



Civil Aviation Authority



# Annual Report & Accounts 2021/22





# Annual Report & Accounts 2021/22 Civil Aviation Authority

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.

[caa.co.uk/CAP2373](http://caa.co.uk/CAP2373)



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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 that includes the Civil Aviation Act 1982, the Aviation Security Act 1982, the Airports Act 1986, the Transport Act 2000 and the Civil Aviation Act 2012 and in secondary legislation made under those Acts, principally the Air Navigation Order.

As the United Kingdom's aviation regulator our objectives are to make sure that:

- > 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 CO<sub>2</sub> emissions are reduced; and
- > The aviation industry manages security risks effectively.

The following pages and graphics set out our business model, strategy, Board priorities 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.

## 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 describes who we protect, and how we do that by showing who we regulate. It also sets out our statutory functions and duties that define our powers to act and that guide our decision making.

We also agree annually, with the Secretary of State for Transport, a set of priorities that we take into account in determining our strategy and business plan, particularly those elements that relate to Government policy. The Government's priorities are published on our [website](#).

Our business model shows:

- > The key organisations that 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; and
- > 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 that 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 safety
- > Advising and assisting the Secretary of State for Transport on all civil aviation matters, including policy for the use of UK airspace so as 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, including assuring their financial fitness
- > The economic regulation of airports with significant market power and of 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 commercial and large rocket permissions

## The Risk Principles we apply

1

We will seek to protect the consumer and the public from harm where there is a clear justification for CAA involvement.

2

We will be clear at all times about the risks for which we are accountable.

3

We will seek to influence the management of risks for which we are not accountable but which materially impact on consumers and the public in a manner proportionate to the outcome.

4

We will actively monitor the risk landscape (horizon scanning) to identify emerging risks and significant changes in risk levels. We will be proactive in taking the lead in areas of emerging risks, particularly where the risks are significant and within CAA's mandate. We will undertake scenario planning, including external parties, to inform our response.

# Our Strategy



The oversight of the safety and security of civil aviation will always remain our core purpose and we will constantly challenge ourselves and those we regulate to improve these critical areas. We will take independent regulatory decisions to uphold high standards of safety, security and consumer protection, guided by our regulatory principles and in accordance with our legal duties.

The context in which we operate changed significantly during the lifetime of our previous strategy. The UK exited the European Union in January 2020, and as a result the UK is no longer a member of the EU aviation regulatory system including the European Aviation Safety Agency. This has led to a significant increase in the scope of the CAA's regulatory oversight and rulemaking activities and has meant an increase in the number of entities requiring approvals from the CAA.

In addition, there have been rapid advances in technology used in all forms of aviation and aerospace. The aviation industry has always been innovative and at the forefront of technological development, but recent years have seen a step change in areas such as remotely piloted vehicles and commercial space activity. The rapid development of electric vertical take-off and landing aircraft and the infrastructure that will be required to support them places many new demands on the aviation regulatory framework.

In July 2021 the CAA was appointed by the Government as the UK's civil space regulator to help support the Government's ambition for the UK to be a leading country within Europe for the exploitation of commercial space launch.

With increasing environmental challenges from climate change, there has never been greater need for the aviation and aerospace sectors to manage and mitigate their environmental impacts. Everyone involved in aviation and aerospace must rise to the challenge to play a full part in mitigating this threat, while retaining its vital role connecting people and businesses around the world.

The impact of Covid-19 on the aviation industry has been extensive and its effects still continue to be felt well into the financial year 2022/23. Our role to protect safety, security and consumer rights has seen us directly involved throughout the pandemic. As the industry's recovery continues, our work will focus on engaging with operators on a safe and managed return to full capacity and protecting consumer rights in times of disruption.

All these changes have further demonstrated that we must be able to both continue to focus on our core regulatory activity and enable the development of new parts of the aviation system by anticipating and adapting quickly to change.

Our new strategy, published in May 2021, positioned in this context, sets out what we want to achieve, how we achieve those outcomes and what resources and systems are required to enable this.

In the delivery of our strategy, we 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 Strategy at a Glance

## Our Mission

Improving aviation and aerospace for consumers and the public

### Our Vision

We constantly challenge ourselves and our stakeholders to improve safety, security and consumer protection outcomes.

We strive to be a diverse, innovative and future-focused regulator, dedicated to enabling thriving aviation and aerospace sectors.

### Our Purpose

To help deliver high standards of safety, security and consumer protection for the benefit of consumers and the public.

To uphold consumer choice, value and fair treatment.

To enhance vibrant, competitive and innovative aviation and aerospace sectors.

To share with and learn from others, working with partners to ensure our regulatory expertise is used to improve standards and innovation worldwide and build the UK's global influence.

To cultivate an agile, diverse, high-performing and values-based organisation that is greater than the sum of its parts and committed to continually improving our services.

To support the sectors as they manage and reduce their negative environmental impacts, including emissions and noise.

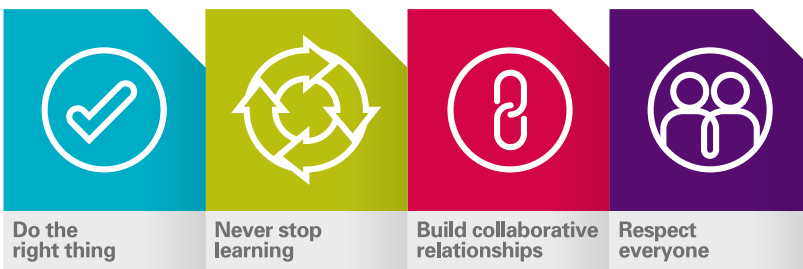
### Our Strategic Focus Areas

- > Leading risk-based oversight and regulatory stewardship
- > Enabling recovery, innovation and growth
- > Developing relationships to support ongoing global improvement in aviation and aerospace
- > Improving environmental performance
- > Enhancing organisational diversity and capability for the future

### Our Regulatory Approach

We will be guided by our regulatory principles in making independent regulatory decisions to deliver on our vision, acting within the legislative and policy framework set by Parliament and Government.

### Our Values



# Board Priorities



Every year the Board reviews the appropriateness of our strategy and reviews and approves our priorities for the next financial year.

The following two infographics show the shorter-term priorities for the organisation to help achieve the longer-term outcomes defined by the strategy. The first details those for this financial year 2021/22, and the second sets out the Board priorities for the financial year 2022/23. Our annual business plan, also approved by the Board, is aligned to these annual Board priorities and performance is monitored at Board level.

Notable in the 2021/22 priorities was the work to make sure a safe, secure and consumer focussed industry recovery from Covid-19 took place. Internally there was an emphasis on the organisation developing a more robust security framework for our own IT systems.

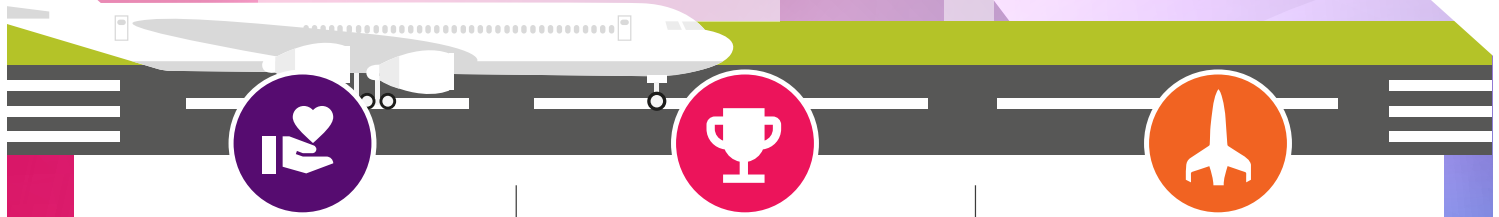
For the 2022/23 financial year our priorities include continuing to support aviation recovery, while making sure the organisation enhances its service delivery and focuses on making the aviation regulatory framework ready for new airspace users.

In addition, one of our priorities for 2021/22 has been to make sure we appropriately prepare for the audit in 2022 of the whole UK regulatory framework by ICAO. These audits are a key indicator of the robustness of the UK's safety oversight against the international standards set by ICAO.



# Board Priorities for 2021/22

Based on the strategic focus areas and high-level ambitions these are the **agreed** in year business plan items which will be a priority for 21/22.



## Enable a safe, secure and consumer-focused response to, and recovery from, the COVID-19 pandemic

### Key initiatives:

- COVID-19 Response Safety, Security & Consumer (incl. COVID-19 enforcement activities)
- Crisis Management
- Heathrow & NERL Economic Regulation
- Working with ICAO

## Develop the CAA's capability as a leading international regulatory authority in light of leaving the EASA system

### Key initiatives:

- International Strategy
- ICAO Universal Safety & Security Oversight Audit Programme
- Renew industry, Government and international partners relations post UK-EU Transition

## Enable the modernisation of aviation and aerospace to enable growth and innovation, whilst realising benefits for consumers and the public

### Key initiatives:

- UK Aviation Regulatory Framework Reform
- Spaceflight Regulation
- Innovation
- Airspace Modernisation
- Science, Technology, Engineering & Maths



## Identify the next wave of priority actions for Project Horizon to strategically position the CAA for the future and embed the progress to date

### Key initiatives:

- CAA's Aviation Sustainability Strategy
- Strategy Development
- Target Operating Model Design
- Finance Sustainability & Funding Model
- Regulatory Approach



## Progress work to achieve Tier One Cyber Assessment Framework compliance and to appropriately protect CAA's information

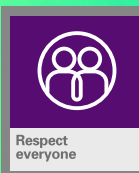
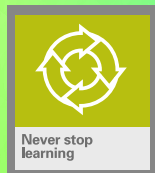
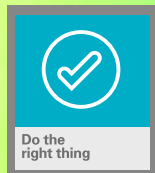
### Key initiatives:

- CAA Security Maturity (Cyber)

“ Ensuring we pursue effective safety, security and consumer regulation given the ongoing COVID-19 context will remain a priority as well as a number of initiatives aimed at preparing the CAA to be well positioned in the future as an effective, relevant and high-value organisation.

**Richard Moriarty,**  
Chief Executive,  
UK Civil Aviation Authority

Successfully implement our People Strategy



Creating a one-CAA approach - a high performing, values-based organisation, greater than the sum of our parts



An organisation that can adapt & flex to whatever comes our way

People take accountability & apply expertise in a way aligned to our values

Offer an employee experience where people are included & cared for

Personal & organisational learning & growth keep us at the leading edge

Effective & respected leaders & managers



# Board Priorities for 2022/23

Building on our strategy and the context we are operating in, these are the agreed in-year business plan items which will be a priority for 22/23.



## Aviation Recovery

Use our role to encourage good consumer outcomes and operational resilience, while recognising the likely demand/supply constraints in the system this year and the importance of operational and financial recovery for commercial aviation.

### Examples:

- Deliver a robust programme for safety, security and consumer protection
- Take an active role in co-ordinating responses to cross-sector/entity issues
- Continue to promote more financial robustness amongst ATOL holders and airlines, while supporting growth and competition
- Realistic and deliverable service levels in place for passengers with reduced mobility



## Service Delivery

Enhanced focus on improving the customer experience of CAA's service delivery and dealing effectively with the volume of applications expected with the end of the EU recognition period.

### Examples:

- Service level agreements consistently met, with resilience built in to meet increased demands
- Improve how we deal with customers in terms of interactions and complaints
- Transform business processes by leveraging digital solutions to improve customer experience
- Improve transparency and regularly make public our performance data



## ICAO Audit

In partnership with DfT, we prepare for the ICAO audit by November 2022, achieving a minimum of 95% score for audited CAA scope.

### Examples:

- All continuous monitoring approach tools and information completed, reviewed and uploaded into the online framework before the audit
- Mock audit completed based on ICAO audit scope and timetable
- Online framework maintenance process developed, implemented and documents updated and published
- Fully participate in the DfT's state-level preparation programme



## CAA Reward Strategy

Deliver a new reward model and a credible implementation plan.

### Examples:

- Colleagues understand the model and have the opportunity to input their views
- Includes a robust progression mechanism and clearer, consistent grading and job naming
- Continue to have transparent pay governance in place
- Undertake bi-annual equal pay audits and address issues identified



## New User Integration

Integrate new users into the existing UK aviation system, including spaceflight, RPAS (remotely piloted aircraft systems), BVLOS (beyond visual line of sight) services and UAM (urban air mobility).

### Examples:

- Develop roadmaps and strategies to integrate existing and new users into UK aviation system
- RPAS and UAM entities have clear pathways to airworthiness certification
- Spaceflight licensing decisions are evidence based and made in a timely manner
- All applications requiring authorisation from CAA are issued following adequate assessment of safety risk and compliance with regulations



We will continue to ensure the CAA delivers effective safety, security and consumer regulation, and encourage operational resilience in a recovering industry while commanding stakeholder confidence. At the same time we will be focused on providing excellent customer service for our licensing and investing in future capabilities to enable new technologies.

**Richard Moriarty, Chief Executive, UK Civil Aviation Authority**

Together we will



Do the right thing



Never stop learning



Build collaborative relationships



Respect everyone

# Key Strategic Enablers and Values



These set out to highlight the core elements that empower us to undertake our work and role.

Our principal capability is the expertise and commitment of our people and their skills and knowledge. It is therefore critical that we recruit well and that we provide an environment that enables colleagues to develop and thrive. This allows us as an organisation to continue to perform at the highest level.

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 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 also have a commitment to make sure we are efficient without jeopardising our role and we will always make sure our actions are evidence based and that we follow the Government's better regulation principles. This is covered in more detail in our [strategic report](#).

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 received additional funding support from the Government.

An aerial night photograph of a city, with the wing and tail of a plane in the foreground. The city lights are reflected on the wing's surface. A yellow arrow points to the left, highlighting the word "Statements".

# Statements

# Statement by the Chair

## Sir Stephen Hillier

This is now the third CAA annual report written against the backdrop of Covid-19 – its profound impact on so many lives around the world, and the particular effects on global aviation. The last year has, thankfully, seen significant recovery, but we remain very mindful that recovery comes from an extended low baseline and is proving far from even or straightforward in practice. Indeed, we have witnessed very recently the sector's challenges in managing a rapid recovery in passenger volumes, specifically the ability to generate the staff capacity required to match the returning demand.

The war in Ukraine is a further tragedy and for the aviation sector a reminder that there are other challenges beyond the pandemic which test our resilience and our ability to respond at pace. We continue to support the Government's sanctions on Russian aviation interests; to work with other national aviation regulators; and to assess the longer-term implications for global aerospace.

The CAA's primary focus throughout continues to be on ensuring that aviation safety, security and consumer interests remain foremost in the minds of decision-makers at all levels. We are always acutely conscious that all our stakeholders, ranging from the Government through to those that we regulate and individual members of the public, must continue to have trust and confidence in our ability to remain relentlessly effective in our core role as an independent safety regulator. At the same time, we also recognise that the CAA has a key role to play in growing and enabling the success of the aerospace sector in the UK.

To help guide us through our contemporary challenges, and to ensure that we can successfully enable a broad and thriving aerospace sector, now and into the future, we published a new CAA strategy in May 2021. It defines the CAA's core mission as improving aviation and aerospace for consumers and the public. Its emphasis is on us fully delivering on our core regulatory roles, whilst having the flexibility and agility to respond to a rapidly changing aerospace environment that has been amply borne out, not only in relation to crises but also with new opportunities and challenges, including space, innovation, new technologies and helping enable an environmentally sustainable aerospace sector.

The Strategy's objectives are complemented by in-year Board priorities, reflecting the areas where the Board judges there to be a need for a special emphasis or significant change and taking account of the priorities described for us by the Secretary of State. This Annual Report indicates the progress we have made against the Strategy and the Board's Priorities over the last year. For next year, our specific Board priorities are to continue supporting aviation recovery; improve our customer service; deliver a successful ICAO Audit and Assembly; implement a new reward strategy for CAA colleagues; and integrate new airspace users, including space and uncrewed systems.

World events have clearly had a major impact on aerospace, but I also recognise fully the effect that those events have had on colleagues within the CAA. They have responded superbly, rising effectively and enthusiastically to new challenges and responsibilities, quickly adapting and demonstrating their expertise in support of every part of the aerospace sector. Their success has been enabled by my Executive and Non-Executive Board colleagues, and I thank and congratulate them most sincerely for their support and leadership throughout the past year. I particularly want to thank two of our long-serving Non-Executive Directors whose terms came to an end during 2021/22, David King and Graham Ward, for their exemplary contributions to the CAA, and to welcome our two newest Non-Executive Directors, Jane Hanson and Manny Lewis.

The last year has been very busy for the CAA and I have every expectation that the year ahead will equally challenge us in many ways. But, supported by our core values - Respect Everyone, Do the Right Thing, Build Collaborative Relationships, Never Stop Learning – I am confident in our continued success and that we will continue to deliver the highest standards of safety, security and consumer protection to those who fly in the UK.

**Sir Stephen Hillier**, Chair  
23 June 2022



# Statement by the Chief Executive

Richard Moriarty

The year under review was unfortunately once again dominated by the impact of the Covid-19 pandemic, although by the end of year we saw the Government's decision to remove all UK outbound Covid-19 related travel restrictions and we welcomed a subsequent strong return of consumer confidence and demand for air travel.

Throughout the year we have been fully focused on delivering the Board priority of enabling a safe, secure and consumer-focused response to, and recovery from, Covid-19.

Recognising that the risk environment had changed, our driving ethos was, and remains, to approach our roles by prioritising engagement, empathy, and above all a common goal of doing the right thing for the consumer.

As demand continued to recover after the year under review, we saw businesses rapidly trying to recruit resources to keep up with, and service, consumer demand. Unfortunately, this led to a significant negative impact for many consumers with less than desirable service levels and queues, not just in the UK, but at many European airports.

Throughout this period, we continued to offer advice and support to consumers, working with the Government to emphasise passenger rights and the industry's responsibilities. If we are to see a continued return to pre-pandemic levels of aviation, then consumer confidence in the system will need to be maintained.

As commercial aviation rebuilds, it will need to rise to a challenge of a different, but no less existential, kind in terms of making tangible commitments and progress towards the Government's net zero carbon emissions targets and building wider public confidence about its environmental impacts and responsibilities. Improving the sector's environmental performance is one of our strategic focus areas. Indeed, for everyone working in aviation and aerospace this is the defining generational challenge. But it is also an enormous opportunity and one where the UK and UK based businesses could take a leading role internationally through its innovation, new technology and an alignment of ambition and energy among industry, the Government and regulators.

The CAA has a unique role to play, and we intend to make sure we deliver on it. During the reporting year we have continued to work with partners on a number of important developments that are aimed at meeting aviation's sustainability challenges.

We continued to significantly enhance our capabilities to work with businesses looking to develop new forms of propulsion to de-carbonise aviation. This includes leading developments in hydrogen and electric powered aircraft and the use of Sustainable Aviation Fuels. Given these developments could have global reach we have within the year deepened our work and relationships with other regulators

around the world so we can discuss common issues, challenges and opportunities together.

In the year we have also continued to make progress on reforming UK airspace, where a key benefit, in addition to capacity and growth, is helping to mitigate aviation's carbon and other environmental impacts. Following extensive engagement, we consulted on a refresh of our Airspace Modernisation Strategy to make sure it is fit for the future.

It is important that aviation is objective and transparent about its environmental impact and explains the progress to improve. Part of our work in the coming year will be encouraging the publication of more data. Elements of this will flow from our new remit on aviation noise as we carry out some of the technical, research and policy advisory functions which had been previously undertaken by the Independent Commission on Civil Aviation Noise.

We have also invested in developing our capabilities to work with industry on new technologies that can unlock significant future benefits to consumers, the broader public and our economy. This includes work on making a reality the commercialised and regular use of beyond visual line of sight operation of remote piloted vehicles (drones); passenger carrying aircraft for electric vertical take-off and landing; and unified air traffic management systems.



# Statement by the Chief Executive

Richard Moriarty

To make sure we play our full role in enabling new technologies to safely integrate within the aviation system, during the reporting year we took an important step to launch and grow a new innovation advisory services group to offer pre-certification advice to businesses. This is one of the areas of the organisation where we will be actively increasing the number of colleagues we employ as part of a planned overall increase in headcount to meet our new objectives. This builds on our previous work that increased colleague numbers to meet new additions to our remit post EU-Exit, such as becoming a national certification agency.

As part of our innovation remit, we must also make sure we have robust internal controls and governance so that the later stages of regulatory approvals can be undertaken in an independent, rigorous and expert manner. This complements the advisory and technical services we already offer to international partners through our social enterprise subsidiary, CAA International Limited, to raise safety standards around the world. This all helps to support our strategic focus on developing relationships to support ongoing global improvement in aviation and aerospace.

The last year has really showed how important it is for the CAA to be an ambidextrous organisation. On the one hand we must absolutely fulfil our statutory remit and responsibilities to uphold high standards of safety, security and consumer rights performance. This day-to-day oversight of industry's performance is the bedrock of public confidence in us and a responsibility everyone at the CAA profoundly feels. But whilst doing this, the CAA on the other hand must play its part in enabling a thriving UK aerospace sector, now and for the future.

Against this imperative our operating environment has also seen important shifts like becoming independent of the European Aviation Safety Agency safety system and enhancing our UK capabilities around design certification and rulemaking. We have also successfully taken on significant new responsibilities such as the regulation of commercial space flight within the UK.

These factors led us this year to recognise we were at an important inflexion point and to guide our future work we needed a refreshed CAA corporate strategy. Within the year we published our new strategy (see [page 7](#)) and I am pleased its direction received widespread support from our stakeholders. Alongside our mission to improve aviation, the strategy declares our vision to constantly challenge ourselves and our stakeholders to improve safety, security and consumer protection outcomes. To do this, we must strive to be a diverse, innovative and future-focused regulator.

This strategy sets out five focus areas for our work – and in the year under review we made a significant contribution to each as reflected in the examples in this report.

Protecting consumers will remain our priority through our strategic focus on risk-based oversight. While much of the outside focus on our work depicts our efforts to protect consumers' rights, in reality, when we talk about protecting consumers, then our work stretches across a much broader spectrum. The safety of aviation will always be our first priority and we protect by enforcing the highest safety standards. That stretches from oversight of airlines to someone taking a flying lesson in a microlight.

Of course, airline passengers' financial protection and rights is another key element of this work. The ongoing disruption resulting from Covid-19 has shown there is still a significant place for effective work to make sure passengers are aware of their rights and receiving support. And the continued impact on cost of living and household finances make our ATOL holiday protection scheme more important than ever. We shall continue to both promote its benefits to consumers and work with enforcement agencies to take action against those who sell illegal holidays, putting consumers money at risk.



# Statement by the Chief Executive

Richard Moriarty

It is important that where we do regulate, we do so proportionately and only where needed, fitting our strategic focus on leading risk-based oversight and regulatory stewardship. This approach is particularly important in the world of sport and recreational aviation. The CAA promoting education, the sharing of best practice, and delegating to representative organisations is often a better approach than direct regulation, albeit this has a place – and public expectation – especially where third party risks are concerned.

The ongoing disruption resulting from Covid-19 has shown there is still a significant place for effective work to make sure passengers are aware of their rights and receiving support.

Another aspect of our risk-based oversight is the decisions we make in relation to granting licences, approvals and authorisations – both for individual aviation professionals and organisations. We are clear that our licensing services should embed a philosophy of striving to always improve our customer service. Within the year we continued to make progress to move more of our services and transactions online and now over 85% of all such applications are digital. We face a unique period at present owing to the need to process a significant number of applications due to the EU recognition period coming to an end at the end of 2022. We are on track to achieve this having put in extra resource and kept our teams operating fully throughout the Covid-19 period.

Nevertheless, these exceptional pressures have meant our average turnaround times for regular<sup>1</sup> personal licensing approvals within the year were 90% within 13 days compared to our desired service standard of hitting 90% within 10 days. We have in place a resilience, resourcing and service plan to meet this aim in 2022/23 and drive further benefits for the user experience.

I must end by taking this opportunity to express my sincere thanks to all my colleagues in the organisation. This has again been a year of profound challenge and change. I am both humbled and proud to lead an organisation of such dedicated and talented individuals from Board level to our most junior colleagues. They excel and regularly go the extra mile not because I ask them to or because of personal reward; they do it because they care passionately for doing the right thing for aviation and its consumers.

**Richard Moriarty**, Chief Executive Officer  
23 June 2022



<sup>1</sup> i.e. annual and regular licence applications that are not related to those applications that are required to be processed consequent on the end of the EU recognition period in 2022, where for the latter, the CAA process must take into account the processes adopted by regulatory authorities outside the UK.





# Strategic





# Strategic Report

## Review of Our Business

As a regulator, our purpose is to help deliver high standards of safety, security and consumer protection for the benefit of consumers and the public.

Tied to this is our mission to improve aviation and aerospace for consumers and the public through delivery of our core regulatory roles and also being an enabler to industry. We have our regulatory principles as a guide to make independent regulatory decisions that underpin our vision, acting within the legislative and policy framework set by Parliament and the Government.

This section of our report is structured around our key strategic focus areas in our corporate strategy to accurately reflect the year under review and help show how we are meeting our strategic aims.

### Leading risk-based oversight and regulatory stewardship

We take a risk-based approach to regulation and endeavour to be stewards of the regulatory system. To support this, we have an informed and comprehensive understanding of present and emerging risk within the industry.

In all our work we aim to share with and learn from others, working with partners to make sure our expertise and evidence is used to improve standards and innovation worldwide and build the UK's global influence.

The safety and security of civil aviation, and therefore the protection of consumers, is, and always will be, our key priority and most important responsibility. We hold industry to account for high standards in these areas and are constantly seeking improved ways to achieve protection for consumers.

The period covered in this report has again seen aviation significantly impacted by international issues, both new and ongoing.

Towards the end of the year under review, the tragic war in Ukraine saw us actively support the UK Government in its work to impose sanctions on the Russian regime and linked individuals. Approvals for Russian operators and aircraft were rescinded and alerts issued around restrictions for affected airspace. This affected many flights to and from the UK.

A longer-term aspect we have continued to actively work on is the UK's departure from the European Union (EU) and, as a result, the EU's Aviation Safety Agency (EASA) system. This has involved a number of specific activities including continuing to develop and implement our capacity as an ICAO State of Design authority for airworthiness, with a particular focus on the safety approval for new aircraft, engines and systems.

Prior to EU-Exit we established that, to help with continuity of services to the public, the UK would be recognising existing current EASA licences and approvals for two years from 1st January 2021. A key task during 2021/22, and on into 2022/23, is to make sure primarily individual licence holders, pilots and aircraft engineers, understand the implications of the end of this recognition process and the need for them to apply for UK licences and approvals by the end of 2022 to be able to gain a licence under the current system.

To help the industry and individuals prepare we launched a dedicated website with information on the actions that must be taken if they wish to continue to use and work with UK-registered aircraft. There is no expectation that the Trade and Corporation Agreement between the UK and EU that covers this area will be expanded in scope before the end of 2022. We made it clear therefore, that an application for a UK licence or approval should be submitted to us as soon as possible so that the correct documents can be processed before the end of 2022.

Another key focus has been the UK's General Aviation (GA) sector, an important part of the UK aviation system and one where we are actively exploring opportunities post EU-Exit.

Our strategic focus on risk-based oversight for this sector is as much about making the system of regulation of GA both effective against risk and proportionate in its application. To improve the current framework we have been developing a number of strategic projects including the simplification and rationalisation of pilot licensing and training, the regulation framework for maintenance organisations, and undertaking a review of pilot medical declarations.

UK civil aviation remains one of the safest aviation industries in the world. The last fatal accident involving a large (above 5,700kg maximum take-off weight allowed) UK passenger carrying aircraft on a commercial flight was in 1999, when one fatality occurred following the heaving landing of a Boeing 757 aircraft in Spain.

We track the safety performance of UK aviation via a series of key indicators that are split by industry sector. These are set out in the [key safety performance indicator section](#) of the report.

# Strategic Report

## Review of Our Business

### **Our direct work with consumers to support risk-based oversight and regulatory stewardship**

Supporting consumer choice, value and fair treatment is one of the key outcomes set out in our strategic plan.

In January 2021, we welcomed the Government's consultation on expanding consumer rights legislation, including giving clear indication of the need to enhance our enforcement powers and bring us in line with other regulators. The proposals, which we have advocated for a period of time, will improve passenger rights and equip us with the appropriate tools to act swiftly and effectively for the benefit of consumers.

The Government's proposals include making it compulsory for all airlines to join the Alternative Dispute Resolution scheme, which has helped thousands of consumers seek redress from their airline, a move we strongly endorse. These changes would enable us to take more timely action in times of significant disruption where we feel the industry could have done better.

One way we protect consumers is through our Air Travel Organisers' Licensing (ATOL) financial holiday protection scheme that gives passengers refunds if their licensed tour operator ceases trading and makes sure they are brought home if they are stranded abroad when the failure happens.

At the beginning of the year under review we initiated a consultation on proposed changes to improve the ATOL system. These are intended to give better protection of consumers' money and improve the financial resilience of the overall scheme.

At present, some ATOL protected travel businesses use customers' advance payments for their holidays to fund their own operations, before the customers have had their holidays. This is a long-standing practice in the industry, but in some cases it may fail to encourage sufficiently robust financing arrangements. The proposed changes look at new approaches that would reduce the risk posed to consumers should any individual travel business cease to trade. Following the responses to this initial outreach a second consultation is planned to help develop our thinking.

The ATOL scheme places very tight regulations on those selling package holidays to provide protection. We therefore work very closely with the police and other enforcement powers to tackle those who breach the regulations.

We therefore welcomed the judgement in December 2021 in which 13 individuals were convicted over ATOL travel fraud. The case is one of the largest ever in the travel sector and saw individuals using a travel company to make fraudulent ATOL claims about fictitious holidays.

We also seek to protect consumers via the economic regulation of charges that Heathrow levies on the airlines using the airport. We set a maximum fee that the airport can charge per passenger.

An interim, or holding, price cap came into effect from 1 January 2022 to protect consumers by covering the gap between the previous price control, which ended on 31 December 2021, and the final decision and licence modifications for a new five-year control period (H7) that will take effect in Summer 2022.

How stakeholders interact with us is a key element of our work. As well as making access to our work as easy as possible for stakeholders we also need to provide continuity and high levels of service.

Full information on our efficiency work for the year under review is available in the [efficiency section](#) of this report.



# Strategic Report

## Review of Our Business

### Enabling recovery, innovation and growth

As detailed in our Chair and Chief Executive reports, while aviation has started to recover from Covid-19 its impacts during the year have still been significant. For the CAA this area has formed a core part of our focus on recovery, innovation and growth.

During Covid-19 our oversight of industry was maintained but adjusted to conform to the UK and international travel restrictions. Our work has been proportionate and appropriate to the operating environment, safety risk and intelligence profile. More information on this element of our work is set out in our [efficiency section](#) in this document.

While Covid-19 restrictions were still in place we worked with representatives from across the UK industry, and ICAO's Council Aviation Recovery Task Force, to encourage those setting Covid-19 guidance for aviation to take account of the latest scientific thinking and safety management practices. Our involvement and close collaboration with UK industry partners allowed the UK's experience to be reflected in the guidance.

In parallel with colleagues in the UK Strategic Health Authority and industry, we designed and delivered a voluntary programme of assurance for UK industry against ICAO Covid-19 guidelines. This gave assurance to our industry that they were correctly implementing the guidance. UK airports that chose to be part of the programme handled over 80% of all passengers travelling in 2019.

Once restrictions were eased and significant commercial flying was resuming, we were very aware, from a safety oversight aspect, that the industry was recovering from an unprecedented downturn in traffic levels.

Our joint CAA / industry working groups, such as the Flight Operations Leadership Group, Operations Directors Liaison Group and Airline Safety Directors Liaison Group, met fortnightly as flying levels increased to successfully share information and lessons across the sector.

As well as overseeing industry's safe return to higher volumes of flying we also sought to protect the consumers of aviation throughout the pandemic. This ranged from issuing timely advice on passenger rights to taking enforcement action against airlines. In June 2022 we contacted airports around failures in providing the expected levels of service to passengers with reduced mobility.

The enforcement action included overseeing airline compliance with the responsibility to make sure passengers entering the UK had undertaken the required medical tests and completed the appropriate passenger locator forms.

While the majority of airlines successfully undertook this role, in the first six months of 2021 we issued 1,621 Fixed Penalty Notices (FPN) to airlines for carrying passengers who had not complied with the requirements.

### Innovation

Another key purpose in our strategy is helping to deliver a competitive and innovative aviation and aerospace sector.

This can take many forms from remotely piloted aircraft, electric powered vertical lift aircraft, new environmentally friendly powerplants and the safe development of the UK's space industry, for which we became the regulator in July 2021.

In this role we now license space activities, including UK satellite operators and launch, range and spaceport operations from the UK.

Our approach to this new role has been to help make the UK home to the world's safest and most innovative space industries. We have already issued a significant number of satellite licences to UK operators, and continue to assess applications for launches from the UK in 2022 and beyond.

As part of our wider approach to innovation in aviation and aerospace, we continue to engage openly and widely with the sector to understand emerging technologies and the role our regulation will have in safely integrating them into the UK airspace system. This supports our vision to be a diverse, innovative and future-focused regulator, dedicated to enabling thriving aviation and aerospace sectors.

Safety collaboration is key and in September 2021 we established an international consortium of electric vertical take-off and landing (eVTOL) industry leaders and aviation experts. The eVTOL Safety Leadership Group (eVSLG) will consider the safety challenges that need to be solved to allow eVTOL aircraft and drone taxis to come to market, helping the UK's aviation sector to continue to be at the forefront of international technology.



# Strategic Report

## Review of Our Business

### Innovation (continued)

We continue to support the UK's Future Flight Challenge. This is a UK Research and Innovation (UKRI) initiative that will support the UK's development of new aviation technologies such as freight-carrying drones, urban air passenger vehicles and hybrid electric regional aircraft that will transform the way that people and goods fly.

Electric powered flight brings significant environmental advantages, but it is important that all options are explored. We have been an active participant on the Government's Jet Zero Council, as it looks to accelerate the use of sustainable aviation fuels as well as other greener technologies. We are supporting fuel cell experimental flights, as part of a proof of concept project.

To further enable industry innovation, we have expanded our range of advisory services available to individual companies before they apply for regulatory approval with the addition of a paid-for model with leadership structurally separated from the core regulatory teams. This approach allows us to increase our capability and capacity to meet the increasing market demand while making sure that we maintain the integrity of our regulatory decisions. This is an example of how we seek to cultivate an agile, diverse, high-performing and values-based organisation that is greater than the sum of its parts.

Successfully integrating some of these innovative technologies into the UK's airspace will be assisted by work with existing airspace users. So, together with the DfT, we have encouraged the adoption by GA aircraft owners of electronic conspicuity equipment. Fitting or using these devices in GA aircraft will enable improved airspace integration and, to date, over 5,000 aircraft owners and pilots have applied for rebates on equipment.

How our airspace is run and structured in the future is a key driver not only for the integration of eVTOL and drones but for enhancements across all areas of aviation and is a key contributor to our strategic focus on improving environmental performance. In January 2022 we announced our decision to accept the latest iteration of the airspace change masterplan, developed by the Airspace Change Organising Group, into our Airspace Modernisation Strategy (AMS). This is a significant milestone towards modernising the UK's airspace to deliver quicker, quieter and cleaner journeys.

The airspace change masterplan will identify which UK airspace design changes need to be developed to achieve the most benefits and then set out a single coordinated implementation plan to deliver those changes.

We formally consulted in early 2022 on potential changes to the UK's AMS. The conclusions of this consultation will be published later in 2022.

### Developing relationships to support ongoing global improvement in aviation and aerospace

Another key focus area in our strategy is developing relationships to support ongoing global improvement in aviation and aerospace, particularly to share best practice and advance aviation safety. Putting these in place has been a key element of our work since leaving the EASA system.

Traditionally, one key part of this international cooperation has been bilateral agreements and arrangements that allow the airworthiness certification of civil aeronautical products to be shared between two countries.

In addition to airworthiness certification, these agreements provide for bilateral cooperation across other areas of aviation, including maintenance, flight operations and environmental certification.

We now have these agreements in place with the EU, USA, Canada and a number of other leading nations.

During the year we deepened our close and strategic relationship with the US Federal Aviation Administration (FAA) and other partner nations in areas such as space, innovation, rulemaking and the carriage by air of dangerous goods, with a view to learning from each other and ultimately improving safety and regulation.

In March 2022 we announced that we would work together with the FAA to support future eVTOL aircraft development and operation and that we were engaged in a range of bilateral and multilateral discussions focused on the certification and validation of eVTOL aircraft, production, continued airworthiness, operations and personnel licensing.



# Strategic Report

## Review of Our Business

### Developing relationships to support ongoing global improvement in aviation and aerospace (continued)

Through our wholly owned subsidiary, CAA International Limited (CAAi), we provide best practice advice and training to civil aviation authorities and the aviation industry worldwide, as well as securing electronic examinations for engineers and pilots and licensing systems for regulators. We help extend the reach of our expertise overseas, working to raise aviation standards across the globe to protect UK air passengers travelling abroad.

The MSc in Aviation Safety Management, Risk and Regulation that CAAi launched in partnership with Cranfield University in 2020, with an inaugural cohort of 29 students, has been a success. A second cohort of 25 students started in January 2022 and applications are being received for January 2023. We are now exploring other similar opportunities in different countries.

CAAi's status as corporate member of the ICAO global aviation training programme, has strengthened our partnership with ICAO and opened new opportunities for training development and delivery.

CAAi's status as a registered social enterprise has allowed the UK CAA to provide better support to ICAO's 'No Country Left Behind' initiative and we have supported several workshops and training for the ICAO Asia Pacific Regional office.

Close engagement with ICAO is key to our international outreach work. During the period under review, we maintained participation and chair roles of key ICAO panels including the aerodrome design and operations panel.

In January 2022 the CAA's Padhraic Kelleher was appointed President of the ICAO lead technical body, the Air Navigation Commission. He brings 30 years of technical and managerial experience gained within the CAA to the role.

### Encouraging the future

As well as building our global relationships, we have been working to inspire the next generation of aviation professionals through our Science, Technology, Engineering and Mathematics (STEM) programme.

In June 2021 we partnered with the education organisation Primary Engineer for the 'If You Were an Engineer, What Would You Do?@' competition. The competition known as the 'Leaders Award' annually sees tens of thousands of pupils across the UK interviewing engineering professionals, identifying problems in the world and designing solutions to them. A selection of these are then brought to life by university engineering teams. These are available on the [competition website](#).

In 2021 as a whole we engaged virtually and in person with over 20,000 students to help educate and inspire them with role models from the aviation industry and launched our own STEM website that provides resources and inspiration to teachers and students on subjects across the aviation spectrum.



# Strategic Report

## Review of Our Business

### Improving environmental performance

During 2021/22, we have been developing our approach to sustainability. Our corporate strategy makes clear that supporting the improvement of aviation's environmental performance is a key element of our work.

In May 2022 we published our [environmental sustainability](#) strategy that sets out how we will work with the whole aviation system, both domestically and globally, to address environmental performance in aviation.

Aviation delivers significant economic and cultural benefits; regionally and globally, however, the sector is facing a challenge to mitigate emissions, noise and other adverse impacts. Industry is investing in new, more sustainable fuels, new forms of propulsion and more efficient operating procedures. Governments in the UK and globally are setting targets and introducing policies, incentives and fiscal measures to create the conditions for industry to deliver the required improvements. Regulators have a distinct role in enabling the achievement of these targets.

Our new environmental sustainability strategy provides our colleagues, stakeholders, and those we regulate with clarity on our roles, remit and ambition in this area.

It sets out how we plan to enable improved performance, in an agile, ambitious and credible way, being clear about what we can and can't do, and recognising where we can focus our expertise to add unique value.

It is designed to galvanise action in our organisation, empowering colleagues to explore innovative solutions. It explains what we plan to deliver in the short and medium term, setting our vision within the long-term nature of climate change and the Government and industry's evolving approaches.

While we will continue to regulate safety, security and consumer protection as a priority, we also want to be ambitious in the way we prioritise sustainability in our work, across the following areas:

- > Enabling development of Jet Zero technology;
- > Co-leading the modernisation of airspace;
- > Reporting on the sustainability performance of industry, including noise, to provide information to consumers on the environmental impact of aviation;
- > Advising and supporting the UK Government on domestic and international policy;
- > Reducing the impact of our own corporate activities and operations;
- > Assessing local environmental impacts in relevant regulatory activity and monitoring how industry is adapting to climate change; and
- > Taking into account the environment in our regulation and oversight.

To achieve this, we established a new sustainability team in April 2022 with a specific focus on addressing environmental performance in aviation.

A specialist resource in our innovation hub will help to enable novel technology and our airworthiness department that covers safety certification of new aircraft and fuels will play a key role.

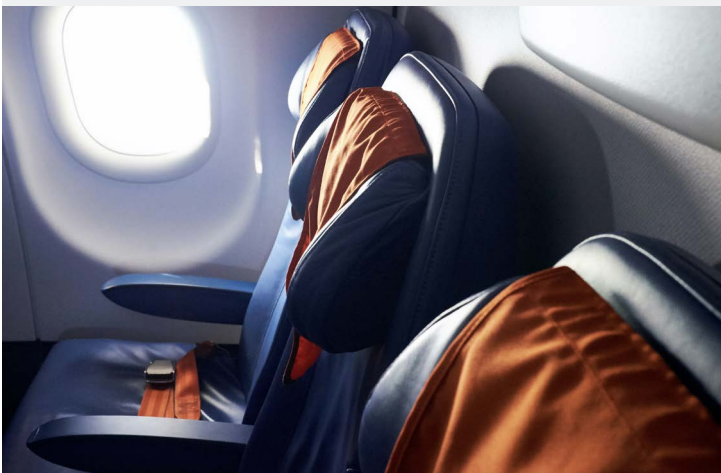
We are also standing up a dedicated Environmental Sustainability Panel. The panel will act as an expert 'critical friend' to make sure environmental and sustainability interests are properly considered.

The panel's key activities will include providing expert technical advice; helping us to understand and take account of environmental interests and impacts; supporting progress towards our strategic focus on improving environmental performance; and providing advice or critique on research undertaken by us, and identifying where further research may be needed.

Noise is a key element of aviation's impact on the environment. In September 2021 the Secretary of State for Transport announced the Government's intention to wind down the Independent Commission on Civil Aviation Noise (ICCAN) and asked us to take on some of ICCAN's functions by 1 April 2022.

We welcome the opportunity to increase the scope of our work in this area. This will include continuing much of ICCAN's technical, research and policy advisory functions.

More detail on this work is contained in the [environmental section](#) of this report.



# Strategic Report

## Review of Our Business

### Enhancing organisational diversity and capability for the future

To deliver our strategy, we must constantly challenge ourselves and our stakeholders to improve safety, security and consumer protection outcomes. This requires that we are agile, adaptive and flexible to the needs of our stakeholders, and have the necessary capabilities ourselves and sufficient financial resources to fund it.

How stakeholders interact with us is a key element and to support this aim we have continued improving our digital services offering to our stakeholders.

The first phase of our website development programme saw us move control of the hosting and back end of the site in-house at the beginning of 2022. This has already produced significant improvements around site accessibility and cost savings from external suppliers. With the site now fully under our control we will initiate work with stakeholders to gain their views on what they want the site to deliver in the future.

As well as making access to our work as easy as possible for stakeholders we also need to provide continuity and high levels of service. We have therefore continued work to improve the security and resilience of our legacy IT while at the same time continuing the digitalisation of more of our licensing application forms. This was in line with the Board priority of protecting our digital information.

A new online medical application and service system was implemented from April 2021 to replace a legacy system. Cellma is a commercially available system, covering the medical regulation of aircrew and air traffic controllers.

The first phase of Cellma implementation has been completed. As with many major technological and business changes, the implementation has unfortunately not been without its problems. We have worked together with stakeholders and the system suppliers to address initial shortcomings and work has now commenced on the next phase of developments which will target improvements in customer experience for aero medical examiners, pilots and air traffic controllers.

One of our key purposes in our strategy is to share with and learn from others. To support this, our safety team carried out over 80 stakeholder surveys across all sectors in the year under review. This has identified areas for us to work on.

### Colleagues and diversity

Our people are key to our success in delivering our aims for the future. A priority for us during Covid-19 was keeping our colleagues safe, including those who continued to work operationally with industry and in our offices throughout this time.

This work has helped support the move to hybrid working for the organisation and we have made our work environment more efficient for colleagues by improving the work environment at our Aviation House head office. Tied to this we have considered options to reduce our office space in London and have agreed to sub-lease some of our Westferry office to Ofwat from summer 2022.

During the year we launched our 'All are included' refreshed diversity and inclusion strategy, helping us meet our vision of striving to be a diverse, innovative and future-focused regulator, dedicated to enabling thriving aviation and aerospace sectors.

The strategy sets new aspirational goals for gender and ethnicity representation at senior levels. By March 2024, we would like at least 30 per cent of roles at a senior level to be undertaken by female colleagues and at least 7.5 per cent of our middle manager level roles to be undertaken by ethnic minority colleagues.

Currently, just over a quarter (27.3 per cent) of senior level employees are female, while 6.23 per cent of colleagues in senior roles declare themselves to be ethnic minority.

By building a more diverse and inclusive organisation that cares for all, we will deliver better regulatory outcomes while fostering a collaborative environment where everyone can contribute, be themselves and fulfil their potential.

Helping colleagues to work together with a clear picture of our aims and ways of working is an essential element and during the year we developed a new target operating model for the CAA, highlighting the need to work as 'One CAA'.

### Developing the organisation

As a risk-based regulator, access to accurate and reliable information is vital. A key focus has therefore been on improving how we manage and use data, with the launch of a 'hub and spoke' model, a more connected approach with a specialist team, systems, governance, guidance and oversight at the centre of the organisation; connected to teams across the CAA. Our aim is to maximise the value we derive from the use of our existing and new data sources, making sure that they are used effectively and deliver benefits to our stakeholders. These workstreams strengthen the organisation making it fit for purpose to deliver our aims and strategy.

To deliver this work, we need sufficient financial resources. In most years we are largely funded by those we regulate or to whom we provide services. During Covid-19 we have been grateful to the Government for the additional financial support it has provided to enable us to retain the capacity and capabilities necessary to deliver our strategy.





# 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 its functions and carrying out its duties in any given context the CAA Board will consider 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 makes sure that meaningful and appropriate steps have been taken to engage and, where necessary, consult with all affected stakeholders. In addition, the CAA Board make sure that suitable options for action are identified and carefully considered before conclusions are reached. Further, by following the explicit application of the CAA's various policies the CAA Board makes sure that, when taking regulatory decisions, the CAA considers all relevant matters and is clear about the outcome to be achieved. Members of the CAA Board, its Executive Committee and many CAA employees also engage regularly with a range of key stakeholders to understand the concerns and interests of industry sectors and enable early action or intervention as and when needed.

In all our work we endeavour to use a variety of channels to communicate, choosing on a case-by-case basis those which best target the intended audience and subject. This is something we have continued to develop in the year under review. Colleagues have been encouraged to coordinate information to stakeholders and use the most direct and targeted channels possible.

Following regulatory best practice, we make sure that our consultations are a key part of our engagement. Ranging from snapshot surveys to provide instant feedback, to formal regulatory consultations on major rule changes, they all enable us to get direct inputs from those we regulate. These responses are absolutely taken into account when we determine our final decisions. Prior to a consultation we also frequently work with relevant stakeholders, using their views and input to help shape proposals.

## Those we regulate

Timely and appropriate engagement with those we regulate is key to achieving our priorities and the safety and success of the aviation industry. Following regulatory best practice, and as aviation is a dynamic and changing industry, we constantly keep our rules and regulations under review to make sure they remain fit for purpose. We therefore have a frequent need to alert those we regulate to requirements and changes and to offer advice in our role as regulator. We use multiple channels to achieve this based on what is most appropriate for the audience and message. Our Skywise alerting system allows quick and digestible information to be disseminated by app or email to targeted sections of the industry. Our regular stakeholder fora, such as the General Aviation Partnership that features the main member associations and trade bodies, allow us to exchange views and share updates on future work plans.

At all levels we have direct engagement with stakeholders to hear their views and exchange information. This ranges from our Board meeting with representatives from the GA community and UK airlines and airports, the virtual roadshows we initiated under Covid-19 and have continued due to their popularity and the everyday interface between our inspectors and those we regulate.

## Consumers

We exist to protect consumers and those affected by aviation. One key aspect of this work, where we communicate more directly with consumers, is their consumer rights and financial protection. Having clear and available information helps consumers to make informed choices and understand their rights. We make use of a variety of channels from the media to online resources and our social media feeds to make this information available. This work has been of particular importance during Covid-19 and the industry's subsequent recovery. We proactively alerted consumers to changes in Covid-19 requirements and how this affected travel. Then, as restrictions lifted and demand grew, we saw various levels of disruption. We again used our various channels to alert consumers to their rights under the consumer regulations. All of our work in this area is also influenced by the independent Consumer Panel that advises the CAA on its work.

# 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 that is designed to foster real employee engagement. In addition to receiving regular reports from the CAA People Director on employee matters, such as diversity, inclusion and gender pay performance, members of the CAA Board normally meet CAA colleagues at least twice a year. Although this has not been possible during Covid-19, virtual Town Hall events have been arranged to allow colleagues to hear from and connect with Board members.

The CAA Employee Forum meets regularly, at least eight times per year, and offers elected employee and Trade Union representatives an opportunity to discuss matters that are of interest or concern to all CAA colleagues with CAA leadership. The CAA's People Director and Chief Operating Officer attend each Employee Forum and other directors attend by invitation. Accordingly, the Employee Forum is actively involved in improvements to ways of working. Throughout Covid-19, and the subsequent return to more normal working arrangements, we have placed a key focus on supporting colleagues when they had to work remotely and then ensuring that we had a safe, coordinated and structured offering of working from our offices again when this was allowed.

In line with our offerings to those we regulate we also offer colleagues our 'Speak Up' process that provides guidance to colleagues on what to report and to whom and 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 10 colleagues from across the business, from a range of different roles that sit below leadership team level. They will work alongside ExCo to help establish greater diversity of thought at Board level. Members will share not only their knowledge, areas of expertise and qualifications, but also their experiences from a variety of different backgrounds which will all help to play a big part in how we develop leadership throughout our organisation.

The CAA considers the wellbeing of every colleague to be of the utmost importance and seeks 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.

A new colleague survey took place early in 2021 which was designed to set a fresh baseline for engagement and all key aspects of our refreshed People Strategy priority areas. 958 colleagues (78% of the population) provided responses to the survey. Based on the results of the 2021 survey we prioritised actions to provide greater clarity on our vision and direction, improving employee voice and delivering our new reward model.

The second annual survey took place at the end of the 2021/22 year with 1,043 responses (77% of the population), a solid data sample. This showed a slight reduction in engagement from 78% in 2021 to 76% in 2022. Although expected, we were not complacent about these results. They highlighted the importance of the work that we are doing on our reward strategy and to never under-estimate the fundamental importance of physiological and safety/security needs being met for higher levels of motivation and engagement to be achieved. The results also showed that the investment in last year's prioritised actions was not in vain with perceptions of vision, direction and employee voice improving. Our new reward model is on track for delivery by the end of 2022/23 although it may take time to see an impact on colleague engagement. Action planning, both at a corporate and local level, based on a full understanding of the survey results is an essential component of building colleague engagement. We are spending time ensuring that we have that full understanding before finalising action plans.



# Companies Act s.172 Statement

## Government

As well as our sponsoring department (the Department for Transport (DfT)) we have extensive coordination with a range of Government departments and projects. Teams from across the organisation at all levels are in constant contact with counterparts in the DfT, engaging closely and where appropriate on issues where Government policy and legislation sets the framework within which we undertake our regulatory functions. These channels are well developed and effective, operating at all levels including Ministerial and official, and range from regular meetings to more formal processes. We play a key role in many cross-Government groups. A current example is our work to support innovation in safety entering the aviation system. This sees us playing an active role in projects such as the Future Flight Challenge run by UK Research and Innovation and involving multiple Government partners.

We also seek to partner with the Government where appropriate. Examples include projects to promote historic aviation and promoting aviation as a career.

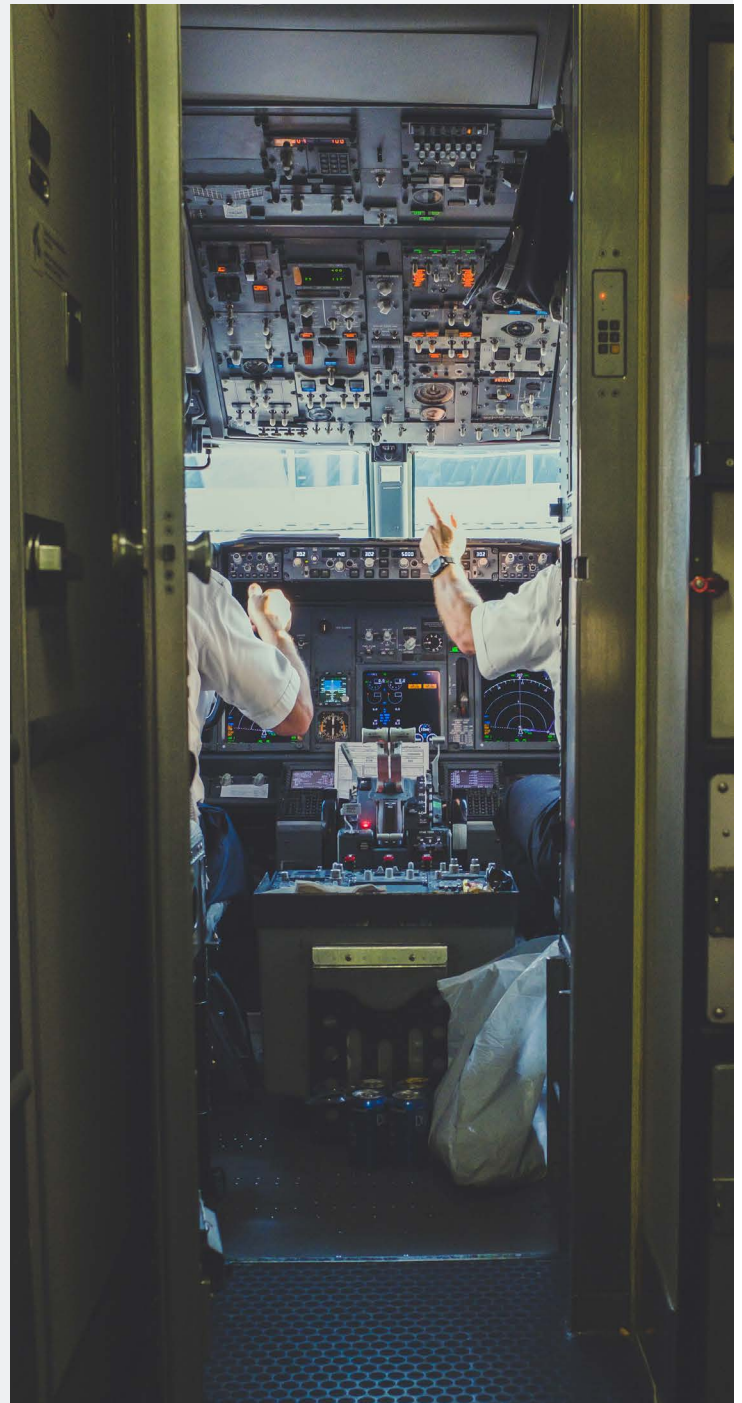
## Those we work with

Aviation is an international industry and so we have counterparts and partners across the world. This ranges from global bodies, such as 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. At the ICAO level we have colleagues seconded to support the organisation's work in situ as part of the UK delegation. Following EU-Exit we are seeking even closer working relationships with other national aviation 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 make sure there is close coordination on shared areas of regulation.

In addition to meeting all relevant legal requirements, such as those relating to Modern Slavery, the CAA actively participates in initiatives of wider societal impact. The CAA is a signatory to the Women in Aviation and Aerospace Charter and CAA colleagues actively support programmes designed to encourage girls and women to pursue careers in science and technology. The CAA People Director attends the Women in Aviation and Aerospace Charter steering group.

Examples demonstrating how important our stakeholders are in the Board's decision making process, and how we have engaged with those stakeholders, can also be found in the Review of Our Business ([pages 18 to 24](#)) section of this report.



# Risk Management

## Our Framework and Approach

The CAA has an established risk management framework (RMF) which is embedded across the organisation and helps to ensure that we apply a consistent approach to risk identification, assessment and mitigation.

The CAA's Regulatory Safety Management System remains a core part of the RMF and is the mechanism we use to provide oversight of aviation safety risks owned and managed by the aviation industry.

Risk reporting remains standard practice within each CAA business area and 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. Periodic reviews of these are also undertaken by our Executive Committee and Board to ensure that we have captured the right threats and are managing these effectively.

Our Audit Committee receives regular updates on the overall health of our risk management arrangements, undertakes reviews of key risks and provides advice on any enhancements that are needed.

## Our Lines of Defence

### First line of defence

#### Executive Management

- > Identifies, manages and owns principal risks
- > Ensure the embeddedness of the risk management framework
- > Designs and implements systems of internal control
- > Delivers risk mitigations
- > Monitors and responds to emerging threats
- > Ensure there is a transparent risk reporting culture at all levels across the organisation

### Second line of defence

#### Risk Management Function

- > Maintains and updates the risk management framework and oversees its application
- > Assists management to identify & assess risks
- > Monitors the progress of mitigation strategies
- > Provides quality assurance/constructive challenge
- > Facilitates risk escalation
- > Reports on top risk picture
- > Provides 2nd line insights/advice on key risks

### Third line of defence

#### Internal Audit

- > Provides 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 RMF is the categorisation of risks. This 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; they 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.

Set out below is 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. Each risk is linked to one or more of our strategic focus areas:

- > Leading risk-based oversight and regulatory stewardship
- > Enabling recovery, innovation and growth
- > Developing relationships to support ongoing global improvement in aviation and aerospace
- > Improving environmental performance
- > Enhancing organisational diversity and capability for the future

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
<b>Aviation Safety</b>	<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 management of the safety risks it owns. We use a performance-based approach to target our resources and ensure that the industry address any weaknesses we identify.</p> <p>Throughout Covid-19 we worked across the industry to identify the challenges and adjust our oversight/intelligence systems.</p> <p>We continue to identify any new/increased risks and engage with the UK aviation community accordingly. This includes the impact a challenging labour market may have on the industry's ability to meet rising demand as Covid-19 eases / we enter the recovery phase and also the risk of skills fade.</p> <p>Our work continues to cover the management of risks not driven by Covid-19, such as the carriage of potentially dangerous goods in the cargo holds of some aircraft.</p>
<b>Aviation Security (including cyber security)</b>	A terrorist or other malicious attack at a UK airport or on an aircraft.	↔	>>>	<p>We work to ensure that 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 and ensure that industry address any improvements that are needed.</p> <p>Our work includes addressing potential 'insider threats' and over the last year the CAA has been involved in cross-Government work to enhance vetting arrangements within the UK aviation industry.</p> <p>Our expanded Cyber Security Team continues to support and oversee industry compliance with the Cyber Assessment Framework. This framework helps aviation organisations to identify and manage their cyber security risks.</p> <p>We adapted our oversight approach as a result of Covid-19. As aviation activity increases we will upscale our oversight and work with industry to ensure that recovery happens in a secure manner.</p>
<b>Consumer choice, value and fair treatment</b>	<p>Consumers are provided with air transport services that do not perform as expected and have difficulties seeking redress.</p> <p>Consumers are stranded abroad following a UK tour operator failure(s).</p>	↑	>>>	<p>Our regulatory work helps to protect consumers by enforcing passenger rights and competition law. 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 encourage airlines to appoint Alternative Dispute Resolution (ADR) providers so consumers can seek redress from an independent source without necessarily needing to go to court.</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> <p>Throughout Covid-19, and as we enter the recovery phase, we have and will continue to work with industry to help ensure that consumers experience a good service, particularly consumers that need extra support to access airports and aircraft.</p>

# > Risk Management

## Consumer and Public Risks (continued)

Title	Description	Trend	Strategic Focus Area	Key Mitigations
<b>Environment</b>	<p>Insufficient action is taken to reduce the impacts of aviation.</p> <p>Or the actions taken disproportionately affect consumers (higher prices and less choice).</p>	↔	>	<p>We are developing a sustainability strategy to coordinate our own actions and help drive and influence industry and other stakeholders to take the actions we consider they need to deliver.</p> <p>We are establishing a dedicated sustainability and engagement team to oversee delivery of our strategy. The team's role will include progressing work to meet consumer demand for information relating to the carbon impact of aviation alongside wider environmental reporting, research and sharing of best practice.</p> <p>We continue to support the development of net zero aviation propulsion systems engaging with Government bodies and industry to understand/meet demand and facilitate tests/trials of new technologies.</p> <p>The CAA continues to jointly lead on the modernisation of UK airspace with DfT, 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
<b>Business Resilience</b>	<p>Organisational resilience may be insufficient to respond to concurrent strategic challenges.</p> <p>Pressure on colleagues may increase and service delivery could be affected.</p>	↔	>	<p>We continue to manage a range of strategic challenges, such as (not exhaustive), industry recovery, UK-EU Transition, demand for innovation services, sustainability, space regulation, developments in Ukraine, etc.</p> <p>We are implementing a new Target Operating Model to enable greater flexibility across the CAA to respond to concurrent challenges (now and in future).</p> <p>During the year we established an Executive Committee level Prioritisation and Performance Board as the primary forum to oversee performance and resourcing and make prioritisation decisions where needed.</p>
<b>Information Security and Management</b>	<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>This includes controls to prevent, detect and minimise the impact of cyber-attacks. These controls include using the services of the National Cyber Security Centre to identify malicious activity and our own internal measures, such as network security controls and our ongoing security maturity programme.</p> <p>Cyber security risks are dynamic and constantly evolving and there are (and may always be) some aspects of our cyber security arrangements we need to enhance. Given this, we continue to review our arrangements, through audits, penetration tests and using the aviation industry 'Cyber Assessment Framework'. Any improvements identified are prioritised and acted upon.</p> <p>We also work to ensure that information, including sensitive personal information, is managed in line with applicable legislation/standards and initiate corrective actions where needed.</p>
<b>Financial Exposure</b>	<p>There could be transition risks in returning to a full user pays funding model from April 2024.</p> <p>In the interim period changes to the industry might impact our income.</p> <p>Changes in the financial markets could increase the liabilities of the Defined Benefit Pension Scheme.</p>	↔	>	<p>To manage the transition risks we are looking to develop a new funding model that will be agile/sustainable to changes, including the future shape of aviation.</p> <p>In the meantime, we continue to review the status of the industry and the affect this might have on our income and liaise with the DfT who have agreed to provide financial support as the industry recovers.</p> <p>We continue to work with the CAA Pension Scheme (CAAPS), and our advisors, regarding changes in the financial markets and how this might affect the Defined Benefit Pension Scheme. Our work includes considering the options available to us to minimise any potential increases to the cost of maintaining the scheme.</p> <p>We also continue to monitor the rising rate of inflation and will manage any potential impacts this may have for the CAA.</p>

# > Risk Management



## Emerging Risks

Mechanisms are in place to identify emerging risks, such as new aviation technologies and how these can be safely incorporated into the aviation system. These mechanisms include (not exhaustive):

- > Our Innovation Team, which undertakes horizon scanning covering emerging technological and innovative developments in the aviation sector. The team uses this work, alongside our work with innovators to test their ideas, to help manage any emerging threats or opportunities at an early stage. Our Safety Development Team captures and assesses emerging safety risks more broadly.
- > This team also undertakes horizon scanning to identify areas where we need to take an early interest, including where we might need to adapt aviation safety regulations in future. The team's work includes participating in international industry and regulatory working groups and undertaking research and development. The overarching aim is to manage future safety risks and any potential impacts they might have on consumers (and the CAA and industry).

## Climate Change

We recognise that climate change might lead to more extreme weather events that impact on how we work, such as physical risks to our staff and infrastructure. The CAA is, however, able to adapt by working remotely and minimising business travel (as demonstrated during Covid-19).

Our approach to procurement enables us to secure value for money and manage the risk that climate change may lead to higher costs, such as insurance and utilities.

We do not currently consider that climate change poses a significant threat to the CAA's viability, but we will continue to actively monitor this.

For more information, see our environmental performance section on [pages 44 to 45](#).



# Financial Review

Chris Tingle

## Significant Financial Developments

- > **Total revenue:** £142.3m, up by 11.2% (2021: £128.0m)
- > **Operating profit:** £3.2m (2021: operating profit £5.0m)
- > **Pension surplus:** £229.4m, up by 7.9% (2021: £212.6m)

The CAA is largely funded by those it regulates, with in the region of 40% of its income normally derived from variable charges linked to aviation activity. As a result of the response to the Covid-19 pandemic, aviation demand collapsed in the spring of 2020. Whilst there have been positive developments in relation to vaccines, the emergence of new strains of the virus and more recently Omicron in November 2021 resulted in certain international travel restrictions being reimposed during the winter with a resultant negative impact on customers' ability and confidence to travel. As we have moved towards spring and the restrictions on international travel have been gradually lifted globally, there has been an upsurge in demand for travel. Whilst the UK industry has faced some challenges meeting this demand and there remain concerns regarding the impact of cost of living increases and the Ukraine – Russia conflict on consumer demand, aviation activity levels have increased significantly.

At the outset of the pandemic we deferred the planned increase in charges for an initial period of six months from 1 April 2020. This was subsequently extended for the remainder of 2020/21 and 2021/22.

The DfT has provided S.12 grant funding to the CAA in both 2020/21 and 2021/22 to address the shortfall in variable income associated with the pandemic and enable the organisation to continue to carry out its statutory duties. A letter of continuing financial support has also been issued each year in favour of the CAA and its subsidiaries. Statutory revenue was ahead of budget for the year mainly driven by air operator certificates, personnel licensing, airworthiness and aerodrome licensing income, while costs continued to be lower than budget, particularly employment costs due to delayed recruitment of budgeted staff. As a result, the final draw down of S.12 funding from the DfT to fund in year activities was £31m, which was £22m lower than the £53m funding available and £6m lower than the prior year.

The CAA is 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. The CAA achieved a rate of return of 3.6% for the Regulatory Sector, which was above the 3.5% target rate of return set by the Secretary of State for Transport. Further analysis is provided on [page 40](#).

Although the CAA is 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 2022 is estimated to be £1,287.1m (2021: £1,368.3m).

The last formal actuarial valuation of the CAA Section of the CAAPS was carried out as at 31 December 2018. The 2018 valuation revealed a deficit of £30.4 million. A recovery plan was agreed by the CAA and the Trustees of the scheme, whereby the CAA will remove the deficit over the period to 31 December 2027. The CAA has been making contributions to the scheme in line with the funding requirements set out in the last triennial valuation, but we will only know how the deficit recovery is progressing once the result of the next formal valuation (as at 31 December 2021) have been received. We have considered the impact of Covid-19 on the pension scheme valuation with our advisers and will continue to monitor the situation on an ongoing basis. 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. Work on the 31 December 2021 actuarial valuation has commenced.

## Overall Financial Performance

In the year ended 31 March 2022, the CAA recorded an operating profit before interest and tax of £3.1m (2021: operating profit £5.0m). 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, as well as the result achieved by CAA International Ltd (CAAi), made a £0.9m profit before IAS 19 adjustments (2021: £2.2m profit) and a profit after adjustments for IAS 19 pension costs and net interest, but before tax, of £1.7m (2021: £4.2m profit).

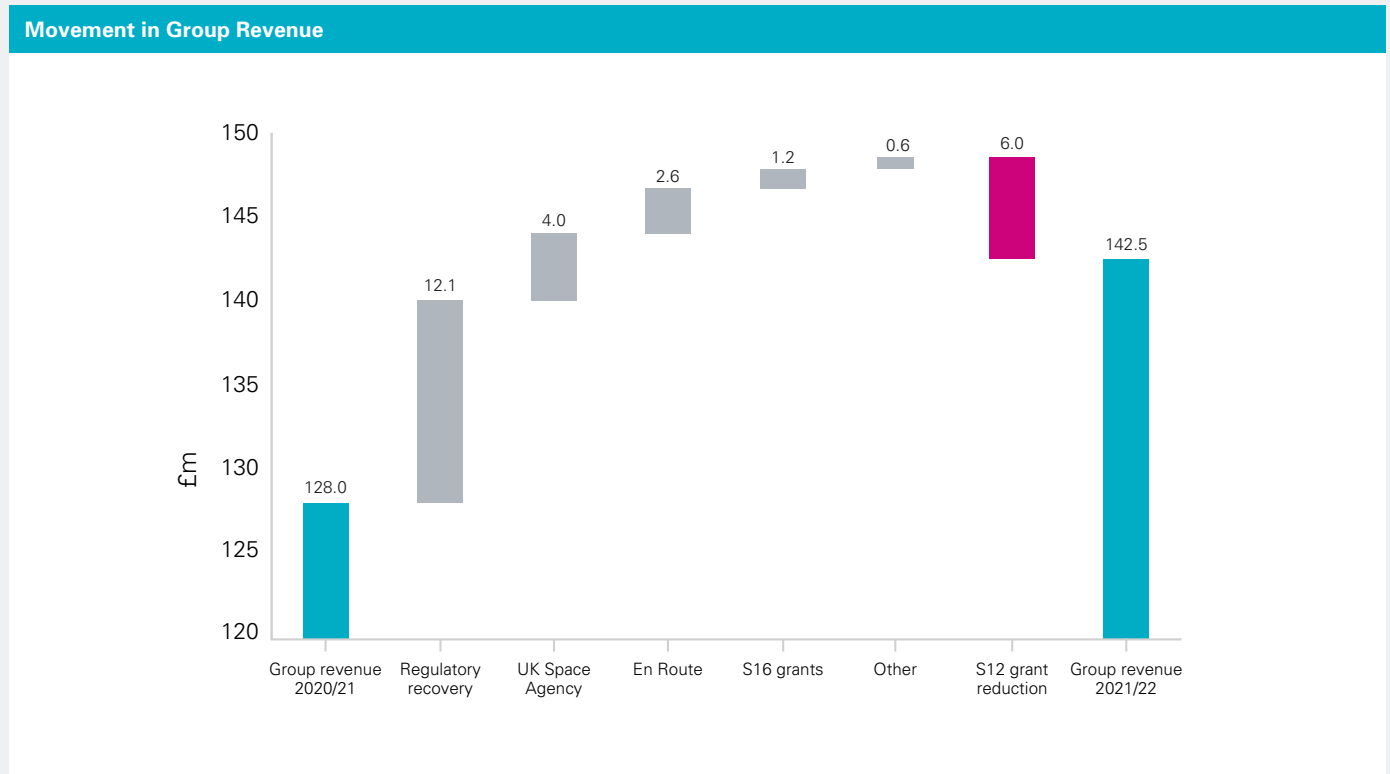
# Financial Review

Chris Tingle

## CAA Financial Performance Results

CAA Financial Performance Results	2022 £m	2021 £m
Group revenue	142.3	128.0
Operating costs (excluding IAS 19 pension scheme adjustment)	(140.1)	(125.7)
Group operating profit	2.2	2.3
IAS 19 pension scheme adjustment	1.0	2.7
Group adjusted operating profit	3.2	5.0
Net interest	4.2	5.7
Profit before taxation	7.4	10.7
Taxation	(2.0)	(2.1)
<b>Profit after taxation</b>	<b>5.4</b>	<b>8.6</b>

## Revenue



# Financial Review

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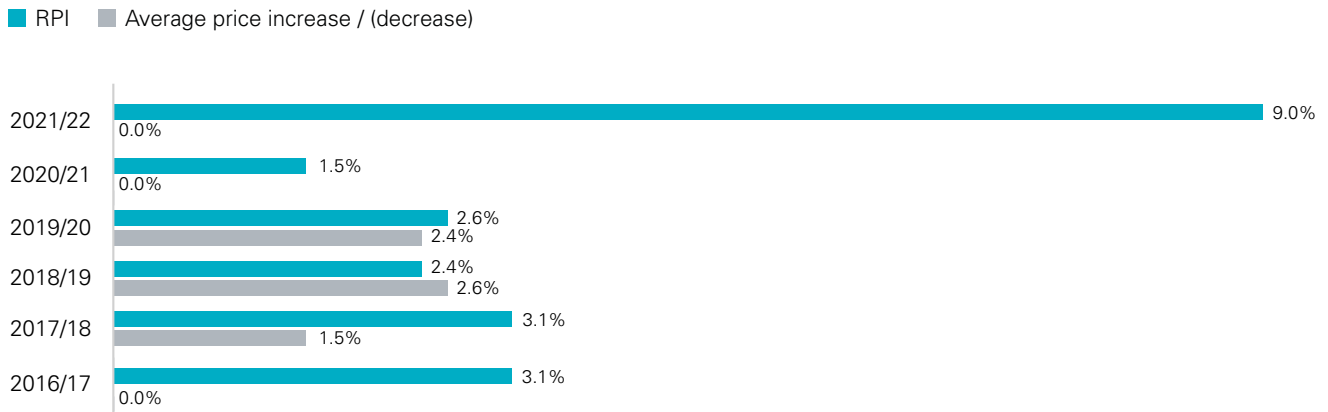
## Revenue (continued)

Group revenue for the year ended 31 March 2022 was £142.3m (2021: £128.0m), an increase of £14.3m (11.2%). The Regulatory Sector saw an increase of £11.0m (11.2%) to £109.0m (2021: £98.0m). This increase in income has arisen primarily because of the positive impact of the industry's ongoing recovery from the Covid-19 pandemic with activity levels steadily continuing to rise. Revenue received through our statutory charges schemes is heavily dependent on industry volumes. The impact on the Regulatory Sector was largely mitigated by the grant funding provided by the DfT in the last two financial years. The Regulatory Sector also saw additional income of £4.0m in the financial year arising from Space Regulation activities, for which the CAA took responsibility with effect from July 2021.

Group revenue for the year ended 31 March 2022 was £142.3m (2021: £128.0m), an increase of £14.3m (11.2%).

## Average price changes

### Price increase/(decrease) versus RPI (%)



(RPI (CZBH) 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 has 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.

# Financial Review

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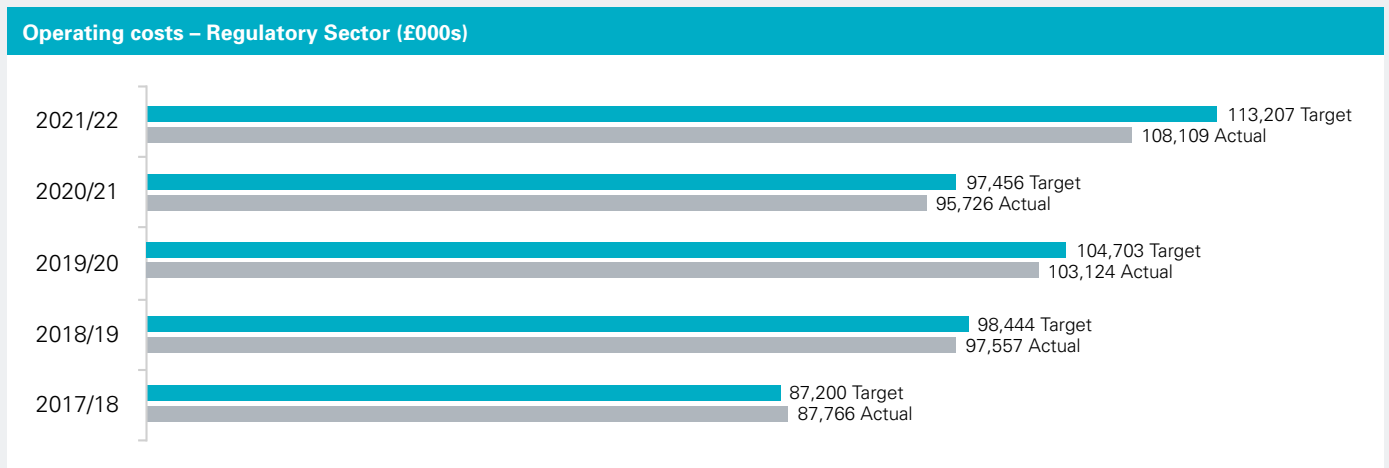
## Operating Costs

Operating costs (including IAS 19 pension scheme adjustment) for the year ended 31 March 2022 increased to £139.4m (2021: £123.0m). The significant areas of change are described below:

- > Employment costs were £97.7m, showing an increase of £7.8m (8.7%) compared to the prior year. The average number of employees in the Group rose by 83 (7.1%), including an average of 31 for the new Space Regulation responsibilities, in the financial year to 1,258 (2021: 1,175) as disclosed in note 3.
- > Services and materials expenditure increased by £3.4m to £12.9m (2021: £9.5m). The significant majority of this increase is attributable to outsourced services costs on two main projects; these being IT cyber security and future ways of working.
- > Other expenses costs were £20.9m (2021: £15.6m). The majority of the year-on-year increase is due to regulatory and business activities moving back towards normal levels following very low periods of activity during the Covid-19 pandemic. Expenditure areas that have seen the most significant increases include professional fees, travel and related expenditure, training costs, security vetting services and associated 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, net of the result achieved by CAA International Limited.



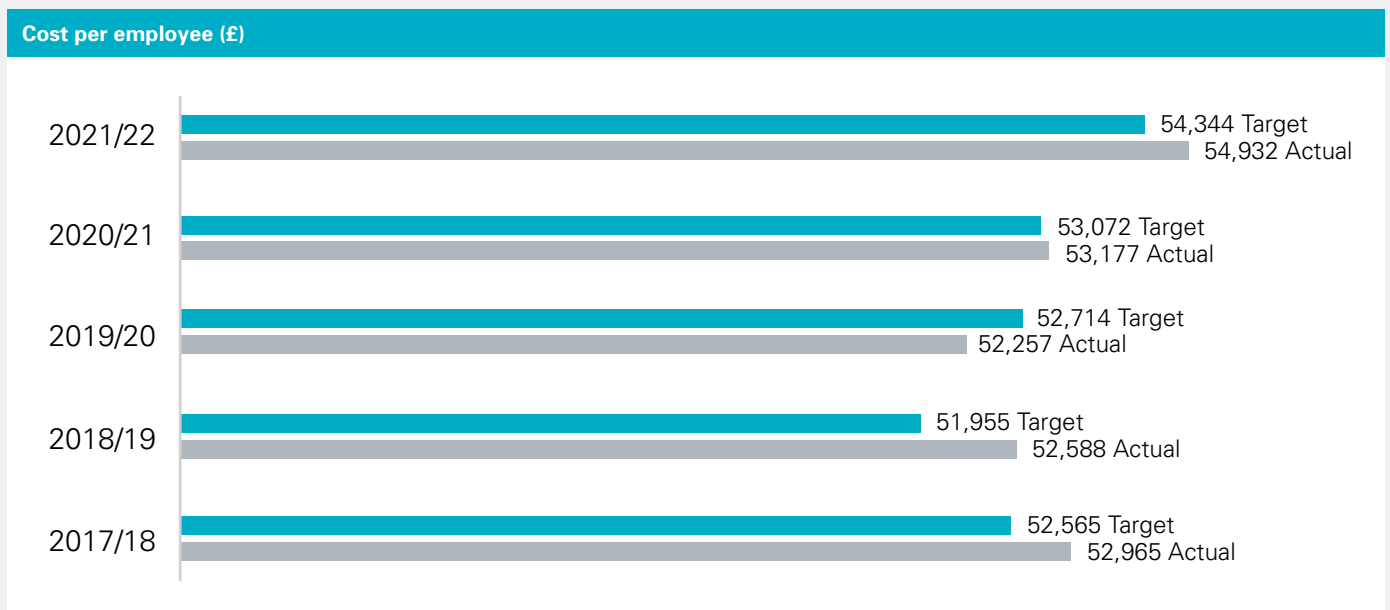
Regulatory costs were £5.1m lower than budgeted for the year, although they were £12.4m higher than the previous year. 2021/22 has seen a continued return towards normal levels of business activity as the industry recovers from the effects of the Covid-19 pandemic. The CAA has seen a significant upturn in recruitment activity with average staff numbers increasing by 83, including resources needed to undertake the new Space Regulation function. Our employment costs for 2020/21 were reduced by a number of cost saving measures introduced at the start of the pandemic, including salary reductions for certain roles and a recruitment freeze. As well as employment costs, there have been rises in outsourced services and software costs, professional fees, travel and related expenses, training costs, security vetting services and associated irrecoverable VAT.

# Financial Review

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## 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.



The increase in the average cost per employee this year compared to 2020/21 is largely attributable to:

- > A significant reduction in lower paid airport survey staff following a redundancy program in the latter part of the previous year;
- > 2020/21 costs being lower following savings from voluntary temporary pay cuts taken by Board members and higher paid staff for five months of that year; and
- > All colleagues being paid a one-off non-consolidated payment in January 2022 of £750.

# Financial Review

Chris Tingle

## Corporation Tax

The estimated tax charge for this year is £2.1m (2021: £2.1m). A net deferred tax asset of £1.7m (2021: £0.6m) is included within the Group's Statement of Financial Position, an increase of £1.1m as compared to the prior year. The increase in the deferred tax asset is as result of tax losses experienced this year in both the Authority and CAAi.

## Capital Expenditure

Capital expenditure additions during the year totalled £2.4m (2021: £1.7m). £1.1m of the expenditure this year was in respect of new right-of-use assets, which included £0.9m of lease vehicles and £0.2m of new property leases. The remainder principally related to buildings improvement work at the Gatwick head office to facilitate new ways of working following the pandemic. The net book value of the Group's capitalised assets as at 31 March 2022 decreased in the year by £2.9m to £15.0m (2021: £17.9m); this balance includes right-of-use assets with a net book value of £4.7m (2021: £4.9m). Part of the overall decrease in total net book value is attributable to a reassessment of the useful economic lives of some the Group's intangible assets, which resulted in an additional amortisation charge in the year of £1.2m.

## 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.

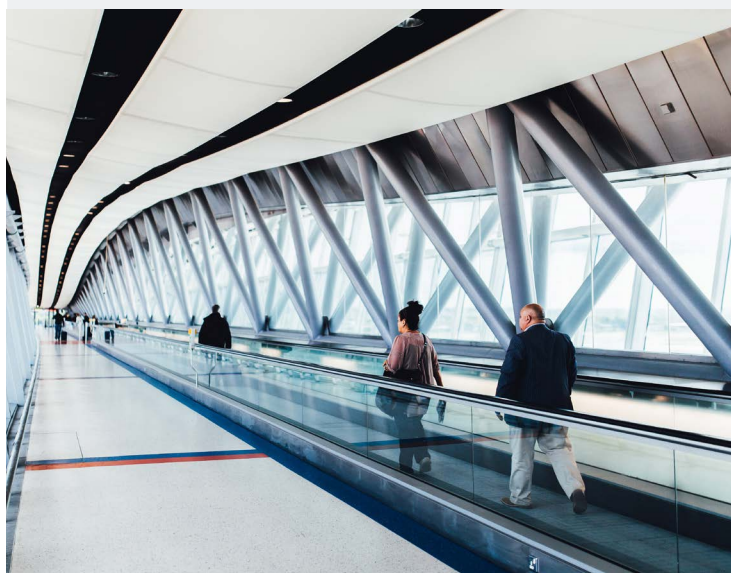
The aim of our funding policy is to ensure that we are not constrained by lack of funds, so we can meet our operational requirements, and that we are not unreasonably or imprudently bound by restrictive covenants or liquidity risks. Working within the constraints of the public sector, we aim to ensure that we can meet all our forecast cash needs for a period of at least 12 months ahead, within the targets we have agreed with HM Treasury.

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.

### Financing

We have a £5.0m overdraft facility with our bankers, NatWest, which we did not utilise during the financial year. This facility was reduced from its previous level of £10.0m effective from 18 April 2021.

An analysis of our borrowing facilities can be found in note 14 to the accounts on [page 115](#).

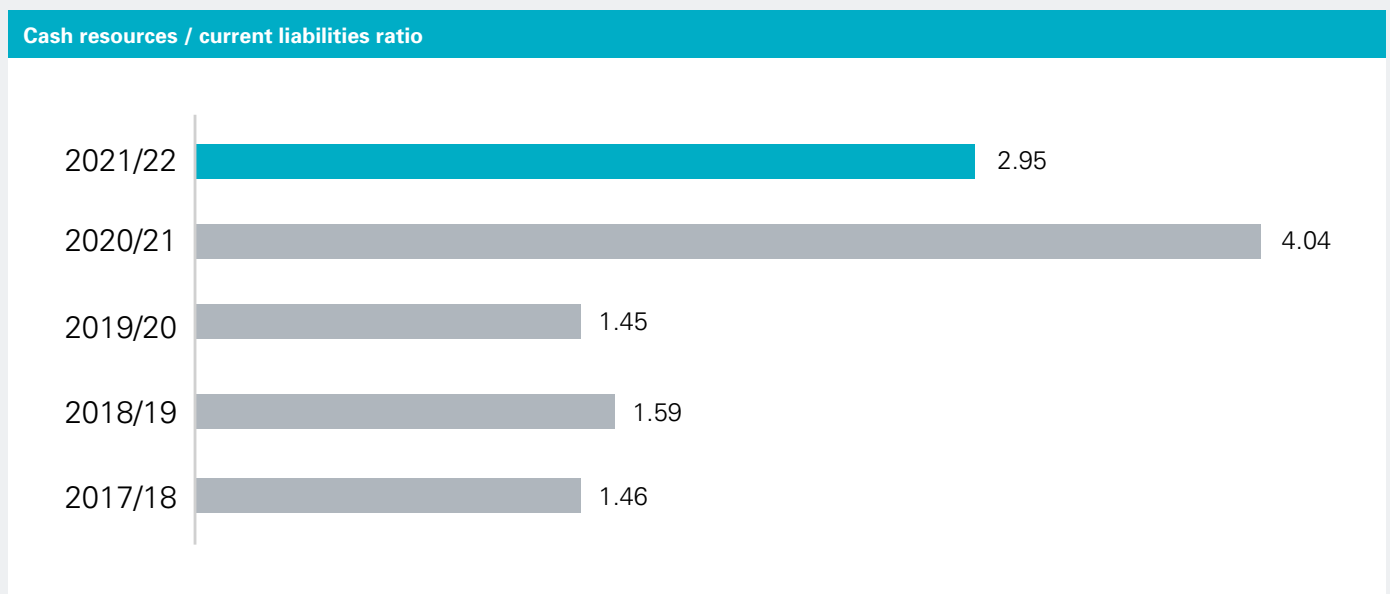


# Financial Review

Chris Tingle

## Liquidity

The graph below shows the level of cash resources available to the Group (including the unutilised bank overdraft facility) 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.



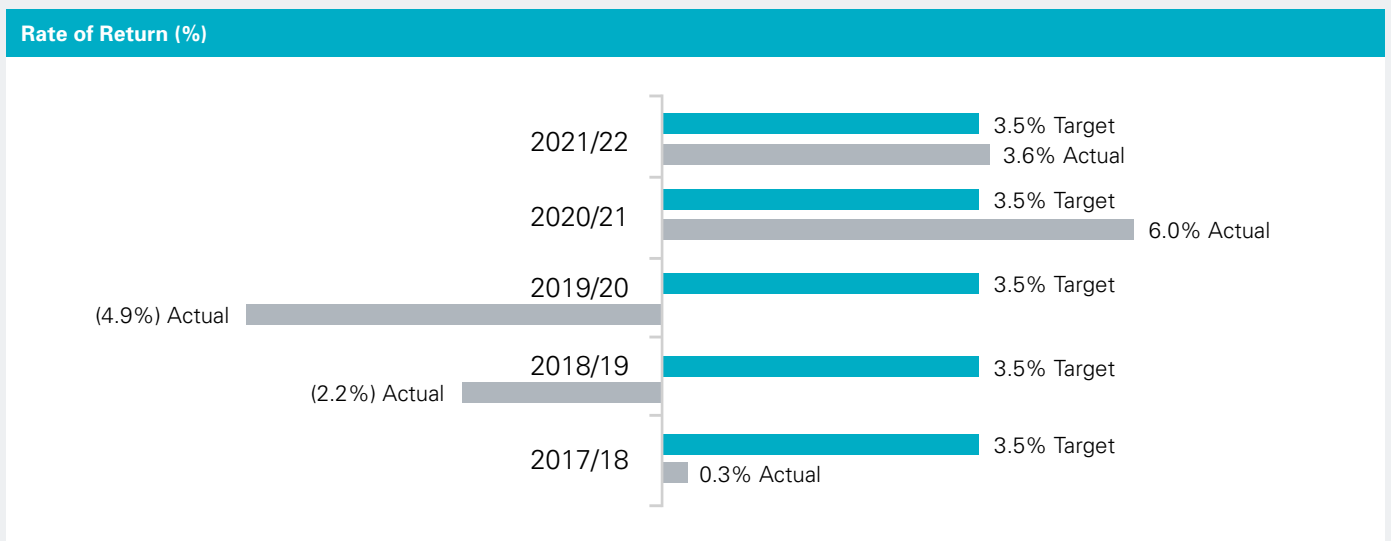
The cash balance was £29.9m at the end March 2022, which was higher than anticipated. This is largely due to advance section 12 funding received from the DfT of £15.6m for specific project costs that will be incurred in 2022/23 and 2023/24, including IT investments for Cyber Security (£6.7m) and Digitalisation (£3.3m). The year-end balance also includes £9.2m of section 12 funding from the DfT that is being used to support airspace modernisation and airspace change initiatives.

# Financial Review

Chris Tingle

## 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, as well as the result achieved by CAAi. 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.



The rate of return for 2021/22 was 3.6%, which is 0.1% above the target rate. This has followed a period that saw large fluctuations in the actual rate achieved as a result of:

- > The CAA Board decision to fund certain project related expenditure in 2017/18, 2018/19 and 2019/20 from surplus reserves created in earlier years; and
- > The partial rebuilding of those reserves again in 2020/21.

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



# Financial Review

Chris Tingle

## 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 2022 (excluding the effects of IAS 19 pension scheme adjustments) were £72.8m (2021: £64.6m), an increase of £8.2m (12.7%). Revenue for the year was £74.3m (2021: £66.6m), an increase of £7.7m (11.6%). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £1.5m (2021: profit of £2.0m). Average staff numbers for the year were 606 (2021: 565), an increase of 41.



## 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 2022 (excluding the effects of IAS 19 pension scheme adjustments) were £17.5m (2021: £19.8m), a decrease of £2.3m (11.6%). Revenue for the year was £17.8m (2021: £20.6m), a decrease of £2.8m (13.6%). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £0.3m (2021: £0.8m). The average number of staff in the year ended 31 March 2022 was 120 (2021: 123). 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 achieved an operating profit (excluding the effects of IAS 19 pension scheme adjustments) of £0.5m (2021: £0.3m profit). Operating costs for the year ended 31 March 2022 (excluding the effects of IAS 19 pension scheme adjustments) were £12.1m (2021: £10.5m). Revenue for the year was £12.6m (2021: £10.8m), an increase of £1.8m (16.7%). The average number of Aviation Security staff in the year ended 31 March 2022 was 121 (2021: 115).

# Financial Review

Chris Tingle

## Space Regulation

The new 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 for the year ended 31 March 2022, its first year of operations, with both revenue and operating costs being £4.3m. These costs have been fully funded by the DfT for the 2021/22 financial year. The average number of Space Regulation staff in the year was 31.

## UK En Route Air Traffic Services (UKATS)

According to the Single European Sky regulation and the Eurocontrol charging convention, the costs of en route air navigation services must be passed on to users - the aircraft using the airspace. In the UK the charges are passed on to four organisations to recover related costs: NATS (En Route) plc, which incurs the vast majority of the costs; the Met Office; the CAA; and the DfT.

The pricing mechanism is regulated by the Single European Sky charging regulation and performance scheme. The current reference period covers a five-year period from 2020 to 2024. As a regulatory body, our income is not volume related but is normally a fixed charge, based on budgeted costs within the reference period.

Costs of UKATS for the year ended 31 March 2022 were £15.7m (2021: £13.3m). 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 £16.1m (2021: £13.4m). The net result (excluding the effects of IAS 19 pension scheme adjustments) was an operating profit of £0.4m (2021: £0.1m).

## CAA International (CAAi)

CAA International Limited is a leading, globally recognised aviation consultancy 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 regulatory advice, mainly to: national aviation authorities in Asia, the Middle East, Africa and Europe, the Ministry of Defence, EASA and UKRI (UK Research and Investment). Activities covered all regulatory areas including: aviation safety, security, environment, economic regulation and consumer choice and value. CAAi regularly supports EASA and ICAO at events throughout the year.

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 SAA (Singapore Aviation Academy), MAVA (Malaysia Aviation Academy) and GAA (Gulf Aviation Academy). The company also developed a MSc, in partnership with Cranfield University, as described in the Review of Our Business section.

CAAi achieved revenues of £5.7m (2021: £5.5m). The company's operating result (excluding the effects of IAS 19 pension scheme adjustments) was a net operating loss of £1.4m (2021: £0.9m loss). The company employed an average of 43 staff (2021: 50) during the financial year, with a further 19 full time equivalents being supplied from other areas within the CAA (2021: 16). A combination of staff supplied from the CAA and management charges in respect of HR, finance, IT services, insurance, accommodation and central administration functions, provided a contribution to the CAA Regulatory Sector before corporation tax of £0.5m (2021: £0.7m).

The outlook for 2022/23 is looking optimistic with CAAi senior management confident that a number of high-value pipeline opportunities will be secured in the coming months with many other advisory and training pipeline opportunities being converted to active contracts. This is expected to lead to the organisation returning to a profit making position during the latter half of the year.

# Financial Review

## Chris Tingle

### 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 £11.7m (2021: £11.0m), an increase of £0.7m (6.4%). The net operating profit for Miscellaneous Services (excluding the effects of IAS 19 pension scheme adjustments) was £0.7m (2021: £0.1m loss). The average number of staff in the year ended 31 March 2022 was 337 (2021: 322).

### Financial Outlook

The CAA took part in the Government's Comprehensive Spending Review (CSR) and worked closely with the DfT to submit a claim for funding in August 2021 for the three years commencing April 2022. We have secured funding of up to £24.8m for 2022/23 and have received formal confirmation of these funds. This has been included in the final budget approved by the Board for 2022/23. In addition to the section 12 funding letter, we are in receipt of a letter from the DfT reaffirming its intention to provide financial support to enable the CAA to continue to undertake its regulatory activity.

In addition to the grant funding provided by the DfT, the CAA continue to have access to a £5m overdraft facility with NatWest. Based on our current cash flow forecasts, we do not envisage the use of this facility for the current year.

**Chris Tingle**, Chief Operating Officer  
23 June 2022



# Our Environmental Performance

## Environment reporting from our operations

We have developed and agreed our own corporate environmental strategy, which targets to achieve Net Zero by 2035, primarily by delivering reduced energy use across the CAA by improvements to our office estate, car fleet and travel plans.

Specifically, we have set the following internal targets:

- > Transition our car fleet to electric by 2030; and
- > Achieve Net zero Green House Gas (GHG) emissions by 2035.

## Streamlined Energy and Carbon Reporting (SECR)

In FY21/22 our total net greenhouse gases (GHG) emissions were 1,257.7 tonnes carbon dioxide equivalent (tCO<sub>2e</sub>). This represents a decrease of 31% compared with 1,824.0 tCO<sub>2e</sub> in FY19/20.

Aspect	FY21/22	FY20/21	FY19/20	% Change
<b>GHG Emissions (tCO<sub>2e</sub>)</b>				
Total emissions from combustion of gas and oil (Scope 1)	367.5	375.0	371.5	-1%
Emissions from combustion of fuel for transport purposes (Scope 1)	32.1	33.2	55.5	-42%
Emissions from purchased electricity (Scope 2)	400.4	382.0	714.8	-44%
Emissions from business mileage claimed by employees and from car rentals (Scope 3)	457.7	178.0	682.2	-33%
<b>Total gross GHG emissions</b>	<b>1,257.7</b>	<b>968.2</b>	<b>1,824.0</b>	<b>-31%</b>
<b>Energy (MWh)</b>				
Total annual gas consumption for combustion purposes	2,006.7	2,039.6	1,978.2	1%
Total annual transport fuel	243.1	255.9	417.9	-42%
Total annual purchased electricity consumption	1,885.5	1,638.7	2,796.7	-33%
Total from business travel mileage claimed by employees and from car rentals	1,860.4	717.7	2,662.9	-30%
<b>Total annual energy consumption used to calculate emissions</b>	<b>5,995.7</b>	<b>4,651.9</b>	<b>7,855.7</b>	<b>-24%</b>
<b>Intensity ratio: tCO<sub>2e</sub> (gross Scope 1 + 2) / gross internal area (m<sup>2</sup>)</b>	<b>0.09</b>	<b>0.07</b>	<b>0.10</b>	<b>-9%</b>

# Our Environmental Performance



## 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 the CAA is a Public Corporation. The reporting period that this submission covers is 1 April 2021 to 31 March 2022. We have followed the GHG Protocol Corporate Accounting and Reporting Standard, 2020 UK Government Conversion Factors for Company Reporting, 2021 UK Government Conversion Factors for Company Reporting and manufacture emission factors for company cars. We have utilised an operational control approach, including activities from the CAA's 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  $tCO_2e$  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  $CO_2$  on a carbon dioxide equivalent basis. We have no emissions of methane, nitrous oxide and fluorinated gases.

Energy use during the period has a reduction of -24% due to energy efficiency improvements, the impact of the Covid-19 pandemic and changes due to hybrid working. The principal measures undertaken to improve energy efficiency included new ways of working and retrofitting LED lights at Aviation House. The FY19/20, FY20/21 and FY21/22 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

Being efficient and effective enables us to better achieve our key objectives. Coupled with that our commitment to better regulation principles demands that we understand the impact of our regulation, minimise costs and unnecessary 'red tape' where possible and make sure that we have resources available to focus on industry's most significant risks.

Our approach to efficiency is based on three core principles:

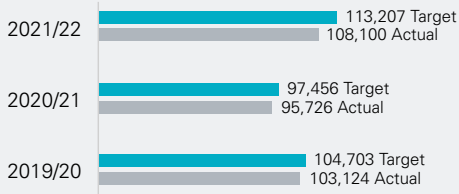
1. Ensuring that our costs of operation are as efficient as possible;
2. Continuously improving our transactional engagement with stakeholders; and
3. Challenging ourselves to make sure that our regulation is proportionate to the risks being managed.

This report provides a review of the efficiencies that we have achieved and the improvements that we have planned for the coming 12 months.

## 1. Our costs of operation are as efficient as possible

The table below sets out financial efficiency targets that we set for ourselves and shows our performance against those targets.

Target	Outcome
No increases in fees and charges for those that we regulate.	No general price increase was applied for 2021/22 (RPI was 9.0%); charges continued to be held at 2019/20 levels as a consequence of Covid-19.
Manage our pension costs.	Our defined benefit pension scheme is closed to new members. The overall pension cost in the Income Statement has increased by £1.3m although this is largely due to the impact of the IAS 19 valuation adjustment.  Average actual contribution per employee has reduced by 8.0% year-on-year as the proportion of defined benefit members decreases due to staff turnover and retirements.
Reducing expenditure in real terms and ensuring that operating costs do not exceed 2021/22 budgeted levels within the regulatory sector.	2021/22 saw an increase of £12.3m (12.8%) in regulatory activities and costs on the previous year mainly due to: <ul style="list-style-type: none"> <li>&gt; Increased resources to undertake rising levels of DfT funded project work (£3.8m);</li> <li>&gt; Resource growth to undertake our new Space Regulation responsibilities (£4.2m);</li> <li>&gt; Returning to business-as-usual activity and expenditure levels following the Covid-19 pandemic when we were unable to travel (£1.1m); and</li> <li>&gt; The continuation of resource growth to undertake the increased scope of other regulated activities, including the impact of the UK-EU Exit.</li> </ul> Regulatory costs were £5.1m lower than budgeted for 2021/22. See further information in the Financial Review on <a href="#">page 36</a> .
Manage our cash flows effectively, so as not to utilise the overdraft facility during the year.	Cash reserves rose by £16.2m in the year; the overdraft facility was not utilised.



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

- > Increases in fees and charges for those that we regulate are kept within inflation in the long-term.
- > Manage our pension costs to reduce as a percentage of total employment costs over time.
- > Regulatory operating costs do not exceed 2022/23 budgeted levels which are in line with the agreed 2.9% inflationary increase for charges and tracking well below the current level of inflation.
- > Manage our cash flows effectively, so as not to utilise the overdraft facility during the year.



# Our Efficiency Report

## Schemes of charges

We are normally primarily funded directly by charges paid by those we regulate and, accordingly, are required fully to recover our costs. Given the impact of reduced passenger volumes on our income for 2020/21 and 2021/22 we received section 12 grant funding from the DfT to cover the shortfall in income from stakeholders.

In the light of Covid-19 and the severe financial impact it has 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.

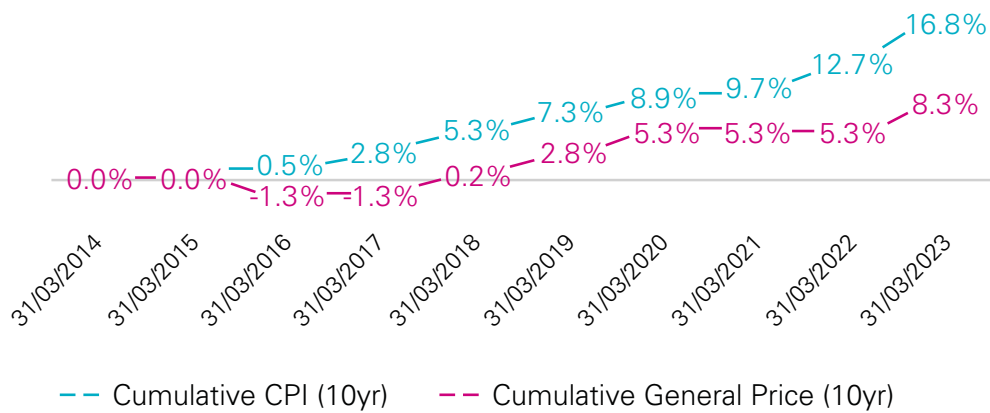
While we continue to remain committed to controlling our costs we must also consider the current economic situation and how that impacts us. We need to secure people to deliver our often-changing statutory remit and recent significant increases in CPI have built cost pressure on the CAA.

Together with this and the forecast increase in inflation for the coming year, a general increase of 2.9% was implemented across all charges schemes for 2022/23. This is still below the current rate of CPI inflation.

The chart below sets out the cumulative historic price increases and decreases, including the proposed charges increase for the next year (2022/23), together with the cumulative changes in CPI. The general price increase of 2.9% has been implemented from 1st April 2022.

At the time this increase was presented in our annual charging consultation, the Office for Budget Responsibility forecasts indicated that CPI inflation would have reached 16.8% in the period from 31 March 2014 to 31 March 2023. In this time, actual price rises in the Schemes of Charges, including the recent 2.9% increase, would have reached 8.3%, meaning prices would be 8.5% lower in real terms. The actual rate of CPI has far exceeded these forecasts at the point that the April 2022 price increase has come into effect.

Cumulative price increases versus CPI



One of the Board's priorities for 2021/22 was to start work on reviewing the way that the CAA is funded with a view to developing a new funding model over the next few years. The basis for the current funding model was implemented over 40 years ago and has evolved over time to a set of 14 schemes with more than 1,500 individual charges. The resultant model is complex, is difficult for stakeholders to understand and is lacking in flexibility. The reliance on variable charging mechanisms creates an issue in relation to financial resilience as demonstrated during the recent pandemic. The aviation industry has expanded and changed significantly in recent years, extending the remit of the CAA, and the current schemes are unable to support the pace of change or respond to the current aviation climate. Preliminary activities have commenced and we are currently collating the views of the aviation industry so that these can be taken into consideration as the project progresses. It is important that the CAA has a flexible, modern and customer focused funding model capable of supporting the pace of change in the aviation and aerospace industry and providing sufficient financial resilience for the future.

## Pension changes

Employment costs represent the majority of our total expenditure, a key element of which is pension costs. Our defined benefit scheme was closed to new entrants in 2012 and well over half of our colleagues are now within our replacement defined contribution scheme. The next triennial actuarial valuation for the defined benefit scheme, as at 31 December 2021, is now under way. Market volatility as a result of Covid-19 continues to impact the level of scheme deficit, together with future service contribution rates, which are closely monitored on an ongoing basis.

# Our Efficiency Report

## 2. We continuously improve transactional engagement with stakeholders

### Modernisation of our IT infrastructure

We have continued to update our IT infrastructure and technology with increasing use of new standardised platforms and tools. We have also invested in equipment and software to support the transition to hybrid working for colleagues. This is detailed in our strategic report under enhancing organisational ability. Key areas of modernisation this year have included:

- > Replacement of our main website platform using a more accessible and maintainable technology which will allow us to improve the user experience more effectively;
- > Extension of our use of Microsoft Dynamics 365 to provide new integrated case management solutions (e.g. for Covid-19 enforcement);
- > Digitalisation of a number of application forms for pilots and engineers which will reduce errors in submissions and therefore improve response times for applications; we are introducing digital signatures where that is consistent with regulation to streamline processing and reduce reliance on hard copies of approval documents; and
- > Migration of a large number of departmental information management solutions from SharePoint 2013 to SharePoint Online including built-in information management features.

The skills and technology we have built up internally on the Dynamics 365 platform enabled us to launch our new space regulatory functions with modern application processes in a successful, rapid and cost-effective manner.

We have also continued work to update, consolidate, replace and decommission our older legacy systems and started on improvements to our main personnel licensing system to make sure it remains current and supported.

We have also taken advantage of opportunities offered by automation. We have facilitated applicant tracking of live applications, which reduces incoming phone and email queries, and employed robotic process automation to populate the results of flight tests into PIMS (our licensing database).

### Improving how we use our data and our data analytical skills

Building on the foundational work completed in previous years, we have focused on better utilisation of data resources across the organisation. Driving towards a 'hub and spoke' model for the organisation of data specialists, where an operating model for the coordination of a central data capability hub with the various subject matter experts and data analysts embedded in the various regulatory areas has been developed.

This year has also seen the completion of our Data Fellowship programme which saw 40 colleagues gain external accreditation in data and analytics techniques.

### Remotely piloted and model aircraft

The CAA's Drone and Model Aircraft Registration and Education System continues to attract more users, with almost 500,000 active flyers and operators registered (as of April 2022). This sector remains a growth area and we believe that the system continues to offer value for money to this community, with the flyer ID and education service being free of charge.

We have continued to make improvements to the service including; enabling bulk, efficient uploads of the operator and flyer ID by flying clubs, implementing text message access codes to allow users who struggle with email to access the service in an alternative method, incorporating Worldpay's newest standard of payment authentication thereby reducing risk, and providing the ability for customers to update their personal details.

### EU-Exit

We have started development of an easy access system for some of the regulatory advice and publications that the UK now needs to make available to industry following EU-Exit.

### Enforcement of Covid-19 health protection regulations

In response to the Covid-19 pandemic, during 2021 the UK Government introduced *The Health Protection (Coronavirus, International Travel and Operator Liability) (England) Regulations 2021 (the Regulations)*. These placed a requirement on airlines to undertake various checks of passengers' documentation prior to arrival into England. The CAA was named as the enforcement body within these regulations.

We set up a specific team to undertake these enforcement activities. Existing resources were utilised from across the CAA, alongside the recruitment of new individuals and the use of contractors, to facilitate rapid upscaling in short timescales. The team had to consistently respond dynamically to the frequently changing legislation, and this helped to drive improving compliance by airlines in a cost-effective manner.

These regulations were revoked in March 2022 and the Covid-19 enforcement team has now been wound down.

### ATOL (Air Travel Trust claims portal and service management)

Following the successful implementation of the ATOL claims management portal in 2020, technical improvements have continued to be added to improve user experience and auditing functionality. By the end of March 2022, 48 failures had been managed via the portal resulting in the submission and subsequent processing of 12,289 claims. Consumer satisfaction scores continue to remain high; from April 2021 to the end of March 2022, 148 responses had been received, with just under 81% of respondents finding the instructions and welcome page easy to understand and 77% considering the portal user friendly and easy to navigate.



# Our Efficiency Report

## Complaints about the CAA

We are committed to providing a high standard of service to our stakeholders and welcome complaints as this feedback enables us to continuously improve. Over the past year we have revised our approach to how we handle complaints with the introduction of an Independent Complaints Advisor. We have also increased resourcing in our licensing teams to build resilience, maintain service levels and address any process weaknesses highlighted by complaints.

Below is a table highlighting the number of complaints received during the last three years. The number of complaints received this financial year has risen to 270 (an increase of 76% compared to last year). This is higher than we want it to be, though represents less than 1% of all services provided.

The increase has predominantly been around licensing applications as well as advice and queries where demand associated with the UK's exit from the EU, in addition to Covid-19 impact to normal demand cycles and productivity, have adversely affected application and correspondence lead times.

The issues experienced by customers with the introduction of the new medical system (Cellma) also contributed to the increased level of complaints seen in the first half of this financial year.

We will continue to monitor and look for ongoing improvements as we return to post-Covid-19 services and embed working practices outside of EASA.

Complaints about the CAA	FY2021/22	FY2020/21	FY2019/20
Number of complaints in line with our complaints policy	270	153	105
Upheld in full or in part	207 (77%)	103 (67%)	74 (70%)
<b>The categories of upheld complaints are:</b>			
Poor service, including:	162 (78%)	70 (68%)	61 (82%)
Application processing delays	104 (50%)	35 (50%)	12 (20%)
Failure to respond to enquiries	13 (6%)	4 (6%)	11 (18%)
Other (quality and systematic issues)	45 (22%)	31 (44%)	38 (62%)
Charges/fees	4 (2%)	2 (2%)	2 (3%)
Staff behaviour	3 (1.5%)	-	1 (2%)
Lack of CAA action	20 (10%)	22 (21%)	2 (3%)
Unfair treatment/bias	6 (3%)	4 (4%)	2 (3%)
Over regulation/gold plating	1 (0.5%)	-	1 (2%)
Incorrect advice	11 (5%)	5 (5%)	5 (7%)

# Our Efficiency Report

## 3. Regulation is proportionate to the risks being managed

### Exemptions

During the Covid-19 pandemic, we approved significant numbers of general and specific exemptions to support the UK aviation community where it was safe to do so and where doing so would provide some alleviation for the aviation community. We followed ICAO's direction to reduce the number of general exemptions aligned to Covid-19, but this resulted in the issue of more specific exemptions. Many of these allowed essential pandemic related operations to continue (such as medical supplies and testing equipment to be carried and transported) and other operations to continue through travel restrictions (e.g. flight time limitations). Throughout the latter part of 2021/22, we began to phase out these exemptions as traffic levels rose and it was no longer appropriate for them to be in place.

### Oversight – Covid-19

During Covid-19 our oversight of industry was maintained but adjusted to conform to the UK and international travel restrictions. Our work has been proportionate and appropriate to the operating environment, safety risk and intelligence profile. It has been necessary to maintain more frequent contact with regulated entities and engagement has been through a combination of onsite and virtual means, attempting to achieve a balance of regulatory objectives while causing minimum interruption and distraction to the entities.

### Research

We have renewed our partnering with academia to conduct research on its behalf. This research pulls on resources and expertise from outside the CAA and aims to deliver modelling and evidence to support the development of future safety related policy at value. Current projects include offshore helicopter operations and Beyond Visual Line of Sight operations for Remotely Piloted Aircraft Systems.



### Aviation security

Over the past year we have continued to work alongside the DfT to support the aviation industry in responding to, and dealing with, the impacts of the Covid-19 pandemic, making sure that security risks are addressed and standards maintained.

Our compliance auditors have been focussed on key security functions, making sure industry has reasonable and proportionate oversight in the context of significantly reduced operating volumes. This compliance oversight has consisted of traditional site visits and the introduction of remote monitoring.

Remote monitoring is an area of work which will be further developed, with the aim of reducing the burden on industry and generating further efficiencies in our auditing process. Additional work has been conducted in reviewing the current compliance operating model to both position and ensure future compatibility with developing techniques and the broader aviation security modernisation programme.

### 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 Authority's functions during the year ended 31 March 2022 (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 2021/22 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 77 to 82](#).

### BDO LLP

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

23 June 2022



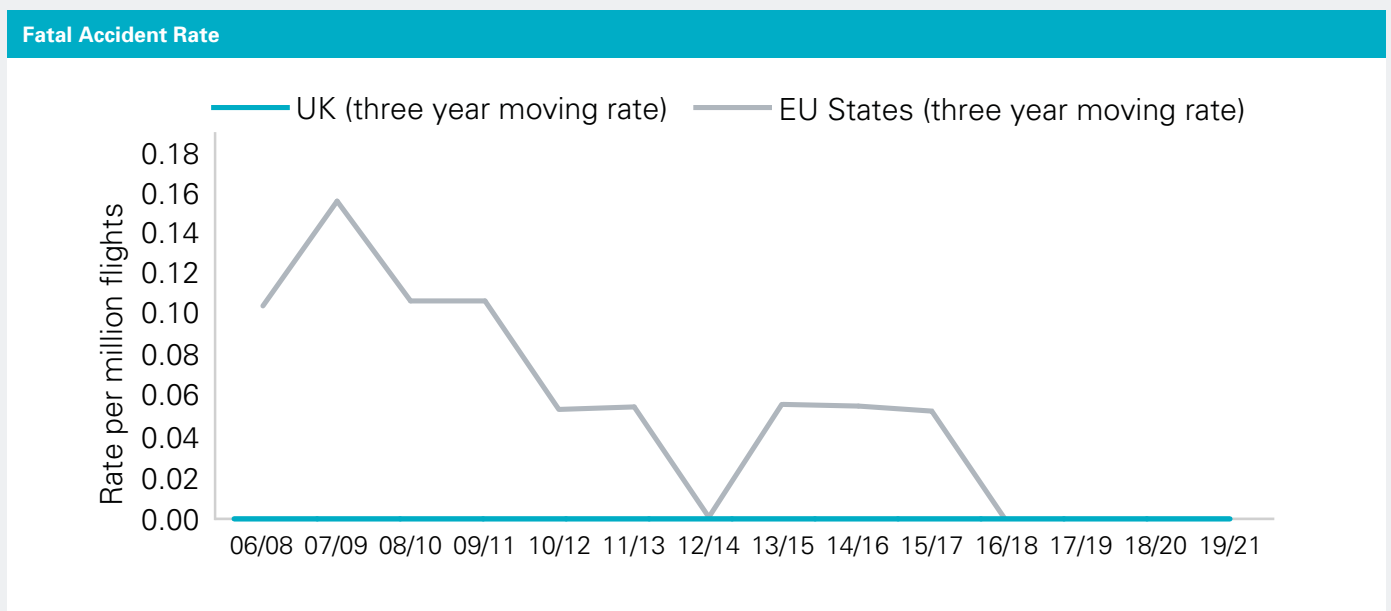
# Key Safety and Service Performance Indicators

We select a series of key performance indicators to show both the current safety levels of UK civil aviation and also our organisational performance for our service delivery work.

For the safety indicators we have chosen to highlight sectors of aviation that reflect the main elements of the industry ranging from commercial airlines to general aviation. The data for our safety indicators is primarily taken from occurrence reports submitted to us by industry.

These 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, or by direct contact with any part of the aircraft or by direct exposure to jet blast.

## UK-registered/Air Operator Certificate (AOC) fixed wing passenger aircraft above 5,700kg Maximum Take-off Weight Allowed (MTWA)



\*2021 flights data has been estimated

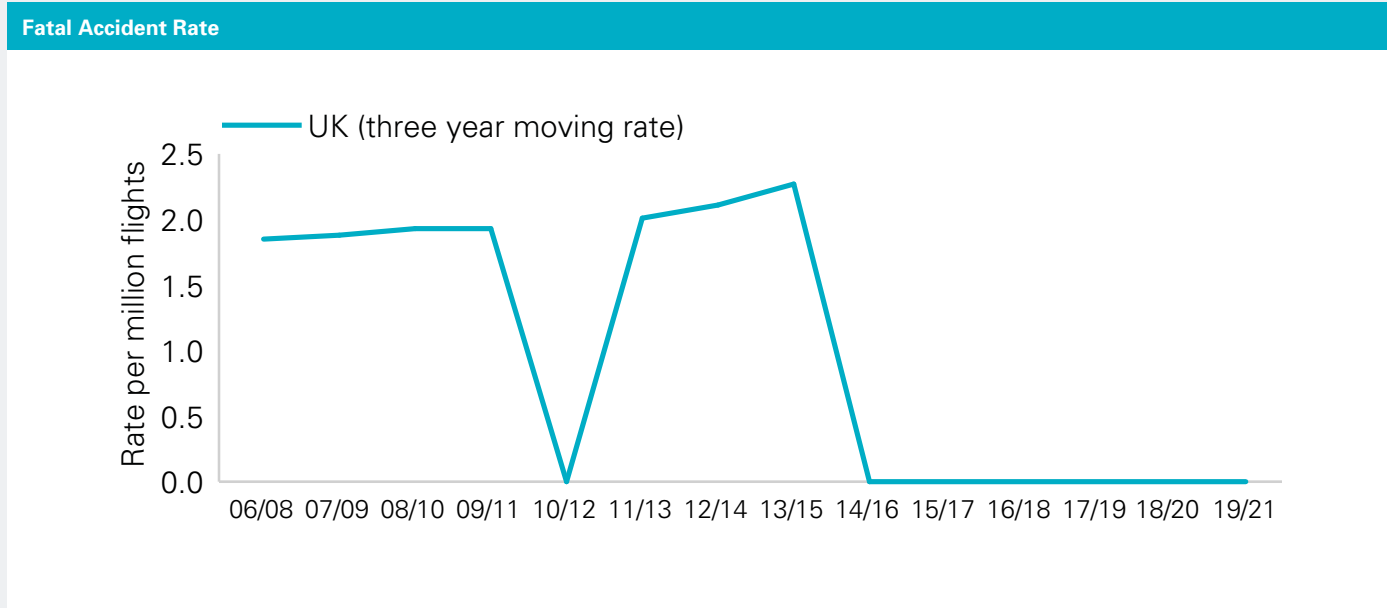
### Analysis

In the three-year period between 2019-2021 there were no fatal accidents involving UK operators and none involving an EU member state. 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



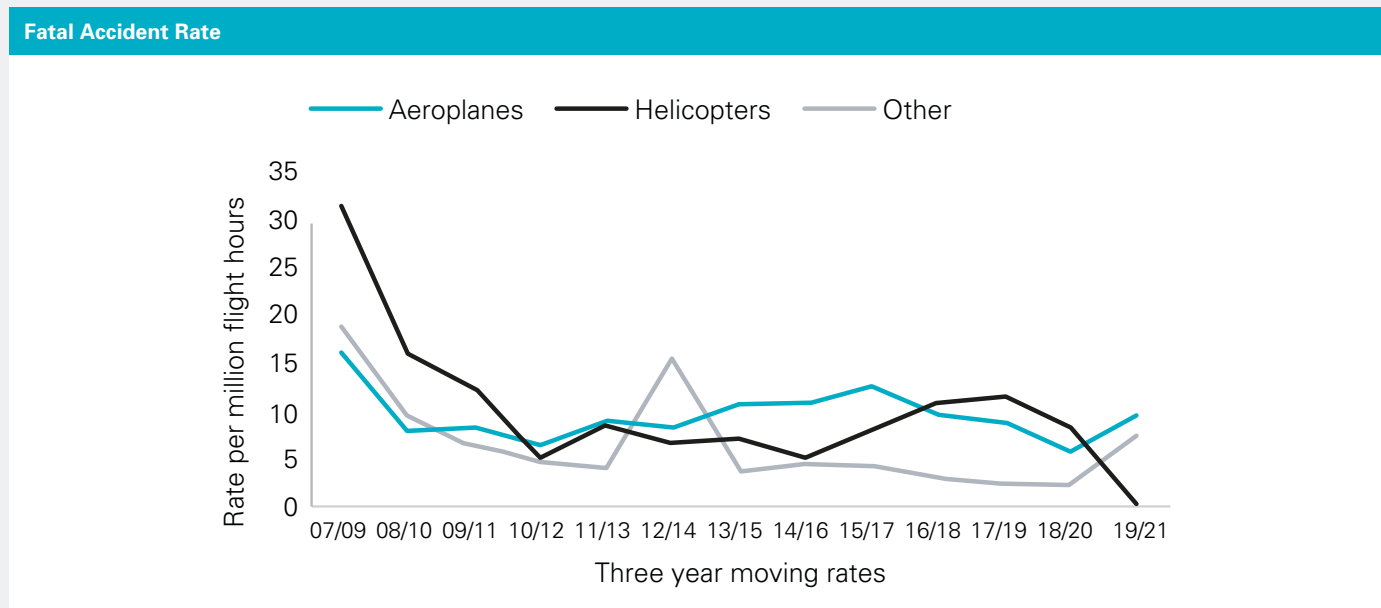
## Analysis

The fatal accident rate for UK public transport helicopter operations remained at zero for the three-year period from 2019 to 2021, which is consistent with the level recorded between 2018 to 2020. The last fatal accident prior to 2021 occurred in 2013, when a AS332 Super Puma crashed into the North Sea, resulting in four fatalities.

*On 4 March 2022 the downwash from a landing Sikorsky S92-A injured two pedestrians, one of whom suffered fatal injuries. The incident is currently under investigation.*

# Key Safety and Service Performance Indicators

## UK General Aviation



The General Aviation (GA) fatal accident rate for UK registered aircraft and non-UK registered aircraft operating in the UK has been segmented into three categories: fixed wing aeroplanes, helicopters and other. The other category includes lighter than air vessels (e.g. balloons and airships), gliders, gyroplanes and microlights.

The rates shown above have been calculated using aircraft utilisation (e.g. annual flight hours) as gathered by the UK CAA aircraft registration department. The utilisation data for 2021 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 have then been aggregated into a three-year moving average that is presented by sector on the chart above.

### Analysis

#### Aeroplanes

A three-year average of fatal accidents for the period 19/21 was four compared to three for the previous period of 18/20. This includes accidents involving UK registered aeroplanes. 2021 marked a first post-Covid-19 flying season; this highlighted factors like skill fade due to disrupted previous flying seasons or issues arising from aircraft being stored for extended periods. There were five fatal accidents in 2021.

#### Helicopters

The rate of fatal accidents involving UK registered general aviation helicopters has decreased. There were no fatal accidents between 2019 and the end of the year under review.

#### Other

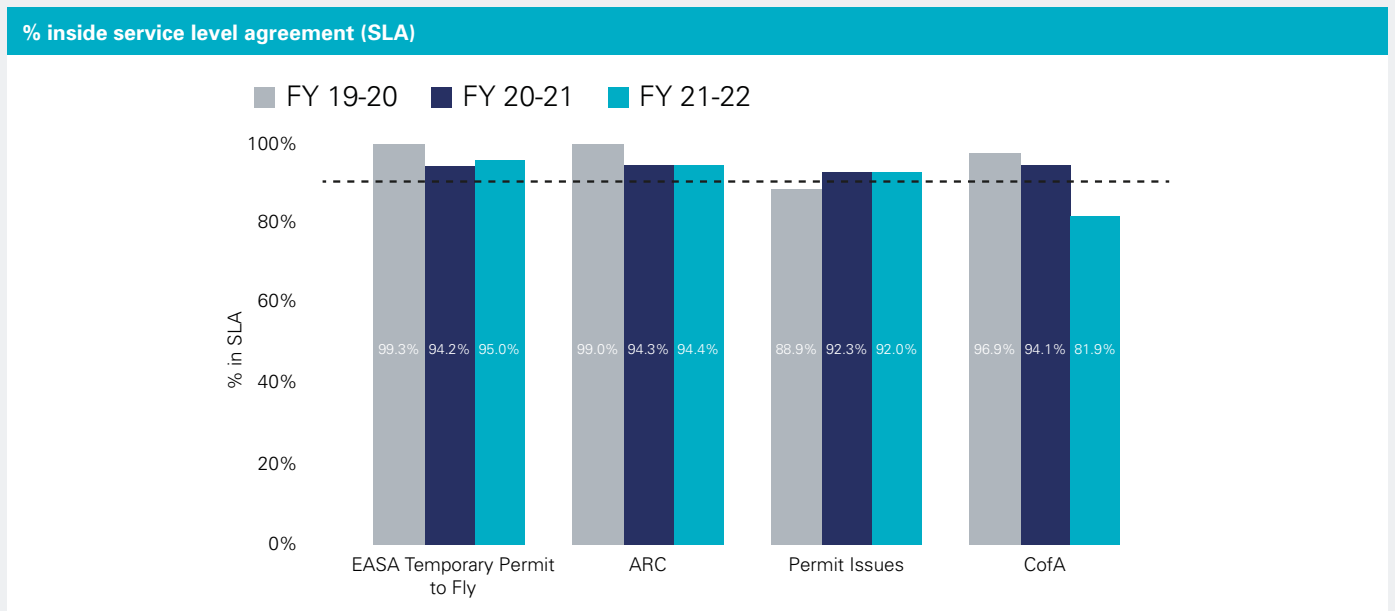
There were four reported fatal accidents involving other sector aircraft reported between 2019-2021, with no fatal accidents reported during 2021.



# Key Safety and Service Performance Indicators

## Percentage of services delivered within published Service Level Agreements

Our Shared Service Centre has remained open throughout the pandemic with a core level of staff numbers working in the offices through the lockdown periods to handle post and print licences. Most services have continued to be delivered within our target Service Levels for turnaround times, though performance of flight crew licensing has been below target, mainly due to high application volumes. Over the past two years we have reduced our reliance on paper-based activities by increasing the percentage of forms that are digitalised and equipping colleagues with improved laptops and software tools.



### EASA Temporary Permits to Fly

Demand for temporary Permits to Fly in the past 12 months remained high; performance against the service standard has been maintained. Temporary Permits to Fly are treated as a priority over other applications as the aircraft are grounded and need to be moved urgently. EU-Exit has not changed demand for this type of application, however, recent demand has increased most likely as operators gear up for increase in capacity post Covid-19.

### Airworthiness Review Certificates

Performance against the service standards for Airworthiness Review Certificates has been consistent over the last 12 months. The team has the required skill set to perform these applications and we are currently training additional Technical Support Officers in this function.

### Certificates of Airworthiness

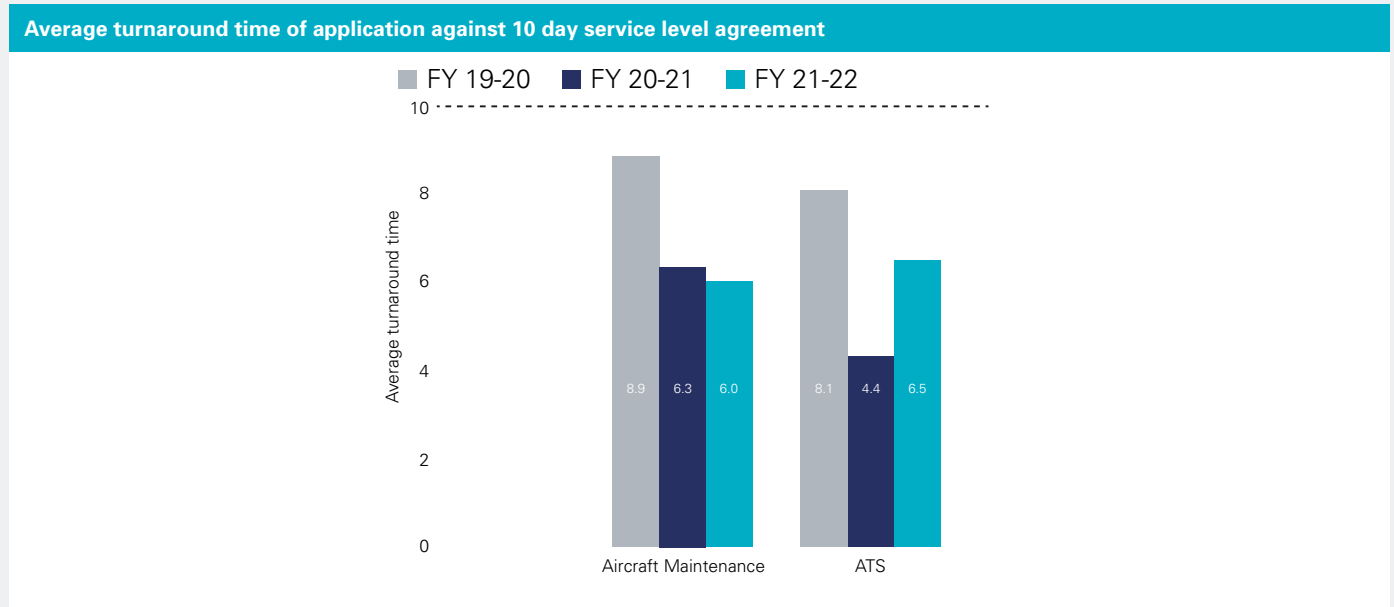
Performance against the service standards for Certificates of Airworthiness (C of A) has been robust considering the increased volumes of applications in this area post EU-Exit. Training across the team has been prioritised to meet increased demand, however, this is a significant discipline which requires a high level of training input.

### National Permit Issues

Performance against the service standards for National Permit Issues has stabilised over the recent period. We have lost capacity in this area, and we are focussing on training to address this shortfall.

# Key Safety and Service Performance Indicators

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



### Aircraft Maintenance

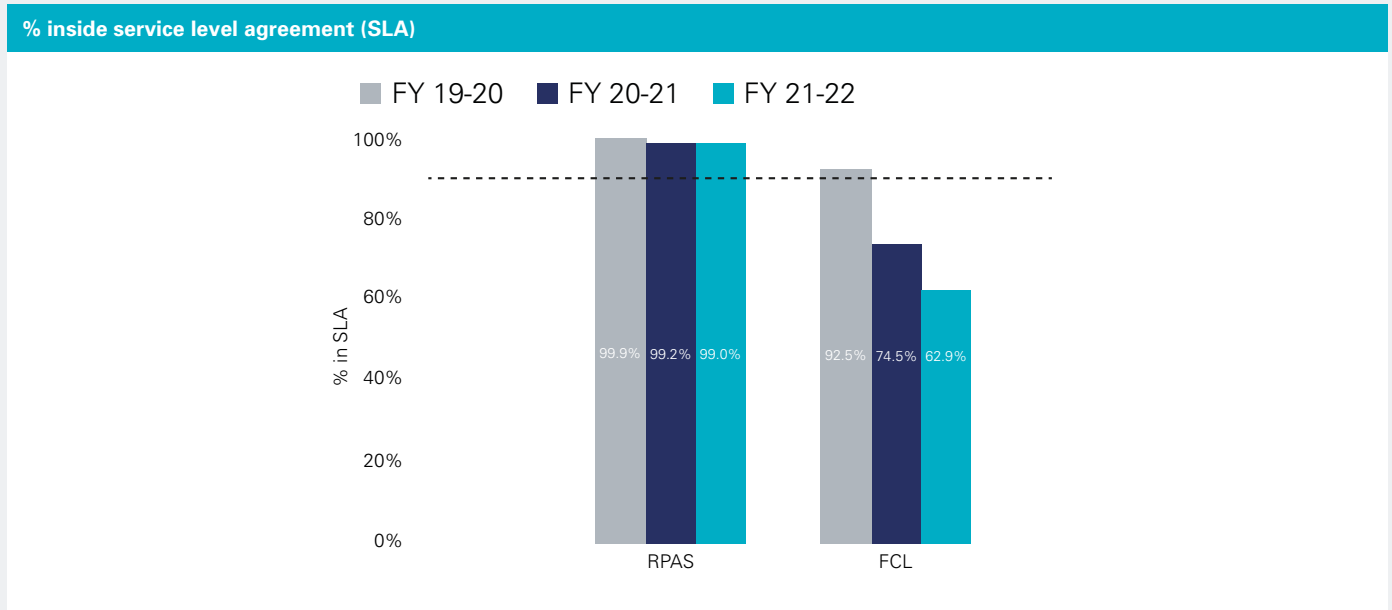
Aircraft maintenance engineer licence applications (Part 66) average turnaround times have maintained an average of six working days for FY 2021-2022 which is slightly lower than the previous year. The demand for applications was up 23% on the previous year (FY 2020-2021) and up 12% on the year before that (FY 2019-2020). This represents a more stabilised service delivery over the last 12 months.

### Air Traffic Services

Air traffic services license issue remained within agreed service levels, with average turnaround time at 6.5 working days in FY 2021/2022. The demand for applications was up 50% on the previous year (FY 2020-2021). This represents a strong service delivery over the last 12 months.

# Key Safety and Service Performance Indicators

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



### RPAS Permission for operational authorisation

All applications were processed within SLA and the team has continued with responsibility for the registration system mailbox and escalation service, receiving and responding to 5,811 email requests for the 12-month period. The number of applications received for the period totalled 4,148, a 34% reduction on the previous year (6,287). This was anticipated following the changes to EU RPAS regulations and resource has been adjusted to reflect the downturn in applications. All team members are trained across the different work streams giving us flexibility to move resources.

### Flight Crew Licensing (FCL)

FCL service delivery has been significantly challenged due to high workload demand throughout the year resulting in 62.9% of licences being delivered within 10 working days. Although 37.1% have not met the 10 working day service level, the average turnaround time was 11 working days.

This has mainly been due to the significant volumes of EU-UK applications which went live 1 April 2021 where we received 2,669 applications of which all have been processed through the initial stage and 1,649 have now been issued. Whilst this EU-UK application service does not have a service level agreement associated with it due to the nature of the process involving exchange of records with other National Aviation Authorities, we were unable to predict initial demand volumes and were therefore not able to forward resource.

In addition, the application demand increased by 35% compared to the previous year; this increase excludes the EU-UK applications.



# Our Growth Duty Report (Summary)



The CAA supports the principles of the growth duty contained in section 108 of the Deregulation Act 2015<sup>2</sup>. The Growth Duty requires that:

- > Regulators have regard to the desirability of promoting economic growth when delivering their regulatory functions; and
- > As part of this, consider the importance for the promotion of economic growth of exercising regulatory functions in a way which ensures action is only taken when it is needed, and that any action taken is proportionate.

The CAA enacts the Growth Duty in the context of its wider 'Better Regulation' approach ensuring that our regulatory decisions demonstrate transparently how the CAA has had regard to economic growth whenever it is appropriate to do so.

To ensure transparency, the CAA reports annually on how our work has promoted economic growth, and supported aviation and aerospace. Over the past two years, due to the Covid-19 pandemic, this support has been more necessary than ever. As we approach summer 2022, and passenger demand begins to return as Covid-19 restrictions are easing, the impact of inflation, and the conflict in Ukraine continue to dampen consumer demand, meaning regulatory support for recovery and growth remains vital.

The CAA contributes to growth by carrying out work to ensure that the businesses we regulate can innovate, grow and work in new ways without compromising the safe, secure and consumer-focussed regulatory framework that we have put in place.

In July 2021 the CAA was established as the regulator overseeing the safety and security of the space sector in the UK. To date the CAA has received 5 applications for spaceport launch and range licences.

In addition we have issued 108 licences for UK operated satellites launched overseas. This licensing activity supports and contributes to the National Space Strategy, which sets out long term plans to strengthen the UK's status as a world-class space nation.

In 2019 the CAA established the Innovation Hub and regulatory sandbox where the CAA and innovators develop a common understanding of innovation and the regulations that apply to it. To date the hub has serviced circa 400 aviation innovators with support and advice helping them progress their ideas to market.

Following the UK's exit from the European Union the CAA has worked with the Department for Transport (DfT) to implement the UK/EU Trade and Cooperation Agreement (TCA) with regard to aviation. The TCA contains sections on air services and aviation safety. The aviation safety agreement reduces potential regulatory requirements on UK production and airworthiness design organisations.

In response to the continued impact that the Covid-19 pandemic has had on aviation during 2021, the CAA has supported industry across every aspect of our regulatory work. Where it has been possible and allowed for within the regulations, we have continued to make changes and to work with the industry in responding pragmatically to the challenges presented by the virus. The CAA is now working closely with industry and the Government to facilitate bringing capacity back as quickly as possible now that restrictions have been lifted and customer demand has begun to return.

A full explanation of our activities to support the growth of aviation and aerospace in line with that growth duty is described in full in the Annex, starting on [page 135](#) of this document.

<sup>2</sup> The CAA's economic regulatory functions are exempted from coverage by the growth duty.

# CAA Consumer Panel: Summary of 2021/22 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 2022, we focused on our core Work Programme themes of building the evidence base, driving better outcomes for consumers, and influencing future frameworks. At the same time, we reprioritised planned work to take into account the impacts of Covid-19.

We contributed to a number of consultations focused on improving consumer protection and rebuilding consumer confidence including responding to consultations by the Department for Business, Energy and Industrial Strategy, the Department for Transport and the Transport Select Committee. While we welcomed many of the proposals in the Department for Transport's consultation, including its proposals to provide the CAA with civil enforcement powers and mandating Alternative Dispute Resolution in aviation, we raised concerns about some aspects of its proposals which we considered could lead to poorer outcomes for consumers.

We also devoted a lot of time to working with a number of teams across the CAA this year to shape the evidence gathered about consumer attitudes on ATOL, environmental sustainability, air traffic control and Covid-19. We also supported the latest wave of the CAA's Aviation Consumer Survey, including by helping shape a number of the questions asked, in particular those around consumer experiences of travel during Covid-19. This evidence has been used to support the Panel's scrutiny of CAA and Government policy and has enabled the development of more effective evidence-based proposals for change in areas such as consumer redress, environmental information for consumers and strengthening ATOL protection for consumers.

In addition, this year the Consumer Panel:

- > Continued to make the case for a robust evidence base upon which to build consumer policy.
- > Provided evidence to the Transport Select Committee's Inquiry on supporting recovery in the UK aviation sector, including giving oral to the Committee.
- > Continued to provide input on the economic regulation of Heathrow airport and NATS En Route plc (NERL). In particular, we were pleased to see a strong consumer focus in the CAA's H7 Initial Proposals and that NERL commissioned a piece of research to examine the consumer interest, which is something we have previously sought.
- > Contributed to the development of the CAA's new environmental strategy, ensuring it retains a strong consumer focus.
- > Contributed to the CAA's ongoing work to embed the approach to vulnerability across the organisation and input to a toolkit to help CAA staff understand and operationalise their response to vulnerability.
- > Continued to press for improvements in the area of complaints and redress.
- > Input to the development of the CAA's strategic framework, which resulted in the CAA citing the Panel's consumer principles publication in its regulatory principles which the CAA uses to inform its approach to regulation.

Over the next year the Panel will consider, alongside the CAA, the available consumer evidence base, including any gaps, and advise on how this should be shaped and utilised to improve outcomes for consumers as the aviation sector starts to recover. We have now substantially delivered the Work Programme we set out to implement in 2020, along with new additions due to the changing external context. We will therefore shortly set out a new Work Programme that recognises the changed landscape and priorities that matter most to consumers. In the meantime, we will continue to focus on supporting consumer confidence as the industry recovery continues, ensure the needs of vulnerable consumers are prioritised and press for improvements in protection, redress and how consumer complaints are dealt with by airlines and airports.

**The Rt. Hon Jenny Willott OBE**

Chair of the CAA Consumer Panel



# Governance



# Board Members



**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 Private Pilot's Licence. He also has wide experience of leading large, complex and high-profile portfolios and programmes, and of change and risk management within regulated environments.



**Richard Moriarty**

Richard was appointed as Chief Executive Officer in May 2018 having previously joined the CAA Board in January 2016 as Group Director of Consumers and Markets and Deputy Chief Executive. In that role he was responsible for airline licensing, the ATOL scheme, the economic regulation of airports and air navigation providers, our competition powers, and our consumer redress and enforcement activities. Before joining the CAA Richard was the CEO of the Legal Services Board, which oversees the regulation of the legal profession in England and Wales. Richard has also held senior public and private sector roles in a number of regulated sectors including water, energy, aviation, postal communications, and social housing. Richard was non-executive Board Member and Deputy Chair of the Social Housing Regulator from 2012-2019.



**Robert Bishton**

Appointed to the Board as Group Director of Safety and Airspace Regulation in November 2019, Robert 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 as former Group Operations Director at Fastjet, Operations Director at Astraeus and Chief Pilot of easyJet. As a commercial pilot Robert has over 10,000 flying hours and extensive experience as an Instructor and Examiner qualified on B737, B757/767, B787/777 and A320 family aircraft. Robert also brings significant board experience and was formerly an executive director of the UK Flight Safety Committee, UK representative to the EASA Management Board and has been involved in airline start-ups and turn-arounds, both in the UK and abroad. He is also a general aviation helicopter and aircraft pilot flying R22/44 Helicopters and a PA-28 Arrow RG.



**Paul Smith**

Paul was appointed to the Board as Group Director of Consumers and Markets on 24 May 2018. Before joining the CAA he was Head of Regulatory Strategy and Policy at the Payment Systems Regulator since January 2016. Paul has also previously held the position of Chief Executive of the Australian Energy Market Commission. Prior to that he worked on economic regulation issues as a consultant and in a number of roles at Postcomm and Ofgem.



**Chris Tingle**

Chris Tingle is currently Chief Operating Officer, a Trustee of the Air Travel Trust Fund and a Member of the Chartered Institute of Management Accountants. Chris is responsible for the management of Finance and Corporate Services and the Shared Service Centre. Chris joined the CAA in January 2016, previously having a career in a variety of financial and operational roles within the private sector, predominantly in the rail freight and consumer goods industries.

# Board Members



## **Katherine Corich**

Katherine Corich was appointed as a Non-Executive member of the Board on 1 July 2019. She serves on the Audit and People Committees. She has extensive experience of corporate governance, performance/risk-based regulation and aviation safety, serving on public, corporate, academic and third sector boards. She is Chair of Sysdoc Group and IAP, a non-Exec director of MyWave Artificial Intelligence, Pure Advantage Climate Change Think Tank and is an invited member of the Royal New Zealand Air Force Leadership board. Katherine is a technology entrepreneur and trained as a commercial pilot. 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.



## **Air Vice-Marshal Simon Edwards MBE**

Simon has commanded 99 Squadron flying the C-17, along with appointments as CO 904 Expeditionary Air Wing in Afghanistan and Station Commander of RAF Brize Norton. He graduated from the Royal College of Defence Studies in 2017, working briefly in the Cabinet Office as a policy adviser in the National Security Secretariat. Shortly after, he became the Assistant Chief of Staff for Capability Delivery at Headquarters Air Command overseeing high-risk, high value Government projects. During his tenure he was the Senior Responsible Owner for a wide portfolio, including the A400M Tactical Airlifter and the United Kingdom Military Flying Training System. Promoted to Air Vice Marshal in May 2021, Simon works in the Ministry of Defence as Assistant Chief of the Air Staff (Strategy) and is an executive member of the Air Force Board.



## **Marykay Fuller**

Marykay Fuller was appointed to the Board as a Non-Executive Director in January 2019 and CAA Board Senior Independent Director in 2021. She is Chair of the Air Travel Trust Fund, and also serves as a member of the CAA Audit Committee, and CAA International Ltd Management Advisory Board. Marykay also serves as Chair of Intu Milton Keynes Limited which owns MidSummer Place shopping centre. She is also a director on GCP Asset Backed Income Fund Limited where she is Chair of the Remuneration and Nomination Committee as well as a member of the Audit and Risk Committees. Marykay previously was a board member of British American Business and also currently serves on the Alumni Advisory Board of Carnegie Mellon University Heinz College in the USA. Marykay's executive career was in banking, 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.

# Board Members



## **Jane Hanson CBE**

Jane was appointed as a Non-Executive member of the Board on 1 September 2021. Jane serves as the Chair of the Audit Committee which oversees the Civil Aviation Authority's corporate governance, internal control frameworks and audit processes. A fellow of the Institute of Chartered Accountants, Jane brings a wealth of experience at Board level. Her current and previous roles include Executive Director and Non-Executive Director positions at many large and regulated organisations including Aviva, Welsh Water, Direct Line Group and Rothesay. She is also the Honorary Treasurer at the Disasters Emergency Committee, Chair of the Reclaim Fund and Chair of the Government's Dormant Asset Expansion Board. Jane qualified as a Chartered Accountant with KPMG, latterly leading the advisory practice for Internal Audit and Risk Management in the North of England. She has extensive experience in Enterprise Risk Management, Corporate Governance and Internal Control frameworks in predominantly heavily regulated and consumer facing sectors. Jane is also a Magistrate. In 2022 she received a CBE for services to the charitable sector.



## **Anne Lambert CMG**

Anne Lambert CMG 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.



## **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 leadership experience from numerous senior roles in executive as well as non-executive positions across the public sector and local government, including as Managing Director of Watford Borough Council, Vice-Chair of Essex Partnership University Foundation NHS Trust and Chair of Habinteg Housing Association.

# > Corporate Governance



Good corporate governance is vital to the CAA, so our Board ensures that 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 2022.

## Board effectiveness

In late 2019 the CAA Board commissioned Flint Global to carry out a review of the CAA Board, with a principal but not exclusive focus on the Board's skills and capability in respect of the CAA's five strategic focus areas. That review was postponed because of the Covid-19 pandemic but resumed in November 2021 and reported in March 2022. Flint Global acknowledged that since the last external review of the CAA Board in 2018, the CAA has faced significant turbulence. Flint Global documented that the CAA Board has been very active in supporting the organisation through the pandemic and its effect on the aviation sector and consumers. Prior to that, the UK's exit from the European Union created significant challenges for the CAA, with the transition period ending on 31 December 2020. Flint Global recognised that while the immediate crisis induced by the pandemic has passed the CAA will continue to face a changing external environment, with the net zero agenda, the ongoing development of new technologies for instance around Remotely Piloted Aircraft Systems and space, potential implications of the Russian invasion of Ukraine, and a large political appetite to reconsider the remits of regulators and secure greater Government oversight over them. In this context, Flint Global commended the CAA for prioritising and having succeeded in managing a smooth transition, with a new Chair and CEO, and the majority of Board positions replaced in line with recommendations from the previous external Board review.

Flint Global found that overall, the CAA Board has a positive and strong culture. The Board is prepared to challenge the Executives and is willing to remit issues for further consideration by the Executives, and to do so more than once if that is deemed necessary. The Executives also feel that they are supported by the Board, that the quality of the challenge and feedback they receive at Board meetings is high and that it is rare for the Board to misjudge (in their view) the line between executive and non-executive tasks.

The CAA is a learning organisation and welcomed the recommendations that Flint Global made to further improve the effectiveness of the CAA Board. The 2018 Board review recommended that the Board take a

more active role in shaping the future agenda. Flint Global found in this latest review that the Board has a strong process around the forward agenda. Flint Global did recommend that as social distancing restrictions ease, the Board should consider whether to reinstate more informal opportunities for the Board to meet to further strengthen what are a strong set of positive relationships it has with stakeholders. The CAA will definitely take up this recommendation as it will additionally help to broaden the skills and knowledge of Board members across the whole of the CAA's remit. The Board also plans to increase and formalise its access to external experts on topics related to key areas of strategic decision making.

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 is made up of the non-executive Chair, four executive members and six independent non-executive members of the CAA. The Secretary of State for Transport appoints non-executive members on fixed-term contracts and also appoints the Chair and sets his objectives.

Our Board members must declare all their interests and memberships when they are 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:

- > AVM Ian Gale ceased to be a Board member on 15 June 2021;
- > AVM Simon Edwards was appointed to the Board on 16 June 2021;
- > David King ceased to be a Board member on 31 August 2021;
- > Graham Ward ceased to be a Board member on 31 August 2021;
- > Garry Copeland was appointed to the Board on 1 September 2021 and resigned on 28 February 2022;
- > Jane Hanson was appointed to the Board on 1 September 2021; and
- > Manny Lewis was appointed to the Board on 1 October 2021.

# Corporate Governance

## Board meetings and attendance

The Board is assisted by two Committees:

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

The Remuneration and Nominations Committees were replaced by a new People Committee during the year as explained in the People Committee Report on [pages 72 to 75](#). 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 2022	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings	People Committee meetings
<b>Number of meetings held</b>	<b>11</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>2</b>
Sir Stephen Hillier	11	*4	*1	0	*2
Richard Moriarty	11	*5	*1	*0	*2
Robert Bishton	11	N/A	N/A	N/A	N/A
Garry Copeland	4	N/A	N/A	N/A	N/A
Katherine Corich	11	5	1	N/A	2
AVM Simon Edwards	7	N/A	N/A	N/A	N/A
Marykay Fuller	11	5	N/A	N/A	N/A
AVM Ian Gale	2	N/A	N/A	N/A	N/A
Jane Hanson	5	3	N/A	N/A	N/A
David King	4	N/A	1	0	N/A
Anne Lambert	11	5	0	N/A	2
Manny Lewis	6	N/A	N/A	N/A	2
Paul Smith	11	N/A	N/A	N/A	N/A
Chris Tingle	11	*5	N/A	N/A	N/A
Graham Ward	4	2	N/A	0	N/A

\* Meetings attended by invited non-members

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 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 Secretary is responsible for ensuring that the Board follows correct procedures. As part of this, they make sure that members are offered guidance on complying with relevant rules and regulations. They are also regularly available to give members advice.

It is the responsibility of the non-executive members to ensure that 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.

The CAA Chair appointed Marykay Fuller as the Senior Independent Director for the CAA Board with effect from 15 December 2021.



# > Corporate Governance

## 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 13, 14, 18](#) and [33](#). In particular, the Financial Review gives details of the performance and financial position of each business sector.

For the Board members' responsibilities for the financial statements see [page 76](#).

### Risk management and internal control

The Board is responsible for our systems of risk management and internal control. It also monitors and reviews their effectiveness. The agenda for the Board's meetings includes 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.

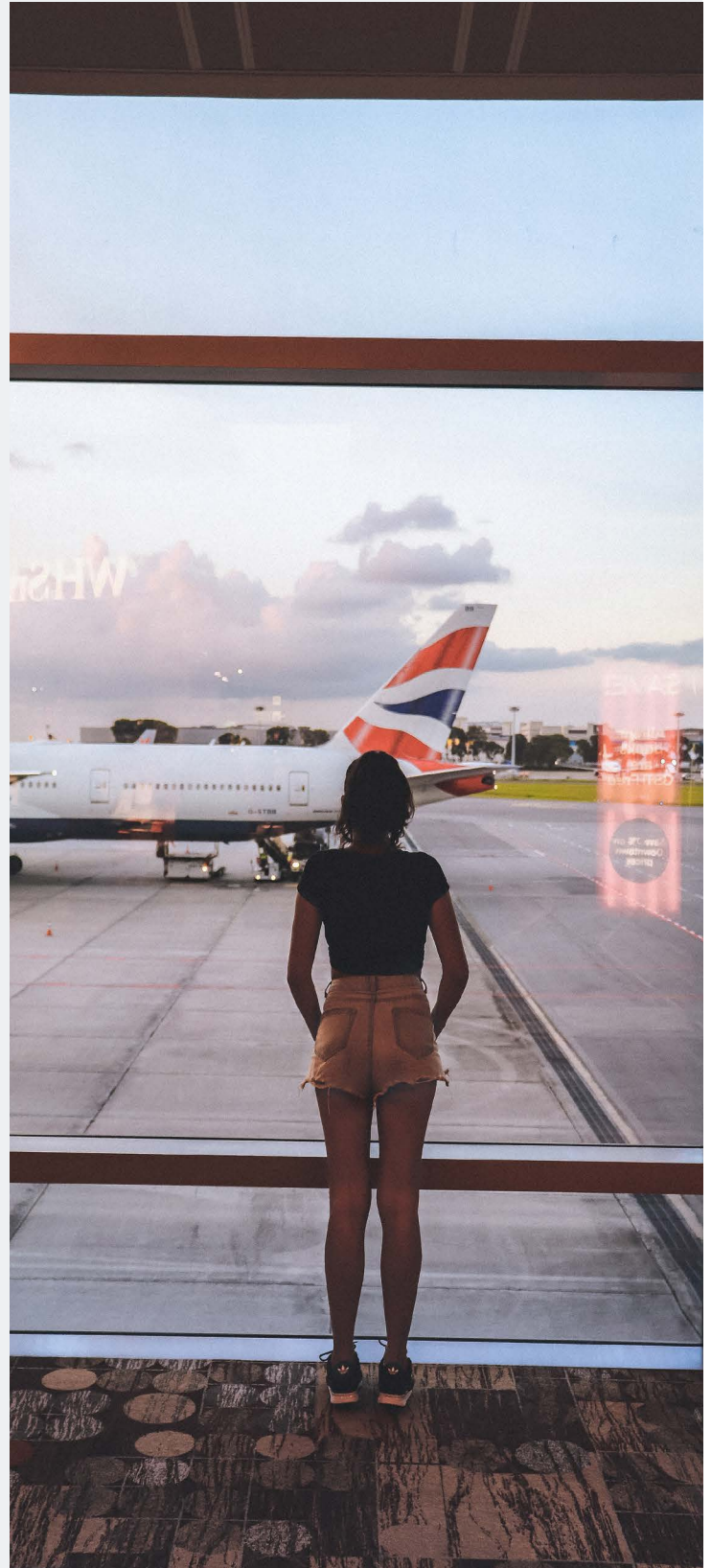
It is important to note that internal control systems are designed to manage the risk of failure to achieve business objectives but cannot be expected to eliminate them. The systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

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 2022 and up to the date of approval of the annual report and accounts and is regularly reviewed by the Board. It complies with the internal control guidance for directors of the UK Corporate Governance Code 2018. There have been no changes to the design and implementation of internal controls as a result of Covid-19. See [pages 28 to 32](#) for a detailed description of the principal risks and uncertainties.

Executive members report to the Board on possible control issues that have been 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 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 2022. 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.





# Corporate Governance

## 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 EU, the international framework's requirement for the UK to have an independent, competent and sustainable regulator is 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 is 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 Board and Executive Committee consider these matters in setting the annual budget and in actively managing expenditure.

The Board has also taken into account the operational context of the aviation industry. That context is very challenging. During the financial years 2020/21 and 2021/22, the industry was significantly affected by the impacts of the restrictions imposed to combat Covid-19. Whilst restrictions have been easing in recent months, there remains uncertainty about how quickly the sector will recover.

Whilst we have been actively involved in supporting the Government in its work associated with the tragic 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 2024. The Board chose this period for its review as there is a reasonable degree of certainty about our regulatory objectives and that based on financial support from the Department for Transport and committed funding associated with last year's Comprehensive Spending Review we will have sufficient resources to achieve them.

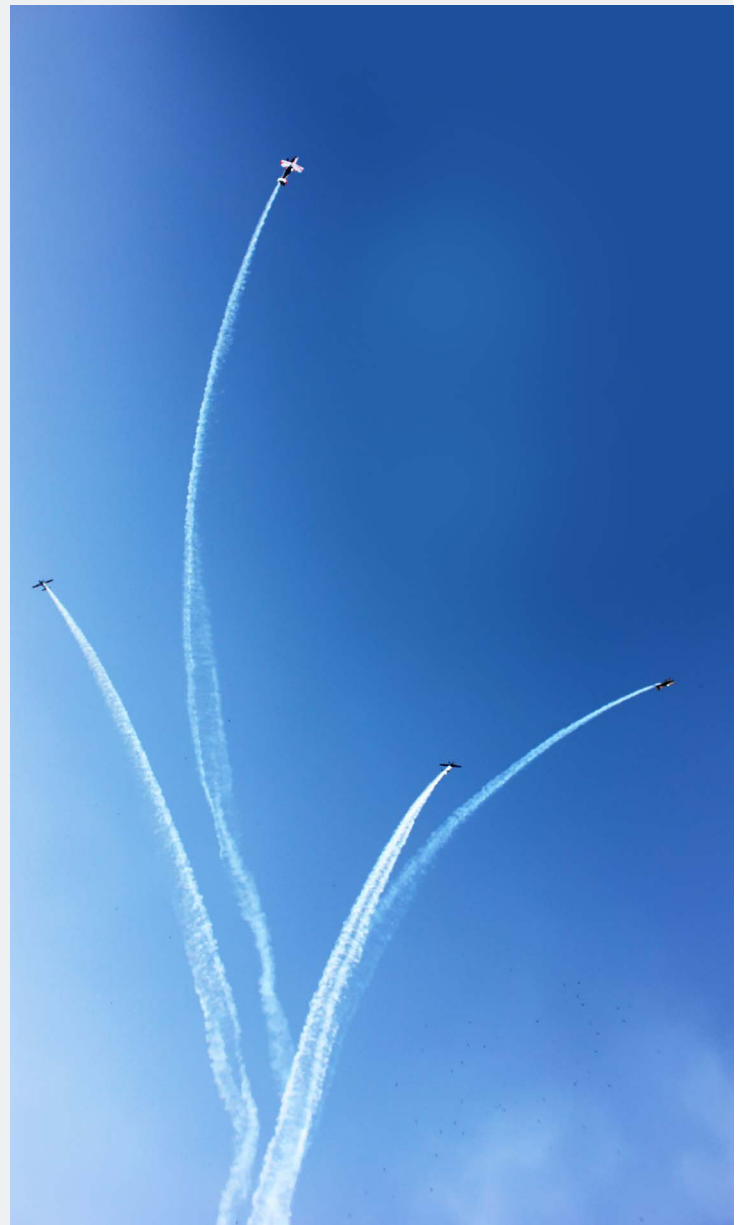
It considered the information in the strategic plan, the approved budget for the financial year ending 31 March 2023 and plan for the following year. It also carried out a robust assessment of the principal risks that would threaten our business model, future performance and solvency. The Board has regularly 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. In the light of the Covid-19 pandemic the Group's three-year cash flows, with particular emphasis on the period through to March 2024, have been 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.

Based on these tests and the financial support provided by the DfT through to 2024, 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 2024.

## 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 89](#).



# Corporate Governance

## 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 2022 and up to the date of approval of the annual report and accounts, with all relevant provisions of the Code, except for provisions 12, 14, 16, 23, 33 and 41 and we have provided a full explanation below:

- > **Provision 12:** the CAA Chair appointed Marykay Fuller as the Senior Independent Director (SID) for the CAA Board with effect from 15 December 2021. This was the first time that a SID has been appointed; the CAA has only therefore been compliant with this provision from this date.
- > **Provision 14:** the Secretary of State for Transport writes annually to the Chair of the CAA setting out his priorities for the organisation. The most recent letter, covering priorities for 2022/23, 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, is currently being updated and will be published on the CAA website once this work is complete.
- > **Provision 16:** arrangements for the appointment to and removal from the role of Company Secretary have always been a matter for the Chief Executive Officer in consultation with the Audit Committee Chair. This was considered appropriate for the size and type of organisation we are. Following the establishment of the People Committee and its associated terms of reference, the Board is now invited to approve new appointments to the Company Secretary role. All Board members have access to the advice of the Company Secretary.
- > **Provision 23:** During 2021/22 we have established the People Committee and the Talent Board who, between them ensure that we not only have robust succession plans but we also have bespoke development interventions in place to maximise the strength and diversity of internal pipelines for roles. We have also invested in a new Diversity and Inclusion Strategy, supported by goals to continue our progress to date in gaining better representation at senior levels and, over time, narrow our Gender Pay and Ethnicity Pay Gaps. The work on the new Diversity & Inclusion Strategy pre-dated the establishment of the People Committee so was subject to scrutiny by the main Board, rather than a sub-committee. For the first time we published 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. From 1 April 2022, this will include the whole Executive Committee. No pay increases were awarded to executive directors or the Executive Committee during 2021/22 although the People Committee agreed that executive directors and the Executive Committee should be included in the payment of a non-consolidated lump sum payment of £750 for all CAA staff awarded in January 2022. Prior to the establishment of the People Committee, remuneration decisions, such as that not to implement a pay increase in 2022 nor pay performance related bonuses in respect of the performance year 2020/21 were taken by the Remuneration Committee. 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 (and Remuneration Committee and Nomination Committee) and the strategic rationale for executive directors' remuneration policies and structures within the People Committee Report. In 2021/22, for the second consecutive year, the Remuneration Committee noted that the executive directors had performed strongly and that the reason for non-payment of performance bonuses was the financial situation of the industries we regulate and not a reflection of executive directors' performance. Our focus for 2021/22 and into 2022/23 has been on reward strategy for the wider organisation rather than on executive remuneration. 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 will underpin reward for everyone at the CAA. In the context of the public sector pay freeze, remuneration outcomes have not been a relevant consideration for 2021/22. Our level of compliance with Provision 41 is considered by the Board to be appropriate for our organisation.



# Audit Committee Report

Jane Hanson  
Chair of the Audit Committee

## Committee membership<sup>3</sup>

- > **Jane Hanson:** Chair - appointed as Chair 1 September 2021
- > **Katherine Corich:** Independent Non-Executive Director
- > **Marykay Fuller:** Independent Non-Executive Director
- > **Anne Lambert:** Independent Non-Executive Director

## Key responsibilities:

- > Oversee the integrity of the Group's financial statements.
- > Oversee and challenge the effectiveness of the CAA's systems of financial and other controls, 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 2022 was £229.4 million (2021: £212.6 million), an overall increase in the surplus of 7.9% in the past 12 months. The Committee, taking account of the external auditor's review, considered the reasonableness of the assumptions underlying the pension calculations and agreed that the assumptions are within an acceptable range.
- > **Key accounting judgements and estimates:** we 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 below.
- > **Accounting principles and policies:** we 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 that 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 Covid-19 on the financial statements and the future cash flows of the Group, with 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 66](#).

We 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 believe this to be the case.

## 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 60 to 62](#)) we have sufficient recent and relevant financial and other experience to fulfil the Committee's functions.



<sup>3</sup> Graham Ward was Chair of the Audit Committee until he retired from the Board on 31 August 2021.

# Audit Committee Report

Jane Hanson

Chair of the Audit Committee

## Significant Judgements and Issues

Matter Considered	Description	Action
<b>Impact of Covid-19 on financial statements</b>	The Financial Reporting Council (FRC) issued guidance encouraging organisations to explain the significant estimates and judgements made in accounting for the impact of Covid-19. Part of the CAA's income is dependent on aviation industry volumes and was therefore adversely impacted by the downturn in activity. The DfT has provided grants to the CAA to mitigate the loss of this volume-related income. The Committee reviewed the going concern basis used to prepare the financial results, considered the impact on principal risks and uncertainties, and reviewed any potential impairment impact on assets.	The Committee reviewed the disclosures and were satisfied with the preparation of the financial statements on a going concern basis.
<b>Valuation of pension scheme assets and obligations</b>	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.
<b>Intangible assets and impairments</b>	Historically, the CAA has capitalised development and project costs, particularly in relation to transformation programmes. Whilst there have been no significant new capitalised projects this year, a review has been undertaken in light of the current environment to consider whether there are any impaired projects from previous years' capitalisations. A review of asset lives has also been undertaken on our intangible assets. Given the level of associated management judgement, the options arising from such reviews are subject to senior review and scrutiny.	The Committee has reviewed the decision made to reassess the useful economic lives of some of the Group's intangible assets and was satisfied that the value of intangible assets has been reflected accurately in the balance sheet.
<b>Expected credit losses</b>	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 are used to inform our approach to bad debt provisioning. We also make an expected credit loss (ECL) provision based on aging category for debt not otherwise specifically provided for. The percentages used to calculate the ECL have been doubled since the full extent of the impact of Covid-19 to the aviation industry became apparent.	The Committee has reviewed the basis used for the Group's expected credit loss provisions and is satisfied that this is appropriate in the current operating environment.

# Audit Committee Report

Jane Hanson  
Chair of the Audit Committee

## Risk Management

During the year, the Audit Committee has reviewed and improved the way in which it oversees the CAA's systems of risk management and the Enterprise Risk Management Framework. The Committee now reviews and challenges the review of all CAA risks now undertaken by the Executive Committee (ExCo). Specific risks are discussed by exception at the Audit Committee overseen by the CAA Board. The Audit Committee also now receives assurance on the integrity and robustness of the CAA's risk management systems, including the accuracy of the reporting including the related mitigating actions from the Internal Audit function annually. The Chair of the Audit Committee will continue to help develop the risk framework, including the approach to risk reporting and risk appetite.

During the year, the Committee received regular updates on CAA information security controls, cyber security, anti-fraud and bribery, and internal projects being managed by our Portfolio Delivery department. We also received updates on the impact of climate change on those that we regulate.

## 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 proposes which risk-based assurance audits should be carried out and they are reviewed and, if thought fit, approved during the year by the Committee.

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

The assurance ratings from these audits inform our Head of Internal Audit's report to the Committee on governance, risk and control arrangements.

The Internal Audit department has two permanent staff members and, when required, temporary staff and internal secondments. 'Co-sourced' resources are also utilised as required and these are provided by a third-party supplier. Our Head of Internal Audit, Andrew Broadhead, is a Certified Information Systems Auditor (CISA) and holds a Master of Business Administration (MBA).

We regularly assess the effectiveness and independence of the internal audit function, including:

- > Stakeholder feedback on the quality of internal audit activity;
- > A bi-annual private discussion between the Head of Internal Audit and Committee members; and
- > Internal Audit's self-assessment against and assertion of compliance with the IIA international standards.

The last independent External Quality Assessment (EQA) of the Internal Audit (IA) function was carried out in late 2017 by the Chartered Institute of Internal Auditors. All of the thirteen resulting recommendations were actioned and closed by the end of July 2018. An annual internal self-assessment is carried out by the Head of Internal Audit to confirm continuing conformance until the next EQA; this is intended to take place in late 2022, in line with best practice. The results of the Head of Internal Audit's internal self-assessment, as reviewed by the Committee, confirmed that the work of the IA function continues to be objective, independent and in compliance with the IIA's international standards.

The Chair of the Audit Committee will continue to help develop the risk framework, including the approach to risk reporting and risk appetite.



# Audit Committee Report

Jane Hanson

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. During 2021, we held a full tender process, following which BDO LLP were reappointed with effect from 1 September 2021; BDO's initial contract commenced in 2017. The tender process complied with the applicable parts of the FRC's guidance "Audit Tenders: Notes on best practice". The responsible BDO partner for the audit is Michael Simms.

The Audit Committee is proactive in ensuring an effective relationship with the external auditor and steps taken to promote this include: senior members of the external audit team are invited to, and 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 separately consulted with by the external auditor during the audit planning process, particularly on matters relating to risks and internal controls.

Every year we assess 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 their Audit Quality Inspection and Supervision report in respect of BDO LLP in July 2021; we discussed the report's findings, as well as BDO's plans to address areas for improvement, with the senior external audit team. As a result of this year's review, which we carried out according to the FRC's "Audit Quality: Practice Aid for Audit Committees", we were satisfied with all aspects of our external auditor's work.

A formal process is in place for the approval of non-audit related services that may be proposed to be carried out by the external auditor. The Committee ensures that, in order to protect the independence of the external auditor, such services should not be provided unless there is a strong, clear and understandable business reason. Moreover, the external auditor cannot: provide a service which results in it auditing its own firm's work; make management decisions for the CAA; create a common interest; or act as an advocate for the CAA. In addition, it would not be in our 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 which are 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 Authority'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. £0.017m of non-audit fees were paid to the external auditor

during the year (2021: £0.017m); £0.002m was in respect of an audit-related review of the Whole of Government Accounts return (2021: £0.002m), £0.003m related to the provision of grant assurance reports (2021: £0.003m) and £0.012m was for Streamlined Energy and Carbon Reporting assurance work (2021: £0.012m).

**Jane C Hanson**, Chair, Audit Committee  
23 June 2022



# People Committee Report

Manny Lewis

Chair of the People Committee

As part of ongoing improvements to our corporate governance we formally established a People Committee in October 2021 with its first meeting taking place in November 2021. This new Committee brings together the work of the Remuneration Committee<sup>4</sup> and Nominations Committee<sup>5</sup>, which were both dissolved as a result, and from 1 April 2022 has an expanded remit to include performance assessment and reward for all members of the CAA Executive Committee. As well as covering the work of the People Committee, this Report incorporates the work undertaken by the Remuneration and Nominations Committees during 2021/22 prior to their dissolution.

## Committee membership

- > **Manny Lewis:** Chair - appointed as Chair 1 October 2021
- > **Katherine Corich:** Independent Non-Executive Director
- > **Anne Lambert:** Independent Non-Executive Director

The CAA Chair and Chief Executive were invited to attend meetings when matters applying to them were not under discussion. When matters involving the appointment of non-executive members are under discussion, that part of the meeting was chaired by the CAA Chair. The People Committee met twice during 2021/22.

## Key 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 team-based objectives that will apply to all members of the Executive Committee.
- > Assess performance and agree reward for the Chief Executive and other Executive Board Members.
- > Consider and make recommendations in respect of the appointment of Members of the CAA.

From April 2022, the People Committee's responsibilities have been extended to cover the agreement of objectives, assessment of performance and agreement of reward for all members of the Executive Committee.

## Board appointments

Members of the CAA are the up to 16 individual members of the body corporate which is legally accountable for the discharge of the many and various functions given to the CAA. The way Board members are appointed is set out in the Civil Aviation Act 1982, 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; and
- > The Chief Executive appoints other executive members, subject to the approval of the Chair and at least one other non-executive member.

We welcomed four new non-executive members during the year. AVM Simon Edwards replaced AVM Ian Gale in an ex-officio capacity in June 2021. Jane Hanson and Garry Copeland both joined in September 2021 replacing Graham Ward and David King respectively who completed their final terms as non-executive members of the CAA Board in August 2021. To recognise the increased scope of the CAA, we increased the number of our non-executive members by one welcoming Manny Lewis in October 2021. Garry Copeland stood down from the Board on 28 February 2022.

## Board members' contracts

All current non-executive members have 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 or less.

<sup>4</sup> The Remuneration Committee was chaired by David King and its members were Katherine Corich and Anne Lambert.

<sup>5</sup> The Nominations Committee was chaired by Sir Stephen Hillier and its members were David King and Graham Ward.



# People Committee Report

Manny Lewis

Chair of the People Committee

## CAA members' terms

CAA member	Date of first appointment	Date of expiry
Sir Stephen Hillier	10 June 2020	31 July 2024
Richard Moriarty	12 January 2016	N/A
Robert Bishton	6 November 2019	N/A
Katherine Corich	1 July 2019	30 June 2023
AVM Simon Edwards	16 June 2021	Ex-officio appointment
Marykay Fuller	14 January 2019	13 January 2023
Jane Hanson	1 September 2021	31 August 2024
Anne Lambert	1 February 2019	31 January 2023
Manny Lewis	1 October 2021	30 September 2024
Paul Smith	21 May 2018	N/A
Chris Tingle	25 January 2016	N/A

We follow the provisions of the UK Corporate Governance Code 2018 (see our Corporate Governance statement on [pages 63 to 67](#)) and comply with the Directors' Remuneration Regulations 2002, as applicable to a public corporation. We also apply the principles of good governance to executive Board members' remuneration.

The People Committee would, in more settled times, ensure that remuneration policy had operated as intended and ensure that appropriate engagement with the workforce explained how executive remuneration aligns with wider company pay policy. This year, given the impact of Covid-19 on aviation and aerospace, aligned with wider CAA pay policy, executive members' pay did not increase. Non-executive members' pay also remained unchanged as the implementation of an agreed increase in non-executive members' pay to reflect the actual time commitment required in the role was deferred until 1 April 2022.

## Remuneration policy

Our policy is to reward executive members appropriately, so we can recruit and retain members who are qualified and motivated to deliver our objectives effectively. We review executive members' remuneration every year.

## Salaries and fees

When deciding on salaries, fees and the total package of benefits, we look at relevant market rates and aim to ensure that internal consistency and relativity is maintained. The ratio of the salary of our lowest paid permanent employee and that of the CEO is 15:1. The ratio of the average CAA salary and that of the CEO is 6:1. We bear 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 agreed by the Committee at the beginning of each financial year and evaluated at the end of the performance year. Under their contracts of employment, the performance-related payments are normally up to 25% of basic annual salary for the Chief Executive and up to 20% of basic annual salary for the other executive Board members. Performance-related payments are not pensionable.

Given the impact of Covid-19 on aviation and aerospace, the Committee decided, in lieu of performance-related payments, to apply an alternative lump sum approach of 3.8% for the Chief Executive and 2.5% for the other executive Board members representing 50% of the voluntary salary reduction each executive Board member had taken last year. This applies not just to executive Board members but also to wider members of the Executive Committee. Other employees who took part in the voluntary salary reduction exercise had also received a lump sum equal to 50% of their reduction earlier this year. The Committee noted that this approach provided for consistency across the CAA.

The decision not to pay performance-related payments to executive Board members was a reflection of the Covid-19 impacted financial environment rather than a judgement on Executive Committee performance which was very strong. The Committee took the view that it would be seeking to return to its long-established policy of making performance-related payments from 2022/23 onwards based on the limits provided for under the executive Board members' contracts of employment.

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.

## Benefits

Benefits paid to the executive Board members and shown in the Board members' emoluments predominantly relate to allowances and health cover. Pensions are covered separately in this report.

# 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 2022 were as follows:

Board member	Note	Salary and fees	Benefits	2021/22 Lump sum payments	2021/22 Total	2020/21 Total
Sir Stephen Hillier	1	130.0	0.0	0.0	130.0	86.2
Dame Deirdre Hutton	1	0.0	0.0	0.0	0.0	36.8
Richard Moriarty		346.6	1.2	11.1	358.9	324.9
Robert Bishton		193.6	1.0	5.0	199.6	178.5
Paul Smith		205.2	0.0	5.0	210.2	194.7
Chris Tingle		229.3	1.0	5.0	235.3	218.4
Garry Copeland	2	11.0	0.0	0.0	11.0	0.0
Katherine Corich	2	23.8	0.0	0.0	23.8	20.9
Marykay Fuller	2,5	25.0	0.0	0.0	25.0	23.9
Jane Hanson	2,6	14.6	0.0	0.0	14.6	0.0
David King	2,3	10.4	0.0	0.0	10.4	26.3
Anne Lambert	2	22.0	0.0	0.0	22.0	21.7
Manny Lewis	2,4	12.5	0.0	0.0	12.5	0.0
Graham Ward	2,6	10.4	0.0	0.0	10.4	29.2
AVM Simon Edwards	7	0.0	0.0	0.0	0.0	0.0
<b>Board members' emoluments as per the annual accounts</b>		<b>1,234.4</b>	<b>3.2</b>	<b>26.1</b>	<b>1,263.7</b>	<b>1,161.5</b>

- 1 Sir Stephen Hillier joined the Board on 10 June 2020, before taking up the post of CAA Chair on 1 August 2020. He succeeded Dame Deirdre Hutton who left on 31 July 2020.
- 2 Non-executive members are paid a non-pensionable fixed rate of £22,000 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. In recognition of the additional time commitment required by non-executive members, the DfT increased the non-pensionable fixed rate to £25,000 p.a. with effect from 1 April 2022.
- 3 David King's salary includes remuneration for his role as Chair of the Remuneration Committee (until August 2021).
- 4 Manny Lewis's salary includes remuneration for his role as Chair of the People Committee (from 1 October 2021).
- 5 Marykay Fuller's salary includes remuneration for her role as Chair of the Air Travel Trust.
- 6 Graham Ward's and Jane Hanson's salaries include remuneration for their role as Chair of the Audit Committee (until August 2021 for Graham Ward and from September 2021 for Jane Hanson).
- 7 AVM Simon Edwards is a MoD nominee holding an ex-officio post with no remuneration.

# People Committee Report

Manny Lewis

Chair of the People Committee

## Board members' emoluments (continued)

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.

## Pension arrangements

CAA Pension Scheme (CAAPS), which is 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 118](#) 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 and Robert Bishton 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. Richard Moriarty and Chris Tingle elected to take part in this scheme throughout this year. The relevant cash alternative amounts are included within the figures in the emoluments table on [page 74](#).

## Board members' pension arrangements – DC scheme

Board member	CAA contribution during the year	Board member's contribution during the year*
	£000	£000
Paul Smith	18.0	0.0
Robert Bishton	40.7	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 £6,000 in relation to Paul Smith and £16,667 in relation to Robert Bishton.

**Manny Lewis**, Chair, People Committee  
23 June 2022



# 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 the 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  
23 June 2022



# 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 2022 and of the Group's profit for the year then ended;
- > Have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- > 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 2022, 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 significant accounting policies. The financial statements have been prepared in accordance with international accounting standards in conformity 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 reviewed management's assessment, budgets and forecasts, which included three scenarios, for a period covering 12 months after the proposed date of approval of the financial statements. This included consideration of the impact of COVID-19 on the Group's cash flow forecasts.
- > We evaluated the accuracy and outcome of previous projections provided by management in respect of the audit for the year ended 31 March 2021 by comparing these projections to this year's actual results.
- > We considered the appropriateness and adequacy of COVID-19 and going concern related disclosures and the consistency in the Group's financial statements by considering these in light of our knowledge gained through the work performed on going concern.

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.

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

<b>Coverage</b>	100% (2021: 100%) of Group profit before tax		
	100% (2021: 100%) of Group revenue		
	100% (2021: 100%) of Group total assets		
<b>Key audit matters</b>		<b>2022</b>	<b>2021</b>
	Capitalisation and valuation of intangible assets		•
	Valuation of defined benefit pension scheme assets and liabilities	•	•
	Capitalisation and valuation of intangible assets is no longer considered to be a key audit matter as the significant software projects have all been transferred from assets in the course of construction to software development costs in the prior year and there are no additions this year.		
<b>Materiality</b>	<b>Overall materiality</b>		
	<b>Group</b> - £25.0m (2021: £26.0m) based on 1.25% of defined pension benefit assets		
	<b>Authority</b> - £25.0m (2021: £26.0m) based on 1.25% of defined pension benefit assets		
	<b>Specific materiality related to balances apart from defined pension benefit assets and liabilities</b>		
	<b>Group</b> - £1.8m (2021: £1.6m) based on 1.25% of revenue		
	<b>Authority</b> - £1.7m (2021: £1.5m) based on 1.25% of revenue		

## An overview of the scope of our audit

Our audit approach is risk based and we directed our work towards those areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

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 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><b>Valuation of defined benefit pension scheme assets and liabilities</b></p> <p>Given the materiality and the level of judgement involved in valuation of the defined benefit pension scheme assets and liabilities, the valuation of pension scheme assets and liabilities is considered a significant risk.</p> <p>The assumptions used in the valuation of the defined benefit obligation represent significant management estimates.</p> <p>The accounting policies, assumptions and relevant disclosures were included within the following notes of the financial statements: 1.14, 1.19 and 17.</p>	<p>We reviewed the accounting policies related to valuation of pension assets and liabilities and checked that these are in line with the accounting framework.</p> <p>We tested pension assets to third party confirmations to confirm the ownership and valuation of the pension assets balances as at 31 March 2022.</p> <p>We reviewed the scheme audited accounts for the year ended 31 December 2021 to check that there were no operational issues related to the pension scheme itself.</p> <p>We arranged a meeting with the Authority's pension actuary and our pension expert and discussed the assumptions used in calculating the pension scheme liabilities. The assumptions related to salary increases and mortality rate and we checked that they were consistent with the relevant national and industry benchmarks.</p> <p>We considered whether the discount and inflation rates used in the valuation of the pension liabilities were consistent with our internally developed benchmarks.</p> <p>We reconciled the employee data used by actuaries to the employer data and tested a sample back to supporting documentation.</p> <p><b>Key observations:</b></p> <p>We are satisfied that the valuation of the defined benefit pension scheme assets and liabilities are consistent with the evidence obtained.</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:

<b>Overall materiality</b>	<b>Group</b> - £25.0m (2021: £26.0m) <b>Authority</b> - £25.0m (2021: £26.0m)
<b>Specific materiality related to balances apart from defined pension benefit assets and liabilities</b>	<b>Group</b> - £1.8m (2021: £1.6m) <b>Authority</b> - £1.7m (2021: £1.5m)
<b>How we determined it</b>	<b>Overall materiality</b> - 1.25% of defined pension benefit assets <b>Specific materiality</b> - 1.25% of revenue
<b>Rationale for benchmark applied</b>	Defined pension benefit assets is one of the most significant balances in the financial statements and given the level of judgement involved in valuation of these balances, we believe that those amounts would represent high interest for the financial statement readers. For all other balances, we note that 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.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality for the Group and the Authority to be set at 70% (2021: 70%) of our overall materiality or £17.5m (2021: £18.2m). For balances other than defined pension benefit assets and liabilities, our judgement was that performance materiality for the Group and the Authority to be set at 70% (2021: 70%) of our specific materiality or £1.2m (2021: £1.1m) for the Group and £1.2m (2021: £1.1m) for the Authority. We have set performance materiality at this percentage due to the past history of few misstatements indicating a lower risk of misstatement in the financial statements.

## Component materiality

The component overall materiality levels were set in a range of £38,000 to £70,000 (2021: £31,000 to £69,000).

## Reporting threshold

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £36,000 (2021: £32,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.





# Independent Auditors' Report to the Secretary of State for Transport

## 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

We have reviewed the Board members' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Authority's compliance with the provisions of the UK Corporate Governance Statement specified for our review by the Listing Rules of the Financial Conduct Authority.

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 Authority'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.

Based on our understanding of the Group and industry, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Civil Aviation Act 1982, the Companies Act 2006, income tax, payroll tax and sales tax. The Group is also subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of relevant applicable legislation in the countries where the Group operates.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue, management bias in accounting estimates and the adoption of inappropriate accounting policies.

Audit procedures performed by the engagement team included:

- > Inspecting correspondence with tax authorities and lawyers;
- > Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- > Discussions among the engagement team on how and where fraud might occur in the financial statements;

- > Inspecting legal and professional fees for indications of non-compliance with laws and regulations;
- > Evaluating management's controls designed to prevent and detect irregularities;
- > Identifying and testing journals, in particular journal entries posted with unusual account combinations, journal entries posted to revenue, postings by unusual users or with unusual descriptions; and
- > Challenging assumptions and judgements made by management in their critical accounting estimates.

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  
23 June 2022

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 2022 £'000	Group 2021 £'000
<b>Revenue</b>	2	<b>142,334</b>	127,967
<b>Operating costs</b>			
Employment costs	3	(97,663)	(89,906)
Services and materials		(12,884)	(9,455)
Repairs and maintenance		(3,196)	(3,558)
Research	6	(33)	(26)
Depreciation, amortisation, impairments and disposals	6	(4,611)	(4,367)
Other losses	6	(14)	(50)
Other expenses		(20,734)	(15,639)
<b>Net operating costs</b>		<b>(139,135)</b>	(123,001)
<b>Operating profit</b>	See below	<b>3,199</b>	4,966
Finance income	7	<b>4,333</b>	5,893
Finance costs	7	(102)	(128)
<b>Finance income - net</b>		<b>4,231</b>	5,765
<b>Profit before income tax</b>		<b>7,430</b>	10,731
<b>Income tax charge</b>	8	<b>(2,056)</b>	(2,144)
<b>Profit for the financial year</b>		<b>5,374</b>	<b>8,587</b>

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 £6,392k (2021: £9,406k). The profit before IAS 19 adjustments for the Authority for the year was £3,386k (2021: £2,546k).

The supporting notes on [pages 89 to 130](#) are an integral part of these financial statements.

Analysis of operating profit	2022 £'000	2021 £'000
Profit before IAS 19 adjustments	<b>2,165</b>	2,241
IAS 19 pension scheme adjustments	<b>1,034</b>	2,725
<b>Operating profit</b>	<b>3,199</b>	4,966

# Statements of Comprehensive Income

For the years ended 31 March					
	Note	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Profit for the financial year</b>		<b>5,374</b>	8,587	<b>6,392</b>	9,406
<b>Other comprehensive income</b>					
Unrealised foreign exchange differences		(13)	(50)	(14)	(48)
Movement on deferred tax relating to unrealised foreign exchange differences		3	10	4	9
Actuarial gain/(loss) on post employment benefit obligations	17	<b>4,463</b>	(52,115)	<b>4,463</b>	(52,115)
Movement on deferred tax relating to post employment benefit obligations		<b>(1,116)</b>	9,902	<b>(1,116)</b>	9,902
Effect of tax rate changes relating to post employment benefit	8	<b>(12,758)</b>	-	<b>(12,758)</b>	-
<b>Total comprehensive income for the year</b>		<b>(4,047)</b>	(33,666)	<b>(3,029)</b>	(32,846)

The supporting notes on [pages 89 to 130](#) are an integral part of these financial statements.

# Statements of Financial Position

As at 31 March					
	Note	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Non-current assets</b>					
Property, plant and equipment	9	9,416	9,554	9,039	9,467
Intangible assets	10	5,610	8,380	5,259	7,820
Investments in subsidiaries	11	-	-	-	-
Deferred tax assets	16	1,682	641	1,323	625
Retirement benefit assets	17	229,447	212,636	229,447	212,636
<b>Total non-current assets</b>		<b>246,155</b>	<b>231,211</b>	<b>245,068</b>	<b>230,548</b>
<b>Current assets</b>					
Trade and other receivables	12	26,997	17,842	24,665	15,413
Current income tax assets		6	158	-	-
Cash and cash equivalents	13	29,932	13,681	28,419	12,818
<b>Total current assets</b>		<b>56,935</b>	<b>31,681</b>	<b>53,084</b>	<b>28,231</b>
<b>Total assets</b>		<b>303,090</b>	<b>262,892</b>	<b>298,152</b>	<b>258,779</b>
<b>Capital and reserves</b>					
Retained earnings		180,976	185,023	173,376	176,405
<b>Total capital and reserves</b>		<b>180,976</b>	<b>185,023</b>	<b>173,376</b>	<b>176,405</b>
<b>Total equity</b>		<b>180,976</b>	<b>185,023</b>	<b>173,376</b>	<b>176,405</b>
<b>Non-current liabilities</b>					
Trade and other payables	15	5,704	5,924	5,376	5,925
Deferred tax liabilities	17	57,362	40,401	57,362	40,401
Retirement benefit obligations	17	1,237	1,301	1,237	1,301
<b>Total non-current liabilities</b>		<b>64,303</b>	<b>47,626</b>	<b>63,975</b>	<b>47,627</b>
<b>Current liabilities</b>					
Trade and other payables	15	57,700	29,772	60,690	34,276
Current tax liabilities		-	368	-	368
Retirement benefit obligations	17	111	103	111	103
<b>Total current liabilities</b>		<b>57,811</b>	<b>30,243</b>	<b>60,801</b>	<b>34,747</b>
<b>Total liabilities</b>		<b>122,114</b>	<b>77,869</b>	<b>124,776</b>	<b>82,374</b>
<b>Total equity and liabilities</b>		<b>303,090</b>	<b>262,892</b>	<b>298,152</b>	<b>258,779</b>

The supporting notes on [pages 89 to 130](#) are an integral part of these financial statements. The financial statements on [pages 84 to 130](#) were authorised for issue by the Board on 23 June 2022 and were signed on its behalf.



Richard Moriarty, Chief Executive



Chris Tingle, Chief Operating Officer

# Statements of Changes in Equity

	Note	Group Retained Earnings £'000	Authority Retained Earnings £'000
<b>Balance as at 1 April 2020</b>		<b>218,689</b>	209,251
Profit for the financial year		<b>8,587</b>	9,406
Unrealised foreign exchange differences		<b>(50)</b>	(48)
Movement on deferred tax relating to unrealised foreign exchange differences		<b>10</b>	9
Actuarial loss on post employment benefit obligations	17	<b>(52,115)</b>	(52,115)
Movement on deferred tax relating to post employment benefit obligations		<b>9,902</b>	9,902
<b>Balance as at 31 March 2021</b>		<b>185,023</b>	176,405
<b>Balance as at 1 April 2021</b>		<b>185,023</b>	176,405
Profit for the financial year		<b>5,374</b>	6,392
Unrealised foreign exchange differences		<b>(13)</b>	(14)
Movement on deferred tax relating to unrealised foreign exchange differences		<b>3</b>	4
Actuarial gain on post employment benefit obligations	17	<b>4,463</b>	4,463
Movement on deferred tax relating to post employment benefit obligations		<b>(1,116)</b>	(1,116)
Effect of tax rate changes relating to post employment benefit	16	<b>(12,758)</b>	(12,758)
<b>Balance as at 31 March 2022</b>		<b>180,976</b>	173,376

The supporting notes on [pages 89 to 130](#) are an integral part of these financial statements.

# Statements of Cash Flows

For the years ended 31 March					
	Note	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	19	<b>18,596</b>	6,169	<b>18,080</b>	5,336
Interest paid		-	(3)	<b>(32)</b>	(16)
Income tax paid		<b>(216)</b>	(48)	<b>(368)</b>	-
<b>Net cash generated from operating activities</b>		<b>18,380</b>	6,118	<b>17,680</b>	5,320
<b>Cash flows used in investing activities</b>					
Purchase of property, plant and equipment	9	<b>(1,301)</b>	(486)	<b>(1,301)</b>	(465)
Purchase of intangible assets	10	-	(144)	-	(144)
Interest received		<b>18</b>	5	<b>18</b>	5
<b>Net cash used in investing activities</b>		<b>(1,283)</b>	(625)	<b>(1,283)</b>	(604)
<b>Cash flows used in financing activities</b>					
Lease liability instalments		<b>(1,356)</b>	(755)	<b>(1,308)</b>	(687)
Lease interest paid		<b>(102)</b>	(125)	<b>(100)</b>	(123)
Employee lease contributions		<b>612</b>	425	<b>612</b>	425
<b>Net cash used in financing activities</b>		<b>(846)</b>	(455)	<b>(796)</b>	(385)
Net increase in cash and cash equivalents		<b>16,251</b>	5,038	<b>15,601</b>	4,331
Cash and cash equivalents at beginning of year		<b>13,681</b>	8,643	<b>12,818</b>	8,487
<b>Cash and cash equivalents at end of year</b>	13	<b>29,932</b>	13,681	<b>28,419</b>	12,818

The supporting notes on [pages 89 to 130](#) are an integral part of these financial statements.



# Notes to the Financial Statements

## 1. General information and significant 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 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 2022 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 1.19.

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. There remains significant uncertainty about how quickly the sector will recover from the impacts of the restrictions imposed to combat Covid-19, which has a bearing on the Group's and Authority's financial position and performance. The Authority is funded by those it regulates and in the region of 40% of the Group's revenue is derived from variable charges

linked to aviation activity. Given the difficulty in predicting the speed of recovery of the industry, the generation of sufficient operating cash flows to fund existing operations remains at heightened risk. The Board is closely monitoring all aspects of the Group's and Authority's operations to mitigate the impact from the Covid-19 pandemic and has established good channels of communication with Aviation stakeholders and the Department for Transport (DfT).

Whilst it remains difficult to predict accurately passenger numbers and the volume of flights, industry and DfT forecasts have been utilised to stress test the revenue assumptions that form the basis of the Group's and Authority's cash projections through to 31 March 2024. A range of scenarios has been considered based on these stress tests and the financial grant support provided by the DfT. The Board believes 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. Indeed the CAA forms an indispensable part of the aviation architecture in the UK, performing regulatory functions, enabling the Secretary of State for Transport to comply with his obligations under S1 of the 1982 Act through the provision of specialist support and advice and ensuring that the UK meets its obligations under the Chicago Convention 1944. The CAA, as the UK's aviation regulator, is critical to a well-functioning UK aviation sector, both during the recovery phase post the Covid-19 pandemic and in the future as the sector rebuilds and reinvents itself.

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

### 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 2022 are:

- > Covid-19-Related Rent Concessions (Amendments to IFRS 16);

The above amendments had a transition date of 1 January 2021. There has been no impact on the financial statements as a result of these amendments, nor is there expected to be any impact in the coming financial year.

# Notes to the Financial Statements

## 1.1.1 Changes in accounting policies and disclosures (continued)

### 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 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 2022:

- > Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- > Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- > Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- > References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- > Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- > Definition of Accounting Estimates (Amendments to IAS 8); and
- > Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

## 1.2 Consolidation

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, see note 11. 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. 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'.

## 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.

# Notes to the Financial Statements

## 1.5 Property, plant and equipment (continued)

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 and installation 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.

## 1.6 Intangible assets

Intangible assets are stated at historical cost less amortisation and impairment. 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 and installation 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 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 profit or loss.

### 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.

# Notes to the Financial Statements

## 1.8 Financial instruments (continued)

### Classification of financial assets (continued)

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 amount 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.

### 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' 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 £180,976k (2021: £185,023k). 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.



# Notes to the Financial Statements

## 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.

## 1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 1.13 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 establish 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.

## 1.14 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.

# Notes to the Financial Statements

## 1.14 Employee benefits (continued)

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

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.

## 1.15 Provisions

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'.

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 Statement 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.

## 1.16 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 Statement 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.

# Notes to the Financial Statements

## 1.16 Revenue recognition (continued)

### (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.

## 1.17 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 defined 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 Statement 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. 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.

## 1.18 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.

# Notes to the Financial Statements

## 1.19 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.

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
- > 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.

### Deferred tax asset

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

### Covid-19

The fallout from Covid-19 has had a significant impact on the UK aviation industry with demand for passenger air travel falling significantly since March 2020, particularly during the first quarter of 2021 following the UK's third period of lockdown. Despite the lifting of travel restrictions in recent months across many jurisdictions it is anticipated that a number of our customers may struggle to meet their financial obligations over the coming months as the industry continues to recover. The Group has continued to take a prudent approach to calculating the expected credit loss against trade and other receivables by maintaining the increased risk factors associated with each category of debt. Further detail on the impact of Covid-19 on these Financial Statements can be seen in note 1.1.



# > Notes to the Financial Statements

## 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 provided S.12 grants to the CAA totalling £31 million in relation to financial support following the collapse of aviation activity brought on by the Covid-19 pandemic (2021: £37 million). This had a significant impact on the Group's variable revenue streams which are directly linked to passenger and cargo volumes in the UK. The grant 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. Further detail on the financial support provided by the DfT is included within note 1.1 Basis of preparation.

Other grants from the DfT amounting to £2,318k during the year (2021: £2,087k), of which £92k relates to the release of a grant received for assuming control of the Aviation Security function on behalf of the DfT (2021: £31k) and £2,226k relates to work undertaken by Air Safety Support International Limited on behalf of the DfT (2021: £2,056k) are also included. As in prior years, part of the DfT funding has been deferred to be utilised against operating expenditure in future years. In the year to 31 March 2022 funding of £532k has been deferred (2021: £493k deferred).

Included within Miscellaneous Services, in the prior year, are revenues and costs generated from the Thomas Cook repatriation activities of £568k. This value is shown in both revenue and other expenses on the Income Statement as the revenue generated from this activity was calculated on a cost-recovery basis.

# Notes to the Financial Statements

## 2. Segment information (continued)

The segment information for the year ended 31 March 2022 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
<b>Revenue</b>									
Statutory and scheme charges	52,976	11,739	5,076	-	<b>69,791</b>	-	-	567	<b>70,358</b>
Eurocontrol service charges	-	-	-	-	-	16,096	-	-	<b>16,096</b>
Other revenue	21,325	6,071	7,415	4,333	<b>39,144</b>	-	5,578	11,158	<b>55,880</b>
<b>Total revenue</b>	<b>74,301</b>	<b>17,810</b>	<b>12,491</b>	<b>4,333</b>	<b>108,935</b>	<b>16,096</b>	<b>5,578</b>	<b>11,725</b>	<b>142,334</b>
Operating costs (excluding IAS19 pension scheme adjustments)	72,829	17,527	11,979	4,247	<b>106,582</b>	15,696	7,004	10,887	<b>140,169</b>
Profit/(loss) before IAS19 adjustments	1,472	283	512	86	<b>2,353</b>	400	(1,426)	838	<b>2,165</b>
IAS19 pension scheme adjustments	511	101	102	-	<b>714</b>	-	36	284	<b>1,034</b>
<b>Operating profit/(loss)</b>	<b>1,983</b>	<b>384</b>	<b>614</b>	<b>86</b>	<b>3,067</b>	<b>400</b>	<b>(1,390)</b>	<b>1,122</b>	<b>3,199</b>
<b>Profit/(loss) before income tax</b>	<b>4,071</b>	<b>798</b>	<b>1,031</b>	<b>86</b>	<b>5,986</b>	<b>400</b>	<b>(1,243)</b>	<b>2,287</b>	<b>7,430</b>

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

	£'000
Operating profit for reportable segments	<b>3,199</b>
Finance income	<b>4,333</b>
Finance costs	<b>(102)</b>
<b>Profit before income tax</b>	<b>7,430</b>

# Notes to the Financial Statements

## 2. Segment information (continued)

The comparable segment information for the previous year ended 31 March 2021, 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
<b>Revenue</b>									
Statutory and scheme charges	44,420	9,756	3,518	-	<b>57,694</b>	-	-	681	<b>58,375</b>
Eurocontrol service charges	-	-	-	-	-	13,434	-	-	<b>13,434</b>
Other revenue	22,174	10,835	7,255	-	<b>40,264</b>	-	5,547	10,347	<b>56,158</b>
<b>Total revenue</b>	<b>66,594</b>	<b>20,591</b>	<b>10,773</b>	-	<b>97,958</b>	<b>13,434</b>	<b>5,547</b>	<b>11,028</b>	<b>127,967</b>
Operating costs (excluding IAS19 pension scheme adjustments)	64,609	19,747	10,448	-	<b>94,804</b>	13,334	6,469	11,119	<b>125,726</b>
Profit/(loss) before IAS19 adjustments	1,985	844	325	-	<b>3,154</b>	100	(922)	(91)	<b>2,241</b>
IAS19 pension scheme adjustments	1,310	286	268	-	<b>1,864</b>	-	117	744	<b>2,725</b>
<b>Operating profit/(loss)</b>	<b>3,295</b>	<b>1,130</b>	<b>593</b>	-	<b>5,018</b>	<b>100</b>	<b>(805)</b>	<b>653</b>	<b>4,966</b>
<b>Profit/(loss) before income tax</b>	<b>6,065</b>	<b>1,735</b>	<b>1,159</b>	-	<b>8,959</b>	<b>100</b>	<b>(559)</b>	<b>2,231</b>	<b>10,731</b>

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

	£'000
Operating profit for reportable segments	<b>4,966</b>
Finance income	<b>5,893</b>
Finance costs	<b>(128)</b>
<b>Profit before income tax</b>	<b>10,731</b>

# 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	2022 £'000	2021 £'000
Wages and salaries		71,925	64,992
Social security costs		8,326	7,665
Defined benefit pension plan costs	17	11,289	10,531
Defined contribution pension plan costs	17	4,638	3,957
Unfunded pension plan costs	17	47	149
Other employee benefits expenses		1,438	2,612
<b>Total employment costs</b>		<b>97,663</b>	<b>89,906</b>

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	2022 Year end	2022 Average	2021 Year end	2021 Average
Safety and Airspace Regulation	650	606	585	565
Consumers and Markets	121	120	128	123
Aviation Security	127	121	114	115
Space	36	31	-	-
CAA International	42	43	46	50
Miscellaneous Services	354	337	335	322
<b>Total employees</b>	<b>1,330</b>	<b>1,258</b>	<b>1,208</b>	<b>1,175</b>

# Notes to the Financial Statements

## 4. Board members' and key management personnel emoluments

	2022 £'000	2021 £'000
<b>Board member emoluments</b>		
Salaries and fees	1,234	1,156
Benefits	3	6
Lump sum payments	26	-
<b>Emoluments excluding pension contributions</b>	<b>1,263</b>	<b>1,162</b>
Pension contributions	59	63
Pension payments to past Board Members	103	184
<b>Board member emoluments</b>	<b>1,425</b>	<b>1,409</b>

Details of aggregate emoluments for each of the 13 Board members (2021: 11) who received remuneration in the year are included in the table above. The Report by the Remuneration Committee provides details for each Board member.

	2022 £'000	2021 £'000
<b>Key management personnel emoluments</b>		
Salaries and fees	895	692
Benefits	5	3
Compensation payments	-	75
Lump sum payments	15	-
<b>Emoluments excluding pension contributions</b>	<b>915</b>	<b>770</b>
Pension contributions	160	119
<b>Key management personnel emoluments</b>	<b>1,075</b>	<b>889</b>

There were 6 employees considered to be key management personnel in the year (2021: 5).

## 5. Auditors' remuneration

	2022 £'000	2021 £'000
<b>Fees payable to external auditor for:</b>		
Audit of parent corporation and consolidated financial statements	147	132
Audit of subsidiary company financial statements	21	19
Audit of Group's Malaysia branch financial statements	11	10
Audit related assurance services	17	17
<b>Total auditors' remuneration</b>	<b>196</b>	<b>178</b>

# Notes to the Financial Statements

## 6. Profit for the year

	Note	2022 £'000	2021 £'000
<b>Profit for the year has been arrived at after charging:</b>			
Net foreign exchange losses on operating activities		14	50
<b>Total realised other losses</b>		<b>14</b>	<b>50</b>
<b>Short-term/low-value operating lease payments:</b>			
Properties (included within services and materials)		62	70
Vehicles (shown within employment costs and other expenses)		1	8
<b>Total short-term/low-value operating lease payments</b>		<b>63</b>	<b>78</b>
<b>Depreciation, amortisation, impairments and disposals:</b>			
Depreciation on property, plant and equipment	9	2,391	2,378
Grant released on property, plant and equipment	15	(92)	(31)
Depreciation on leased property, plant and equipment funded by employees (vehicles)		(601)	(413)
ROU Asset Dilapidations		(21)	-
Amortisation of intangible fixed assets	10	2,770	1,697
Loss on disposal of property, plant and equipment		164	-
Impairment of intangible fixed assets	10	-	736
<b>Total depreciation, amortisation, impairments and disposals</b>		<b>4,611</b>	<b>4,367</b>

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

The Department for Transport provided £1,807k of cash resources in the financial year ended 31 March 2018, in connection with the transfer of responsibility for the regulation of the Aviation Security function, which is released on a systematic basis over the lives of the assets to which the resources were applied (see note 15). The remaining balance of this grant was released in the year ended 31 March 2022 upon the disposal of the associated assets.

	2022 £'000	2021 £'000
<b>Research expenditure (all in respect of safety regulation):</b>		
Internal costs (included within employment costs)	955	720
External costs (included within research)	33	26
<b>Total research expenditure</b>	<b>988</b>	<b>746</b>

# Notes to the Financial Statements

## 6. Profit for the year (continued)

	Note	2022 £'000	2021 £'000
<b>Charitable Donations</b>			
Confidential Human Factors Incident Reporting Programme		227	397
General Aviation Safety Council		-	42
UK Flight Safety Committee		78	98
<b>Total Charitable Donations</b>		<b>305</b>	<b>536</b>

In addition to the above charitable donations, paid in the reporting period, it was agreed in the 2021/22 financial year that £20k would be paid to the General Aviation Safety Council, after the reporting date, for the period relating to 2022/23.

## 7. Finance income and costs

	Note	2022 £'000	2021 £'000
<b>Finance income:</b>			
Interest on short-term deposits		18	5
Interest received on overpayment of corporation tax		1	-
Employee benefit scheme - Expected return on assets	17	39,650	43,434
Employee benefit scheme - Interest charge on liabilities	17	(35,336)	(37,546)
<b>Total finance income</b>		<b>4,333</b>	<b>5,893</b>
<b>Finance costs:</b>			
Other interest costs		-	(3)
Lease contract interest expense	20	(113)	(137)
Interest on leased property, plant and equipment funded by employees (vehicles)		11	12
<b>Total finance costs</b>		<b>(102)</b>	<b>(128)</b>
<b>Finance income - net</b>		<b>4,231</b>	<b>5,765</b>

# Notes to the Financial Statements

## 8. Income tax charge

	2022 £'000	2021 £'000
<b>Analysis of tax charge in the year:</b>		
<b>Current tax:</b>		
UK corporation tax at 19% (2021: 19%) on profit for year	6	368
Tax overseas suffered	1	3
<b>Total current tax charge</b>	<b>7</b>	<b>371</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(809)	190
Effect of tax rate changes relating to deferred tax expense	(202)	-
Adjustment in respect of prior periods	(27)	(53)
Origination and reversal of temporary differences in relation to the defined benefit pension scheme	3,087	1,636
<b>Total deferred tax charge</b>	<b>2,049</b>	<b>1,773</b>
<b>Income tax charge</b>	<b>2,056</b>	<b>2,144</b>
<b>Reconciliation of effective tax rate:</b>		
Profit before income tax	7,430	10,731
Corporation tax calculated at 19% (2021: 19%)	1,412	2,039
<b>Tax effects of:</b>		
Fixed asset differences	436	80
Expenses not deductible for tax purposes	7	15
Adjustments to brought forward values	(121)	7
Amounts credited directly to OCI	848	-
Overseas tax	-	3
Adjustments to current tax charge in respect of previous periods	7	-
Adjustments to deferred tax charge in respect of previous periods	(27)	-
Deferred tax charged directly to OCI	(13,874)	-
Temporary differences not recognised in the computation	5	-
Remeasurement of deferred tax due to change in rates	13,363	-
<b>Income tax charge</b>	<b>2,056</b>	<b>2,144</b>

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.



# Notes to the Financial Statements

## 9. Property, plant and equipment

Group	Freehold buildings	Leasehold buildings	Plant & equipment	Vehicles	Furniture, fixtures & fittings	Right-of-use assets	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>								
At 1 April 2020	22,029	1,742	3,536	99	4,839	6,333	73	<b>38,651</b>
Additions	-	-	462	-	-	1,127	24	<b>1,613</b>
Disposals	-	-	(289)	-	(250)	(371)	-	<b>(910)</b>
Transfers	-	-	114	-	-	-	(114)	-
Transfer from intangible assets	-	-	-	-	-	-	136	<b>136</b>
Adjustments	-	(207)	-	-	-	-	(119)	<b>(326)</b>
<b>At 31 March 2021</b>	<b>22,029</b>	<b>1,535</b>	<b>3,823</b>	<b>99</b>	<b>4,589</b>	<b>7,089</b>	-	<b>39,164</b>
Additions	-	-	55	-	620	1,116	626	<b>2,417</b>
Disposals	(87)	(1)	(1,184)	-	(1,405)	(68)	-	<b>(2,745)</b>
<b>At 31 March 2022</b>	<b>21,942</b>	<b>1,534</b>	<b>2,694</b>	<b>99</b>	<b>3,804</b>	<b>8,137</b>	<b>626</b>	<b>38,836</b>
<b>Accumulated depreciation:</b>								
At 1 April 2020	21,121	145	2,679	99	2,902	1,196	-	<b>28,142</b>
Charge for the year	146	156	351	-	371	1,354	-	<b>2,378</b>
Eliminated on disposal	-	-	(289)	-	(250)	(371)	-	<b>(910)</b>
<b>At 31 March 2021</b>	<b>21,267</b>	<b>301</b>	<b>2,741</b>	<b>99</b>	<b>3,023</b>	<b>2,179</b>	-	<b>29,610</b>
Charge for the year	146	178	396	-	374	1,297	-	2,391
Eliminated on disposal	(86)	-	(1,184)	-	(1,243)	(68)	-	(2,581)
<b>At 31 March 2022</b>	<b>21,327</b>	<b>479</b>	<b>1,953</b>	<b>99</b>	<b>2,154</b>	<b>3,408</b>	-	<b>29,420</b>
<b>Net book value:</b>								
<b>At 31 March 2022</b>	<b>615</b>	<b>1,055</b>	<b>741</b>	-	<b>1,650</b>	<b>4,729</b>	<b>626</b>	<b>9,416</b>
<b>At 31 March 2021</b>	<b>762</b>	<b>1,234</b>	<b>1,082</b>	-	<b>1,566</b>	<b>4,910</b>	-	<b>9,554</b>

# Notes to the Financial Statements

## 9. Property, plant and equipment (continued)

Authority	Freehold buildings	Leasehold buildings	Plant & equipment	Vehicles	Furniture, fixtures & fittings	Right-of-use assets	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>								
At 1 April 2020	22,029	1,742	3,508	99	4,705	6,131	72	<b>38,286</b>
Additions	-	-	440	-	-	1,126	25	<b>1,591</b>
Disposals	-	-	(285)	-	(250)	(371)	-	<b>(906)</b>
Transfers	-	-	114	-	-	-	(114)	-
Transfer from intangible assets	-	-	-	-	-	-	136	<b>136</b>
Adjustments	-	(207)	-	-	-	-	(119)	<b>(326)</b>
<b>At 31 March 2021</b>	<b>22,029</b>	<b>1,535</b>	<b>3,777</b>	<b>99</b>	<b>4,455</b>	<b>6,886</b>	-	<b>38,781</b>
Additions	-	-	55	-	620	727	626	<b>2,028</b>
Disposals	(87)	(1)	(1,186)	-	(1,399)	(67)	-	<b>(2,740)</b>
<b>At 31 March 2022</b>	<b>21,942</b>	<b>1,534</b>	<b>2,646</b>	<b>99</b>	<b>3,676</b>	<b>7,546</b>	<b>626</b>	<b>38,069</b>
<b>Accumulated depreciation:</b>								
At 1 April 2020	21,121	145	2,652	99	2,806	1,122	-	<b>27,945</b>
Charge for the year	146	156	345	-	347	1,281	-	<b>2,275</b>
Eliminated on disposal	-	-	(285)	-	(250)	(371)	-	<b>(906)</b>
<b>At 31 March 2021</b>	<b>21,267</b>	<b>301</b>	<b>2,712</b>	<b>99</b>	<b>2,903</b>	<b>2,032</b>	-	<b>29,314</b>
Charge for the year	146	178	390	-	360	1,216	-	2,290
Eliminated on disposal	(86)	-	(1,185)	-	(1,236)	(67)	-	(2,574)
<b>At 31 March 2022</b>	<b>21,327</b>	<b>479</b>	<b>1,917</b>	<b>99</b>	<b>2,027</b>	<b>3,181</b>	-	<b>29,030</b>
<b>Net book value:</b>								
<b>At 31 March 2022</b>	<b>615</b>	<b>1,055</b>	<b>729</b>	-	<b>1,649</b>	<b>4,365</b>	<b>626</b>	<b>9,039</b>
<b>At 31 March 2021</b>	<b>762</b>	<b>1,234</b>	<b>1,065</b>	-	<b>1,552</b>	<b>4,854</b>	-	<b>9,467</b>

# Notes to the Financial Statements

## 9. Property, plant and equipment (continued)

Historically £207k of additions were included in the leasehold buildings category in relation to accrued expenditure which was never realised. The reversal of this accrual is showing as a negative value in the adjustments line, for the Group and Authority, in the prior year. This has not resulted in an impact on the Income Statement. Similarly additions of £119k have been included in the assets in the course of construction category historically which have been reclassified as revenue expenditure in the prior year. These costs have been taken through the Income Statement under other expenses and the reclassification of this expenditure is showing in the adjustments line for the Group and Authority in the prior year.

### 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
<b>Cost:</b>								
At 1 April 2020	5,130	85	1,118	<b>6,333</b>	4,928	85	1,118	<b>6,131</b>
Additions	193	-	934	<b>1,127</b>	192	-	934	<b>1,126</b>
Disposals	(97)	-	(274)	<b>(371)</b>	(97)	-	(274)	<b>(371)</b>
<b>At 31 March 2021</b>	<b>5,226</b>	<b>85</b>	<b>1,778</b>	<b>7,089</b>	<b>5,023</b>	<b>85</b>	<b>1,778</b>	<b>6,886</b>
Additions	610	-	506	<b>1,116</b>	221	-	506	<b>727</b>
Disposals	(1)	-	(67)	<b>(68)</b>	-	-	(67)	<b>(67)</b>
<b>At 31 March 2022</b>	<b>5,835</b>	<b>85</b>	<b>2,217</b>	<b>8,137</b>	<b>5,244</b>	<b>85</b>	<b>2,217</b>	<b>7,546</b>
<b>Depreciation:</b>								
At 1 April 2020	722	26	448	<b>1,196</b>	648	26	448	<b>1,122</b>
Charge for the year	808	26	520	<b>1,354</b>	735	26	520	<b>1,281</b>
Eliminated on disposal	(97)	-	(274)	<b>(371)</b>	(97)	-	(274)	<b>(371)</b>
<b>At 31 March 2021</b>	<b>1,433</b>	<b>52</b>	<b>694</b>	<b>2,179</b>	<b>1,286</b>	<b>52</b>	<b>694</b>	<b>2,032</b>
Charge for the year	661	17	619	<b>1,297</b>	581	17	618	<b>1,216</b>
Eliminated on disposal	(5)	-	(63)	<b>(68)</b>	(6)	-	(61)	<b>(67)</b>
<b>At 31 March 2022</b>	<b>2,089</b>	<b>69</b>	<b>1,250</b>	<b>3,408</b>	<b>1,861</b>	<b>69</b>	<b>1,251</b>	<b>3,181</b>
<b>Net book value:</b>								
<b>At 31 March 2022</b>	<b>3,746</b>	<b>16</b>	<b>967</b>	<b>4,729</b>	<b>3,383</b>	<b>16</b>	<b>966</b>	<b>4,365</b>
<b>At 31 March 2021</b>	<b>3,793</b>	<b>33</b>	<b>1,084</b>	<b>4,910</b>	<b>3,737</b>	<b>33</b>	<b>1,084</b>	<b>4,854</b>

# Notes to the Financial Statements

## 10. Intangible assets

Group	Software development costs	Assets in the course of construction	Intellectual property	Total
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 April 2020	17,686	2,811	155	<b>20,652</b>
Additions	144	-	-	<b>144</b>
Disposals	(138)	-	-	<b>(138)</b>
Transfers	2,111	(2,111)	-	-
Transfer to tangible assets	-	(136)	-	<b>(136)</b>
Adjustments	-	(144)	-	<b>(144)</b>
<b>At 31 March 2021</b>	<b>19,803</b>	<b>420</b>	<b>155</b>	<b>20,378</b>
Additions	-	-	-	-
Disposals	(2,333)	(15)	(155)	<b>(2,503)</b>
Transfers	405	(405)	-	-
<b>At 31 March 2022</b>	<b>17,875</b>	<b>-</b>	<b>-</b>	<b>17,875</b>
<b>Accumulated amortisation and impairment:</b>				
At 1 April 2020	9,145	403	155	<b>9,703</b>
Charge for the year	1,697	-	-	<b>1,697</b>
Impairment	719	17	-	<b>736</b>
Eliminated on disposal	(138)	-	-	<b>(138)</b>
<b>At 31 March 2021</b>	<b>11,423</b>	<b>420</b>	<b>155</b>	<b>11,998</b>
Charge for the year	2,770	-	-	<b>2,770</b>
Eliminated on disposal	(2,333)	(15)	(155)	<b>(2,503)</b>
Transfers	405	(405)	-	-
<b>At 31 March 2022</b>	<b>12,265</b>	<b>-</b>	<b>-</b>	<b>12,265</b>
<b>Net book value:</b>				
<b>At 31 March 2022</b>	<b>5,610</b>	<b>-</b>	<b>-</b>	<b>5,610</b>
<b>At 31 March 2021</b>	<b>8,380</b>	<b>-</b>	<b>-</b>	<b>8,380</b>

# Notes to the Financial Statements

## 10. Intangible assets (continued)

Authority	Software development costs	Assets in the course of construction	Total
	£'000	£'000	£'000
<b>Cost:</b>			
At 1 April 2020	16,225	2,796	<b>19,021</b>
Additions	144	-	<b>144</b>
Disposals	(138)	-	<b>(138)</b>
Transfers	2,111	(2,111)	-
Transfer to tangible assets	-	(136)	<b>(136)</b>
Adjustments	-	(144)	<b>(144)</b>
<b>At 31 March 2021</b>	<b>18,342</b>	<b>405</b>	<b>18,747</b>
Disposals	(2,328)	-	<b>(2,328)</b>
Transfers	405	(405)	-
<b>At 31 March 2022</b>	<b>16,419</b>	-	<b>16,419</b>
<b>Accumulated amortisation and impairment:</b>			
At 1 April 2020	8,354	405	<b>8,759</b>
Charge for the year	1,587	-	<b>1,587</b>
Impairment	719	-	<b>719</b>
Eliminated on disposal	(138)	-	<b>(138)</b>
<b>At 31 March 2021</b>	<b>10,522</b>	<b>405</b>	<b>10,927</b>
Charge for the year	2,561	-	<b>2,561</b>
Eliminated on disposal	(2,328)	-	<b>(2,328)</b>
Transfers	405	(405)	-
<b>At 31 March 2022</b>	<b>11,160</b>	-	<b>11,160</b>
<b>Net book value:</b>			
<b>At 31 March 2022</b>	<b>5,259</b>	-	<b>5,259</b>
<b>At 31 March 2021</b>	<b>7,820</b>	-	<b>7,820</b>

# Notes to the Financial Statements

## 10. Intangible assets (continued)

An annual review is performed to assess the remaining useful economic lives (UELs) and the carrying values of intangible assets. As a result of this year's review, the UELs of the Group's e-Licensing solution, ATOL licensing solution and Information Strategy project software were reassessed as being seven years from the date of going into operation; they were originally estimated at ten years. This is due to the CAA Group having accelerated its programme of introducing new technologies and the digitalisation of its many customer facing services. As a result, there is an additional amortisation charge in this financial year of £1,144k for the Authority and £1,242k for the Group.

Significant software projects in relation to SAP Business ByDesign and Success Factors, CRM Strategic Platform and InfoStrat (Sharepoint) totalling £2,111k were all transferred from 'Assets in the course of construction' to 'Software development costs' in the prior year in both the Group and Authority. The transferred assets are being amortised from the date of transfer over periods ranging from 5-10 years.

Impairment losses of £736k for the Group and £719k for the Authority are included within 'Depreciation, amortisation, impairment and disposals' in the Income Statement for the prior year.

Available for use Intangibles are reviewed at least annually for any indications of impairment. Intangible assets that have any elements still unavailable for use are tested for impairments 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 DfT 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.

## 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.

	2022 £	2021 £
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 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Current receivables:</b>					
Trade receivables		4,011	2,721	3,231	2,126
Less: provision for doubtful trade receivables		(336)	(408)	(309)	(379)
Trade receivables - net		3,675	2,313	2,922	1,747
Social security and other taxes		50	176	50	175
Prepayments		7,464	2,840	7,129	2,722
Contract assets		15,617	12,109	14,114	10,210
Amounts due from related parties	21	-	-	295	189
Other receivables		191	404	155	370
<b>Total current receivables</b>		<b>26,997</b>	<b>17,842</b>	<b>24,665</b>	<b>15,413</b>
<b>Total trade and other receivables</b>		<b>26,997</b>	<b>17,842</b>	<b>24,665</b>	<b>15,413</b>

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 2022 trade receivables of £3,137k (2021: £1,820k) were past their due date but were not impaired. The ageing analysis of these is as follows:

	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Past due:</b>				
Up to 3 months	2,892	1,392	2,482	1,074
From 3 to 12 months	157	379	132	378
Over 12 months	88	49	88	37
	<b>3,137</b>	1,820	<b>2,702</b>	1,489

	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Movements on the provision for doubtful trade receivables:</b>				
At 1 April	408	359	379	255
Provision for receivables impaired	105	228	105	217
Receivables written off during the year as uncollectable	(51)	(74)	(39)	(74)
Unused amounts reversed	(125)	(112)	(125)	(46)
Expected credit loss provision	-	7	(11)	27
<b>At 31 March</b>	<b>336</b>	408	<b>309</b>	379



# 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 probabilities have been increased for this and the prior financial years owing to the Covid-19 pandemic and the possible impact this may have on customers' ability to meet their obligations. 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	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
<b>Group:</b>					
Trade debtors not due	2	355	64	6	1
Trade debtors overdue by 0-30 days	4	2,392	947	104	38
Trade debtors overdue by 31-60 days	8	162	240	13	19
Trade debtors overdue by 61-90 days	16	45	171	4	27
Trade debtors overdue by 91-365 days	32	28	182	15	58
Training debtors	-	-	131	-	-
Already provided and not subject for impairment	-	692	578	-	-
<b>Expected credit loss provision</b>		<b>3,675</b>	<b>2,313</b>	<b>143</b>	<b>143</b>
<b>Authority:</b>					
Trade debtors not due	2	44	60	1	1
Trade debtors overdue by 0-30 days	4	2,300	722	92	29
Trade debtors overdue by 31-60 days	8	155	175	13	14
Trade debtors overdue by 61-90 days	16	20	157	3	25
Trade debtors overdue by 91-365 days	32	28	180	7	58
Already provided and not subject for impairment	-	375	453	-	-
<b>Expected credit loss provision</b>		<b>2,922</b>	<b>1,747</b>	<b>116</b>	<b>127</b>

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 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
British Pounds	3,820	2,680	3,077	2,113
Euros	46	4	-	4
Thai Baht	-	26	-	-
US Dollars	-	6	-	-
Other currencies	-	1	-	-
<b>Total trade and other receivables</b>	<b>3,866</b>	<b>2,717</b>	<b>3,077</b>	<b>2,117</b>

The risk of currency fluctuations impacting amounts receivable from third parties is not material to these Financial Statements.

<b>Contract Balances</b>	Contract assets 2022 £'000	Contract assets 2021 £'000	Contract liabilities 2022 £'000	Contract liabilities 2021 £'000
<b>Group:</b>				
At 1 April	12,109	10,079	(16,723)	(9,235)
Transfers in the period from contract assets to trade receivables	(8,539)	(8,130)	-	-
Excess of revenue recognised over cash (or rights for cash)	12,047	10,160	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	6,741	7,045
Cash received in advance of performance and not recognised as revenue during the period	-	-	(25,048)	(14,533)
<b>At 31 March</b>	<b>15,617</b>	<b>12,109</b>	<b>(35,030)</b>	<b>(16,723)</b>
<b>Authority:</b>				
At 1 April	10,210	9,067	(13,863)	(6,581)
Transfers in the period from contract assets to trade receivables	(7,236)	(7,559)	-	-
Excess of revenue recognised over cash (or rights for cash)	11,140	8,702	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	5,656	5,619
Cash received in advance of performance and not recognised as revenue during the period	-	-	(24,123)	(12,901)
<b>At 31 March</b>	<b>14,114</b>	<b>10,210</b>	<b>(32,330)</b>	<b>(13,863)</b>

# 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 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
Cash at bank and in hand	3,105	13,680	1,592	12,817
Short-term bank deposits	26,827	1	26,827	1
<b>Total cash and cash equivalents</b>	<b>29,932</b>	<b>13,681</b>	<b>28,419</b>	<b>12,818</b>

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 (2021: £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:

	2022 £'000	2021 £'000
Bank overdraft facility	5,000	10,000
<b>Total undrawn and uncommitted borrowing facilities</b>	<b>5,000</b>	<b>10,000</b>

The Group reduced the overdraft facility to £5 million after the prior year reporting date, effective from 18 April 2021.

# Notes to the Financial Statements

## 15. Trade and other payables

	Note	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Current liabilities:</b>					
Trade payables		1,340	3,056	1,236	2,797
Amounts due to related parties	21	-	-	6,411	8,067
Accrued expenses		9,753	6,031	9,303	5,739
Contract liabilities		34,783	16,662	32,083	13,802
Other payables		10,515	2,802	10,446	2,735
Lease liabilities	20	1,309	1,221	1,211	1,136
<b>Total current trade and other payables</b>		<b>57,700</b>	<b>29,772</b>	<b>60,690</b>	<b>34,276</b>
<b>Non-current liabilities:</b>					
Other payables		657	699	657	700
Contract liabilities		247	61	247	61
Lease liabilities	22	4,800	5,164	4,472	5,164
<b>Total non-current trade and other payables</b>		<b>5,704</b>	<b>5,924</b>	<b>5,376</b>	<b>5,925</b>
<b>Total trade and other payables</b>		<b>63,404</b>	<b>35,696</b>	<b>66,066</b>	<b>40,201</b>

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.

The Department for Transport (DfT) provided £1,807k of cash resources in connection with the transfer of responsibility for the regulation of the Aviation Security function, which was released on a systematic basis over the lives of the assets to which the resources were applied (see note 6). The assets held in relation to this grant were disposed of in the year ended 31 March 2022 and the associated grant funding balance was released against this disposal.

In the year ended 31 March 2022 the Department for Transport (DfT) provided £309k (2021: £0k) for the refurbishment of Aviation House. This will be released on a systematic basis over the lives of the associated assets.

Included in contract liabilities are the amounts shown below in respect of the grants received from the DfT:

	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
No later than 1 year	62	31	62	31
Later than 1 year and not later than 5 years	247	61	247	61
<b>Total grant outstanding</b>	<b>309</b>	<b>92</b>	<b>309</b>	<b>92</b>

# Notes to the Financial Statements

## 16. Deferred income tax

The gross movement on the deferred income tax account is as follows:

	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
At 1 April	641	768	625	750
Income statement tax credit / (charge)	1,038	(137)	694	(134)
Other comprehensive income tax charge	3	10	4	9
<b>At 31 March</b>	<b>1,682</b>	<b>641</b>	<b>1,323</b>	<b>625</b>

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 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
Deferred tax assets	1,682	641	1,323	625
<b>Deferred tax assets - net</b>	<b>1,682</b>	<b>641</b>	<b>1,323</b>	<b>625</b>

The movement in deferred tax assets and liabilities during the year is as follows:

	Group			Authority		
	Accelerated tax depreciation	Other	Total	Accelerated tax depreciation	Other	Total
Deferred tax assets	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	180	461	641	164	461	625
Income statement tax credit	67	969	1,038	69	625	694
Other comprehensive income tax credit	-	3	3	-	4	4
<b>At 31 March 2022</b>	<b>247</b>	<b>1,433</b>	<b>1,682</b>	<b>233</b>	<b>1,090</b>	<b>1,323</b>

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.

On the face of the Statements of Financial Position, the deferred income tax liability of £57,362k (2021: £40,401k) relates to the pension scheme surplus (see note 17).

# Notes to the Financial Statements

## 17. Retirement benefit obligations

The Group has both defined benefit and defined contribution retirement benefit plans and 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 £4,638k (2021: £3,957k) 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 charge of £47k (2021: £149k) to the Income Statement in accordance with the advice of a professionally qualified actuary (see note 3). A non-current liability of £1,237k (2021: £1,301k) and a current liability of £111k (2021: £103k) 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 Chairman, 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 previous financial year an additional contract was placed, this time 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 2022 is estimated to be £1,287 million (2021: £1,368 million).

The last formal actuarial valuation of the CAA Section of the Civil Aviation Authority Pension Scheme was carried out as at 31 December 2018. 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 2018. The 2018 valuation revealed a deficit of £30.4 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 2027. In addition, the CAA will pay contributions in line with the updated Schedule of Contributions dated 9 March 2020 with effect from 1 April 2020. The funding rate was set at 28.2% of pensionable earnings for the year 2021/22 (2021: 28.2%) in respect of which the CAA paid contributions of £19.3 million (2021: £13.3 million), which included £7 million of prepaid contributions which would normally have been paid over the period from April 2022 to May 2023. The expected contribution in the 2022/23 year is £6.3 million. The expected future benefit payments for 2022/23 are forecast to be £109.1 million.

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 2018 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 1.6% 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)

	2022 £'000	2021 £'000
<b>Statements of Financial Position assets for (Group and Authority):</b>		
Post employment benefits - fully funded pension fund	172,085	172,235
<b>Total Statements of Financial Position assets</b>	<b>172,085</b>	<b>172,235</b>
<b>Statements of Financial Position obligations for (Group and Authority):</b>		
Non-current post employment benefits - unfunded pension scheme	(1,237)	(1,301)
Current post employment benefits - unfunded pension scheme	(111)	(103)
<b>Total Statements of Financial Position obligations</b>	<b>(1,348)</b>	<b>(1,404)</b>
<b>Income Statement charge for (Group):</b>		
Pension benefits (note 3)	11,289	10,531
Post employment benefits - unfunded pension scheme (note 3)	47	149
<b>Total Income Statement charge</b>	<b>11,336</b>	<b>10,680</b>
<b>Funded pension benefits</b>		
<b>The amounts recognised in the Statements of Financial Position are determined as follows:</b>		
Fair value of plan assets	2,003,777	2,078,987
Present value of future obligations	(1,774,330)	(1,866,351)
Surplus in funded scheme	229,447	212,636
Related deferred tax liability at 25% (2021: 19%) (note 16)	(57,362)	(40,401)
<b>Net surplus in funded pension scheme</b>	<b>172,085</b>	<b>172,235</b>

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)

	2022 £'000	2021 £'000
<b>The movements in surplus in funded pension scheme are as follows:</b>		
Surplus in funded pension scheme brought forward	212,636	256,138
Income Statement movement	(6,975)	(4,643)
Remeasurement effects recognised in Statements of Comprehensive Income	4,463	(52,115)
Employer contributions	19,323	13,256
<b>Surplus in funded pension scheme carried forward</b>	<b>229,447</b>	<b>212,636</b>
<b>The movements in the defined benefit obligations (DBO) over the year are as follows:</b>		
DBO brought forward	1,866,351	1,724,799
Current service cost (excluding administration costs)	9,248	8,578
Interest costs on the DBO	35,336	37,546
Scheme participants' contributions	81	72
Actuarial gain - membership experience	60,665	(762)
Actuarial gain - demographic assumptions	(26,205)	(3,326)
Actuarial (gain)/loss - financial assumptions	(62,087)	212,290
Benefits paid from scheme assets	(109,059)	(112,846)
<b>DBO carried forward</b>	<b>1,774,330</b>	<b>1,866,351</b>
<b>The movements in the fair value of plan assets in the year are as follows:</b>		
Fair value of assets brought forward	2,078,987	1,980,937
Interest income on scheme assets	39,650	43,434
Return on scheme assets (less)/greater than discount rate	(23,164)	156,087
Employer contributions	19,323	13,256
Scheme participants' contributions	81	72
Benefits paid	(109,059)	(112,846)
Administrative costs paid	(2,041)	(1,953)
<b>Fair value of assets carried forward</b>	<b>2,003,777</b>	<b>2,078,987</b>

The CAA provides pensions administration services to the scheme and has charged £1,023k (2021: £1,021k) over the course of the year. The CAA also charged for third party costs incurred on behalf of the scheme totalling £5k in the year (2021: £5k).



# Notes to the Financial Statements

## 17. Retirement benefit obligations (continued)

	2022		2021	
	£m	%	£m	%
<b>The scheme assets are allocated as follows:</b>				
Index Linked (UK)	195.1	9.7%	173.0	8.3%
<b>Total Dedicated Bond Fund</b>	<b>195.1</b>	<b>9.7%</b>	<b>173.0</b>	<b>8.3%</b>
Equity Fund	119.0	5.9%	115.9	5.6%
<b>Total Quoted Equities</b>	<b>119.0</b>	<b>5.9%</b>	<b>115.9</b>	<b>5.6%</b>
Insured Annuity Policies	1,287.1	64.2%	1,368.3	65.8%
<b>Total Insured Annuity Policies</b>	<b>1,287.1</b>	<b>64.2%</b>	<b>1,368.3</b>	<b>65.8%</b>
Other Holdings	402.6	20.1%	421.8	20.3%
<b>Total Other Holdings</b>	<b>402.6</b>	<b>20.1%</b>	<b>421.8</b>	<b>20.3%</b>
<b>Fair value of scheme assets carried forward</b>	<b>2,003.8</b>	<b>100.0%</b>	<b>2,079.0</b>	<b>100.0%</b>

There were no employer related investments during the year and the CAA does not use any asset-liability matching strategies in the Plan.

	2022 £'000	2021 £'000
<b>Amounts recognised in the Income Statement are as follows:</b>		
Current service cost	9,248	8,578
Administrative costs paid	2,041	1,953
<b>Total Income Statement charge included in employment costs</b>	<b>11,289</b>	<b>10,531</b>
Net interest on defined benefit obligation	35,336	37,546
Expected return on funded pension scheme assets	(39,650)	(43,434)
<b>Total credit to finance income (note 7)</b>	<b>(4,314)</b>	<b>(5,888)</b>
<b>Total included in Income Statement</b>	<b>6,975</b>	<b>4,643</b>
<b>Analysis of the amounts recognised in Statements of Comprehensive Income:</b>		
Actuarial losses/(gains) due to liability experience	60,665	(762)
Actuarial (gains)/losses due to liability assumption changes	(88,292)	208,964
Return on scheme assets less/(greater) than discount rate	23,164	(156,087)
<b>Actuarial (gain)/loss recognised in Statements of Comprehensive Income</b>	<b>(4,463)</b>	<b>52,115</b>

# Notes to the Financial Statements

## 17. Retirement benefit obligations (continued)

	2022 % p.a.	2021 % p.a.
<b>The principal actuarial assumptions used for the purpose of IAS 19 were as follows:</b>		
Discount rate	2.65	1.95
Inflation assumption (RPI)	3.65	3.25
Inflation assumption (CPI)	3.10	2.70
Rate of increase in salaries in future years	2.55	1.75
Rate of increase in pensions (pre 1 June 2015) *	3.65	3.25
Rate of increase in pensions (post 1 June 2015) *	3.10	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 011 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
<b>Age</b>		
60	27.4	29.4
60 in 10 years	28.1	30.2

Additional information	2023 £'000
<b>Expected contributions for the following year end:</b>	
Employer	6,300
Scheme participants	81
<b>Total expected contributions for the following year end</b>	<b>6,381</b>

# 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	2.7%	0.1% increase	1.3% reduction
Price inflation (RPI)	3.7%	0.1% increase	1.1% increase
Salary growth	2.6%	0.1% increase	0.1% increase
Mortality	105% (male)/103% (female)	Long-term trend 1.5%	0.6% reduction

# Notes to the Financial Statements

## 18. Financial instruments by category

	2022			2021		
	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
<b>Group:</b>						
<b>Assets as per Statement of Financial Position</b>						
Trade and other receivables	-	3,866	<b>3,866</b>	-	2,717	<b>2,717</b>
Cash and cash equivalents	-	29,932	<b>29,932</b>	-	13,681	<b>13,681</b>
<b>Net book amount</b>	-	<b>33,798</b>	<b>33,798</b>	-	<b>16,398</b>	<b>16,398</b>
<b>Authority:</b>						
<b>Assets as per Statement of Financial Position</b>						
Trade and other receivables	-	3,372	<b>3,372</b>	-	2,306	<b>2,306</b>
Cash and cash equivalents	-	28,419	<b>28,419</b>	-	12,818	<b>12,818</b>
<b>Net book amount</b>	-	<b>31,791</b>	<b>31,791</b>	-	<b>15,124</b>	<b>15,124</b>

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)

	2022			2021		
	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
<b>Group:</b>						
<b>Liabilities as per Statement of Financial Position</b>						
Trade and other payables	-	18,621	<b>18,621</b>	-	12,942	<b>12,942</b>
<b>Net book amount</b>	-	<b>18,621</b>	<b>18,621</b>	-	<b>12,942</b>	<b>12,942</b>
<b>Authority:</b>						
<b>Liabilities as per Statement of Financial Position</b>						
Trade and other payables	-	24,433	<b>24,433</b>	-	20,599	<b>20,599</b>
<b>Net book amount</b>	-	<b>24,433</b>	<b>24,433</b>	-	<b>20,599</b>	<b>20,599</b>

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.

Financial risk management disclosures are set out in the Financial Review on [pages 33 to 43](#).

# Notes to the Financial Statements

## 19. Cash generated from operations

	Group 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
<b>Profit before income tax</b>	<b>7,430</b>	10,731	<b>8,786</b>	11,542
<b>Adjustments for:</b>				
Depreciation, amortisation, impairment and adjustment on disposal	<b>4,611</b>	4,398	<b>4,229</b>	4,168
Loss on disposal of asset	<b>164</b>	-	<b>164</b>	-
Grant amortisation	<b>(92)</b>	(31)	<b>(92)</b>	(31)
Finance income - net	<b>(4,231)</b>	(5,765)	<b>(4,200)</b>	(5,755)
Unrealised foreign exchange difference	<b>(13)</b>	(50)	<b>(14)</b>	(48)
<b>Changes in working capital:</b>				
Trade and other receivables	<b>(9,048)</b>	16,270	<b>(9,139)</b>	16,463
Trade and other payables	<b>27,810</b>	(16,659)	<b>26,380</b>	(18,278)
IAS19 current service cost net of cash contributions	<b>(8,034)</b>	(2,725)	<b>(8,034)</b>	(2,725)
<b>Cash generated from operations</b>	<b>18,596</b>	6,169	<b>18,080</b>	5,336

# Notes to the Financial Statements

## 20. Commitments

### Capital commitments

At 31 March 2022 the Group had capital commitments valued at £332k that were contracted for but not provided (2021: Nil).

### Lease liabilities

At both 31 March 2022 and 31 March 2021 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 2022 £'000	Group 2021 £'000	Authority 2022 £'000	Authority 2021 £'000
Brought forward		6,385	6,047	6,300	5,894
Additions		1,100	1,193	711	1,193
Early terminations		(20)	(100)	(20)	(100)
Interest expense	7	113	137	111	135
Lease payments		(1,469)	(892)	(1,419)	(822)
<b>Total lease liabilities</b>		<b>6,109</b>	<b>6,385</b>	<b>5,683</b>	<b>6,300</b>
<b>Analysis of lease liabilities:</b>					
Non-current		4,800	5,164	4,472	5,164
Current		1,309	1,221	1,211	1,136
<b>Total lease liabilities</b>		<b>6,109</b>	<b>6,385</b>	<b>5,683</b>	<b>6,300</b>

Right-of-use assets associated with the lease liabilities above of £4,729k for the Group (2021: £4,910k) and £4,366k for the Authority (2021: £4,854k) 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 £54,453k (2021: £43,792k). In the current year, the DfT provided £31,013k (2021: £36,999k) in S.12 funding directly linked to supporting the Group financially through the Covid-19 pandemic. At the end of the year nothing was owed to the DfT by the CAA (2021: Nil). The CAA also purchased £3k of services from the DfT in the year (2021: £41k), primarily in relation to professional services. Further detail on the financial support provided by the DfT is included within note 1.1 Basis of preparation.

# Notes to the Financial Statements

## 21. Related party transactions (continued)

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 C. Tingle (Board members of the CAA) and K. Staples (until December 21), followed by J. Spence (from January 22) (Secretary to the CAA), were Trustees of the ATT for 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 to the ATT by the CAA in regards to Thomas Cook repatriation funds (2021: £300k owed by the CAA to the ATT) and £527k was owed by the ATT to the CAA in relation to failure administration and recharged expenditure (2021: £237k).

During the year, the CAA charged £200k (2021: £978k) for failure administration services to the ATT, none of which was accrued at the year end. The CAA also recharged £1,761k (2021: £1,771k) to the ATT during the year for repatriation activities, legal fees, accommodation costs, accounting and other administrative services.

During the year revenue of £11k (2021: £14k) was invoiced to The Royal Air Force (RAF) by the CAA, primarily in respect of desk rental at CAA's offices. Ian Gale (until 15 June 21) was followed by Simon Edwards (from 16 June 2021) as a non-executive member of the CAA Board who also serves as Assistant Chief of the Air Staff on the RAF Board.

During the year revenue of £113k was invoiced to Airtanker Services Ltd by the CAA, primarily in respect AOC annual charges. Garry Copeland (from 1 September 2021 to 28 February 2022) was a non-executive member of the CAA Board who also served as a non-executive Chairman of the Airtanker Board (until 22 November 2021).

During the year K. Staples was a Trustee of the Civil Aviation Authority Pension Scheme. Details of the Scheme and the transactions between the CAA and the CAA Pension Scheme are disclosed within note 17.

Board member and key management personnel emoluments are detailed in note 4 and the People Committee Report.

The following revenue/(expense) transactions with fellow Group undertakings occurred during the year:

	2022 £'000	2021 £'000
<b>Re-charge of Corporate legal, finance, IT and facilities costs:</b>		
CAA International Limited	857	857
Air Safety Support International Limited	343	334
<b>Re-charge of Corporate Board member costs:</b>		
CAA International Limited	24	33
Air Safety Support International Limited	27	27
<b>Work carried out by Group entities with regard to aviation regulatory services:</b>		
CAA International Limited	(211)	(673)
<b>Work carried out on behalf of other Group entities with regard to technical assistance:</b>		
Air Safety Support International Limited	15	8
<b>Work carried out on behalf of other Group entities with regard to commercial aviation related services:</b>		
CAA International Limited	1,852	1,531
<b>Cost of internal exams hosting and maintenance charges by other Group entities:</b>		
CAA International Limited	(325)	(203)
<b>Total intra Group charges</b>	<b>2,582</b>	<b>1,914</b>



# Notes to the Financial Statements

## 21. Related party transactions (continued)

	2022 £'000	2021 £'000
<b>Interest payable on Group trading balances:</b>		
CAA International Limited	(33)	(12)
Air Safety Support International Limited	-	(1)
<b>Net interest payable on Group trading balances</b>	<b>(33)</b>	<b>(13)</b>

The year-end balances owing (by)/to the Authority (to)/by Group undertakings:

	Note	2022 £'000	2021 £'000
CAA International Limited	15	(6,411)	(8,067)
Air Safety Support International Limited	12	295	189
<b>Total payables owing to Group undertakings</b>		<b>(6,116)</b>	<b>(7,878)</b>

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 %
<b>CAA Regulatory Sector</b>	1,411	39,405	3.6%

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 40](#) 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 Statement 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
<b>CAA Regulatory Sector</b>	01/04/2021 - 31/03/2022	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

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
<b>Income Statement (historic cost accounts):</b>					
<b>Revenue</b>	<b>142.3</b>	<b>128.0</b>	<b>281.9</b>	<b>150.2</b>	<b>190.7</b>
Operating profit/(loss) before finance income - net and income tax charge	3.2	4.9	(0.9)	(2.7)	(1.6)
Finance income - net	4.2	5.8	2.3	5.0	2.8
Income tax charge	(2.0)	(2.1)	(0.4)	(0.4)	(0.4)
<b>Profit for the financial year</b>	<b>5.4</b>	<b>8.6</b>	<b>1.0</b>	<b>1.9</b>	<b>0.8</b>
<b>Statement of Financial Position (historic cost accounts):</b>					
Non-current assets	246.2	231.2	278.4	222.9	216.5
Current assets	56.9	31.7	42.3	30.6	37.3
<b>Total assets</b>	<b>303.1</b>	<b>262.9</b>	<b>320.7</b>	<b>253.5</b>	<b>253.8</b>
Reserves	181.0	185.0	218.7	183.2	179.6
<b>Equity</b>	<b>181.0</b>	<b>185.0</b>	<b>218.7</b>	<b>183.2</b>	<b>179.6</b>
Total liabilities	122.1	77.9	102.0	70.3	74.2
<b>Total equity and liabilities</b>	<b>303.1</b>	<b>262.9</b>	<b>320.7</b>	<b>253.5</b>	<b>253.8</b>

Outturn against financial target set by the Department for Transport based on current cost accounting:

	2022	2021	2020	2019	2018
<b>CAA Regulatory Sector</b>	<b>3.6%</b>	<b>6.0%</b>	<b>(4.9)%</b>	<b>(2.2)%</b>	<b>0.3%</b>

# 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 2022

The Secretary of State for Transport, in exercise of his powers 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) shall 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 fair and full review of development of the business during the year, the significance of the circumstances facing the Group, and indication of likely future developments for each of the significantly different classes of business. The review should deal separately with the Group's financial position and should include:
  - a. a comparison of results against target including explanation of the relationship between current and historic cost accounts and the significance of returns on assets employed;
  - b. comments on and changes in funding levels;
  - c. significant changes in property, plant and equipment and intangible assets, with a brief description of assets involved;
  - d. indication of activities in the field of research;
  - e. comments on other relevant aspects of the financial results;
  - f. given the significant contribution the aviation sector makes to the UK economy, and the CAA's role in its regulation, an assessment of how its regulatory activities contribute towards the growth of the industry, and the wider economy; and
  - g. a summary of significant events since the end of the reporting period.

- 5 a five year summary of the Group's financial results, including and identifying inter-alia:
  - a. appropriate analyses of income and expenditure and assets and liabilities;
  - b. total equity; and
  - 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
- 6 this Direction and the Accounts Direction.

The Report Direction issued to the Civil Aviation Authority dated 29 March 2021 is hereby revoked.

**Benjamin Smith**, Director, Aviation  
Signed by authority of the Secretary of State  
7 April 2022

# Annex - Growth Duty

## Annex A - Growth Duty: What the Civil Aviation Authority (CAA) currently does

As part of its role to provide effective regulation, the CAA needs to consider carefully and account for the impact of the individual regulatory decisions that it makes across a range of issues, including but not limited to economic, social, fairness across groups, environment, and efficiency of operations. The CAA takes the view that the best way that it can support growth is to create conditions for a safe, secure sector that puts consumer interests at its heart, combined with a portfolio of pro-active, growth-focussed measures. Until the UK left the European Union this was achieved in part through cooperation and engagement with EASA and the European aviation rulemaking programme. Given the UK's exit from the European Union this will be achieved via a UK rulemaking programme aimed at safely enabling recovery, innovation and growth of the UK's aviation and aerospace industry. During 2021, in continuing response to the Covid-19 pandemic, the CAA had measures in place to support industry. Since most Covid-19 restrictions have now been removed we have been focusing on activities that will enable safe recovery and growth for the industry.

A selection of our current activities, by priority area are summarised below, including the work that the CAA has done to support industry to restart operations following the pandemic:

### Priority: Enabling safe recovery and growth from Covid-19

Activity	Description	Impact
<b>Covid-19 Health Regulations</b>	CAA took on role of enforcement body for The Health Protection (Coronavirus, International Travel and Operator Liability) England.	This role has been instrumental in ensuring high levels of compliance amongst air carriers, which we believe will have in turn helped to support returning consumer confidence to fly.
<b>Aviation skills retention platform</b>	CAA International (CAAI) have provided a selection of free training courses for aviation professionals currently out of work.	Since September 2021, 69 eligible aviation professionals have attended a DfT funded training course.
<b>Aerodrome rescue and firefighting easements</b>	Extension of rescue and firefighting easements beyond planned end date.	The easements have been extended to address the inconsistent rate of recovery at different airports in the UK and the business impact of Covid-19 on the aviation industry.
<b>Exemptions, Approvals and Permissions</b>	Exemptions, Approvals and Permissions issued by the CAA in response to the Covid-19 pandemic.	Around 90 exemptions have been issued during FY2021/22 including: short-term installation of non-certified temporary barriers/patient isolation units on aircraft; carriage of Covid-19 medical samples by air; alleviations on flight time limitations to enable additional flight crew to be carried on critical flights where disembarkation was not permitted; and short-term extensions of medicals.
<b>Oversight - Change in oversight philosophy due to Covid-19 restrictions</b>	With the reduced amount of onsite oversight being possible the strategy was changed to support industry.	A more agile approach to the audit programme has been taken to reflect the virtual nature of this work. Specifically, on medical oversight as facilities were repurposed or closed in response to the Covid-19 pandemic. Guidance and risk assessments have been provided via a remote oversight model.
<b>Pilot fitness assessments</b>	Guidance on fitness assessments for pilots and ATCOs.	Guidance has been provided on fitness assessment from pilots and ATCOs suffering conditions which are the consequence of a previous disease or injury (the 'sequelae' of Covid-19). We are also focusing on the potential mental health consequences of the pandemic.
<b>International Civil Aviation Organisation (ICAO) and Public Health Corridors</b>	ICAO Public Health Corridor Concept & ICAO's Council Aviation Recovery Team (CART) guidance on Covid-19 security measures.	The initial engagement with ICAO on the CART guidance gave UK industry a direct line to ICAO officials to influence the content of the guidance as it developed, bringing insight from actual operations to bear. The result was better guidance for the global industry and a good alignment between UK and ICAO guidance.

# > Annex - Growth Duty

Priority: Enabling safe recovery and growth from Covid-19 (continued)

Activity	Description	Impact
<b>Assurance scheme</b>	International Group (IG) SARG and UK Strategic Health Authority, UKSHA, (formerly Public Health England) assurance scheme, UK airlines and airports received a voluntary, free assessment of their implementation of the ICAO guidance.	14 major airports and one major airline volunteered to participate in the assurance scheme. Feedback from all was that the scheme improved their Covid-19 public health measures and, for the airports, was a useful way of communicating their protection measures to customer airlines. The project has now closed, but the strengthened relationships between CAA, DfT and the UK Strategic Health Authority are being used to think ahead to potential future risks.
<b>Security</b>	Supported industry in maintaining high levels of security during the pandemic period, whilst being open to opportunities and proposals for new approaches.	The CAA has worked with the DfT to support industry by: <ul style="list-style-type: none"> <li>&gt; Providing alleviations and variations against normal regulatory requirements where flexibility exists and can be justified based on thorough risk assessment;</li> <li>&gt; Assessing the potential risks associated with the impacts and structural changes seen, and issuing guidance on how to manage and assess those risks, including as activity restarts;</li> <li>&gt; Conducting a targeted review of a number of long-standing measures in the UK security programme, based on a prioritised list agreed with industry.</li> </ul>
<b>Airport Accessibility Framework</b>	Airport accessibility framework sets quality standards for UK airports in terms of accessibility for disabled and less mobile passengers.	Many of the standards have been alleviated so that airports could install new health protocols; these alleviations are ongoing. Airports have also been allowed to postpone commitments for capital spend on enhancements to infrastructure needed to meet the quality standards and have suspended our programme of accessibility inspections of airports.



# > Annex - Growth Duty

## Priority: Post EU aviation framework

Activity	Description	Impact
<b>UK-EU transition</b>	Implementing the UK/EU aviation services and aviation safety agreements 2021 - the CAA worked with DfT to implement the UK/EU TCA with regard to aviation. The aviation safety agreement reduces potential regulatory requirements on UK production and airworthiness design organisations.	<p>Work done under the aviation services agreements has reduced the burden of permitting requirements on UK airlines and enabled use of cargo transport arrangements. Further work is ongoing to include additional freedoms of air, permitting and aircraft leasing arrangements building from the negotiated EU-UK TCA. Cost and effort savings for:</p> <ul style="list-style-type: none"> <li>&gt; All UK production and design organisations operating into Europe;</li> <li>&gt; UK airlines requiring permits to operate in Europe;</li> <li>&gt; Enabling ongoing activities of UK cargo transport airlines.</li> </ul>
<b>Aviation safety agreements</b>	Developing and extending the Bilateral Aviation Safety Agreements (BASA) type agreements that we have in place with US, Canada, Brazil and putting new agreements in place with targeted countries.	Extensions to Canadian and US agreements have spared CAA pointless oversight effort/costs for UK businesses operating in those markets. We have prioritised the development of agreements with other countries based on the volumes of trade between UK and their markets. During 2021 agreements were extended with Canada and US and new working agreements were put in place with China and Norway amongst others that provide basis for further extensions.
<b>Relationship with Europe</b>	Prior to the UK leaving the European Union, the CAA made information available for industry as transparently as possible through a dedicated EU-Exit microsite. The CAA have offered a block permit that gives trusted ad-hoc carriers pre-approval to fly to and from the UK. Carriers then retrospectively inform the CAA of the routes they flew and what they were carrying.	One specific example concerns EU carrier operations in the UK where the CAA had given certainty to EU carriers that they will be able to sell tickets, and the confidence to make significant investments. There are 30,000 commercial ad-hoc flights (excluding private/state flights) that take place each year, carrying things like blood products, and skilled labour, which make a major contribution to growth. For ad-hoc carriers, the CAA assured them that they would be able to continue flying reasonably seamlessly in the event of a no-deal EU-Exit. This has allowed simpler compliance and greater flexibility for carriers, while also ensuring that relevant data was available, for instance to inform EU negotiations.
<b>International aviation safety arrangements</b>	Following withdrawal from the EU, the CAA has worked closely with industry and foreign aviation safety regulators to establish a series of international bilateral aviation safety arrangements and agreements. Oversight of Flight Simulation and Training Devices.	Arrangements have been established with 11 countries including Canada, the USA, the EU, China, Japan, and Singapore. These arrangements significantly reduce barriers for UK exporters by reducing and in some cases eliminating duplicated oversight, certification costs and compliance demonstration activities. They also reduce regulatory barriers for organisations wishing to import aircraft manufactured overseas, procure replacement parts for in-service aircraft or purchase aircraft maintenance overseas.
<b>Licence conversion processes</b>	Simple and cost-effective ways have been developed for pilots and maintenance engineers who had transferred their licence into an EU state before EU exit to apply back for UK CAA licences.	This provides a potential cost saving and enabling benefit for up to 7,000 pilots and 3,500 engineers and brings the potential to bring hundreds of pilots and engineers under UK regulation and available to work within and support the UK industry.
<b>Negotiated working arrangements with other national authorities</b>	The CAA have negotiated working arrangements with a number of other national authorities which aim to streamline recognition of the safety of aviation products following EU-exit.	Reduced administrative burdens on industry and regulators.

# > Annex - Growth Duty

## Priority: Innovation and aviation decarbonisation

Activity	Description	Impact
<b>Innovation advisory services</b>	<b>Trials Services:</b> Where an organisation wants to trial their innovation, the CAA helps the consortia to maximise their chance to obtain the regulatory approvals they need for the trials.	We have provided Trials services to the consortia that have received funding from the Future Flight Challenge. Many of them have since been able to gain the regulatory approval they needed to trial and demonstrate their innovation.
	<b>Gateway Services:</b> We provide a focal point of contact and information to make it easier for innovators to access CAA expertise, guidance, and viewpoints on regulations.	We are responding to new enquiries daily.
<b>Policy and procedures</b>	The Aerodromes Policy team have established revised policy for the management and operation of transponder mandatory zones.	This is a first step towards enabling the next generation airspace system which will see the integration of unmanned aircraft systems alongside traditional aviation.
	Flight Information Display procedures and guidance to support the use by Flight Information Service (FID) Officers.	The procedures and guidance will improve the situational awareness of Aerodrome Flight Information Service Officers (AFISOs) and assist them in providing information that is useful for the safe and efficient conduct of flights. This could also be a side benefit for Electronic Conspicuity equipment deployment, in turn a key enabler for the Airspace Modernisation Strategy.
<b>Delivery of the Bowtie strategy (CAP 1329)</b>	The Bowtie strategy enables the CAA to identify safety controls that require strengthening, either through oversight or through specific safety programmes.	The Bowtie strategy assists the industry in managing their own safety, for example through the development of operational safety cases. This is particularly evident in the Remotely Piloted Aircraft System (RPAS) and innovative sectors, such as emerging e-Vertical Take-off and Landing (Evtol).
<b>Net Zero</b>	ICAO ACT-CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) scoping study for DfT (re. Net Zero).	Support for compliance with ICAO ACT-CORSIA in the UK and around the world.

## Priority: Space

Activity	Description	Impact
<b>Space</b>	The CAA was established as the regulator overseeing the safety and security of the space sector in the UK in July 2021. We have been working closely with the industry and Government to enable the conditions for a successful launch from the UK.	Our licensing activity supports and contributes to The National Space Strategy, which sets out long-term plans to strengthen the UK's status as a world-class space nation and build one of the most innovative and attractive space economies in the world. To date we have received 5 applications for spaceport launch and range licences. Achieving launch requires high quality and timely applications, integration of rocket activity into airspace and in some cases approval from regulators in other jurisdictions. In addition, we have issued 108 licences for UK operated satellites launched overseas.

# > Annex - Growth Duty

## Annex B - Growth Duty: Updates for ongoing activity reported in the 2021 CAA Growth Duty report

### Priority: UK-EU Transition

Activity	Description	Update
<b>Policy development and implementation</b>	New function set up to develop and deliver UK rule making.	The UK-EU Transition Team has been set up to support UK Government in agreement of new aviation arrangements following EU exit to manage the risks to the aviation industry/ UK consumer after the end of the transition period and ensure the CAA supports UK aviation.

### Priority: Innovation

Activity	Description	Update
<b>Sandbox</b>	Where an innovation comes with significant regulatory challenges, the Sandbox helps innovators to maximise the regulatory readiness of their innovation before a regulatory application has started. This helps to ensure regulatory requirements are not a blocker to growth.	Over the past 12 months, we have provided Sandbox services to Flylogix, Boeing, Trax International, the University of Southampton, and a consortium of innovators led by Eve Urban Air Mobility Solutions.
<b>Regulatory Laboratory</b>	<p>Step-by-step guidance has been produced for using the Airspace Trials process within CAP 1616 (Airspace Change).</p> <p>The Regulatory Laboratory has produced position papers and an evidence framework on Enabling Beyond Visual Line of Sight (BVLOS) in non-segregated airspace. This sets out the challenges to be overcome in enabling its widespread use, such as the development of detect and avoid systems. A detect and avoid framework has been developed and guidance published.</p>	In the last year the Regulatory Laboratory has supported 41 Sandbox engagements and delivered 9 publications. Guidance has been published describing the fundamental principles of operating safely BVLOS (CAP1861), and key considerations for integrating Urban Air Mobility operations into UK airspace (CAP2272).
	Working with international regulators we have developed and promoted the concept of obtaining, then maintaining, a 'Social Licence to Operate'. Additionally, we have developed a proposal for associated information mapping and sharing.	The innovation hub has produced a concept guide on social licence to operate. The guide provides content on developing a social licence as part of market strategy for bringing innovative ideas to the aviation market.
	We have set out a strategy for Unmanned Aircraft Systems Traffic Management (UAS UTM).	A detailed proposal will be published in the upcoming Airspace Modernisation Strategy which is currently out for consultation.
	We are sharing our learning across all Innovation topics, industry and Government research and development projects e.g. the Asset Allocation Management Company Market Outlook Survey 2021 with Aerospace Defence Security (ADS), Department for International Trade (DIT), Future Flight Challenge Aerospace Technology Institute (ATI) and others.	The insight gained through Sandbox projects are shared with the industry and Government.
<b>Future Flight Challenge</b>	The Future Flight Challenge will pioneer the next generation airspace system to enable integration of new technology, such as drones and urban air mobility. The Innovation Hub has been established as the focal point for the CAA and will provide dedicated resource to support this programme.	Services have been provided to the consortia that have received funding from the Future Flight Challenge. New Sandbox projects are being discussed with organisations innovating in BVLOS of RPAS in non-segregated airspace, UTM, Net Zero Propulsions (NZP), and EVTOL / Advanced Air Mobility.

# > Annex - Growth Duty

## Priority: Innovation (continued)

Activity	Description	Update
<b>Guidance</b>	A regulatory toolkit has been developed compiling key pieces of guidance for innovators working in aviation.	The regulatory toolkit is available on the CAA website and gives details of approvals that need to be considered for the trial of innovation solutions.
<b>Airspace</b>	Airspace Modernisation Strategy.	The 2022 version of the AMS will broaden its scope, introducing new, enabling areas of focus such as the integration of new entrants (for example Beyond Visual Line of Sight Drone operations) and better enabling extant users of the UK's Glass G, uncontrolled airspace environment. For example, leveraging evolving Electronic Conspicuity standards and devices to increase users' access to different areas and allowing them to better self-manage their activity.
<b>Security</b>	Promoting innovation and technology that improves outcomes - Examples include: Next Generation Security Checkpoints, facilitating operational trials of new equipment and processes, world leading regulation in cyber security, working with Heathrow and others to ensure security is built into expansion plans; and One Stop Security to facilitate cargo flows without cargo having to be rescreened.	We have worked with a number of airports on trials to support the introduction of new security screening technologies that have the potential to improve the passenger experience and deliver operational benefits while also enhancing security.  A complete review of the cyber security requirements contained within existing aviation safety legislation is underway. For new regulatory requirements an impact assessment of EASA Opinion 03/2021: Management of Information Security Risks is underway to define future cyber security oversight activity.
<b>Consumer Panel</b>	The CAA proactively engages with the sector and its users and consumers, to understand what customers value and where things don't work. This includes putting in place a Consumer Panel, a novel regulatory think tank, and using focus groups and sentiment trackers to understand consumer perception.	The Consumer Panel have continued to work on the priority areas outlined in their Annual Report. They have also been asked to contribute to work to support the rebuilding of consumer confidence as the aviation sector is now beginning to reopen.
<b>Innovation Hub</b>	The CAA established an Innovation Hub in April 2019 with the mission of enabling innovation in aviation to flourish. The Hub has achieved greater collaboration with industry through the Regulatory Sandbox, industry workshops and innovation clinics. The UK's Future Flight Challenge will be pioneering the next generation airspace system to enable integration of new technology, such as drones and urban air mobility.	To date, the Hub has serviced circa 400 aviation innovators with support and advice, helping them progress their ideas to market.
<b>Unmanned Aerial Systems (UAS)</b>	Regulatory measures - Specific regulatory measures to promote UAS innovation include the removal of the commercial trigger for low-risk drone operations. From July 2020 a new regulation which will remove the requirement for commercial drone operators to seek permission for low-risk activities.	These regulatory measures are published in the 8th edition of CAP 722 'Unmanned Aircraft System Operations in UK Airspace – Guidance'.

# > Annex - Growth Duty

## Priority: Leading Risk-Based Oversight and Regulatory Stewardship

Activity	Description	Update
<b>Risk based regulatory oversight</b>	A targeted and proportionate approach to regulatory oversight has been developed to ensure that oversight programmes are targeted at areas of industry where the Regulator considers the biggest safety concerns to be.	Oversight philosophy has been adjusted to improve processes following experiences gathered during the Covid-19 pandemic. A balance of on-site and remote oversight is in place, balanced according to the risks at specific entities.
<b>The Airfield Advisory Team (AAT)</b>	The AAT was set up in 2020 to assist and support General Aviation airfields on a wide range of matters to help the sector to thrive. The AAT keeps the DfT informed on developing trends and challenges faced by the sector.	The AAT has been involved with plans for a new general aviation aerodrome in the south-east of England, providing technical and planning advice to those behind the scheme whose proposal includes plans for a glamping area and green initiatives with the advent of electrically powered flight on the horizon. The AAT has also provided technical expertise on several operational matters to an established, licensed aerodrome in the south of England; they are trialling new 'track over the ground' focussing on safety and noise abatement principles. The AAT is also providing support to several other aerodromes/stakeholders on a range of planning matters relating to the threat of housing development and national infrastructure development.
<b>General Aviation Change Programme</b>	<p>We have allowed the British Microlight Aircraft Association (BMAA) to issue initial microlight pilot licences.</p> <p>We have transferred "Registered Flight Training Facilities" to "Declared Training Organisations".</p> <p>SSAC Class 4: We introduced a new class of ex-military aircraft that was eligible for paid passenger flying under the safety standards acknowledgement and consent framework.</p> <p>We have allowed the BMAA to issue initial permits to fly.</p> <p>We have allowed the Light Aircraft Association (LAA) to issue permits to fly.</p> <p>Permit to fly amateur built microlights and ex-military and ex Certificate of Airworthiness aeroplanes for ab-initio training: The CAA have made the decision to permit this activity and have commenced work to implement it.</p> <p>450-600Kg fleet opt-out from EASA Regulations for airworthiness: This allows aeroplanes up to 600kg to be classed as microlights.</p> <p><b>SSAC Framework:</b> The Safety Standards Acknowledgement and Consent framework allows paid for passenger flights on certain types of ex-military aircraft. The CAA continue to expand and implement this framework.</p>	In place and ongoing.

# Annex - Growth Duty

## Priority: Managing Environmental Impacts

Activity	Description	Update
<b>Environmental Information provision project</b>	The Civil Aviation Act 2012 gave the CAA powers relating to provision of information to help consumers compare services regarding air travel's environmental effects.	We are working with Government and the sector on green recovery ambitions, including making the UK a leading country for low carbon aviation innovation and manufacturing. This includes supporting the Jet Zero Council advising on regulation and aircraft certification for new types of aircraft and designing regulatory frameworks to safely introduce new technology required to deliver net-zero aviation by 2050. We will shortly move into the policy design and implementation phase and we plan to consult on a set of guidance setting out best practice for industry during 2022.

## Priority: Regulating proportionately and reducing the burden on business

Area	Activity	Update
<b>General Aviation</b>	'E Conditions' - Minimising the regulatory burden on experimenters, innovators and entrepreneurs to allow them to fly their prototype and proof-of-concept aircraft. This will stimulate growth of the UK design and production sector by allowing these activities to be performed with little or no cost to the community.	In 2022, we will commence a post-implementation review to determine if the current CAP 1220 'E Conditions' is still fit for purpose and meets the needs of would-be experimenters. We will consider an increased Maximum Take-Off Mass (MTOM) from 2000kg to 3000Kg, and possibly some other amendments based on stakeholder input.
	Introduction of part M-L and Part ICAO - Airworthiness related evolutions of Part-M which introduce proportionate regulations for the GA organisations and owners maintaining and operating 'EASA' aircraft.	In place and ongoing.
	Single-Seat Deregulated Microlights (SSDR) - This was introduced following the Red Tape Challenge and the deregulation has significantly reduced airworthiness costs and, thus, hourly operating costs.	The number of SSDRs has continued to increase. As of 1st of January 2022, there were 721 SSDRs on the UK Aircraft Register.
	Sub-70Kg Self-propelled hang gliders (SPHG) - The CAA issued an exemption (pending future regulatory review as part of the wider GA Programme) to allow wheels to be fitted to these unregulated machines.	Exemption in place and on-going. Further work to establish the long-term basis for this activity will form part of the FY2021/22 GA Change Programme.
	Gyroplane Certificate of Airworthiness (CofA) - The basis for ICAO recognised certification was developed by the CAA for UK organisations who forecast a sales market for this enhanced platform.	In place and ongoing.
	Balloon Operator Approvals – Declared Balloon Operators (DBO) - The CAA have recently transitioned the commercially operated fleet of balloons that provides paid rides for passengers from a nationally based Air Operator Certificate to a much more simple and proportionated system of declaration.	

# Annex - Growth Duty

## Priority: Skills and STEM

Area	Activity	Update
<b>Skills/STEM</b>	During 2021 the CAA STEM programme with the support from our STEM Affinity volunteers have engaged with over 20,000 students to help educate and inspire them with role models from industry. Highlights included supporting the digital poverty campaign, supporting Big Bang digital event, creating a dedicated STEM microsite to provide resources for teachers, parents and students, support to many virtual and face to face career events.	Throughout 2021, virtual and face to face events have been held to support young people across a range of the CAA's capability areas. Initiatives are also planned for 2022 including an interactive Aviation and Aerospace Career map due for launch in early March, the first virtual work experience for the CAA in July.
<b>MSc in Aviation Risk and Safety Management</b>	In partnership with Cranfield University, CAA have developed and delivered an MSc in Aviation Safety Management, Risk and Regulation. The MSc is also offered as a Level 7 Apprenticeship programme. This is the first MSc offered by Cranfield which is provided as a full virtual offering.	29 students enrolled in the first cohort and successfully completed year one. 25 students have enrolled in the second cohort. Both cohorts have a split of MSc and apprenticeship students across a global network.
<b>Aviation training courses</b>	Working in partnership with ICAO, CAAi have developed and delivered three training courses as part of our Corporate Partnership.	To date, seven deliveries of the Recovery Operations course were delivered. The Cyber Security and Security Culture are delivered as part of the CAAi training programme.
<b>Organisation</b>	Reports to CAA ExCo/Board - Every report presented to either the CAA's ExCo or Board must consider the proposed approach's impact on economic growth and provide analysis of that impact for the Board to review; this is included as part of the template for Board papers.	CAA is currently developing its Operating Model, including aspects of its decision-making and governance forums. Ensuring that growth is considered by relevant governance groups at appropriate times will be one objective of this work.
<b>Business engagement</b>	<b>Horizon Scanning:</b> By proactively establishing relationships, the CAA has been able to provide initial expertise and guidance to projects. This includes advising the Reaction Engines (SABRE) project and conducting a virtual certification for Rolls Royce Additive Layer Manufacturing research.	We have continued to work with industry to understand and inform its future approach at the earlier stages of development. This helps prepare staff to support future industry and reduce regulatory barriers. We are now starting to see industry developments that were some of our earliest forecasts in Horizon Scanning coming to fruition, with managed pathways towards regulation. Examples are Hydrogen Fuel cell powered aircraft, certification of eVTOL and Higher Airspace Operations.
<b>International</b>	Working with UK industry representatives, the CAA was pivotal in supporting the ICAO Council Aviation Recovery Task Force as it worked to help bring order to the Covid-19 related measures of States and industry. As a result, a global standard which largely reflected UK health related measures was quickly available to help States and industry to manage Covid-19 health risks in an aviation context. This standard was progressively updated to reflect UK industry experience, risk management best practice and evolving scientific tools and understanding. The CAA worked to push for international implementation of these measures at the ICAO High Level Covid-19 Conference.	Learning from this project and the voluntary assurance programme for industry against the ICAO guidance is being collated to inform the UK position at the 2022 ICAO Assembly. It will provide valuable practical insight into what future requirements would minimise impacts of future pandemics.

# > Annex - Growth Duty

**Priority: Ensuring more transparency in its operations and digitalisation of operations**

Activity	Description	Update
<b>ATOL</b>	Market monitoring / financial fitness - Financially overseeing airlines in a way which balances a desire to ensure that the sector remains vibrant and competitive without undue barriers to entry, while at the same time consumers do not face excessive risk when booking.	The CAA is assisting the DfT on Airline Insolvency. The work has been paused during the pandemic but is due to start again soon.





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