

II CONFLICTS OF INTEREST, PREVIOUS MINUTES AND MATTERS ARISING

2. *Conflicts of Interest* – Philip Clarke declared an interest as a CAAPS Trustee. This related to an item in annex B of the CEO Report.
3. *Minutes* – Subject to the redaction of one paragraph, the minutes of the June Board, and Extraordinary Board meeting were approved.
4. *Matters Arising* – Action 166 had now been closed following the publication of updated guidance and templates for ExCo and Board papers.
5. It was requested that a subject column be added to the Board actions spreadsheet.
ACTION: Secretariat to update actions spreadsheet.

III CHAIR'S REPORT (DOC 2022-50) BY SIR STEPHEN HILLIER

6. The Chair welcomed the Board to the Farnborough Air Show. The location of the meeting presented an opportunity to meet and engage with a wide range of stakeholders.
7. A positive meeting had already taken place with the Acting Administrator of the Federal Aviation Administration. It was also noted that the National Aviation Authority network had been announced.
8. The CAA was continuing to support Government and industry in addressing disruption at airports. From discussions with DfT and Ministers, it had been made clear that mitigating disruption over the summer was the Government's priority on aviation, and that it was also where the Government wanted the CAA to prioritise its efforts, particularly around the safety, security and consumer protection elements. The CAA had been clear with Government about its level of commitment to this issue and the level of resource that was being devoted to it. Given the overall priority of this work, there may be timing consequences for other parts of CAA's business plan, which would be set out in the report to the Secretary of State on priorities.
9. Noting the demands relating to disruption, it was highlighted that the Public Bodies Review and upcoming ICAO audit would also be resource intensive.
10. The Board noted the report.

IV CHIEF EXECUTIVE'S REPORT (DOC 2022-51) BY RICHARD MORIARTY

11. *Market Surveillance Authority (MSA) for RPAS* – The Board was advised that a proposal would be presented in September on the possibility of the CAA becoming the MSA for RPAS. The focus for the MSA functions would be on small-scale drones.
12. Some exploratory work had already been undertaken to identify how the CAA might take this responsibility on. It was anticipated that seed funding from DfT would be required to stand the capability up.
13. The Board was content with the principle of taking on this activity, subject to being satisfied that in doing so the organisation was set up for appropriately, including confidence around policy clarity, funding and capability. The capability would need to be developed in such a way that was financially self-sustaining after some initial set up finance from DfT, and keeping open the options for other delivery models in the longer term.
14. *Airport Accessibility* – The Board noted the poor performance of a number of airports in assisting passengers with additional requirements. Consideration was being given as to further steps that could be taken to improve outcomes.
15. *H7* - It was queried if or when a formal challenge to the final proposals was expected. It was confirmed that the final licence modification would need to come to the Board for sign-off in the autumn. At this point the formal appeal mechanism would be triggered.

16. EASA – The Board was asked to note the update on engagement with EASA.
17. CAAi Governance – The Board was asked to note the update on proposed changes to the governance structure of CAAi. It was noted that the CAAi Company Secretary was incorrectly named in the CEO Report as Jonathan Spence. This role is performed by Alex Sudbury.
18. The Board noted the report.

V CAA SPACE REGULATION: ASSURANCE FOR FIRST LAUNCH AND SPACEFLIGHT LICENCE DECISION (DOC 2022-52) BY TIM JOHNSON

19. The Board welcomed Colin Macleod and Rosie Whitbread to the meeting.
20. It was anticipated that an Extra-ordinary Board Meeting (EBM) would be convened in late summer to allow the Board to undertake its final assurance of the licensing process. The paper being presented offered a further update on the work that had been since June's meeting. The paper also included a draft of the question that would be put to the Board at an EBM.
21. The Board was reminded that there were seven statutory tests that licence applicants needed to meet, and that the safety test was the primary focus. Although a successful launch was the desired outcome, the CAA had to ensure that if it were unsuccessful, that it failed as safely as possible.
22. The Chair thanked the team for its work. The Board was also reminded that if there were any outstanding queries, these should be fed back to the team ahead of the EBM.
23. The Board noted the report.

VI SARG MONTHLY REPORT (DOC 2022-53) BY ROB BISHTON

24. Following discussions at the June Board, an overview had been provided of the steps that the CAA had taken during and after the Covid shutdown, to ensure that the aviation system operated safely.
25. The CAA's oversight regime was intensive, and it was identifying issues related to fatigue, crew competence and in supply chain management. However, the mitigations that had been put in place were working within the context of safety.
26. With there being a high-level of oversight, the resourcing levels of key teams were being continually monitored. There were also frequent discussions on the prioritisation of work and amendments to the broader oversight plan.
27. The Board confirmed that it was assured with the oversight activity that was taking place.
28. The Board sought further clarification on an assessment in the paper that resourcing challenges would need to be considered through a strategic lens. In response, it was explained that the current difficulties were likely to extend beyond the summer and were not restricted to the UK. Historically in the UK, the travel sector had been able to employ staff to cover peak seasons. However, in the wake of Covid, these practices were unlikely to start working effectively again for a number of years.
29. The Independent Safety Advisor queried the use of safety data from 2019 as a benchmark, noting that the operating environment had changed. It was acknowledged that there had been changes within the industry, but a benchmark was needed against which to measure progress and 2019 represented a year where the broader safety system had worked well. Years prior to 2019 had also been considered.
30. The Board was also advised that data was being scrutinised at a more granular level than before as part of the oversight regime. Although there was extensive

analysis of old and current data, it was emphasised that teams were also forward looking in trying to identify possible future challenges.

31. Referring to item 6 on the list of prioritised safety concerns, it was queried whether the CAA could do more to help ensure assessment levels improved. The CAA was sharing and linking data received from different entities to try and build a more cohesive picture of system level issues.
32. Based on the paper and subsequent discussion, the Board was assured that despite the widely reported challenges facing the sector, CAA's current position was that safety performance had been maintained, both at an entity and system level, with barriers remaining effective.
33. Noting the continuing monitoring of entities, an update was requested in September's CEO report on the consequential impact of enhanced oversight, including on the prioritisation of other activities.

ACTION: Rob Bishton to provide update in September's CEO report.

34. The Board noted the report.

VII AIRSPACE MODERNISATION STRATEGY – OUTCOMES AND RESPONSES (DOC 2022-54) BY TIM JOHNSON

35. The Board welcomed Stu Lindsey to the meeting.
36. The Board would be provided with an overview of the recent consultation work, and be asked to approve next steps. However, it was emphasised that the delivery mechanism for the AMS was a parallel piece of work and would not be discussed at this meeting.
37. The CAA undertaken engagement with stakeholder groups prior to the consultation, and the consultation itself had a good response rate. Of the respondents, the airline industry was broadly supportive of proposals. Community and environmental groups had responded with a focus on Government policy, which was outside the CAA's remit. There had also been a range of views from the GA community, some of which had misinterpreted what the CAA's proposals were.
38. Based on the responses, particularly those from the GA community, it was proposed that publication of a consultation response document be paused until further engagement had taken place with stakeholders. Once this had concluded, the response document would be published, and a draft strategy sent to the Secretary of State for approval.
39. The Board acknowledged the extensive engagement that had taken place, and the activities that were planned.
40. Recognising the diversity of the GA sector in particular, the Chair queried whether there was a specific level of engagement or response rate that would ensure the CAA had obtained representative feedback. It was confirmed that there was no specific response target. The sector was extremely diverse, so getting cohesive feedback was unlikely. However, in its engagement, the CAA had wanted to ensure that as wide a range of parties as possible had the opportunity to respond.
41. With a diverse stakeholder group, it was recognised that there would be difficulties in reconciling all views. It was likely therefore that some stakeholders would be disappointed by the final outcome of the AMS.
42. The Board highlighted the importance of the new AMS being able to appropriately accommodate RPAS users and other potential new market entrants. On new market entrants, the Board emphasised the importance of having early visibility of new products and technologies. It was confirmed that the current work on the AMS was to ensure that new entrants and technologies could be accommodated into airspace alongside existing users.
43. It was confirmed that the refreshed strategy would be prepared and then sent to the Secretary of State. It was noted that the refreshed AMS would play an important role in DfT's Flightpath to the Future, and Jet Zero strategies.

44. The Chair requested that the Board have visibility of the draft strategy before submission to DfT, and to have sight of the final version.
45. The Board thanked the team for its work so far, and approved the next steps as set out in the paper.

DECISION: The Board approved the next steps as set out in the accompanying paper.

ACTION: Tim Johnson and Stu Lindsey to provide the Board with a copy of the revised AMS prior to consultation with Government, and the final version.

46. The Board noted the report.

VIII THE NERL NR23 PRICE REVIEW – DIRECTION OF TRAVEL FOR THE INITIAL PROPOSALS (DOC 2022-55) BY PAUL SMITH

47. The Board welcomed Alex Bobocica, Stewart Carter and Andrew Walker to the meeting.
48. A decision from the Board on the NR23 Price Control Initial Proposals was scheduled in September 2022. The purpose of this discussion was to update the Board on the development of the initial proposals.
49. The Board noted the report.

IX PERIODIC REVIEW OF CONSUMER AND PUBLIC RISKS &, STRATEGIC AND BUSINESS RISKS (DOC 2022-56) BY TIM JOHNSON

50. The Board welcomed Iain Libretto to the meeting.
51. The Board was advised that the existing risk framework was functioning effectively, with there being pre-emptive mitigations in place. It was noted that the Audit Committee was discussing risks at every meeting, and ExCo was having more frequent discussions as well. The Audit Committee Chair noted the progress that had been made in strengthening risk arrangements.
52. *Consumer & Public Risks* – It was advised that these risks were not owned by the CAA.
53. Noting the risks on Consumer Experience (3) and PRMs (4), it was queried why these were scored as ‘likely’ when there was evidence that lower levels of service were already being experienced by passengers. It was confirmed that both risks were already ‘red’ and ‘high’ reflecting the challenges in the industry, and the CAA was taking action.
54. Acknowledging the challenges being faced by industry, it was suggested that risk appetite target dates be retained on the heat map, so that progress against the target dates could be measured.
55. In response to a query from the Chair, the CEO confirmed that the risk documentation assisted ExCo in managing risks.
56. It was noted that there was a typo in the mitigations for the risk on airline complaint handling (8). Although being ‘almost certain’ to happen, the Board queried why the impact score was low. It was explained that there were existing mechanisms (via ADR) to escalate complaints against airlines. However, given other challenges with the recovery of the aviation industry and the CAA’s own resources, the decision had been made to delay further work to address this risk.
57. The CEO confirmed to the Board, that due to pressures on the CAA, there were likely to be other instances in future where risks had to be de-prioritised.
58. *Strategic Risks* – It was noted that these were risks owned by the CAA.
59. The Board queried whether some of the target dates were too optimistic. In discussion, it was suggested that in many cases it would be challenging to set perfect target dates. However, in respect of the innovation risk (8), it was noted that

there would be additional colleagues in post before the currently stated target date was reached.

60. Referring to the business resilience risk (1), the Board queried whether a distinction had been drawn between full-time colleagues who leave the CAA, and those employed as contractors. It was suggested that contractors leaving the organisation presented a different type of challenge.
61. In discussion, it was noted that risk impact could be reduced as well as likelihood but not in all cases.
62. *Business Risks* – It was noted that the top two risks (1 and 2) were on a downward trend, in part down to enhancements made to the CAA's IT infrastructure.
63. The Board queried whether risks related to recruitment and retention (8), and HR resilience (10) could have an impact on the delivery of the Reward Strategy.
64. The Board was reminded that the consultation on the strategy had been delayed so that there was more to finalise proposals. It was acknowledged that the outcomes from the strategy would not necessarily please all colleagues, but it was important that it was put in place.
65. It was noted that the Reward Strategy was a strategic priority, but it might also be useful to have a sub-risk on the delivery of the strategy. It was also emphasised that the HR team had scaled back elements of the existing People Strategy. This had freed up some capacity within HR to focus on the reward element, and ensured that only workstreams that helped deliver benefits for people managers were introduced.
66. In terms of recruitment and retention, it was confirmed that in some parts of the organisation there were challenges in finding candidates with the required skill sets, however, this was not reflected across the whole organisation. This point was emphasised by the organisation's turnover rate being quite low.
67. The number of colleagues retiring was increasing at present. This had reinforced the need for effective knowledge transfer and succession planning activities to take place.
68. It was advised that an update on recruitment activities was scheduled for discussion at July's PPB, but would be included in September's CEO report for the Board's information.
ACTION: Jane Cosgrove to provide PPB recruitment update for inclusion in September CEO report.
69. The Chair invited comments from the Board on other risks or issues that should be considered under the risk framework. It was suggested that a risk on the disclosure of intellectual property be developed. With the increase in innovation work, particularly in CAAi, the CAA would hold information on cutting-edge technology, which needed to be protected.
70. It was confirmed that CAA employment contracts had robust wording on the handling of third-party intellectual property. However, more work could be done at exit interviews to ensure that colleagues involved in the regulatory review of new technologies were aware of their obligations when they left the CAA.
ACTION: Iain Libretto to work with Jane Cosgrove to develop a risk on loss or unauthorised disclosure of third-party intellectual property.
71. The Board noted the report.

X FORWARD AGENDA AND DRAFT AGENDA FOR SEPTEMBER BOARD

72. The Chair reminded the Board that the frequency of meetings would start to reduce from September. With there being less time for formal discussion, extra consideration would need to be given on the timings of matters that required the Board's attention.

73. Where appropriate, the Board would be content to consider matters out of committee. However, it was also reiterated that the Board would convene for Extraordinary Board Meetings if required.

XI AOB

74. The Board was advised that arrangements were being made for the NEDs to meet with the Lead Reviewer from the Public Bodies Review Team. Further details on timing would follow.

Date and Time of Next Meeting:

September Board: Wednesday 21 September, 11:00 hours, Westferry House