



**CIVIL AVIATION AUTHORITY
MINUTES OF THE 496th BOARD MEETING HELD ON
WEDNESDAY 20th APRIL 2016
CAA AVIATION HOUSE, GATWICK**

Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	
Mr David Gray	
Mr David King	
Mr Michael Medlicott	
Mr Richard Moriarty	
AVM Rich Knighton	
Dr Ashley Steel	
Mr Mark Swan	
Mr Chris Tingle	
Mr Graham Ward	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Mr Peter Drissell	
Mr Tim Johnson	
Mr Richard Stephenson	
Mr Simon Baker	(for item V)
Ms Rachel Gardner-Poole	(for item VII)
Ms Manisha Aatkar	(for item VIII)
Mr John McColl	(for item X)
Mr Joji Waites	(for item X)
Mr Peter Kirk	(for item XIV)
Mr Peter Fiddy	(for item XIV)
Mr Peter Mee	Minute taker

I Apologies

1. There were no apologies.

II Previous Minutes and Matters Arising

2. The Minutes of the March 2016 would be approved following a number of requested amendments.
3. The Board requested that action 3 be marked as on-going. For action 17, the Board requested this be kept open to provide an update on progress.

III Chair's Update – by Dame Deirdre Hutton

4. The Chair updated the Board on her recent meetings, including with Lilian Greenwood MP, Shadow Secretary of State for Transport and with Graham Brady MP, Chair of the 1922 Committee.
5. The Chair and Mr Swan met the NATS Board for the first time since its new Chair Paul Golby and Chief Executive Martin Rolfe had been appointed and had discussed a range of issues.
6. The Chair visited the Met Office, whose aviation activities are regulated by the CAA. The discussion was productive and informative, focussing on data analysis capability and its new BIS funded supercomputer.
7. The Chair had received a response to her letter to Aviation Minister Robert Goodwill on lasers, in which he had supported CAA's view that lasers were an 'offensive weapon' and had committed to working with the Home Office and BIS to address the issue.

IV Chief Executive's Report - Doc 2016-029 by Andrew Haines

8. The Board approved the proposed indemnity to Ofgem's competition enforcement panel members when they make competition decisions on behalf of the CAA.
9. The Board delegated authority to the Andrew Haines, Mark Swan, Richard Moriarty and Kate Staples to make a decision on a proposed amendment to Condition 10/10A of NERL's Licence.
10. The Board noted the updated Companies Act requirements relating to persons with significant influence or control, and their relevance to the CAA.

11. Mr Gray took the role of chair and the Chair and Mrs Staples recused themselves from a discussion about correspondence from an individual requesting that they be removed from office. The Board noted the contents of the correspondence and agreed that no actions should be taken in response to the request. The Chair and Mrs Staples returned to the meeting.
12. Mr Haines noted the publication of the Air Display Review final report, which had received media attention and continued to be an item of significant interest to stakeholders.
13. Mr Haines updated the Board on the alleged collision of a drone with a British Airways Airbus A320 on approach to Heathrow Airport on Sunday 17th April. The emerging information indicated that the object struck was more likely to be a plastic bag or small helium balloon than a drone. Nevertheless, the incident had highlighted the potential risk of drone activity that did not follow the prescribed rules. CAA was working closely with DfT to consider how to take forward work to better understand the risk profile, better educate users and consider technological mitigations. EASA was the certifying authority for many engines and airframes and therefore its recently established Task Force on drones was an appropriate means for pursuing much of the risk work. The Task Force would be reporting outcomes in June 2016.
14. The CAA did not believe it appropriate to intervene in the recent Court appeal process on helicopter noise at Denham Aerodrome.
15. Mr Swan updated the Board on a recent example of an airline cooperative oversight audit with another European NAA. The audit process had been successful and would set a blueprint for how future cooperative oversight audits would be undertaken. Recommendations from the audit would be followed up.
16. Mr Haines also provided an update on ongoing enforcement work in relation to Regulation 261 (denied boarding).
17. The Chair highlighted the note on compliance with the Modern Day Slavery Act 2015. The Audit Committee was requested to consider it as appropriate at a future meeting.
18. The Board noted the report.

V Draft 2016-17 Budget Proposals – Doc 2016-041 by Chris Tingle

19. The Board welcomed Mr Baker to the meeting. Mr Tingle noted the overall aim of the Budget was to meet the CAA's core regulatory duties whilst adhering to the expenditure limits set out in the Treasury's Spending Review settlement letter for CAA and maintain the overall levels of statutory charges at no more than the last year (they had already been maintained at current levels for 5 years). These aims had been achieved.
20. On revenue, the Finance Team were working on a prudent revenue forecast, particularly for aircraft registration levels given the uncertainties involved. CAAi income was at £16.6m, with over 80% already under contract.
21. On expenditure, difficult decisions had been made to ensure the flat overall charges and Treasury budget requirements had been met, particularly on headcount levels. Pension costs had been included in line with the agreement with the Pension Trustee. Following the CAA's decision to apply the statutory over-ride employees in the defined benefit pension scheme would pay higher National Insurance contributions following the cessation of contract out. Provision had been made for the costs of the Transformation Programme (TP).
22. Mr Tingle highlighted that the current budget proposals would only cover planned core regulatory activity and the Transformation Programme. The Budget contained only modest contingency through the FTE vacancy factor and would be put under pressure by any significant external events.
23. The Board asked about the Budget impact of a UK decision to leave the European Union. The Board noted that potential impacts were uncertain, and mainly driven by economic performance and flight numbers. In line with Government policy and civil service guidelines, the CAA was not undertaking any analysis of the impact of this event prior to the referendum.
24. In discussion, the Board noted that further significant reductions in headcount could have an adverse impact of the CAA's ability to carry out its core regulatory duties and so any further proposed cuts would need careful consideration. It expressed its commitment to continue to manage resources as efficiently as possible and to ensure that the CAA remained resourced to perform its functions properly. In that context, the additional flexibility from the Treasury in the future was helpful and should be taken into account in setting the Budget and statutory charges for subsequent years.

25. The Board noted that specific budgetary issues would be elevated to it for decision-making as appropriate and approved the proposed 2016/17 Budget.

VI Financial Results for the 11 months to 29 February 2016 – Doc 2016-054 by Chris Tingle

26. Mr Tingle introduced the results, noting an operating loss of £778k in the year to date and an annual forecast loss of £1,098K. G-Series registration income was at £550k below forecast, and the costs of the CSI project had been written off.
27. The Board noted the report.

VII Transformation Programme (TP) Update – Doc 2016-042 by Chris Tingle

28. The Board welcome Ms Gardner-Poole to the meeting. The Board endorsed Mr Tingle's appreciation of the work Mr Drissell had done laying the foundations for the improved TP performance, achievement of some significant milestones and for his handover to Mr Tingle in January 2016.
29. Ms Gardner-Poole set out some of the improvements that had been made to the functioning of the programme: improved clarity and accountability in roles and responsibilities; weekly project meetings; more detailed planning and contingencies; more full-time and fewer part-time staff; and a much lower level of contractors. There were still some capability gaps in project management, programme testing and business change.
30. Recent progress included: launch of the new CAA website in December 2015; the new Skywise app; the completion of the Information Strategy establishment phase; and a stabilised platform for the CRM Portal. Near term highlights included the AvStats project going live in the next couple of weeks while e-licensing should be available via the CRM portal in October.
31. Ms Gardner-Poole outlined the challenges facing the complex ATOL project.
32. In the subsequent discussion, the Board were informed that benefits realisation would be reported on a six-month basis and that more work was required to address delivery culture on the TP projects through a more robust project structure and a smaller more focussed teams. Despite the challenges with the ATOL project, Ms Gardner-Poole and Mr Tingle reported that they had sufficient oversight of the TP priorities and the necessary detail. More work was required

to on the TP strategy for the next 3 to 5 years, which would include ensuring any lessons from the initial phase were learned.

33. The Board requested the next update focused on progress against the identified priorities. It thanked Ms Gardner-Poole, Mr Tingle and Mr Drissell for their work in putting the TP on a much stronger footing.
34. The Board noted the paper.

VIII HR Annual Update – Doc 2016-043 by Manisha Aatkar

35. The Board welcomed Ms Aatkar to the meeting. She noted three sections to the paper: (i) progress so far on the 3-Year HR Transformation Programme; (ii) an overview of the key deliverables for the final year of the Programme; and (iii) HR's focus beyond 2016/17.
36. On the progress thus far, Ms Aatkar noted that the HR team had been focussing on delivering the HR transformation programme, organisational design activities and business-as-usual challenges and activities. Project Ernest was an unplanned major piece of work, which was on track to deliver required savings, but vigilance was required to ensure savings were not eroded.
37. The CAA was making progress towards a stronger delivery ethos with greater emphasis on effective leadership and management. The recent Top Talent and Senior Management training was having positive impact in some areas, but more work was required to raise awareness of the behaviours and competences required and root them in all parts of the CAA, including greater personal resilience. A number of elements could contribute to this: a better understanding of the commercial and financial context of CAA's regulatory and organisational activities, considering other NAAs as competitors for regulatory services, having a clear definition of regulatory services and a transparent set of organisational efficiency measures. The Board acknowledged that the prime motivation for many CAA staff was to further the interests of aviation passengers and the public affected by aviation, and to undertake varied and interesting work. The key was translating these legitimate and valued motivations into a delivery ethos to deliver the Strategic Plan.
38. In discussion, the Board noted that the manager to staff ratio was good in most areas, particularly SARG and SSC following action to reduce management

- layers but with more work required in Corporate Services. Mr Tingle and Mr Moriarty were receiving sufficient HR support to reshape their respective teams.
39. Beyond the current 3-year plan, HR would focus on identifying the types and levels of technical and non-technical capabilities required to deliver the CAA's Strategic Plan. The future for safety regulators was multi-skilled technical experts with strong inter-personal as well as technical skills. SARG's capability teams often had their own distinct cultures, and that greater diversity in these teams, without compromising on technical expertise or safety, would be beneficial.
 40. In discussion, the Board noted that 40% of the CAA's staff were female, that ethnic diversity seemed low and the CAA did not systematically measure sexual orientation. Ms Aatkar said bolder steps could be taken to improve diversity, particularly disability and ethnicity. The Board asked for gender information by grade, for a broader range of diversity measures to be considered and CAA's performance against UK benchmarks to be included in the next report.

Action: Ms Aatkar

41. The Board thanked Ms Aatkar for her report, and noted strong support for action on building a delivery ethos. The Board remained committed to retaining appropriate technical skills but emphasised the need for a strong delivery ethos through colleagues being strong in people as well as technical skills, flexible and committed to develop their skills.
42. The Board noted the report.

IX Board Effectiveness Survey 2015/16 Results – Doc 2016-044 by Tim Johnson

43. Mr Johnson introduced the paper. Overall, the results were positive, with some modest areas for improvement highlighted.
44. On Section A (Board Purpose, Size and Composition), the Board now had a stable membership and therefore future composition would be for a future discussion. A broader range of colleagues from across the CAA outside the CAA could potentially attend PIE sessions. In addition to the current induction training, greater exposure to day to day CAA business would be valuable, and Mr Swan offered SARG specific training to any Board member that requested it. Specific additional training requests should be made to the Chair's Office.

45. For Section B (Board Effectiveness), the survey results indicated that the Board could find opportunities to engage more widely with external stakeholders, including industry, consumers and the public, to ensure it the perspective of a range of relevant stakeholders. For NEDs in particular, while there did not seem to be a strong need for greater engagement with industry personally, they would appreciate feedback from stakeholders in Board papers. If, however, any NED would like the opportunity, then Mr Haines or the Chair would be happy for them to attend some engagements with key stakeholders. This could only be done sparingly but would allow some closer contact with stakeholder leaders. NEDs could also consider attending a Consumer Panel meeting.

Action: Mr Haines

46. On the question of balance of contribution between different Board members, Executive Directors should highlight to the Board any significant disagreements over a paper that might occur at ExCo level.

47. On Section C (Operational Matters), Mr Johnson noted Board feedback on the request for improvements to the focus and length of Board papers. A new Board paper template had been developed and would be rolled out for the May Board meeting. Any Board paper should be no more than 6 pages and should contain all the relevant information for Board decision-making, with brief appendices included only in special circumstances. Regular review papers (such as the Budget, Finance report and Department Annual Reviews) should emphasise 'highlights and lowlights'.

48. The Board had no comments on Section D (Board Committees).

49. On Section E (Risk Management), the Board acknowledged the work that had been undertaken to develop the risk framework and that the work underway to operationalize it. The risk monitoring role in PPT would help drive this forward. At Board level, it was agreed that there was value in having an annual report on risk and how the CAA addresses its key risks, structured around the strategic objectives. Mr Haines agreed to include this in his Annual Report.

Action: Mr Haines

50. The Board noted the report.

X Safety and Airspace Regulation Group (SARG) Report – Doc 2016-045 by Mark Swan

51. The Board welcomed Mr Waites and Mr McColl to the meeting, who would introduce information about Airworthiness safety performance and the efficiency and effectiveness of the Airworthiness team respectively.
52. Mr Waites explained the high-level figures in the Airworthiness section: five-year Mandatory Occurrence Reports (MORs) for large category aircraft aeroplanes (27% related to technical issues) and for large helicopters (56% technical). There were 76 high-severity events in this time period, 71 of which were large category aeroplanes and 5 helicopters. Of the aeroplane events, 15 were technical related accidents, of which landing gear failures were the most prominent, but of which only 2 resulted in runway excursions. While this was an issue to be fixed, a sense of proportionality was important. Mr Waites explained that his team were undertaking a review of root-cause identification for all technical MORs, to determine whether current practice was properly identifying root causes. They were also looking at precursors below MOR-level.
53. The Board considered the comparison of failures of helicopter equipment due to natural degradation and maintenance practice. Mr McColl noted that the CAA was working with EASA to secure improved helicopter design standards, as data indicated that the majority of MORs (80% of maintenance MORs) were due to aircraft design issues. Human errors, however, still made up 20% of maintenance MORs. The Board acknowledged the importance and challenge in understanding why maintenance was incorrectly performed.
54. Mr McColl provided an update on three areas in the Airworthiness team – efficiency, effectiveness, and future developments. On efficiency, there was now a dedicated team in SSC addressing minor issues, ensuring that the Airworthiness team could focus on the more serious matters. On effectiveness, the team was now much more involved in safety industry meetings and team audits and peer review were replacing individual decision-making and improving transparency.
55. For the future, Mr McColl noted that an almost exclusive focus on deep technical expertise in the CAA would over time be replaced with a more holistic skill-set. Overall performance should improve, but in cases some of the more complex technical questions may take longer to answer.

56. The Board noted the report.

XI Health & Safety Annual Report to the Board – Doc 2016-046 by Mark Swan

57. Mr Swan introduced the paper and noted that the 5-year Health & Safety strategy had been successful, with a downward trend in workplace incidents and no specific concerning trends. Executive Directors would undertake two health and inspections a year of their area.

58. In discussion, the Board noted that nearly all accidents involving CAA staff driving CAA vehicles were due to third-parties. Driver camera technology was not expensive and did appear to impact favourably on accident rates. Mr Swan agreed to look into the viability and cost of installing these.

Action: Mr Swan

59. Mr Swan noted that he had challenged some of the recent draft findings of the Audit Assurance health and safety report, but that the findings were taken seriously and the action plan and risk log updated.

60. The Board queried the meaning of the findings of the Health & Safety Audit Yearly Summary. Mr Swan agreed to clarify the meaning of the findings in the Health and Safety Audit Yearly Summary.

Action: Mr Swan

61. The Board noted the report.

XII 2015/16 CAA Business Plan – In Year Assurance Report – Doc 2016-047 by Tim Johnson

62. Mr Johnson noted that the report reflected the periodic review of Business Plan actions as at early March, with a number of items in the report had subsequently been completed. A number of actions had not been achieved because of decisions by external parties, for example on the Spaceplanes project. A final report on 2015/16 would be provided as part of the Chief Executive's Annual Review. This would include the Board's request that the implications of any undelivered actions are explained.

63. The Board noted the report.

XIII Report from the CAA Audit Committee – Doc 2016-048 by Graham Ward

64. Mr Ward noted approval was sought of the Audit Committee Activity and Performance report. The Chair noted that the report showed excellent activity of the Audit Committee, which was very reassuring.
65. The Board approved the Activity and Performance report.

XIV Aviation Security Quarterly Report for Q4 / FY 2015/16 (January-March 2016) – Doc 2016-049 by Peter Drissell

66. Mr Kirk and Mr Fiddy presented to the Board a report on industry's security performance during January-March 2016, and on the scale and allocation of the CAA's compliance monitoring activity during that period. The Board noted the position, and strongly endorsed the intention to refresh the inputs to the tool used to calculate and direct that activity.
67. The Board noted the report.

XV Live issues and monthly reports

CMG Live Issues – Doc 2016-050 by Mr Moriarty

68. Following the recusal of Mr Ward and Mr Gray, Mr Moriarty provided an update on Project Selkirk.
69. Mr Moriarty provided an update on ATOL-holder bookings, which appeared to be holding up but with greater concentration in the Western rather than Eastern Mediterranean.
70. The Board noted the report.

PPT Live Issues – Doc 2016-051 by Mr Johnson

71. Mr Johnson updated the Board on the regulatory capture work undertaken by PPT, which had completed its initial review. He noted that there was a mixed picture across the CAA, with some areas exhibiting some good practice but with room for improvement in other areas. The next step was to take a 'deep dive' into two of the CAA's most significant relationships and potentially an ATOL licence holder. A progress report would be provided to the Board in September.
72. The Board noted the report.

CCD Live Issues – Doc 2016-052 by Mr Stephenson

73. Mr Stephenson informed the Board of the upcoming cross-industry and Government workshop on drones. This would develop education and

communications initiatives to address drone risk and would be taken forward by the aviation industry Communications Directors Forum.

74. The Board noted the report.

AvSec Live Issues – Doc 2016-053 by Mr Drissell

75. The Board noted the report.

XVI Any Other Business & Forward Planning

76. The Board noted the horizon scanning session at the PIE session on 4 May.

Date and Time of Next Board Meeting:

18 May 2016 at 9.30am, CAA House, K5 Earhart, London