

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 559th BOARD MEETING HELD ON
WEDNESDAY 15 DECEMBER 2021, 11:30, TEAMS**

Present:

Sir Stephen Hillier
Richard Moriarty
Rob Bishton
Garry Copeland
Katherine Corich
Marykay Fuller
Jane Hanson
Anne Lambert
Manny Lewis
Paul Smith
Kate Staples
Chris Tingle

Chair
(items 7 – 12)

Apologies:

AVM Simon Edwards

Secretary & General Counsel

In Attendance:

Ben Alcott
Jane Cosgrove
Peter Drissell
Tim Johnson
Alex Kaufman
Jonathan Spence

Observer

Philip Clarke
Graeme Paterson

Secretariat

Sarah Gannaway

Observer (Flint Global)

Norma Hastings	for item 5
Stu Lindsey	for item 6
Glenn Bradley	for item 7
Dave Malins	for item 7
Rob Olney	for item 7
Stuart Rankin	for item 7
Seonaid Reed	for item 7
Mark Vincent	for item 7
Rob Toal	for item 9
Andrew Walker	for item 9
Martine Freeman	for item 10
Richard Hallett	for item 10

I APOLOGIES AND INTRODUCTIONS

1. Apologies were received from AVM Simon Edwards.
2. It was noted that Richard Moriarty would be joining the Board later due to attendance at the Transport Select Committee.
3. The Board welcomed Jonathan Spence who would be joining the CAA in the new year as Secretary & General Counsel. The Board also welcomed Sarah Gannaway from Flint Global, who was observing as part of a review of the Board's effectiveness.

II CONFLICTS OF INTEREST, PREVIOUS MINUTES AND MATTERS ARISING

4. The Chair noted that Garry Copeland would need to be recused from the meeting for the Air Safety Support International (ASSI) items in the Chief Executive's Report.
5. Katherine Corich advised the Chair of a potential conflict of interest regarding an item in Doc 2021-96 and would be recused from the meeting if the matter was discussed.
6. No other conflicts of interest were declared.
7. Subject to a small clarification point, the minutes of the November Board meeting were approved.
8. It was agreed that action 172 could now be closed.

III CHAIR'S REPORT (DOC 2021-91) BY SIR STEPHEN HILLIER

9. The Chair highlighted the potential impact of the new Omicron variant on the industry and on the ability of the CAA to carry out its work. Although colleagues had responded well to the challenges of the Coronavirus, it could not be assumed that Omicron would necessarily present the same issues for the organisation.
10. The Board was asked to note the new categories ('approval', 'assurance' and 'information') that would be assigned to papers presented for discussion. In respect of 'assurance', the Chair highlighted that the purpose of this was for the Board to satisfy itself that adequate processes and controls were in place and being used to manage the CAA's objectives and risks.
11. The Board noted the report.

IV MONTHLY FINANCE REPORT FOR THE FIVE MONTHS TO 31 OCTOBER (DOC 2021-93) BY CHRIS TINGLE

12. The Board was advised of the CAA's current financial position which was tracking ahead of budget.
13. Although there were a number of reasons why the organisation was tracking ahead of budget, it was agreed that it was important to articulate the wider situation clearly and explain the importance of the organisation's spending plans and how they would develop over time.
14. Discussions were continuing with DfT regarding plans and forecasting for the next financial year. It was unclear at this stage as to what impact the Omicron variant would have on passenger numbers and future income.
15. The Board noted the report.

V PEOPLE STRATEGY: YEAR 2 DELIVERABLES (DOC 2021-94) BY JANE COSGROVE

16. The Board welcomed Norma Hastings to the meeting.

17. The Board was advised that good progress had been made against the year one commitments of the People Strategy. It was acknowledged that some work had not been fully completed in light of resourcing challenges and also in consideration of the capacity of the business (particularly people managers) to do the associated work, alongside a range of other pressures.
18. As a result of resourcing and broader challenges for the organisation as a whole, the year two deliverables had been limited to four key areas: strategic resourcing, wellbeing, diversity and inclusion, and the reward strategy. Although HR had a key role in delivering these programmes of work, all parts of the business were responsible for contributing to their successful delivery.
19. It was highlighted that there had been a high-level of staff turnover within HR over the past year and this buoyancy in the HR labour market, meant that recruitment to certain roles could be challenging.
20. In discussion, it was agreed that having a smaller number of key areas to focus on was a sensible approach. The Board requested that strategic resourcing was added as a priority deliverable on the 'plan on a page', with the associated key deliverables developed before publication to the organisation.
21. It was noted that the ongoing pay freeze was a concern for many colleagues and had resulted in an increase in case work for HR. Although work had commenced on the new reward strategy, it was highlighted that this would be a very large project and the impacts were unknown until modelling was undertaken following full design.
22. Noting the new initiatives that had been launched in the first year, the Board queried whether there was a risk of 'change fatigue'. It was highlighted that many of the initiatives, such as the new senior leadership team (SLT) forum and people manager groups had been well received and were direct enablers. The number of new initiatives and products that would be introduced in year two would be kept relatively low to help avoid change fatigue and to help ensure that HR colleagues could focus on the key priority areas.
23. It was noted that a number of external parties had been used to help deliver certain functions for HR. In terms of resourcing challenges, it was queried whether a similar approach could be used for other functions in the business. This could reduce the need to recruit and allow existing colleagues to focus on other priority areas.
24. The Board noted the progress that had been made during year one and thanks were expressed to the HR team for their work. The Board endorsed the year two deliverables and agreed that the priority areas were the correct ones.
25. The Board noted the report.

VI CONSULTATION ON A REFRESH OF THE AIRSPACE MODERNISATION STRATEGY (DOC 2021-95) BY TIM JOHNSON

26. The Board welcomed Stu Lindsey to the meeting.
27. The Board was reminded of the Airspace Modernisation Strategy (AMS) that was already in progress. The proposed refresh retained the core elements and would introduce a clearer direction for issues not currently addressed in the strategy, specifically the integration of new users into UK airspace. As a follow up to the planned consultation in early 2022, further work would be required to consider delivery models including who would need to deliver what, by when, and through what funding means.
28. Extensive pre-consultation engagement on the refresh had already taken place with stakeholders in General Aviation, community groups, the MOD, airports and air navigation service providers.
29. The refresh would also seek to align the UK with the ICAO Global Air Navigation Plan (GANP).

30. In discussion, the Board welcomed the refresh proposals and questioned whether the delivery models for all aspects of the AMS were in place and if they were, whether they remained fit for purpose in light of an evolving aviation environment. It was highlighted that airspace modernisation was a challenging programme, currently dependent on the goodwill and financial resources of a large number of organisations to progress to date progress had been quite slow. The number of stakeholders with often opposing interests made progress challenging.
31. The consultation set out a framework of “what” needed to be done on airspace modernisation. Consciously, consideration of the delivery model to implement the strategy would follow including issues about legal powers, architecture, organisational responsibilities for change and sustained service delivery, funding of change and ongoing service delivery models. The consultation would collect some initial views on these issues and further consideration would be given to delivery models. More detailed proposals would be considered and offered for discussion by the Board in early 2022.
32. The Board supported publication of the consultation on the refresh, but requested a specific discussion about AMS and delivery models in early 2022.
 - DECISION:** The Board supported the recommendations on the AMS refresh and publication of the consultation document in early 2022.
 - ACTION:** A PIE session to be convened to consider airspace modernisation progress in the round.
33. The Board noted the report.

VII SARG MONTHLY SAFETY ISSUES REPORT (DOC 2021-96) BY ROB BISHTON

34. The Board welcomed Glenn Bradley, Dave Malins, Rob Olney, Stuart Rankin, Seonaid Reed and Mark Vincent to the meeting.
35. It was noted that the emergence of the Omicron variant could present fresh challenges for the industry as a whole, but noting again that Covid affected different regulated entities in different ways.
36. *RSMS Safety Risks* - It was noted that the re-introduction of COVID related restrictions had presented further challenges for the industry. As a result, COVID related risks were not expected to de-escalate, as had been previously forecast, and the COVID SRWG would continue to meet regularly (monthly and ad hoc) in order to assess the situation during early 2022.
37. The Chair queried whether the target dates for risks 7 and 9 would be met. It was advised that following recent discussions the dates for these had been pushed back into 2022. In discussion, the Board suggested that attention be paid to the forecasts and precedents of similar activities when setting target dates to ensure that they were realistic.
38. It was proposed that a separate discussion take place regarding the target scores and dates for safety risks.
 - ACTION:** Mark Vincent and Jane Hanson.
39. The Board queried whether space related risks would appear in the RSMS’s highest severity list in future. It was advised that space risks might be presented on the list in future. It was also noted that certain elements of space activity would be addressed by some of the existing risks (e.g. loss of control in flight).
40. *Emerging Risks and Challenges – 5G* – An update was provided on the potential interference to radio altimeters posed by the roll out of 5G. Many of the reports had emerged from the US: it was confirmed that no instances had been reported in the UK. It was highlighted that 5G in the US operated in a different frequency band to the UK and also that US transmitters were more powerful. Discussions were continuing with OFCOM, EASA and the FAA.

41. *SARG Assurance* – The Board sought clarity on issues relating to the RSMS and Pentana. The Board was advised that steps were being taken to move safety risks from the Pentana system to the Entity Performance System (EPT) as it would be easier to manage them. It was emphasised that the wording related to a systems issue rather than a material issue regarding safety.
42. *COP26* – An update was provided on the CAA's involvement with the planning of COP26. Due to the scale of the operation, the scope of the CAA's involvement had broadened beyond initial expectations. It had also confirmed the need for the organisation to ensure that it built relationships with other government bodies at an early stage in their planning processes, to ensure that they understood the CAA's critical role.
43. *Annex A* – Clarity was sought on whether the Board should have greater visibility of the issues raised in the Summary of Audit Activity. It was advised that the summary contained details of site visits and market activity. Where an audit had raised an area of concern, this would be subject to a triage and escalation process and only be brought to the Board if it presented a serious risk.
44. The Board noted the report.

VIII CHIEF EXECUTIVE REPORT (DOC 2021-92) BY RICHARD MORIARTY

45. *Ethics Policy* - Approval was sought from the Board for the publication of the new Ethics Policy and Register of Interests. The Board noted that the wording regarding Non-Executive Directors in the Ethics Policy should be strengthened. It was agreed that a decision on the policy would be deferred, pending further discussion with NEDs.
46. *Airspace Masterplan* - The Board's approval was sought to delegate authority to accept the Airspace Masterplan to Tim Johnson and Rob Bishton. It was confirmed that if there were any significant changes to the masterplan in future, then they would be brought to the Board for discussion.
47. Noting the earlier discussion on the refresh of the AMS, the Chair sought clarification that approval of the masterplan would be consistent with this work, and broader ambitions to review how airspace was managed. It was confirmed that approval of the masterplan would be consistent with these aims.
DECISION: The Board approved the delegations to Tim Johnson and Rob Bishton.
48. Garry Copeland was recused from the meeting.
49. *ASSI* - The Board was asked to note the ASSI Annual Audit Report. The report was noted and approval given to submit the report to the Department for Transport's member of the ASSI Board.
DECISION: The Board noted the report and approved its submission.
50. It was proposed that in future, submission of the report could take place without recourse to the Board, unless areas of concern had been identified.
DECISION: The Board approved the new submission process.
51. In light of the UK's departure from the EU, the Board queried whether ASSI's broader suite of governance documents were still fit for purpose. It was confirmed that work to update the documentation was being undertaken. It was suggested that an overview of the governance arrangements could be provided to NEDs.
ACTION: Ben Alcott to provide an overview of ASSI governance arrangements at a future PIE session.
52. The Board was also asked to approve the proposed 2022/23 budget for ASSI.
DECISION: The budget for ASSI was approved.
53. Garry Copeland re-joined the meeting.
54. *Planning for 2022* – The Board was advised that 2022 was expected to be a particularly busy year. Given the visibility and priority of some of the matters to be

- dealt with, there was both output and reputational risk if the organisation failed to deliver.
55. The Government's ambition was to secure a space launch from the UK in 2022. The CAA was continuing to engage closely with actual and potential applicants to explain the UK's regulatory framework and assess applications as they were received.
 56. It was noted that work to develop Board priorities for the new financial year was already underway. A paper for the Board's consideration was being prepared for the January meeting.
 57. The Board noted the report.

IX H7 HOLDING PRICE CAP FOR 2022 (DOC 2021-97) BY PAUL SMITH

58. The Board welcomed Rob Toal and Andrew Walker to the meeting.
59. The Board was reminded that the CAA had consulted stakeholders, including airlines and HAL, over the introduction of a holding price cap for 2022. Although part of the same document, this was a distinct consultation from the one that focused on a longer-term price control.
60. The CAA recommended that a charge of £29.50 (based on 2020 prices) be applied. The feedback from airlines was that this was too high, principally because airlines considered that the volume forecast used by the CAA was unduly pessimistic and some cost estimates insufficiently challenging. In contrast, HAL argued that it was too low, principally because it considered some cost estimates to be unduly challenging and was concerned that the proposed charge may raise financeability concerns. If a holding price cap was not in place prior to the full price control being implemented during 2022, then there would be no price cap that would directly restrain the level of HAL's charge.
61. The Board was advised that the holding price cap had been formulated at a time of great uncertainty, and the emergence of Omicron had added significantly to this uncertainty as it was unclear what impact it would have on passenger volumes. Government responses to the Omicron variant also provided a possible signal about how it would react to future new variants. With this additional uncertainty in mind, it was proposed that the holding price cap be maintained at £29.50 (in 2020 prices). The Board discussed why this proposal met the duty to have regard to HAL's ability to finance its activities. It was noted that the arguments from stakeholders about cost estimates, volume forecasts and financeability would be further considered as part of setting the full new price control.
62. Costs from similar sized airports to Heathrow were provided for information, but it was emphasised that it was difficult to make full comparisons due to the airports being regulated in different ways, and the difficulties of estimating actual charges during the Covid period.
63. It was noted that the Consumer Panel had been informed of the proposed price cap and understood the reasons for the proposed approach.
64. In discussion it was underlined that the proposed cost was a holding price cap. It was therefore possible that when a decision was made on the longer-term price controls, that the charge could be reduced or increased. It was also emphasised that the decision on the longer-term price controls would be made on updated data and information, including full consideration of many of the arguments put forward by stakeholders on cost estimates and volume forecasts.
65. The Board sought clarification on the timing of any announcement on the holding price cap. It was confirmed that if a decision was reached, then it would be announced on the 16th December and take effect from February 2022, but it was expected that HAL would set charges consistent with the holding cap from 1st

January 2022. It was also confirmed that a decision document providing more detail of the CAA's analysis would be published before Christmas.

66. Noting that there had been engagement with senior stakeholders, the ongoing uncertainty around forecasts and that work to determine longer-term price controls was still ongoing, the Board approved the introduction of the holding price cap.

DECISION: The Board approved the £29.50 (based on 2020 prices) holding price cap. It was confirmed that after inflation adjustment the price would be £30.19 in 2022 prices.

67. The Board noted the report.

X PERSONNEL LICENSING RESOURCES (DOC 2021-98) BY CHRIS TINGLE

68. The Board welcomed Martine Freeman and Richard Hallett to the meeting.

69. Following a discussion at the November Board meeting, plans had been developed further to resource the Shared Service Centre (SSC) to respond to an increase in the volume of licence applications.

70. The Board was advised that the SSC was meeting its service level agreements for processing business as usual applications. However, there were a large number of applications where additional information was required, and this had led to a high volume of complaints.

71. In order to help address existing applications and those from returners, plans had been made to recruit further colleagues and train them over a period of three months. Steps had already been made to start training the first tranche of new appointments, with recruitment underway for others. New appointments would benefit from a slight increase in salary. It was acknowledged that this could cause concern for existing colleagues, and discussions were ongoing with them.

72. It was also highlighted that the training package for new starters was thorough and involved a great deal of hands-on learning. Therefore, there were some limits as to how this could be condensed further.

73. In addition to recruitment, steps were also being taken to introduce efficiencies into the application process. This was being supported by an Operational Excellence consultant.

74. In discussion it was highlighted that the licensing process had been adjusted over the past few years. In terms of seeking further efficiencies in the process, any changes would need to be overseen by a robust governance process. It was emphasised that maintaining a high standard of safety was paramount, and changes would not be implemented without agreement from SARG.

75. The Board was advised that a comprehensive communications plan had been developed for those needing to apply for a UK licence, as the end of the post-EU recognition period on 31 December 2022 approached. This included a dedicated microsite on the CAA website. The messaging would encourage pilots and engineers to submit their applications as soon as possible. The campaign would launch before Christmas, with levels of outreach increasing early in 2022.

76. The Chair noted that the processing of licences in 2022 would be a strategic issue and could pose both sector output and CAA reputational risks if licences were not processed in a timely manner. It was requested that Board-level management information be presented as part of the CEO's report each month.

ACTION: Chris Tingle and Richard Moriarty to develop what information should be included within the data pack for future Board meetings.

77. The Board noted the report.

XI DRAFT AGENDA FOR JANUARY BOARD AND FORWARD AGENDA

78. The Board noted the proposed January agenda.
79. The Board was advised that the H7 Stakeholder session would take place on the 12th January. This had been originally scheduled for November.

XII AOB

80. On the occasion of Kate Staples' final Board meeting, the Chair expressed the Board's and the CAA's appreciation for her outstanding contribution to the CAA over the past 11 years. The Board wished Kate every success for the future.
81. The Chair thanked Board Members for their work over what had been a challenging year and wished them well for the Festive Season.
82. **Post-Meeting Note:** Following the meeting the Chair confirmed that Marykay Fuller would be the CAA Board's Senior Independent Director, having earlier briefed the NEDs. A letter confirming the appointment would be issued.

Date and Time of Next Meetings:

Wednesday 19 January 2022, 11:00 hours, at TBC