

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 443rd BOARD MEETING HELD ON WEDNESDAY 21 JUNE 2011 AT 10.30 AM**

Present:

Dame Deirdre Hutton

Chair

Mr Andrew Haines

Chief Executive

Dr Catherine Bell

Ms Gretchen Burrett

Mr David Gray

Mr Richard Jackson

Miss Chris Jesnick

Mr Michael Medicott

Mr Roger Mountford

Mr Iain Osborne

Mr Mark Swan

Capt Roger Whitefield

Mrs Kate Staples

Secretary & Legal Adviser

In Attendance:

Dr Stephen Rooney

Director of Corporate Communications

Ms Alex Craker

Development Director

(for item IV)

Mr Simon Baker

Head of Finance & Corporate Services

(for items IV - VI)

Mrs Anne-Marie Hopcroft

Minute Taker

I. Apologies

1. Apologies were received from AVM North.

II. Minutes of the Board Meeting held on 18 May 2011

2. The minutes of this meeting were approved and signed.

III. Chair's Opening Remarks

3. Dame Deirdre Hutton briefed the Board on recent meetings, visits and speeches. In particular, Dame Deirdre highlighted the CAA's Leadership Conference, which it was felt had been an excellent event. During discussion on this event, it was suggested that CAA colleagues may find a series of Pension Seminars of use and it was agreed that this would be further considered.

Action: Andrew Haines / Chris Jesnick / Roger Mountford

IV. Annual Assessment of Risk & Internal Control – Doc 2011-80 by Chris Jesnick

4. The paper provided a report on the current significant operational business risks, which had been approved by the Audit Committee at its recent meeting.

5. The Board further discussed the reporting heat map and the potential for developing a complementary opportunities map. It was highlighted that taking forward an opportunity could in itself raise risks but that this would have to be balanced with the risk of not pursuing the opportunity. It was also noted that the work of the ad-hoc risk group had identified a new approach to risk identification and management and that there would be further opportunity to discuss risk during the Board Awayday, which would follow the meeting. The Board agreed that it would be useful for the opportunities map concept to be progressed through the Executive Committee as a longer term piece of work once the majority of risk management processes were in place, and for this to return to the Board for further consideration.

Action: Mark Swan / Chris Jesnick

6. The Board endorsed the paper as a statement that

- It identifies all known significant risks facing the CAA, and
- The responsibility for managing the risks has been correctly assessed.

V. Report from the CAA Audit Committee – Doc 2011-91 by Roger Mountford

7. The paper provided an overview of the business of the Audit Committee on 15 June 2011. In particular the meeting had considered the draft Annual Report & Accounts, annual assessment of risk and internal control, annual Combined Code Compliance Report and the external auditor's report.

8. Roger Mountford noted the positive external audit report that had been considered by the Audit Committee and the Committee's recognition of the work undertaken by the Finance team in order to achieve this result.

9. The Board considered the additional items in the new UK Corporate Governance Code that would apply from 2011/12 and concluded that these could all be addressed without difficulty.

10. Roger Mountford also apprised the Board of the External Audit retendering process and noted the intent to update the Board at the next meeting.

11. The whistleblowing arrangements were discussed and it was agreed that the Board would be provided with more detailed analysis in this area in future. A briefing note on whistleblowing arrangements would also be circulated to the Board.

Action: Andrew Haines

12. On behalf of the Audit Committee, Roger Mountford recommended that the CAA Board adopt the CAA Annual Report & Accounts and the Annual Assessment of Risk and Internal Control. The Board accepted this recommendation.

VI. CAA Annual Report & Accounts – Paper 2011-81 by Chris Jesnick

13. The Annual Report & Accounts for the year ended 31 March 2011 were presented to the Board.

14. Chris Jesnick highlighted the significant drafting changes that had been requested by the Audit Committee. It was agreed that there were a couple of areas within the Annual Report & Accounts where Board Members would benefit from additional contextual information.

Action: Chris Jesnick

15. The Board considered what the Annual Report & Accounts should include regarding the status of Air Safety Support International (ASSI). As a result, the ASSI Board had adopted the going concern basis of accounting in preparing the annual financial statements but would further consider the situation in due course.

16. Dame Deirdre took the opportunity to thank Roger Mountford and the Finance Team for the work undertaken.

17. The Board

- approved the 2010/11 CAA Annual Report & Accounts and authorised the Chief Executive and the Finance & Corporate Services Director to sign the accounts on behalf of the Authority
- approved the CAA Letter of Representation and authorised the Chief Executive and the Secretary to sign the letter on behalf of the Authority.

VII. Finance Report – 2 Months Ended 31 May 2011 - Doc 2011-82 by Chris Jesnick

18. The paper provided financial results for the two months to 31 May 2011. The operating profit was £671k compared to the budgeted profit of £541k. After accounting for net borrowing costs, the profit was £595k compared with a budgeted profit of £458k.

19. Chris Jesnick highlighted that the financial results indicated that there was a continuing need to focus on income generation and cost control.

20. The Board noted the report.

VIII. Future Airspace Strategy – Doc 2011-83 by Mark Swan

21. Mark Swan provided the Board with further information regarding the main issues arising from the Future Airspace Strategy (FAS) consultation and how these are being addressed, the governance arrangements for FAS, the top level risks and risk management process, and an update on the current projects: Performance Based Navigation, Removal of London Heathrow Airborne Holding and

Transition Altitude Harmonisation.

22. The Board discussed the communications aspects associated with publication of the FAS. It was recognised that it was challenging to convey the FAS concept and its wider benefits. It was also felt that the related benefits of the UK / Ireland Functional Airspace Block (FAB) should be highlighted. It was agreed that a briefing note on FAS / FAB would be produced.

Action: Stephen Rooney / Mark Swan

23. The Board asked when the cost and carbon savings from FAS would become more apparent. It was noted that work being undertaken over the Summer would start to answer these questions. It was highlighted that many of the benefits would require industry investment and, whilst the CAA was not therefore responsible for delivery of these benefits, there would be a facilitation role for the organisation.

24. It was suggested that there could be merit in providing the Transport Select Committee (TSC) with an update on FAS and agreed that such an offer would be put to the TSC.

Action: Stephen Rooney / Andrew Haines

25. The Board recognised the clear links between this work and the Government's Aviation Policy Framework although it was noted that alignment with timescales could be an issue.

26. It was noted that a Challenge Team had been used at an earlier stage in the FAS process in order to provide external, independent review and that it may be appropriate to use similar mechanisms in future as part of the implementation process.

27. The Board recognised the significant work that had been undertaken on FAS and approved the publication of the FAS Report. It was agreed that a further discussion should be held at the Board about the wider handling and communication challenges of FAS.

Action: Stephen Rooney / Mark Swan

IX. Report from the Remuneration Committee – Doc 2011-84 by Catherine Bell

28. This paper provided a report to the Board on RemCo activity since the last Board update in March

29. Dame Deirdre took the opportunity to thank Catherine for the work undertaken in regard of the Remuneration Committee.

30. The Board noted the report.

X. Chief Executive's Report – Doc 2011-85 by Andrew Haines

31. Andrew Haines updated the Board on the Bill, transfer of security regulation to the CAA, and Trade Union discussions.

32. The Board recognised the work undertaken by the Head of HR with regard to the negotiations with the Trade Unions. The progress made with the Personal Contract Staff (PCS) arrangements was also discussed and the Board acknowledged the leadership shown by the Executive Directors in signing their contracts in advance of these being issued to PCS colleagues.

33. The Board also discussed passenger handling aspects related to the 2012 Olympic and Paralympic games. It was noted that this issue would be incorporated into the report to the Board in October.

Action: Iain Osborne

XI. Directors' Reports

CPG – Doc 2011-86 by Richard Jackson

34. Richard Jackson updated the Board on progress with the ATOL Reform, which would shortly be the subject of consultation.

35. The Board also noted the lower numbers of ATOL protected customer bookings and it was noted that the impact of this was being monitored.

36. The Board noted the report.

RPG – Doc 2011-87 by Iain Osborne

37. Iain Osborne updated the Board on the super complaint to the Office of Fair Trading regarding credit card surcharges.

38. The Board noted the report.

SRG – Doc 2011-88 by Gretchen Burrett

39. Gretchen Burrett drew the Board's attention to the item in her report relating to a AS332 Super Puma Helicopter main gearbox issue. Gretchen also highlighted that she had briefed the 2011 Europe / US International Aviation Safety Conference on the Strategic Review of Safety Regulation, which had been positively received.

40. The Board noted the report

DAP – Doc 2011-89 by Mark Swan

41. Mark Swan highlighted the Olympic and Paralympics and National Performance Plan (NPP) items in his report. With regard to the Olympics item, it was noted that a number of airspace restriction mitigating proposals would shortly be put forward to the Home Office for consideration. In respect of the NPP item, it was noted that further context regarding the cost-efficiency target was being produced and would be circulated to the Board for information.

Action: Mark Swan

42. The Board noted the report.

XII. Legal Report – Doc 2011-90 by Kate Staples

46. Kate Staples drew the Board's attention to the authorisation required for the EASA tender for outsourcing of certification tasks. The authorisation would allow the Chief Executive, CAA International (CAAi) to sign the tender alongside Gretchen Burrett. The potential implications of this authorisation were discussed and it was highlighted that CAAi already has accreditation to act on the CAA's behalf and that there would be clarity regarding the technical and financial governance of this work.

47. The Board noted the report.

XII. Any Other Business

48. **High level Department for Transport meetings** – it was noted that Dame Deirdre and Andrew Haines were meeting with the Secretary of State, and Dame Deirdre was meeting with the Permanent Secretary and Director General, International, Strategy & Environment at the end of June.

Post meeting note: The meeting with the Secretary of State was subsequently postponed.

The next meeting of the Authority will be on Wednesday 20 July 2011 at 11.30am