue with a blended approach of paper/PDF applications and Avoka. The work should be completed in the next year.
30. The Board noted the report.

VI. CAA GROUP BUDGET AND BOARD PRIORITIES 2021/22 (DOC 2021-36) BY CHRIS TINGLE

31. An overview of the 2021/22 budget requirements and Board priorities was presented. The budget assumed total revenue inclusive of the s.12 grant and achieving the regulatory profit target required (as per the Secretary of State's direction on making a 3.5% rate of return unless otherwise notified) and a positive cash balance held throughout the year. It also assumed an increase in s.12 liquidity funding requirements according to the mid-case scenario, based on revised regulatory revenue scenarios and operating cost movements. This increase had been agreed in principle by DfT through a letter of comfort confirming support to allow CAA to continue carrying out its statutory duties. The team assured the Board that conversations with DfT had been positive and that had indicated support for all activities at CAA, including CA Ai.
32. The budget reflected the CAA's ongoing commitment to delivering new activities and responsibilities required by the Government, including Space, State of Design, and Airspace priorities and included new resources to support and deliver these and other priorities. However, the key risks were still related to uncertainty of revenue from industry and the associated recovery.

33. The Board had several comments on the budget and priorities.
- There was a request that the letter of comfort be shared with the auditors, and that their response should be circulated to the Board, particularly if it showed concern with the arrangements.

ACTION: Chris Tingle

- There was a question on how robust the figures and the process had been. The team confirmed it had engaged extensively with ExCo, forcing a number of conversations on variances that needed to be resolved before coming to a collective agreement of the budget. Expectations about the strength and speed of the recovery expectation were a risk factor because the budget had been based on a mid-case scenario.
 - The budget included crumple zones and room for manoeuvre: first, in the bad debt reserve, which had not been used very much; and second, on the assumptions for new resource coming to the organisation which would need flexibility and was going to be a challenge to set out in time.
34. The team added that CAAi had struggled to deliver courses and exams in the current climate, so this should be considered as a risk in relation to the more pessimistic recovery expectations and pervasive uncertainty.
35. It was also noted that cashflow was updated regularly and that the good cash position was helping to provide a cushion. The team had frequent catch-ups with DfT, with an option to meet immediately in the case of a critical requirement so there was an ongoing dialogue.
36. A question was raised on the scenarios and our request to increase funding since the Spending Review 2020 submission, which might indicate the forecast of the traffic volumes might be inaccurate. This was an important point, as it could affect our budget and the decision on the HAL's intervention. The team explained that the budget was primarily aligned with the traffic volumes but that there were additional sources of income (such as aircraft registration) that were taken into account. Furthermore, the HAL's decision was not predicated specifically on traffic volume but on the asymmetric risk to consumers. HAL's own forecast had been based on DfT's and there would be a number of developments with the recovery, for example in relation to a more buoyant US market, that could be advantageous to HAL, but the uncertainty made it difficult to quantify these.
37. The Chair noted that all the information requests from previous budget conversations had been included in this budget proposal and he asked the Board to confirm it was ready to approve the budget for 2021/22. The Board confirmed

that was the case and approved the proposal, subject to the comments made above.

- 38. The Chair thanked the team for their hard work and the successful outcome.
- 39. The Board noted the report.

VII. AUDIT COMMITTEE REPORT (DOC 2021-37) BY GRAHAM WARD

- 40. The Board received a brief overview of the report from the recent Audit Committee.
- 41. A question was raised on the effectiveness of project delivery across the organisation due to a number of projects falling outside the Portfolio Delivery governance process. The team explained that the Audit Committee had challenged ExCo on this issue, receiving evidence that this point had been addressed at the Portfolio Delivery Board. Rogue projects had been included in a paper, but an element of judgement had to be used to distinguish projects and BAU tasks and PD had now developed guidance for this purpose.
- 42. The Board requested visibility of the list of projects.

ACTION: Richard Moriarty

- 43. The Board noted the report.

VIII. SARG MONTHLY SAFETY ISSUES REPORT (DOC 2021-38) BY ROB BISHTON

- 44. The Board welcomed Glenn Bradley, Rick Newson and Rob Olney to the meeting.
- 45. The Board was briefed on the key issues, including Covid preparedness, issues associated with the EU exit transition and the Rapid Capability Office's (RCO) support to the government's Global Travel Taskforce (GTT) and the General Aviation agenda (GA). On the latter, the previous head of the GA unit was currently on secondment with the Space Agency and her tenure had been extended, as such, it was decided that the current Head of the GAU and RPAS teams as one Unit would be made permanent.
- 46. The team added that the format of the report was going to be updated from next month, but that presentation would follow the current set up, with a scene setting introduction and then a few updates on substantive issues. The annexes in the library would continue to provide background information on assurance activities, progress reports on the non-compliances highlighted by the ISO9001 audit, and actions relating to special attention or level 1 findings. Internally, work was also being carried out to explore the learnings highlighted by the recent Colleague Experience Survey. A comment was made in relation to the audit and the Board was assured that there was a sensible plan of actions in place to address the non-compliances.

47. Risks: Lithium batteries and take-off performance presented the biggest challenges in terms of approach as, given their global nature, the CAA and/or DfT do not have all of the levers to effect control. The current activity in both areas balances our domestic responsibilities and obligations with our international influencing ambition. A question was raised in relation to whether alternative airports, used for cargo flights, should be prioritised for lithium batteries supplies, instead of Heathrow Airport. This was currently a risk and should be assessed.

ACTION: Rob Bishton

48. Most other risks related to human performance across all domains and the team was striving to identify appropriate ways to address these, for example by refreshing published information, and maintaining safety standards to the same level consumers had had pre-Covid.

49. EU Exit: Teams in SARG continue to work through issues that have arisen as a result of the UK leaving the EASA system, but on the positive side a new simplified process went live on 1 April for EASA licences valid or in force on 31 December 2020 or UK transfers which are still awaiting their transfer of their EASA licence.

50. Dangerous goods: this topic had been captured as a prominent risk for some time, but it had now been split into its constituent parts to understand it better and address it. The global system risk was the carriage of lithium batteries when incorrectly packaged or declared, which could mean they could be loaded on a passenger aircraft despite being banned from those. The domestic component of the risk lies in the supply chain, separate from the international leadership aspect.

51. The Board agreed that the new reporting format was better and easier to understand and appreciate. A question was raised in relation to the broader risks not captured by the report, for example air shows. The team explained that it often reflected on what else should be captured and monitored and committed to include a summary for the Board on the risks that currently had very little visibility due to the operating environment being dominated by Covid.

52. It was noted that global aviation system risks were generally more long-standing and severe, but that there were now opportunities for the CAA to reflect on and address these risks in the most appropriate manner. The team agreed and commented that this point had been debated substantially but that there appeared little that the CAA could individually to mitigate these risks. In relation to the opportunities, there would need to be some discussion on how CAA could assume a slightly different position as an independent regulator to influence action and ensure that all avenues had been covered should an incident occur.

53. Comments were raised in relation to the treatment of lithium batteries and the timeline of activities that would run into 2024. In addition, it was noted that lithium batteries were becoming more prolific. That could worsen the risk, which put a premium on enhancing international cooperation to work out a solution. The team said that this topic would be an ideal contender discussion at the Five Eyes Network as well as by bilateral arrangement to try to initiative a shift in opinion.

ACTION: Rob Bishton

54. The team added that much work had taken place domestically to manage this issue, including action taken against entities illegally carrying lithium batteries, and that CAA had been involved internationally, sometimes beyond its boundaries, to promote a safer aviation system through the better management of dangerous goods. Furthermore, there may be actions that could be taken to bring forward the 2024 deadline, for example, reinforcing the need to remove the transport of lithium batteries completely from aircraft, but such actions would have to be led by ICAO. There was a suggestion raised that if CAA were able to take a leadership position on preventing batteries from being carried on passenger aircraft, there may be a market reaction from innovators to develop alternatives, but any decisions of this sort would have to be taken in alignment with DfT and based on clear intelligence. Dangerous goods also included medical items and the CAA would not want to disrupt those supply chains.
55. The Chair summarised the discussion and said the Board was interested in better understanding this risk and in considering a range of possible interventions. He asked the team to return with an update.

ACTION: Rob Bishton

56. The Board raised a number of comments about other aspects of the report.
57. There was a query on safety and security corridors and whether the CAA was confident that our standards of safety would be the same in other countries that were receiving aircraft carrying UK passengers. There was also recognition that the risk analysis proposed was very thorough as it included transportation to airports as part of the global aviation system risk perspective. The team explained that they had explored a scenario where there were only limited corridors and had to cater for a surge of demand and whether there would be a difference in capacity between an individual country and one connected to a bloc such as the EU.
58. There was a question asked in relation to the risk of diversion due to fuel emergency, but the team advised there were protocols in place to manage this to a safe conclusion.

59. A query was raised about the subcontractor risk and how CAA planned to assess it and monitor it to ensure subcontracted staff did not become a safety risk, because of fading competency or delayed clearance. The team commented that it was a difficult matter to address but that engagement with the security clearance agency was taking place to ensure the issue was well-known and understood. The team commented that aviation had moved to outsourcing on a large scale and that the issue of good supply management had been a long-standing one. The matter raised by the query had already been referred to and discussed with the Safety Directors of regulated entities, to ensure they had plans to assess the continued resilience of suppliers in an environment where things could change rapidly and whether they could respond as quickly to supply failure. Airlines were more likely to ramp up resource than airports, which tended to be cautiously tied to certainty of demand and the team would be exploring whether this constituted a resilience or a safety issue.
60. The Chair summarised the discussion and added that there had been a number of significant firsts this week, including: the first AOC for a carrier post-EASA; the first BVLOS approval for an RPAS; and the first authorisation for ballooning post-EASA. All of these were an indication that the organisation could move with more freedom and pace than before.
61. The Board noted the report.

IX. CAA STRATEGIC AND REGULATORY PRINCIPLES FOR APPROVAL (DOC 2021-39) BY TIM JOHNSON

62. The Board welcomed Briar Mulholland, Laura Milton and Nic Stevenson to the meeting.
63. The team summarised the paper and explained that this was the final iteration of the strategy, which had considered the feedback received at previous sessions, as well as the comments from targeted stakeholder engagement. The draft strategy was concise and focused on providing a collective sense of direction for colleagues and on being flexible and agile. The team proposed a shift from the traditional consultation towards encouraging input through an online form, a much more low-key approach, recognising industry lower bandwidth. The draft strategy would be republished if required and would be professionally designed.
64. The Chair asked for comments on whether the Board was comfortable with the content and the direction of travel of the draft strategy.
65. The Board was supportive of the content and substance of the work, subject to some minor language issues being addressed, and there was agreement that

professional design would make the strategy more easily digestible for the majority of colleagues.

66. There was a comment enquiring whether passengers and the overflow were now defined as consumers and the team explained that the concept of the former had not been lost and was present particularly in the part of the work that referred to noise. But the term overflow had been unpopular so there had been an attempt to improve it. Furthermore, the mission and vision still mentioned the public.
67. With regard to the roll-out, the team explained that a series of internal Town Halls had been planned to present the material. Externally, the key parts of the strategy would be published on the website, with a note explaining how to provide feedback. And on the environment, we would engage with the Board at the May PIE and then at the July Awayday. The engagement was in line with the approach to review the strategy regularly rather than every five years.
68. The Board agreed with the approach but requested that communications were properly targeted to capture a good cross-section of the CAA, especially in view of the engagement survey results that indicated people were looking for direction.
69. The Chair summarised the discussion and the Board approved the strategy, subject to the above comments being taken into account, and approved the regulatory principles, subject to minor changes to the language which the Chair would provide offline.

ACTION: Stephen Hiller, Tim Johnson

70. The Board noted the report.

X. RESPECT AND DIGNITY AT WORK: PEARN KANDOLA REPORT SECOND UPDATE (DOC 2021-40) BY JANE COSGROVE

71. The Board welcomed Russell Veale to the meeting.
72. The team explained that this would be the last update on the Pearn Kandola report, as the actions planned had either been completed or were making good progress. Further updates would be provided as part of the regular HR report to the Board via the Chief Executive's report.
73. The recent experience survey showed that the efforts focused on this work for the last couple of years were starting to bear fruit, as many of the scores were above the UK average, although a few percentage points below some of the higher performing organisations. There were, however, pockets in the CAA where colleagues did not seem to be as engaged as the rest and these would also be discussed at the D&I Board, with a dedicated D&I strategy due to be presented to the Board in the next few months.

74. The Board enquired about the definition of a high performing organisation, in particular whether it would include companies that were representative of the CAA's demographic. The team assured the Board that the sample was likely to include a number of regulators, although not the wider public sector, and explained that the aim was to focus on what made the organisation a great place to work rather than just focusing on the score. The Board agreed that it was important to move away from the desire to score 100% and appreciate that a high score was reflective of an engaged workforce, and that targeted work could take place to address the pockets where this was not the case.
75. The Chair requested that the Respect at Work training be rolled out to the ExCo and Board.

ACTION: Jane Cosgrove, Russell Veale

76. The Board noted the report.

XI. FORWARD AGENDA INCLUDING DRAFT MAY BOARD AGENDA

77. The Board was briefed on the content of upcoming meetings, including the May PIE, which would set the context for the environment work, and the May Board, for an update on space regulation. Other topics to note were the innovation hub user-pays advisory services and a conversation on electronic conspicuity.

XII. AOB

78. There was a question with regard to the HAL submission and the team explained that the HAL Board had already been briefed and the airlines would be imminently, close to publication, as per standard protocols.

Date and Time of Next Meetings:

Wednesday 19 May 2021, 11:00 hours, on Microsoft Teams