

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 500th BOARD MEETING HELD ON
WEDNESDAY 21ST SEPTEMBER 2016,
CAA HOUSE, LONDON**

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Present:

Dame Deirdre Hutton	Chair until completion of VIII
Mr Andrew Haines	until XI
Mr David Gray	except for I, Chair from IX to XVI
Mr David King	
AVM Richard Knighton	
Mr Michael Medlicott	
Mr Richard Moriarty	until XI
Mr Mark Swan	
Dr Ashley Steel	
Mr Chris Tingle	
Mr Graham Ward	except for I
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Mr Peter Drissell	
Mr Tim Johnson	
Mr Richard Stephenson	
Mr Peter Gardiner	
Dr Rebecca Roberts-Hughes	for X and XIII
Mr Iain Libretto	for XII
Mr Stuart Lindsey	for XIII
Miss Sophie-Louise O'Sullivan	minute taker

I Selkirk Update (verbal)

1. Mr David Gray and Mr Graham Ward were not present for this agenda item.
2. The Board noted this update.

II Apologies

3. There were no apologies.

III Previous Minutes and Matters Arising

4. The Board approved the previous minutes of the July meeting, subject to a small number of minor corrections.

IV Chair's Update – by Dame Deirdre Hutton

5. The Chair said that she had been considering the volume of work facing the senior executive team over the next two years. As well as Selkirk, there were a number of important programmes of work that would be at a critical points of development over the coming year, including: the economic regulation regime for any new runway announced by the Government and H7; the CAA's Transformation Programme; plans for the UK's Exit from the EU; and airspace reform. In the light of this, the Chair was delighted to announce that Andrew Haines had agreed to her request to stay in post until August 2018 to provide continuity of leadership to these important programmes of work. This extension was supported by the Secretary of State and the DfT. The Board warmly welcomed this decision.
6. The Chair updated the Board on some of her recent meetings. She had hosted a successful visit by the Secretary of State for Transport to the CAA's Gatwick offices on 16th August. The CAA had briefed the Secretary of State on the range of its work and current priorities.
7. The Chair attended a UK Regulators Network (UKRN) meeting chaired by David Gray. While UKRN had made some good progress since its last review in 2013, more work is required, particularly in terms of highlighting benefits of regulation to key opinion formers. Overall, the Board was encouraged by progress.
8. The Chair attended the launch of the paper 'Striking the Balance' by the Committee on Standards in Public Life. The Board agreed that the framework in this report should be used as a reference point for the project on regulatory independence, referred to in Mr Johnson's Live Issues report.

V Chief Executive's Report - Doc 2016-098 by Andrew Haines

9. In its capacity as the Principal Employer of CAAPS, the Board re-appointed the following individuals as Trustee Directors of CAAPS for the three year period commencing 1 October 2016 and ending 30 September 2019:
 - a. David Armstrong – CAA Employer Nominated Trustee Director
 - b. Kate Staples – CAA Employer Nominated Trustee Director
 - c. Dave Howson – CAA Member Nominated Trustee Director
10. In accordance with the directions given to the CAA by the Secretary of State for Transport, colleagues in the Shared Service Centre (SSC) had carried out an audit of Air Safety Support International (ASSI). The Board discussed the findings and agreed that the audit report should be submitted to the Secretary of State, subject to the inclusion of ASSI management's response to the audit findings.

Action: Chris Tingle

11. Following the 6 September incursion by protestors of London City Airport, the Board discussed the work by London City Airport to review its security arrangements. DfT was also assuring itself that there was clear accountability for physical airport security at UK airports in general and that all reasonable preventative steps were being taken to ensure appropriate security standards were being met.
12. Mr Haines updated the Board on the CAA's work programme in the event of any Government decision on the location of a new runway.
13. Mr Haines updated the Board on the Government's work to develop legislation to enable space flights from the UK. Clarity was required on the scope of the duty of care of regulation and whether it applied to third, second and/or first parties. Mr Haines said his view was that any new regulatory framework could only practicably address third party risk in the short to medium term. This was because spaceflight was an inherently risky activity (compared to civil flight) that had to be undertaken at the individuals own risk, and because it was highly likely that any space systems used in the UK in the short to medium term would already have been licensed by the FAA, whose duty of care applied only to third party risk. It was unclear, therefore, how the CAA could practicably specify assurance for first and second party risk.

14. Mr Haines briefly updated the Board on the status of the Transformation Programme, particularly on the ATOL programme.

VI Safety and Airspace Regulation Group (SARG) Annual Review – Doc 2016-094 by Mark Swan

15. Mr Swan introduced his annual report on SARG's performance. He briefed the Board on key themes that had emerged, the first of which was that there was now a keen awareness felt in SARG about the importance of collaboration with other parts of the CAA. A key example of this was the work between the Office of the General Counsel (OGC) and SARG that had led to the successful prosecution of Amazon in September 2016, where four guilty verdicts were returned. The second trend discussed was the implementation of Performance Based Regulation (PBR). Mr Swan highlighted that the culture of PBR has started to embed into SARG and was beginning to show results, as demonstrated in a number of recent cases he had already discussed with the Board. SARG had recently undertaken a regular rotation of inspection staff to help protect against the risk of regulatory capture. Mr Swan concluded that, overall, the Group had made substantial progress.
16. Mr Swan then turned to the year ahead. One of the key priorities was the completion of the work with Cranfield University on SARG's safety assurance mechanisms and methods.
17. Mr Swan briefed the Board on the CAA's priorities with EASA. The two key areas of focus were the introduction of helicopter certification standards that were comparable to those applied to fixed wing aircraft, and Europe-wide implementation of random drug and alcohol testing.
18. Mr Swan informed the Board that the CAA would continue to work closely with the Norwegian Aviation Authority to consider whether the current restriction on the flying of certain helicopter types should be lifted. A thorough assessment and high standard of objective evidence would be required before any decision could be made.
19. Mr Swan then highlighted his key priorities for the coming year, which included the strengthening the relationship between SARG and the Shared Service Centre and making sure that SARG retained the right capabilities and competencies to carry out its tasks.

20. In the subsequent discussion, the following points were explored: formalising the Board's role in the Regulatory Safety Management System; the CAA's relationship with the AAIB; and how the CAA is prioritising its oversight resources between different groups of air commercial transport providers.

VII SARG Monthly Report – Doc 2016-102 by Mark Swan

21. The Board noted Mr Swan's monthly report. The Board requested that the CAA's policy on provisional suspension of pilot licences be reviewed.

Action: Mark Swan and Kate Staples

22. Mr Swan informed the Board that Helios had been commissioned to assist with the post implementation review of the changes to civil air display regulations introduced by the CAA earlier this season.

VIII AAIB Recommendations Management – Doc 2016-107 by Mark Swan

23. Mr Swan updated the Board on the internal review he had commissioned on the process for action tracking and monitoring CAA decisions and actions on AAIB recommendations. This had been a thorough and intensive piece of work.
24. The Board understood the rationale behind the review and agreed with the recommendations made. Mr Swan informed the Board that he was confident in the new process, the approval mechanisms and the consistent generation of data through the CAA's management system.
25. The Board noted the conclusions of the review and commented that consistent decision making and tracking, along with transparency with the AAIB, were important.

The Chair left the meeting. David Gray took over as Chair

IX Finance Report - Four months results to 31 July 2016, 2016/17 Forecast and Target Budget 2017/2018 – Doc 2016-095 by Chris Tingle

26. Mr Tingle shared the results of the first four months of the financial year. Revenue was slightly behind forecast but costs had been below budget mostly due to under-recruitment, meaning that overall results were ahead of budget.
27. The Board noted the decision to pause hiring in some areas, and were comforted that the associated risk to key business plan deliverables had been reviewed.

28. Mr Tingle described the forecast for the remainder of the year, referencing some revenue risk associated with the Passenger Advice and Complaints Team (PACT) as Alternative Dispute Resolution becomes more common, Licensing and ACI areas. The Board discussed some of the external dependencies on the Transformation Programme and the strategy for managing this.
29. The Board noted the proposed target budget for 2017/18 and the proposed increase in charges, both in general terms and those associated with specific new activities (new runway capacity; airspace reform; drone safety activity; security and medical regulation).
30. Referring to the Target Budget Safety Improvement and Research Expenditure, the Board asked that the drop from £1,000,001 to £253,000 for 2016/2017 and 2017/2018 be explained. This will be reviewed during the next Board meeting.

Action: Chris Tingle

X Update on UK Exit from the EU – Doc 2016-097 by Tim Johnson

31. The Board welcomed Dr Rebecca Roberts-Hughes to the meeting.
32. Mr Johnson explained that the new Department for Exit from the EU was leading the Government's overall work on the exit strategy, with the DfT leading the support work on aviation. The CAA was in turn supporting the DfT's work. Though the Government had a wide range of interests to take into account, the CAA's views on desirable EU Exit outcomes was from the perspective of the consumer.
33. Dr Roberts-Hughes introduced key priorities, that the CAA would recommend retaining for consumer benefit. These were: air traffic rights that were essential to enable effective consumer choice and competition; membership of the EASA safety system to provide common safety standards (the point was made that this can be obtained without necessarily being a member of the EU); and the benefits of EU consumer legislation.
34. Dr Roberts-Hughes explained that there were two potential areas where consumer choice might be improved. The first, a potential relaxation of EU ownership rules, which could create the opportunity for non-EU foreign businesses to invest in UK carriers; and secondly, the option to create UK specific slot regulations which could offer more options for the financing of

airport development and therefore potentially improve the market offer for consumers.

35. The following topics were raised during the subsequent discussion: in the event that the UK does not remain part of the EU regulatory system, how to create a system that takes into account best practice from other international regulatory regimes (e.g. America and Australia); and the role of 5th freedom rights. Mr Johnson agreed to provide a note on the differences between the different freedom rights.

Action: Tim Johnson

Mr Haines and Mr Moriarty left the meeting

XI UK Regulators Shared Service Centre – Doc 2016-096 by Chris Tingle

36. Mr Gray declared that, as the Chair of Ofgem, he had a potential conflict of interest for this agenda item.
37. Mr Tingle updated the Board on the joint work between the four regulators (Ofgem, CAA, ORR and Ofwat) on shared services. This has been a very open and constructive process to date. Mr Tingle commented that the maturity of different regulators varied across their different capabilities.
38. The subsequent discussion focused on the short listed options for the way forward. The pros and cons of outsourcing strategies were discussed, including how to balance resources and the prioritisation of tasks between entities involved when pursuing a shared services approach.
39. Mr Tingle noted the debate but was clear on his priorities: improved resilience, removing single points of failure, and improving service quality rather than cost savings. He did acknowledge that resolving the CAA's current VAT status would be a condition for significant progress on and that resolution had been requested from the Treasury.
40. The Board noted the plans to proceed with the next stage of the evaluation and looked forward to the next stage of the report.

XII Tier 2/3 Risk Report - Doc 2016-099 by Tim Johnson

41. The Board welcomed Mr Iain Libretto to the meeting.
42. Mr Libretto updated the Board on work that has been conducted on implementing the three tier risk framework that the Board had agreed in January 2016, following an external review from Deloitte on CAA's Risk Management.

43. Mr Libretto had been working closely with individual teams and had set up a network of risk champions in order to start to embed the new framework into the CAA. Mr Libretto took the Board through the list of top tier two and tier three risks. This included heat maps which outlined where risk was today in terms of likelihood and impact, and the target position for twelve months time.
44. The subsequent discussion covered the following topics: potential candidate risks for inclusion in the next iteration of the risk register; expanding the risk maturity model to cover lessons learned; how to ensure the CAA was diligent in implementing risk mitigation actions; whether agreed risks were used to drive appropriate resource allocation; the need to conduct regular horizon scanning for potential risks of a completely new nature; the online system that the CAA was using to capture risks (Covalent); the on-going piloting of two potential processes of change control; an explanation of the review process when a risk is unchanged for a period; how risks were calibrated in the heat maps; and the recording of historic risks that have been mitigated.
45. The Board noted that a more detailed discussion would take place at the CAA's Audit Committee and asked that the planned reporting cycle to the Board should continue.

XIII Outcome of the Consultation on Reforming the Airspace Change Process – Doc 2016-100 by Tim Johnson

46. The Board welcomed back Dr Rebecca Roberts-Hughes and welcomed Mr Stuart Lindsey to the meeting.
47. Dr Roberts-Hughes outlined the CAA's regulatory role in airspace and the current process for submitting airspace changes. In December 2015 the Board agreed the principles of the public consultation on how to optimise and update this process.
48. Dr Roberts-Hughes explained the public consultation process and the subsequent detailed analysis of responses that the CAA had undertaken.
49. Dr Roberts-Hughes commented that there was strong overall stakeholder support for the increased transparency and the introduction of new process gateways, although there were a number of elements of the consultation where there had been marked differences of view between the different stakeholder groups.

50. The discussion focused on: the appeal process, particularly to test the rationale for not introducing a new appeal step; the action the CAA would take if a stakeholder raised a valid point following the publication of a minded to decision letter; and the pros and cons of immediately publishing stakeholder responses as they were submitted.
51. Dr Roberts-Hughes said that the process changes would be reviewed three years after their introduction.
52. The Board asked for a note on the key areas of policy clarity the CAA was requesting from the DfT.

Action: Tim Johnson

53. The Board approved the proposed response to the public consultation.

XIV AvSec Annual Report – Doc 2016-101 by Peter Drissell

54. Mr Drissell introduced the Aviation Security annual report. Mr Drissell highlighted key points for the year, particularly that since joining the CAA, AvSec had maintained a high industry compliance rate. Lord Ahmad has noted the consistent security outcomes AvSec was delivering. Similarly, Mr Drissell commented on the good relationship AvSec enjoyed with the DfT and the formal governance that was now in place to encourage regular meetings to continue.
55. The main frustration for AvSec had been the lack of integration of their own IT with CAA systems, which in some cases had acted as a blocker to collaboration with CAA colleagues.
56. Mr Drissell stated that Lord Ahmad was supportive of the CAA's move to SeMS and that most of the industry was taking steps to implement it.
57. There was an on-going discussion about the level of resources required for AvSec tasks, including how this compared to the level of resource expected by the DfT. Work had been undertaken to understand any difference and whether any further action was required. Lord Ahmad was being updated. A further discussion would be required if the level of resource required exceeded current budget provision.
58. The new regime for AvSec charging would deliver a scalable model that worked out charges based on specific number of resources and work tasks (such as the number of vetting cases or training courses delivered).

59. The Board noted work underway by the DfT to support outbound security in non-EU global countries, although the optimal long term set up for this team was still under consideration.
60. The Board discussed the current risks to AvSec's activities. Mr Drissell reassured the Board that front line compliance resources were ring-fenced and that risks would be managed through varying more discretionary activities.
61. The Board commended Peter and his team on the progress AvSec have made since joining the CAA and noted the plans for the next twelve months.

XV Live Issues - by exception only

62. The Board noted other Live Issues Reports from the other Executive Directors.

XVI Any Other Business

63. None Discussed

Date and Time of Next Board Meeting: 19th October, CAA's Gatwick offices