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Department
for Transport

Public Corporation Framework Document

Civil Aviation Authority

February 2025

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Department for Transport
Great Minster House
33 Horseferry Road
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SW1P 4DR



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1. Introduction and background

Background

- 1.1 The Civil Aviation Authority (CAA) is the United Kingdom's independent aviation and aerospace regulator for airspace, consumer rights, economic regulation, safety, security compliance and spaceflight. Ministers have given the CAA non-statutory roles, set out at 2.5 below, which may change periodically as the government may ask the CAA to assist with other policy objectives.
- 1.2 The DfT and the CAA share the common objective of delivering safe, secure, accessible, competitive and sustainable aviation and aerospace activities and supporting consumers. To achieve this the CAA and the DfT will work together in recognition of each other's roles and areas of expertise, providing an effective environment for the CAA to achieve its duties and objectives through the promotion of partnership and trust and ensuring that the CAA also supports the strategic aims and objectives of the DfT and wider government.

Purpose of document

- 1.3 This framework document (the "framework document") has been agreed between the Department for Transport (the DfT) as the sponsor department and the CAA. In accordance with HM Treasury's handbook Managing Public Money¹ (MPM) (as updated) where appropriate it has been approved by HM Treasury.
- 1.4 The DfT expects the CAA to follow the standards, rules, guidance and advice set out within MPM as appropriate. The DfT does, however, acknowledge and appreciate there are cases where MPM does not apply to the CAA, for example due to legislative exemptions. These cases have been agreed between the DfT and the CAA as part of HM Treasury's 'Comply or Explain' process and will be reviewed in line with any updates or amendments to this framework document.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000670/MPM_Spring_21_with_annexes_080721.pdf

- 1.5 The framework document sets out the broad governance framework within which the CAA and the DfT operate. It sets out:
- the CAA's core responsibilities;
 - the governance and accountability framework that applies between the DfT sponsorship team and the CAA; and
 - how the day-to-day relationship works in practice, including in relation to governance and financial matters.
- 1.6 The document does not convey any legal powers or responsibilities but both parties have agreed to operate within its terms (except where to do so would be in breach of statute).
- 1.7 Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and it is made available to members of the public on the CAA website at <https://www.caa.co.uk/home> and the DfT website.

Amendments to and interpretation of this document

- 1.8 Any amendment, update or replacement of any provision of this document shall be agreed by the parties from time to time in writing.
- 1.9 This framework document should be reviewed regularly and updated at least every three years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury and the Principal Accounting Officer of the DfT. The latest date for the review and updating of this document is February 2028.
- 1.10 References to (including extracts and summaries of) a statute or statutory provision include and shall be read as a reference to that statute or provision as modified, re-enacted or consolidated whether before or after the date of this document, and any subordinate legislation made from time to time under that statute or statutory provision which is in force at the date of this document.
- 1.11 The CAA has been classified as a public non-financial corporation by the Office for National Statistics in agreement with the HM Treasury Classifications team. Its relationship to subsidiary bodies is covered in Section 2.14-18.
- 1.12 The CAA's relationships with the devolved administrations of Scotland, Wales and Northern Ireland follow the principles set out in the Memorandum of Understanding between the Westminster Parliament and those administrations, and relevant agreements which are in force. The functions of the CAA are in the main reserved to the UK government.

2. Purpose, aims and duties

Purpose

- 2.1 Initially established in 1972, the CAA is the United Kingdom's aviation and aerospace regulator. The CAA's principal functions and duties are set out in primary legislation (principally the Civil Aviation Act 1982, the Aviation Security Act 1982, the Airports Act 1986, the Transport Act 2000, the Civil Aviation Act 2012 and the Space Industry Act 2018), in secondary legislation (principally the Air Navigation Order 2016), devolved legislation (such as Section 6 of the Environment (Wales) Act 2016 and Section 2A of the Nature Conservation (Scotland) Act 2004). Assimilated legislation and functions have also been given to the CAA via directions from the Secretary of State for Transport made pursuant to Section 6(2) of the Civil Aviation Act 1982, as has the discharge of the United Kingdom's obligations under the Convention on International Civil Aviation done in Chicago on 7 December 1944 ('the Chicago Convention').
- 2.2 The CAA has a range of powers that enable and support it in the performance of its functions, most notably powers to carry out investigations, and require the submission of information and to prosecute breaches of aviation legislation.
- 2.3 As a public corporation, the CAA is only required to carry out functions that have been given to it by, or pursuant to, primary and secondary or assimilated EU or devolved legislation. Currently, its main statutory functions are to:
- regulate civil aviation and airspace safety: license airports, aerodromes, pilots, air traffic controllers, aircraft maintenance engineers and commercial UAV operators, licence and certify the design, maintenance and repair of aircraft;
 - approve sub-orbital rockets and orbital rockets launched from the UK and satellites launched by UK companies;
 - advise and assist the Secretary of State on all civil aviation matters, including policy and airspace change decisions for the use of UK airspace so as to meet the needs of all users, having regard for national security, economic and environmental factors and the UK international obligations, while maintaining a high standard of safety, including at airports;

- be the economic regulator of those airports with significant market power and of the provision of certain air traffic services;
- be a concurrent competition powers regulator with the Competition and Markets Authority to use their respective powers to achieve more competitive outcomes in the air traffic and airport operation sectors for the benefit of consumers; license airlines, including assuring their financial fitness;
- license air travel organisations;
- enforce general consumer protection law, such as the requirements covering denied boarding and persons with reduced mobility; and
- advise and assist the Secretary of State in relation to the regulation of aviation security and enforcing requirements.

- 2.4 In addition to the above statutory functions, the CAA undertakes a range of other responsibilities. These are carried out either under requests for advice and assistance from the DfT, under directions from the DfT or using statutory powers to facilitate the carrying out of functions, such as the regulation of civil aviation safety. These responsibilities currently include:
- 2.5 **Airspace modernisation:** preparing and maintaining a coordinated strategy and plan for the use of UK airspace up to 2040 and supporting the DfT with the development of a legislative and policy framework in respect of airspace modernisation.
- 2.6 **Aviation decarbonisation:** recognising the government's commitment to deliver net zero UK aviation by 2050 the CAA will support DfT by (non-exclusively) developing the appropriate regulatory environment for new low and zero emission fuels and technologies plus act to ensure that information provided to consumers on the environmental impacts of flying is accurate.
- 2.7 **Wider environmental sustainability:** providing technical advice on aircraft noise certification and assessing local environmental impacts, and monitoring performance.
- 2.8 **Enabling innovation:** co-authoring the delivery of the UK Future of Flight Action Plan and enabling innovation through the delivery of the strategic outcomes set out in the Plan. Engaging appropriately with the Future of Flight industry and other government departments, providing expert advice, delivering the regulator strands of the Future of Flight Programme and implementing the regulatory frameworks needed to realise the strategic outcomes. Developing plans for the safe and secure testing and implementation of AI technologies within the aviation sector.
- 2.9 **STEM:** As part of Generation Aviation - the UK's aviation skills programme, the CAA raises the profile of the sector, delivers and enables outreach and promotes Science, Technology, Engineering and Mathematics (STEM), in order to inspire the next generation of aviation professionals.
- 2.10 The CAA shall provide performance reporting to the DfT at agreed intervals, including through provision of the performance dashboard covering delivery of relevant/agreed

functions. The contents of the dashboard will be agreed and kept under review by the CAA Sponsorship Board (see 2.22).

- 2.11 Objectives to be met by the CAA when performing its functions are set out in Section 4 of the Civil Aviation Act 1982, Section 2 of the Transport Act 2000, Section 1 of the Civil Aviation Act 2012 and in Section 2 of the Space Industry Act 2018. Additionally, Section 108 of the Deregulation Act 2015 requires that the CAA has regard to the desirability of promoting economic growth when delivering its regulatory functions (excluding competition and economic regulation functions) and that as part of this, it considers the importance for 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 also has obligations such as the Public Sector Equality Duty created under the Equality Act 2010.
- 2.12 The CAA has adopted an approach that ensures that its strategy remains current at all times and that it takes due account of the economic, international and sector specific context and obligations. The CAA does this in the light of the changing external context, most obviously the impacts of the UK's departure from the EU, demand changes for the aviation industry and customers and on-going opportunities afforded by innovation. The CAA continues to have an unyielding focus on performing its core duties effectively, in tandem with a concerted focus on key innovation opportunities and delivery in respect of the Secretary of State's priorities.
- 2.13 The CAA Strategy² sets out the CAA's strategic focus areas and strategy development process.
- 2.14 The CAA has four associated bodies. These are CAA International Ltd (CAAi), Air Safety Support International's (ASSI), the Air Travel Trust (ATT) and the UK Airprox Board (UKAB). CAAi and ASSI are wholly owned subsidiaries which will comply with the spirit of this framework document in so far as it is applicable to their operations as separate companies. Their relationships with the CAA are covered through separate agreements, and they have their own reporting mechanisms to DfT or other government entities.
- 2.15 CAAi is a globally recognised aviation advisory group. It is a private limited company incorporated on 8 November 2000. The company provides best-practice advice and training to civil aviation authorities and industry worldwide, as well as examinations and licensing systems. CAAi's governance is set out in the Intercompany Agreement between CAAi and the CAA. CAAi need not comply with MPM as its status is that of a private company that does not, generally speaking, manage public funds. Separately to this document, DfT and the CAA will formally establish and agree expectations and ways of working for CAAi colleagues to ensure appropriate governance, whilst respecting the regulatory independence of the CAA.
- 2.16 ASSI's primary objective is to provide oversight of aviation safety regulation in some of the UK's Overseas Territories (OTs), to act as the designated aviation safety regulator in other OTs, and to act as aviation security regulator in all OTs with commercial aircraft. ASSI's mission is to ensure, in an inclusive and sustainable

² <https://www.caa.co.uk/our-work/about-us/our-strategy/>

manner, that the United Kingdom meets its international obligations in respect of aviation safety and security regulation within the UK OTs as set out on their website³. ASSI will comply with MPM where appropriate.

2.17 ATT is a discretionary trust created by the Secretary of State and its purpose and the Trustees' scope to act are contained in the Trust Deed which is published alongside the ATT Annual Report and Accounts. The Trustees are all board members or officials of the CAA, appointed in accordance with the Trust Deed. The ATT is not bound by the content of this framework document, but rather the Trust Deed. The CAA will however continue to provide relevant and timely information to the DfT on financial matters relating to the ATT. More information about ATT can be found on the CAA website⁴.

2.18 UKAB is a board that exists, amongst other things, to investigate, assess and report the circumstances of and assign collision risk and contributory factors for all Airprox in UK airspace (including derogated airspace). UKAB is sponsored jointly and funded equally by the Civil Aviation Authority (CAA) and the Military Aviation Authority (MAA). Notwithstanding this joint stakeholder arrangement, and although Director UKAB reports airprox outcomes and issues directly to Chief Executive Officer CAA and Director General MAA, the UKAB conducts airprox investigations and reporting as a quasi-independent endeavour beyond their day-to-day oversight. It is not a separate body for governance purposes.

Governance and accountability

2.19 The CAA was established by the government as a statutory corporation (rather than being part of HM Government or the Crown) in order to achieve both the government's and the CAA's independent regulatory aviation objectives as set out in legislation. The CAA enjoys effective working relationships with ministers and their officials in order to exercise its powers as it considers appropriate in all circumstances, so as to achieve its statutory objectives while having regard to all other relevant factors including the policy aims of the Secretary of State. The CAA does not determine aviation policy except where assigned specific tasks by the government. The government is responsible for overarching UK-wide aviation and aerospace policy. In doing so, it regularly seeks advice and input from the CAA in setting that policy and in some circumstances may ask the CAA to undertake certain activities on its behalf. The CAA is responsible for technical and regulatory policy within its statutory remit.

2.20 The CAA shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this framework document, or as otherwise may be mutually agreed in memoranda of understanding, accord with good corporate governance practice applied to public corporations and applicable statutory requirements and expectations. The responsibilities of the Chair, Deputy Chair, Chief Executive, Board, and committees should be clear, set out in writing, agreed by the Board and made publicly available in the Corporate Governance Statement.

³ <https://www.airsafety.aero/about-assi/directions-establishing-assi>

⁴ [About the Air Travel Trust | Civil Aviation Authority \(caa.co.uk\)](https://www.caa.co.uk/About-the-Air-Travel-Trust)

2.21 In particular (but without limitation), the CAA should comply with:

- MPM to the extent provided for in 1.4.
- The codes of good practice and guidance set out in Annex A of this framework document, to the extent that they apply to public corporations.
- Such guidance and advice as are potentially applicable to the CAA and its subsidiaries which are brought to the CAA's attention by the sponsorship team from time to time.

2.22 The DfT and the CAA will operate a quarterly CAA strategic Sponsorship Board, attended by the CEO of the CAA, as the primary point for reviewing and changing how the arrangements specified in this framework document operate. This Board has its own Terms of Reference separate to this document, which govern the Board and its attendance arrangements. The purposes of the Board are: to ensure that: there is sufficient strategic direction of performance, risks, and financial reporting; governance arrangements are upheld and are changed where necessary; and the recommendations of successive independent reviews of the CAA, including the 2023 Review are fully implemented. The Board shall also be the main reporting mechanism for overall grant funding milestones within the financial year.

3. Role of the Department for Transport (as sponsor)

- 3.1 The Secretary of State is accountable in Parliament for the CAA and the way it exercises its functions.
- 3.2 The Secretary of State's statutory powers in respect of the CAA are set out in Schedule 1 of the Civil Aviation Act 1982, and in section 2 above.
- 3.3 The Secretary of State, in consultation (where appropriate) with other ministers has the following responsibilities:
- to set the strategic policy framework within which the CAA operates and is responsible for preparing all necessary legislation on aviation matters;
 - a duty to appoint the Chair and non-executive members of the Board of the CAA and their terms and conditions. These appointments are subject to the Public Appointments Order in Council⁵ and as such must comply with the Governance Code on Public Appointments;
 - a power to appoint a Deputy Chair from among the non-executive members. The Deputy Chair will stand in if the Chair is unavoidably absent. The Deputy Chair shall also (i) provide additional capacity to that of the Chair to engage with the DfT and other key stakeholders; (ii) carry out the role of the Senior Independent Director as set out in the Corporate Governance Code⁶;
 - must approve the appointment of any Chief Executive proposed by the Board and on the advice of the People Committee for it to have effect. The Chief Executive shall be a permanent employee of the CAA, appointed through a process that adheres to best practice guidance for appointments in being open, fair, and transparent. The request to the Secretary of State for approval of the final appointment should be accompanied by an explanation in writing as to why such an appointment is recommended by the Board. This process

⁵ <https://publicappointmentscommissioner.independent.gov.uk/regulating-appointments/orders-in-council/>

⁶ <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf> UK Corporate Governance Code 2024

also applies to proposals to appoint an interim Chief Executive. In each case, the Board will give legal effect to the appointment. The remuneration of both a permanent and an interim Chief Executive shall require the agreement of the Chief Secretary to HM Treasury;

- a power to issue guidance or specific directions, including annual accounts and reporting directions, as they consider lawful and appropriate;
- a duty to appoint the CAA's external auditors;
- respond when consulted by the CAA as required by statute, such as on charging schemes;
- a duty to lay the CAA's Annual Report and Accounts before Parliament; and
- seek any other approvals when required by statute, such as they relate to space and airspace.

3.4 As far as appointment making powers are concerned, all such appointments should have regard to the principle that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint Boards which include a balance of skills and backgrounds.

3.5 With regard to paragraph 3.1, the Secretary of State and the Chair of the CAA have agreed that:

- In matters concerning the CAA's operations, the Secretary of State will, whenever practicable, refer to the CAA for comment on any enquiries and representations they receive from Members of Parliament and others.
- The Secretary of State or relevant minister will answer UK Parliamentary Questions relating to the CAA and its work. The CAA and its staff will stand ready to provide any information reasonably required to enable the Secretary of State to carry out their functions.
- The matters covered in the above two bullets will be directed to the CAA's External Response Team to coordinate a timely and accurate response.
- In dealing with Parliament, the CAA will be co-operative and transparent, and will consult the DfT where it is considered likely to be of DfT interest and keep it informed of any action taken.
- The DfT will keep the CAA informed about parliamentary matters in which the CAA has an interest and may need to provide information to ministers or Parliament.

3.6 The Secretary of State may, from time to time, set out in writing to the Chair of the CAA, their priorities for the organisation that the CAA should take into account in alongside the statutory framework and other matters when setting its annual strategic objectives and plans. Any such letters will be published on the CAA website. The

Secretary of State has determined that within the scope of the powers summarised in paragraphs 2 to 5 above, the priorities of the CAA are set out in prioritisation letters which are published on the CAA website⁷.

Principal Accounting Officer

3.7 The Principal Accounting Officer (PAO) is the Permanent Secretary of the DfT or as delegated for particular day to day purposes.

3.8 The PAO is accountable to Parliament for the issue of any grant-in-aid to the CAA.

PAO's specific accountabilities and responsibilities

3.9 The PAO is also responsible for advising the responsible minister on:

- The budget that the CAA has set in the light of the CAA's functions and continuing regulatory responsibilities;
- An appropriate framework of objectives and targets for the CAA in light of the department's wider strategic aims and priorities;
- How well the CAA is achieving its strategic objectives and whether it is delivering value for money;
- Via the sponsorship team, the exercise of the Ministers' statutory responsibilities concerning the CAA; and
- The PAO's specific accountabilities and responsibilities.

3.10 The PAO via the sponsorship team is also responsible for ensuring arrangements are in place in order to:

- monitor the CAA's activities and performance;
- address any significant issues in the CAA, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the DfT's and the CAA's objectives and activities in line with the wider departmental risk assessment process;
- inform the CAA of relevant government policy that it wishes the CAA to take account of in a timely manner; and
- ensure efficiency, effectiveness, and transparency of performance by the CAA. The Secretary of State directs the CAA to comply with the UK's

⁷ <https://www.caa.co.uk/our-work/about-us/our-role/>.

Corporate Governance Code⁸. In its Annual Report and Accounts the CAA reports against the Code and is subject to an external audit and to an assessment of its efficiency. Audited reporting against that Code gives the Secretary of State, the DfT and Parliament appropriate insight into and oversight of the CAA's performance except where otherwise provided for in this framework document.

The role of the sponsorship team

3.11 The CAA sponsorship team in the Aviation Directorate in the DfT is responsible for discharging the responsibilities of the sponsor department. It is the primary contact for the CAA. The responsible senior civil servant for this relationship is the Director for Aviation. The CAA sponsorship team advises and, as appropriate, acts as a first point of contact on behalf of the Secretary of State on relevant government policy developments. The team also responds to requests from the CAA to provide a policy perspective on the CAA's activities and plans and involves and delegates to other parts of the DfT where appropriate.

3.12 The DfT's CAA sponsorship team will:

- establish and maintain appropriate and effective corporate governance foundations which govern the relationship between the sponsor department and the CAA as set out in this framework document;
- hold the CAA to account through analysis of regularly commissioned reports to the Sponsorship Board or other appropriate forum for having effective objectives, business planning and measures of performance against them;
- monitor the organisational capability of the CAA;
- monitor effective leadership (high quality boards and senior management) through effectiveness reviews of the Board and its DfT appointed members;
- support and supplement the activities outlined above by advising the Secretary of State on the appointment of a capable Chair and non-executive members to the Board of the CAA;
- advise the CAA of policy and guidance relevant to it and its subsidiaries in a timely manner, including annual policy objectives through the mechanism set out in section 3.6 above;
- advise ministers on the CAA's progress and performance against agreed policy objectives; and
- engage closely with the CAA on wider policy developments and cross-Government priorities impacting on, or affected by, the work of the CAA.

⁸ <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>

- 3.13 The Secretary of State is the government policy sponsor of the CAA.
- 3.14 The relationship between the DfT and its public bodies is critically important and needs careful management. The quality of a relationship influences the ability of the public body to do its job and is important in ensuring value for money and proper accountability. Effective partnerships are characterised by trust, mutual respect, communication, evidence-based assurance and by being clear about mutual expectations.
- 3.15 The CAA will endeavour to inform the DfT ahead of any material announcements that relate to responding to governmental or publishing its own consultations, or that propose legislative changes or significant aviation regulatory policy changes. However, the CAA does not require DfT approval for such announcements. The CAA will also inform the DfT of the scope of work that it undertakes with and for other government departments and if grant funding is received from them. Reciprocally, the DfT will endeavour to inform the CAA ahead of any publication of government led policy or programme changes that are relevant to the CAA's regulatory remit and role.
- 3.16 There will be regular meetings between the CAA Chair and the Secretary of State (where appropriate delegated to or accompanied by the Minister for Aviation) and the CAA Chair and the Director General responsible for Aviation, and between the Director of Aviation and the CAA Chief Executive. In addition, the PAO will meet the CEO at least once a year. These meetings are in addition to frequent working level discussions between the DfT and CAA officials that take place as required and where necessary between the Permanent Secretaries and the CAA Chair. There will be regular meetings between then CAA and the DfT Finance Business partners and the sponsorship team, in particular, around forecasting deadlines, and year end accruals for government grant programmes.
- 3.17 Taken together, these contacts enable fruitful interaction, and meaningful and early engagement on a wide range of subjects. In particular, these contacts and engagements ensure that the DfT is appropriately informed about, and involved in, the development of key CAA strategies and business plans, and they provide a forum in which the DfT can assure itself about the CAA's performance.
- 3.18 The CAA sponsorship team manages the day-to-day relationship between the DfT and the CAA. In practice this means:
- acting as a focal point of contact for the CAA, providing clear and timely communications about central requirements;
 - assisting the CAA in working through the implications of any recommendations emerging from formal reviews that cover the CAA;
 - advising the CAA of central policy developments that might impact on the CAA and monitoring how the CAA takes account of these and the Secretary of State's objectives in setting and delivering its annual strategic objectives and plans;

- establishing and maintaining a good relationship with the CAA's Board, Chair and Chief Executive;
- monitoring the CAA's performance against government and ministerial priorities as set out in the annual priorities letter, and advising Ministers on this;
- providing assurance to the Permanent Secretaries and the DfT Board (supported by the Group Audit and Risk Assurance Committee (GARAC) and Internal Audit) on the effectiveness of the CAA's governance structures and processes;
- understanding the CAA's risks (including their operational risks, reputational risks, and project risks) and informing the CAA about any governmental risks that might impact on them;
- seeking assurance from the CAA that the Section 12 and 16 grant projects and programmes are on track to deliver to time, budget and quality;
- periodically carrying out an assessment of the risks both to the DfT and the CAA objectives and activities; and
- working collectively with policy teams and the CAA to agree and periodically review other detailed working arrangements (such as Memoranda of Understanding, ways of working agreements, senior governance meeting schedules) that both parties agree are appropriate and which are operational in nature and therefore not included in this framework document. This programme will be overseen by the CAA Sponsorship Board.

3.19 Any disagreements between the DfT and the CAA, will be resolved by:

- the DfT's CAA sponsorship team and the CAA strategy team where officials feel that they can resolve the matter without reference to the Aviation Director and then successively escalated where necessary to;
- the DfT's Aviation Director and the CAA's CEO;
- the Director General responsible for Aviation and the Chair of the CAA; and
- the Secretary of State and/or Aviation Minister and the Chair of the CAA where the matter has not been resolved by the above.

Freedom of Information and associated requests

3.20 Where a request for information is received relating to the DfT, Ministers or joint areas of work by either the DfT or the CAA under the Freedom of Information Act 2000, the environmental information regulations, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with its counterpart before making any disclosure of information that may affect the other party's responsibilities and ensure the responses are consistent, as far as reasonably possible recognising

different exemptions are applicable to each organisation. Responsibility for meeting their respective legal obligations will rest with each party. Responsibility for coordinating and answering the request for information falls to the party in which the response is addressed. Should the party receiving the request not hold the relevant information, they should advise the requestor. Where appropriate they may suggest the requester redirects the request to the other party.

- 3.21 The CAA's Data Protection Officer (DPO) will cooperate with all requests from the DfT's DPO to provide information that is necessary to meet commissions or other requests from central government relating to data protection risks and compliance. Further, in the spirit of knowledge sharing and consistency across the DfT family, the CAA DPO is prepared to participate in cross-DfT DPO fora.

Reporting on legal risk and litigation

- 3.22 The CAA and the DfT will provide updates (at Deputy Director level) in a timely manner about the existence of any reasonably anticipated, threatened or active litigation which could or does impact both parties.
- 3.23 In respect of such litigation, and until concluded, the CAA must ensure appropriate and timely update reporting.
- 3.24 In respect of legally privileged information shared between the CAA and the DfT, such information shall, in the first instance, be shared by lawyers on the basis of common interest privilege in accordance with the 'Common Interest Privilege Protocol for Sharing Legally Privileged Documents Between CAA and the DfT Lawyers'. Further circulation of such privileged information will occur, within government and or elsewhere, only as necessary and in a way that serves to protect legal privilege. As appropriate, the DfT or CAA will inform the other for the purposes of obtaining agreement prior to such further circulation and considering any representations in relation to the same.

4. The Civil Aviation Authority's governance structure

Responsibilities of The Civil Aviation Authority's Chief Executive as the accountable person

- 4.1 The PAO has designated the public corporation's Chief Executive as the public corporation's accountable person.
- 4.2 The PAO expects the Chief Executive (as the CAA's accountable person) to take personal responsibility for running the CAA within the statutory framework that applies to CAA's governance which vests overall responsibility for the CAA with its Board. The DfT recognises that as a public corporation the CAA needs to take investment and other financial decisions in accordance with commercial practices.
- 4.3 These responsibilities include being compliant with MPM to the extent provided for in 1.4.

Responsibilities for accounting to Parliament

- 4.4 The CAA's responsibilities to Parliament and the public are described below. The Accountable Person is responsible for ensuring the organisation meets these:
 - signing the accounts and ensuring proper records are kept relating to the accounts and the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
 - preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, in the annual report and accounts;
 - ensuring that effective procedures for handling complaints about the CAA are established, made widely known within the CAA and are transparent and available to CAA's stakeholders;
 - acting in accordance with the agreed levels of control and accountability, including any relevant principles in MPM it has been agreed the CAA should

comply with, and other instructions and guidance issued from time to time by the DfT, HM Treasury and the Cabinet Office;

- ensuring that as part of the above compliance they are familiar with and act in accordance with:
 - any governing primary or secondary legislation;
 - this framework document; and
 - giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on the CAA's stewardship of public funds.

4.5 Without prejudice to the requirements of the UK's Corporate Governance Code or the statutory framework that relates to CAA governance, the Accountable Person, is personally responsible for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the CAA.

Responsibilities to DfT as sponsor

4.6 The CAA's responsibilities to the DfT as sponsor include:

- consulting with the DfT during the preparation of its strategy or comparable publications. The CAA shall discuss with the DfT the issues its strategy will cover and the timetable for its preparation;
- informing them of progress in achieving the strategic plans as appropriate and demonstrating how resources are being used to achieve those plans;
- ensuring that timely forecasts and monitoring information on performance and overall finance continue to be provided, and that any significant problems whether financial or otherwise (whether detected by internal audit or by other means) are reported in a timely fashion;
- providing information as needed for the DfT and Secretary of State to carry out their duties; and
- regularly informing and consulting the relevant policy teams of work undertaken by the CAA internationally, including ensuring the DfT are informed on work done, or likely to be done, by CAAi.

Responsibilities to the CAA Board

4.7 The Chief Executive is responsible for:

- advising the Board on the discharge of the CAA's responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;

- advising the Board on the CAA's performance compared with its aims and objectives as set out in the strategic plan; and
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed.

4.8 In addition, the CAA Chief Executive shall:

- ensure that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with directions issued by the Secretary of State;
- ensure that the CAA is governed in accordance with its own Governance Statement, which shall meet the requirements of the UK Corporate Governance Code and the Guidance on Board Effectiveness⁹;
- ensure that effective procedures for handling internal complaints (whistle blowing) about the CAA are established and made widely known within the CAA. These will include attendance by the CAA whistleblowing lead at the DfT nominated officer's forum;
- ensure an effective complaint handling and review procedure is made widely known to CAA stakeholders, is in place for citizens in line with the Parliamentary & Health Service Ombudsman's (PHSO) 'Principles of Good Administration';
- advise the DfT's Permanent Secretary (as PAO), or as delegated, of every investigation initiated by the PHSO following a complaint by a Member of Parliament on behalf of a citizen, including the outcome and whether the CAA has complied with the recommendations made by the PHSO in full, in part, or not at all. In addition, certain decisions made by the CAA may be subject to review by the Independent Review Panel details of which are available on the DfT website¹⁰; and
- have regular contact with senior DfT staff to update them on the CAA's developing thinking, activities, Board, Committee and Executive Committee matters as he deems appropriate.

⁹ [Board effectiveness reviews: principles and resources for arm's-length bodies and sponsoring departments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/Board-effectiveness-reviews-principles-and-resources-for-arm-s-length-bodies-and-sponsoring-departments-GOV.UK-2017-05-11.pdf)

¹⁰ <https://www.gov.uk/government/groups/independent-review-panel-cao-personnel-licensing-and-certification-decisions>

The CAA Board

Role of the Board

4.9 The role of the Board shall be to run the CAA, in accordance with its statutory requirements and the guidance in this document. Detailed responsibilities of the Board shall be set out in the Corporate Governance Statement and shall include the following:

- establish and take forward the aims and objectives of the CAA as set out in the CAA's strategy and accompanying objectives, subject to the DfT consultation and engagement and within the policy and resources framework determined by the DfT;
- develop, update and approve the multi-year strategic plan and the annual operating plan and budget;
- ensure the financial and human resources are in place for the CAA to meet its strategic objectives;
- ensure that the Board receives and reviews regular financial information concerning the management of the CAA is informed in a timely manner about any concerns about the activities of the CAA;
- review management performance;
- ensure that the sponsorship team is kept informed of any changes which are likely to impact on the strategic direction of the CAA or on the attainability of its strategic objectives, and determining the steps needed to deal with such changes;
- demonstrate high standards of corporate governance at all times, including by using the CAA Audit & Risk committee to help the Board to address key financial, fraud and other risks;
- ensure any statutory or administrative requirements including, robust financial controls for the use of public funds in line with MPM, as referenced in 1.3, are complied with;
- ensure the Board operates in accordance with any other conditions relating to the use of public funds, and that, in reaching decisions, the Board takes into account guidance issued by the DfT;
- if required, co-operate fully with the requests of all relevant Parliamentary committees for scrutiny, requests from the Parliamentary Commissioner for Administration and otherwise to assist the DfT to answer questions about the CAA; and

- determine all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the CAA of the strategic objectives.

4.10 The non-executive members of the CAA Board are responsible for appointing the Chief Executive, following approval by the Secretary of State. The non-executive members are responsible for setting the CEO's performance objectives and remuneration terms, following consultation with the DfT. The DfT will engage with the Chief Secretary to the Treasury where relevant thresholds are reached. Decisions will give due weight to the proper management and use and utilisation of public resources where applicable.

4.11 The General Counsel acts as Secretary to the Board.

The Chair's role and responsibilities

4.12 The Chair is accountable to the Secretary of State. Engagement between the CAA's Board and the DfT should, in the first instance, be through the Chair engaging with the DfT's Aviation Director or Director General.

4.13 The Chair should lead the Board in providing support and challenge to the CAA's Chief Executive and the executive team as set out in the Chair's priorities letter issued by ministers.

4.14 The Chair is responsible for ensuring the policies and actions of CAA enable it to perform its overall statutory functions effectively and efficiently and support the responsible minister's and where relevant other ministers' wider strategic policies, including as set out in direction and prioritisation letters, and that its affairs are conducted with probity.

4.15 The Chair has the following leadership responsibilities:

- formulate the Board's strategy;
- ensure that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the DfT;
- The CAA continues to put safety, security and the interests of consumers at the heart of its decision making;
- promote the efficient and effective use of staff and other resources;
- deliver high standards of regularity and propriety representing the views of the board to the general public;
- report annually on the performance of non-executive members and that of the Board, supported by feedback including peer review, to the Secretary of State directly or as delegated, and to share this with the sponsorship team; and

- lead on issues of conflicts of interest of Board members and ensure countering fraud, bribery and corruption is regularly discussed and risks managed.

4.16 The Chair also has an obligation to ensure the CAA Board's effectiveness, including to:

- ensure the Board has a balance of skills and diversity which is appropriate to directing the CAA's business and having regard to ministerial appointments;
- ensure the Chair, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- ensure that Board members are fully briefed on terms of appointment, duties, rights and responsibilities and the Chair assesses the performance of individual Board members regularly and when being considered for re-appointment;
- ensure the work of the Board and all its members are reviewed and are working effectively, including an annual assessment and evaluation of Board effectiveness that is formally written and shared with the sponsorship team with an externally facilitated review every third year;
- ensure that in conducting assessments the views of relevant stakeholders including employees and the DfT are sought and considered;
- ensure the DfT is advised as appropriate of the CAA's needs when Board vacancies arise. The Chair will discuss Board composition, external Board review and succession plans with the sponsorship team from time to time and agree any actions at least annually;
- ensure there is a Board Operating Framework (the published CAA Governance Statement) in place setting out the role and responsibilities of the Board consistent with the UK Corporate Governance Code¹¹; and
- ensure there is a code of practice for Board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies¹². This is contained within the CAA's Ethics Policy¹³.

4.17 The DfT shall retain responsibility for conducting the overall review of the Chair's performance. In conducting this review, the sponsorship team shall take into account appraisal of the Chair's performance as co-ordinated by the Senior Independent Director in accordance with the Governance Code on Public Appointments. The CAA Chair's objectives are developed between the CAA Chair and the Senior Independent Director/Deputy Chair. They should reflect the objectives in the annual

¹¹ UK Corporate Governance Code 2024

¹² <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

¹³ [CAP2318: Our ethics policy \(caa.co.uk\)](https://www.caa.co.uk/CAP2318-Our-ethics-policy)

Secretary of State prioritisation letter for the year where those are not also standing objectives.

4.18 The Chair is bound by the Code of Conduct for Board Members of Public Bodies¹⁴, which covers conduct in the role and includes the Nolan Principles of Public Life¹⁵.

Individual CAA Board members responsibilities

4.19 Individual Board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies, which covers conduct in the role and includes the Nolan Principles of Public Life as well as rules relating to the use of public funds and to conflicts of interest;
- demonstrate adherence to the 12 Principles of Governance for all Public Body non-executive members¹⁶ as appropriate and not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments contained within the CAA's Ethics Policy¹⁷;
- ensure in accordance with the UK Corporate Governance Code, additional external appointments by all Board directors should not be undertaken without prior approval of the Board. Furthermore, the DfT should be informed in advance;
- act in good faith and in the best interests of the CAA and in accordance with their statutory, common law and fiduciary duties as directors of the CAA; and
- ensure they are familiar with any applicable guidance on the role of public sector non-executive directors and boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider government.

4.20 Non-executive members will be expected to engage with stakeholders and the Chairs of the various panels that support the CAA. Detail on this engagement will be included in the Annual Report.

Composition of the CAA Board

4.21 The constitution of the CAA Board is set out in Section 2 of the Civil Aviation Act 1982. The Board should comprise not less than seven but not more than sixteen

¹⁴ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

¹⁵ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

¹⁶ <https://www.gov.uk/government/publications/public-bodies-non-executive-director-principles/12-principles-of-governance-for-all-public-body-neds>

¹⁷ [CAP2318: Our ethics policy \(caa.co.uk\)](https://www.caa.co.uk/CAP2318-Our-ethics-policy)

members, consisting of the Chair, other non-executive members, a Chief Executive, a Chief Financial Officer (or other suitably qualified Finance Director) and other executive members whose appointment is recommended by the People Committee and approved by the Board from time to time. There must be, so far as practicable, a greater number of non-executive members than executive members.

- 4.22 The Board composition and skills should reflect the needs of the Board as determined by the Chair, taking account of any recommendations from Board effectiveness or wider reviews.
- 4.23 The specific composition and skills of the Board will be reviewed and updated regularly to align with the role, functions and strategy of the CAA and to include recommendations from Independent Reviews of the CAA including recommendation 5.1 of the 2023 Review¹⁸. This may include, but not be limited, to: business, operational delivery, corporate services, communications and performance management, and including experience of consumer-facing business and in the delivery of significant process transformation programmes.
- 4.24 The Board shall have in attendance for specific items CAA officials and others as may be necessary to allow the Board to address agenda items fully and to take minutes of meetings. In addition, the Chair of the CAA's Consumer Panel shall attend a minimum of two Board meetings per year and be sighted on all Board agendas to enable them to indicate items that are likely to be particularly relevant to consumers. The Chair of the CAA's Sustainability Panel shall be invited to attend at least one Board meeting per year.
- 4.25 The DfT will have visibility of the CAA Board and its committees through involvement in the appointment of the non-executive members and Chair, objective and performance setting of the Chair, and periodic board effectiveness reviews. The DfT will receive appropriate CAA Board papers within five working days following the day of the board meeting. A DfT Senior Civil Service representative will attend relevant parts of two CAA Board meetings each year, one setting objectives and priorities at the start of the financial year and other taking stock and exchanging information at the midpoint of the financial year. The CAA Board and Committee Terms of Reference will be updated to reflect the observer role of the DfT
- 4.26 Under Section 66 of the Transport Act 2000, the Chief Executive, with the approval of the Chair and at least one other non-executive member, shall nominate an executive member of the CAA, to perform on the CAA's behalf specified air navigation functions. The Chief Executive must consult with the Secretary of State before making the nomination. Under Section 67 of that Act, the Secretary of State for Defence may nominate a non-executive member of the CAA for national security purposes.

CAA Board Committees

- 4.27 It is the responsibility of the Board to constitute such committees as necessary for it to fulfil its functions. In line with the UK Corporate Governance Code as a minimum

¹⁸ <https://www.gov.uk/government/publications/civil-aviation-authority-public-body-review-terms-of-reference>

the Board should have two committees: a People Committee covering remuneration and nomination; and an Audit Committee covering audit and risk.

- 4.28 The terms of each committee should set out its responsibilities and the authority delegated to it by the Board and are set out in the CAA's Corporate Governance Statement.
- 4.29 The CAA People Committee will assess performance against objectives for the Chair, Chief Executive and other executive members, and agree reward for the Chief Executive and other executive members in light of their performance against the objectives.
- 4.30 The CAA's Board should ensure that effective arrangements are in place to provide assurance on risk management (including fraud), governance and internal control. The Board must maintain an Audit & Risk Committee chaired by a non-executive member to provide independent advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 4.31 In addition, the CAA will provide People and Audit & Risk committee timetables, agendas prior to each meeting, and relevant papers and minutes following each meeting (except in the case where DfT are confirmed to attend, when papers will be provided in advance). The CAA will invite a Deputy Director level DfT official to attend relevant parts of People and Risk & Audit Committee meetings.

5. Management and financial responsibilities and controls

HM Treasury guidance

- 5.1 The activities, roles and responsibilities of the CAA as described in this document shall be compliant with MPM to the extent provided for in 1.4. Notwithstanding arrangements in respect of MPM, the CAA and DfT will comply with the rules set out in Consolidated Budgeting Guidance¹⁹ where agreed it is applicable to a public corporation and elsewhere to consider the controls framework and functional standards as good practice to be followed where appropriate. In accordance with MPM, the CAA and DfT will appropriately consult HM Treasury on the overall approach to the annual updates to the Scheme of Charges in line with the statutory process for the setting of CAA charges. This process will be conducted on a basis to be agreed between CAA, DfT and HM Treasury, with due regard to account for the timetables that the CAA are obligated to comply with and the CAA's discretion under the relevant statutory provisions.

Procurement

- 5.2 The CAA will produce and adhere to its own procurement and commercial policies which will take account of any policies or guidance issued by the Cabinet Office where appropriate.
- 5.3 Contractual delegation authority is the authority to sign, make or amend contractual commitments on behalf of the CAA up to the financial value/limits of the delegation. It is not the same as authority to financially commit the CAA to making payments from official budgets.
- 5.4 There must be a clear separation between the contractual commitment on behalf of the CAA and any associated financial commitment. This means that the same person cannot exercise both a financial and contractual delegation for the same requirement.

¹⁹ Consolidated budgeting guidance - GOV.UK (www.gov.uk)

- 5.5 Contractual delegation authority allows a holder to approve the proposed method of procurement, the issuing of tenders and the award of contracts up to the financial value of the delegation. Contractual Authority is always subject to the availability of funds and the necessary financial and business case approval controls as referred to elsewhere.
- 5.6 By way of this signed framework document, Contractual Authority is delegated to the CAA Executive Committee, who collectively have the authority to sub-delegate where there is a business need. The Chief Executive may sub-delegate Contractual Authority in writing to any named individual member of staff in accordance with the terms set out in 5.3 above.
- 5.7 Delegated authorities within the organisation must be clearly defined in a manual or equivalent instruction. Contractual Authority must be in line with the financial limits delegated on an annual basis and should not exceed this.

Delegated Authorities

- 5.8 The Board is responsible for establishing appropriate delegations with the executive directors.
- 5.9 The CAA shall obtain the DfT's and where appropriate HM Treasury's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations;
 - incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications; and is beyond the statutory framework and strategy of the CAA; or
 - making any change of policy or practice which has wider financial implications that might prove repercussive across the wider public sector, or which might significantly affect the future level of resources required.

Banking, loans and working capital

- 5.10 Any loan facilities put in place should be reviewed and approved by the Board and take into account guidance set out in MPM (5.8 Borrowing by Public Sector Organisations and 5.9 External Borrowing) where relevant. Any loan facility will be arranged between the CAA and the DfT and will be conducted on commercial arms-length terms for the purposes of providing working capital.
- 5.11 The CAA operates through such commercial banking arrangements as are approved by the Board and approved by the sponsorship team and the Treasury from time to time.

Charging and rate of return

- 5.12 Ordinarily the CAA does not have monies voted to it by Parliament. It must recover its operating costs, plus a rate of return specified by the Secretary of State, through statutory schemes of charges that it levies in respect of the regulatory services it provides.
- 5.13 The CAA will operate commercial market rate pricing consistent with Section 6.6 of MPM and taking account of the sector's ability to pay in accordance with company and competition law. To the extent that it is applicable, the CAA's charging will be in accordance with the Re-use of Public Sector Information Regulations 2015²⁰ (as amended or re-enacted). In arriving at charging decisions, the CAA shall have regard to what is being supported by grant and vice versa.
- 5.14 The CAA shall aim to declare the rate of return to the DfT and this will also be reported in the CAA's Annual Report and Accounts.

Risk management

- 5.15 The CAA shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance and that it maintains a risk management framework (which includes management of fraud, bribery and corruption), as well as policies on fraud, bribery and corruption, in accordance with the HM Treasury guidance Orange Book: Management of Risk: Principles and Concepts.
- 5.16 The CAA will have regard to the DfT's Risk Management Policy and Guidance. This will include working with the DfT's Governance Division Risk Team regarding proportionate implementation of the DfT's 'Delivery Body Risk Escalation Protocol' as referred to in the policy and the identification and mitigation of CAA's risks
- 5.17 A non-executive member will chair the Audit & Risk Committee and will meet annually with the Chair of the DfT's GARAC. The committee chair or any board member may raise concerns to the DfT at any time through ministers or senior officials.

Counter-fraud, Bribery and Corruption

- 5.18 The CAA should act in compliance with the procedures and considerations as set in in MPM Annex 4.9. It should take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract.
- 5.19 CAA should keep records of and prepare and forward to the sponsorship team an annual report on fraud and theft suffered by the CAA in whatever form it considers appropriate and notify the DfT sponsorship team of any unusual or major incidents as soon as possible.

²⁰ <https://www.legislation.gov.uk/uksi/2015/1415/contents/made>

Remuneration and Staff

Status of public corporation staff

5.20 The CAA's staff are not civil servants and therefore the annually updated Civil Service Pay Guidance²¹ does not apply.

Pay controls

5.21 Controls over remuneration and conditions apply as follows:

- the remuneration package of the CAA's Chief Executive and remuneration for any other roles that are ministerial appointments, require approval by the Chief Secretary to the Treasury (CST) assuming the remuneration threshold²² is reached. In addition, any remuneration package for any member of staff that is in excess of the Chief Executive's will require CST approval;
- the Chair and non-executive members are ministerial appointments and are therefore subject to the provisions set out in the guidance on the approval of senior pay²³ which came into force on 1 January 2018; and
- any other appointments are made by the CAA and are not ministerial appointments or appointments that are approved by a minister. They do not engage the senior pay controls and do not require CST approval, but the CAA People Committee must undertake an assessment of proposed pay in line with the principles and criteria set out in the guidance for approval of senior pay. This does not remove the right of the DfT from dismissing or appointing any board member pursuant to Schedule 1 Paragraph 5 of the Civil Aviation Act 1982.

Board responsibilities to staff

5.22 The CAA Board is responsible for all other staff matters, including the appointment and management of staff, determining staff numbers, determining terms and conditions of appointment in accordance with appropriate human resources documents, including the remuneration policy.

5.23 The CAA must have regard to wider public sector pay policy when setting a remuneration policy, as well as its needs to recruit and retain the necessary capabilities from industry and private sector commercial organisations to fulfil its statutory remit.

²¹ <https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-202122>

²² <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

²³ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

- 5.24 The People Committee should have oversight of all bonus and incentive schemes. The Board will delegate to the People Committee the responsibilities set out above.
- 5.25 The Chief Executive is responsible for ensuring the CAA conducts its operations in accordance with MPM.
- 5.26 It is the responsibility of the CAA to ensure it complies with the IR35 (self-employment) requirement.
- 5.27 Subject to further legislation coming into force²⁴, a cap of £95,000 on exit payments will be applicable.
- 5.28 The CAA can offer redundancy at a statutory level. Should an enhanced redundancy offer be desired, the DfT approval is required before making any offer. Confidentiality clauses may only be used as permitted in relevant public sector guidance²⁵.
- 5.29 Salary sacrifice schemes must be consistent with MPM guidance on tax planning.
- 5.30 The CAA should comply with government reporting requirements on senior pay transparency and exit and severance payments and the gender pay gap. The Annual Report should contain full details of the remuneration of board members, provide information in bands for Executive members of the board paid above the remuneration threshold, and report the numbers of other staff (without names) paid above the remuneration threshold. The CAA should also notify HM Treasury, via the sponsorship team of all bonus arrangements put in place that are above the remuneration threshold as soon as the decision is made and within no more than one month. The number of bonuses paid above the threshold should be made public in the Annual Report.
- 5.31 Other benefits are set out in the CAA's remuneration policy, which also covers legacy arrangements. The CAA should not offer any benefits or allowances to employees that would be considered novel, contentious or repercussive in accordance with HM Treasury guidance on MPM. Gifts are subject to the requirements of the Cabinet Office guidance on non-pay rewards.
- 5.32 Should CAA wish to hire staff outside of these conditions, prior approval must be obtained from the DfT through the DfT's sponsorship team, who will liaise with HM Treasury and Cabinet Office as necessary and must be in accordance with the Cabinet Office Guidance note: public sector pay and terms, HM Treasury MPM, and HM Treasury Guidance for approval of senior pay.
- 5.33 The CAA will put in place a Remuneration Policy (called the Reward Model) which sets out the structure for pay, remuneration and conditions of service (including

²⁴ Pursuant to further secondary legislation in relation to the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016.

²⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817156/Cabinet-Office-guidance-on-settlement-agreements-special-severance-payments-on-termination-of-employment-and-confidentiality-clauses.pdf

pensions) for all staff for periods of up to five years. This shall include its policy on redundancy and compensation for loss of office.

- 5.34 CAA staff shall normally be eligible for a pension provided by its own scheme. Staff may opt out of the occupational pension scheme provided by the CAA, but that employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be capped.
- 5.35 The CAA should consult the DfT and HM Treasury on any proposal to move from the existing pension arrangements, or changes to its policy on redundancy or compensation for loss of office.

Remuneration

- 5.36 The Executive Committee shall determine the overall remuneration policy and remuneration levels in accordance with the following criteria that they:
- are sufficient to attract and motivate high calibre individuals to drive the delivery of the activities and objectives of the CAA described in this document;
 - are structured to link remuneration of all employees to performance in line with our wider reward strategy and the objectives set out in it;
 - deliver value for money; and
 - take account of MPM and take account of remuneration levels within comparable public sector institutions and are set with wider public sector pay policy in mind as well as market conditions in those sectors from which the CAA needs to recruit.
- 5.37 In addition to the above, the CAA Board and People Committee are informed of changes to remuneration policy. In particular, the CAA Board and People Committee will set the reward and recognition for the CEO and Executive Directors and will guide on the reward for other Executive Committee members, who are not Executive Directors.
- 5.38 Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the sponsorship team, together with subsequent amendments, on request. Should the grading and/or remuneration strategy not be set out in the employee handbook, they should be provided separately and upon revision to the sponsorship team.
- 5.39 The CAA may operate a performance-related bonus scheme based on the CAA's and individual's performance approved by its People Committee.
- 5.40 The CAA shall set its own and monitor compliance against its own Business Travel Policy, the CAA must take account of public sector guidance, currently including business class travel restricted to exceptional cases including journeys of more than seven hours and in cases of:

- Temporary or permanent disability;
 - A temporary disability might include things such as a broken leg or arm, or any injury or other condition that affects mobility.
 - A permanent disability is as defined by the Equality Act 2010;
- Pregnancy related reasons.

5.41 The travel expenses of board members will be tied to the rates allowed to senior staff of the CAA. Reasonable actual costs, excluding alcohol, shall be reimbursed.

5.42 The CAA will provide the required information to the DfT to allow the publication of qualifying remuneration in the annual transparency data release 'senior officials high earners salaries'²⁶.

²⁶ <https://www.gov.uk/government/publications/senior-officials-high-earners-salaries>

6. Business plans, management information and audit

Strategic and business plans

- 6.1 The Strategy sets out its medium-term strategic aims and is available on the CAA's website.
- 6.2 The CAA Strategy shall set out the future direction and describe the CAA's strategic aims for the organisation. It shall include annual strategic objectives, that reflect the specific work the organisation plans to focus on that year.
- 6.3 The CAA budget and Business Plan will be developed and updated by the CAA Executive Committee to ensure priorities, aligned to the Strategy, for the CAA and each group are clearly set out and agreed. CAA Executive Committee members use this to manage delivery. This will be reviewed on an annual basis, as a minimum. Among other things, the internal business plan and budget shall include:
- Descriptions of how the annual strategic objectives are being fulfilled in the current period and for the future including clear descriptions of risks and opportunities.
 - Outcomes and measures (milestones or KPIs as appropriate) to allow the Board to track performance against the plan.
 - Financial information at a level of detail covering a three-year forecast period, including income statement, balance sheet, cashflow forecast and explanatory narrative regarding assumptions.

Grant-in-aid and any ring-fenced amounts

- 6.4 Any grant-in-aid provided by the DfT for the year in question will be voted in the DfT's Supply Estimate and be subject to Parliamentary control.
- 6.5 The grant-in-aid will be paid in monthly or quarterly instalments on the basis of written applications showing evidence of need. The CAA will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated

during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the public corporation. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant estimates provision, where grant-in-aid is delayed, to avoid excess cash balances at the year-end, the DfT will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

- 6.6 Grants made by the Secretary of State to the CAA under Sections 12 and 16 of the Civil Aviation Act 1982 will be provided at the discretion of the DfT for specific purposes or where required by statute. Amounts of grant and conditions shall be set by a Grants Panel from the CAA and the DfT in advance with an option for in-year grant bids to also be considered where the DfT's requirements and the CAA's activities change. DfT will issue the grant at agreed intervals, in advance or in arrears, as specified for each grant on the basis that the CAA would provide evidence that the grant was used for the purposes authorised by the DfT. The CAA shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year without written consent from the department. Any grants paid by the CAA to a third party will be in line with the Government Grant Functional Standards and Cabinet Office guidance.
- 6.7 The CAA shall provide the DfT, on a quarterly basis, information that enables the DfT department to satisfactorily understand:
- Achievement of objectives set out in the CAA's strategic plan and annual budget.
 - Its draw-down of grant-in-aid if any.
 - Forecast outturn by resource headings.
- 6.8 The CAA's own annual budget will take account both of approved DfT funding provision and any anticipated regulatory income and will include a budget of estimated payments and receipts together with a profile of expected expenditure and draw-down of any departmental funding and other income over the year.
- 6.9 In the event the DfT provides the CAA separate grants for specific purposes, it would issue the grant as and when the CAA needed it on the basis of a written request. The CAA would provide evidence that the grant was used for the purposes authorised by the DfT.

Annual Report and Accounts

- 6.10 The CAA's Board must publish an annual report of its activities, together with its audited accounts after the end of each financial year.
- 6.11 The Annual Report and Accounts must comply with the Companies Act 2006 and the content and timing of such accounts shall accord with best practice applicable to UK registered companies.

- 6.12 The CAA will share a draft of the report narrative with the DfT for review before it is signed off by the CAA Board providing adequate time for such review and not less than five working days. The final report should be submitted to DfT immediately upon receipt of auditor approval. The sponsorship team recognises that the finalised annual report is solely the responsibility of the CAA Board. Publication will be dependent on other government and CAA announcements but will be as soon as reasonably possible.
- 6.13 Information on performance against key financial targets is within the scope of the audit and should be included in the accounts. The report and accounts shall be laid by the Secretary of State before both Houses of Parliament and thereafter made available on the CAA's website. The accounts should be prepared in accordance with any specific accounts direction issued by the DfT.
- 6.14 The CAA is also required to report on its efficiency and its auditors will provide an assessment statement. The Secretary of State may issue directions to the CAA on the matters to be covered in the efficiency statement.
- 6.15 The assessment of how the CAA's regulatory activities contribute towards the growth of the aviation industry, and of the wider economy should be published alongside the Annual Report and Accounts as a separate document. This report should include how making decisions on regulatory matters with greater speed and with greater clarity helps to remove possible barriers to growth, and how the CAA has considered the economic effect and impact on growth of new and existing regulations.

Reporting performance to the Department for Transport

- 6.16 The CAA shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.
- 6.17 The CAA shall inform the sponsorship team of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver Ministers' policies, and the achievement of key objectives on a quarterly basis.
- 6.18 The CAA performance shall be formally reviewed by the DfT sponsor department twice a year currently through the CAA Sponsorship Board process. This will include monitoring the Efficiency and Reinvestment Plan recommended by the Independent Review of the CAA.
- 6.19 The CAA will facilitate the sponsor department in fulfilling its functions by providing relevant information on request including on, but not limited to, strategic plans, financial forecasts and budgets, financial performance, achievements against targets, capital expenditure and investment decisions, governance matters including Board appointments and remuneration and reports on key corporate risks.
- 6.20 Where the DfT sponsorship team receives information:

- In their capacity as the sponsor department, they shall be authorised to share this information within government.
- Other than in their capacity as the sponsor department and where that information is subject to a duty of confidentiality, they shall not be obliged to disclose the information to the CAA.

6.21 Meetings between the DfT and senior CAA representatives (including, but not limited to, the Chair and Chief Executive Officer) will be held on a regular basis as agreed between the DfT and the CAA to discuss governance, financial performance and other relevant matters. These meetings will be facilitated by the sponsorship team and will at a minimum include:

- A governance and oversight board, convening quarterly and chaired by the DfT Aviation Director.
- Regular meetings between senior CAA representatives and the Aviation Director.
- Regular meetings between senior CAA representatives and a relevant Minister.

7. Audit

- 7.1 The CAA accounts will be audited by independent auditors appointed by the Secretary of State pursuant to Section 15 of the Civil Aviation Act 1982 as amended by the Civil Aviation Act (Auditing and Accounts) Order 1984. The CAA will advise the DfT of audit arrangements for the ATTF and ASSI. The CAA will identify the independent auditors by completing a competitive tender process in accordance with the Procurement Act 2023. Upon completion of the tender process the CAA Chair will prepare an award report and request the Secretary of State's approval to proceed to award the contract to the preferred bidder. Once approval is received from the Secretary of State, the CAA will complete the contract award process in accordance with legislation and public procurement procedural requirements.
- 7.2 The CAA will continue to maintain management information and accounting systems that enable it to review its financial and non-financial performance against budgets and targets.
- 7.3 The DfT and the CAA shall provide, in conditions to any grants or contracts, for the Comptroller and Auditor General (C&AG) to exercise such access to documents held by grant recipients, contractors or sub-contractors as may be required for its audit and examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.
- 7.4 The CAA will maintain an internal audit function (with or without external professional support) who will report to the Audit & Risk Committee and will cover (among other things) matters relating to risk management and internal controls, including compliance with the terms of this document.
- 7.5 The DfT sponsorship team and its internal auditors have a right of access to all documents and information relating to the internal audit operations of the CAA where requests are justifiable, and as such these will be responded to via the established process with DfT.
- 7.6 The CAA shall assist the C&AG as necessary in the conduct of its statutory powers, including those concerned with the National Audit Office's (NAO) role as statutory auditor of the DfT group financial statements. Assistance required may include facilitating direct evidence review where, for example, it is not possible for the NAO to obtain appropriate evidence through the DfT or another auditor, for example due to timing factors or extraordinary events.

- 7.7 The CAA will arrange for audit of its accounts in accordance with the Companies Act 2006, subject to the approval of the sponsorship team.

8. Reviews and winding up arrangements

Review of public corporation's status

8.1 The CAA was reviewed as part of a wider Cabinet Office's Public Body Review programme, which concluded in 2023. The review considered the CAA's:

- relationship with the DfT and how the two organisations work together to deliver a quality service for the UK;
- efficiency and effectiveness in delivering its services currently, and for the future;
- role, form, function and delivery model;
- corporate governance and assurance mechanisms underpinning the organisation; and
- priorities match up to the government's wider objectives, taking into consideration its role as an independent regulator.

8.2 The next review will take place at a time determined by government, DfT ministers and the PAO. The review shall be based on the current principles set by Cabinet Office for independent reviews.

Arrangements in the event that the public corporation is wound up

8.3 The DfT shall put in place suitable and orderly arrangements in the event that a decision is made to wind up the CAA. In particular, it would need to ensure the assets and liabilities of the CAA are passed to any successor organisation and accounted for properly. In the event there is no successor organisation, the assets and liabilities should revert to the DfT which to this end, shall:

- act on the basis that any decision to wind up the CAA, or to transfer any of its functions to another body or to remove them would require primary legislation and the government of the day would consult the CAA and stakeholders on its

proposals, including transitional and successor arrangements, which would be subject to full parliamentary scrutiny;

- have regard to Cabinet Office guidance on winding up of arm's length bodies²⁷;
- ensure that procedures are in place in the CAA to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body; specify the basis for the valuation and accounting treatment of the CAA's assets and liabilities; and
- arrange for the most appropriate person to sign the closing accounts. In the event another entity takes on the role, responsibilities, assets and liabilities, the succeeding entity AO should sign the closing accounts. In the event the DfT inherits the role, responsibilities, assets and liabilities, the DfT's PAO should sign.

8.4 The CAA shall provide the DfT with full details of all agreements where the CAA or its successors have a right to share in the financial gains of developers. It should also pass to the DfT details of any other forms of claw-back due to the CAA.

²⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690952/Public_Bodies_-_a_guide_for_departments_-_chapter_10.pdf

Annex A: Guidance

The CAA shall comply with the following guidance, documents and instructions where appropriate and agreed. Elsewhere, the CAA should consider the guidance as good practice to be followed as appropriate (for example, with regard to those elements written primarily for central government Departments):

Corporate governance

- This framework document.
- UK Corporate Governance Code: [UK Corporate Governance Code | Financial Reporting Council \(frc.org.uk\)](https://www.frc.org.uk/uk-corporate-governance-code)
- Code of conduct for Board members of Public Bodies: <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>
- Code of practice for partnerships between Departments and Arm's Length Bodies: <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice#:~:text=This%20code%20of%20good%20practice,partnership%20approach%20to%20shaping%20relationships>
- The Guidance on Board Effectiveness - [Board effectiveness reviews: principles and resources for arm's-length bodies and sponsoring departments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/board-effectiveness-reviews-principles-and-resources-for-arm-s-length-bodies-and-sponsoring-departments)

Financial management and reporting

- Consolidated Budgeting Guidance - <https://www.gov.uk/government/collections/consolidated-budgeting-guidance>
- Managing Public Money (MPM): <https://www.gov.uk/government/publications/managing-public-money>
- Relevant Dear Accounting Officer (DAO) letters: www.gov.uk/government/collections/dao-letters

- Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts: <https://www.gov.uk/government/collections/whole-of-government-accounts>

Management of risk

- Management of risk: <https://www.gov.uk/government/publications/orange-book>
- Public Sector Internal Audit Standards: www.gov.uk/government/publications/public-sector-internal-audit-standards
- The Government cyber-security strategy and cyber security guidance: <https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022> and <https://www.gov.uk/government/collections/cyber-security-guidance-for-business>

Commercial management

- Transparency in supply chains - a practical guide: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040283/Transparency in Supply Chains A Practical Guide 2017_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040283/Transparency_in_Supply_Chains_A_Practical_Guide_2017_final.pdf)

Public appointments

The following are relevant where public bodies participate in public appointments processes.

- Guidance from the Commissioner for Public Appointments: <https://publicappointmentscommissioner.independent.gov.uk/>
- Governance Code on Public Appointments: www.gov.uk/government/publications/governance-code-for-public-appointments
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees: <https://www.gov.uk/government/publications/procurement-policy-note-0815-tax-arrangements-of-appointees>

Staff and remuneration

- HM Treasury guidance on senior pay and reward: www.gov.uk/government/publications/senior-civil-service-pay-and-reward
- Civil Service pay guidance (updated annually): www.gov.uk/government/collections/civil-service-pay-guidance
- Public sector pay and terms: <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

- Whistleblowing Guidance and Code of Practice:
<https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>
- The Equalities Act 2010: www.gov.uk/guidance/equality-act-2010-guidance

General

- Freedom of Information Act guidance and instructions:
www.legislation.gov.uk/ukpga/2000/36/contents and <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration: <https://www.ombudsman.org.uk/about-us/our-principles>
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury) as agreed on a case by case basis.
- Recommendations made by the Public Accounts Committee, or by any other Parliamentary authority, that have been accepted by the Government and the CAA and are relevant to the CAA.
- Guidance from the Public Bodies team in Cabinet Office:
www.gov.uk/government/publications/public-bodies-information-and-guidance
- The Civil Service diversity and inclusion strategy (outlines the ambition, to which Arm's Length Bodies can contribute):
<https://www.gov.uk/government/publications/civil-service-diversity-and-inclusion-strategy-2022-to-2025>
- The Government Digital Service:
www.gov.uk/government/organisations/government-digital-service
- The Government Fraud, Error, Debt and Grant Efficiency function;
www.gov.uk/government/collections/fraud-error-debt-and-grants-function and
www.gov.uk/government/publications/grants-standards
- Code of Practice for Official Statistics:
<https://code.statisticsauthority.gov.uk/#:~:text=The%20Code%20of%20Practice%20for%20Statistics%20sets%20the,produced%20by%20people%20and%20organisations%20that%20are%20trustworthy>

Annex B: Managing Public Money

The below table describes the CAA's level of compliance with Managing Public Money at the time of publication of this document, in accordance with paragraph 1.4 of this framework document.

Chapter	Level of Compliance	Explanation
1: Responsibilities	Complies	
2: Use of Public Funds	Complies	<p>The CAA is a statutory public corporation, established by Parliament in 1972 as an independent aviation regulator. Its costs are predominantly met from charges to those who it provides a service to or regulates. Much of this section references central government Departments who received funds Voted by Parliament and as such doesn't apply to the CAA, including where the section relates to the estimates process which the CAA is not directly involved in.</p> <p>The statutory framework within which the CAA operates empowers the CAA to collect revenues directly from those it regulates and set its charges. This accounts for the majority of CAA's revenues. Any taxpayer funds the CAA receives from the Government (Grant Funding) is Voted on through the estimates process via the Department for Transport and the DfT sets clear rules and KPIs for how the CAA is to spend that money.</p> <p>Where applicable to the CAA, therefore, the CAA is compliant with this chapter, with the exception of the point below where steps will be taken to be compliant.</p>

		<p>Move towards increased compliance: Currently, the Department does not provide formal delegation letters to the CAA, because it does not have monies voted to it directly by Parliament. We will look to amend this in relation to any taxpayer funds provided by the DfT. The Scheme of Charges (Chapter 6) are not subject to the same delegations process.</p> <p>As a result, taxpayer funding provided to the CAA from DfT will have the appropriate HM Treasury approvals (per the regular process of the Department engaging with HM Treasury’s Estimate process for its budgeting), and subsequent delegations. As per Chapter 6 of MPM, HM Treasury will have a role in relation the CAA’s Scheme of Charges.</p> <p>This, combined with the oversight of the Departmental grant funding, will allow HM Treasury (and through this, Parliament) to discharge its responsibilities with respect to taxpayer funds.</p>
<p>3: Accounting Officers</p>	<p>Complies in spirit</p>	<p>The CAA does not currently have a formally appointed Accounting Officer, and the Permanent Secretary of DfT acts as the PAO. This is in part due to the CAA’s status as a public corporation and also because most of its funding is not voted to it directly by Parliament.</p> <p>Additional steps being taken; However, the CEO of the CAA in effect holds equivalent responsibilities and the Department will be looking to formalise this role as part of the Accountable Person process described in the document (A7.3.14).</p>
<p>4: Governance and Management</p>	<p>Complies with minor exceptions</p>	<p>The CAA is in compliance with the majority of this chapter, with the exception of three areas detailed below.</p> <p>Annex 4.4: Firstly, the CAA uses private insurance which covers its varied portfolio of risk as a safety regulator. The CAA’s statutory framework explicitly states that the CAA is not part of the Crown, so does not currently have access to Crown Indemnity Insurance, and it is unlikely that such insurance would cover the precise needs of the CAA such as compensating third parties in the event of regulatory shortcoming. Given the scope of Crown insurance is narrower than the current private insurance, and there are questions about the CAA’s ability to</p>

		<p>access it as a public corporation, the CAA will be retaining its private insurance policies going forward.</p> <p>Move towards compliance: The CAA has not historically notified Parliament of non-standard financial transactions (and similar areas), however it does comply with all other aspects of this section. The CAA will undertake to notify the DfT of significant non-standard financial transactions, and the DfT can notify Parliament if considered appropriate. The CAA and DfT will agree a process for this notification, including appropriate thresholds, to ensure this is met in the rare instances where the CAA is required to make non-standard financial transactions.</p> <p>Move towards greater compliance: Annexes related to this section require bodies to consult with or notify HM Treasury before a number of actions are taken. The CAA has not historically notified HM Treasury of this, but regularly notifies DfT as the sponsor Department. A separate process will be agreed between CAA, DfT and HM Treasury on how the CAA consults HM Treasury on its annual Scheme of Charges.</p>
<p>5: Funding</p>	<p>Complies with minor exceptions</p>	<p>The CAA complies this section with three minor exceptions/clarifications.</p> <p>Annex 5.6: The CAA is not part of the Government Banking Service (GBS) and instead uses commercial banks. The CAA is keen to understand what a shift to GBS would entail and how it may impact on the CAA's cash management strategy. At the next point the CAA tenders for its banking partner, it will explore the GBS further to understand whether it would offer net benefits to its regulated customers.</p> <p>Chapter 5.1.1: Consistent with its governing statute, the CAA sets its own budget and does consult those who pay its statutory charges on its financial position via a long-established Finance and Services Forum and reports back to Parliament on how funds are spent via production of Annual Report and Accounts as well as frequent sponsorship engagement with DfT. All taxpayer funding provided to the CAA by the DfT is approved via the estimates process at a departmental level and the CAA will engage with HM Treasury at the point of setting charges</p>

		<p>annually. The CAA will therefore not request HM Treasury approval of its organisational budget.</p> <p>Clarification re Chapter 5 and Annex 7.3.15: The CAA complies with Consolidated Budget Guidance so far as it applies to its taxpayer funding from DfT. Whilst the CAA currently complies with HM Treasury’s Consolidated Budgeting Guidance on setting a target rate of return on its statutory charges, this measure is under review with a view to improving both the transparency of the measure and the CAA’s financial performance to customers and the sustainability of the CAA’s financial position. This is with particular consideration to investment in services and IT systems to improve services to its regulated customers. This improvement programme is described in section 4.3 of the July 2023 Government Review of the CAA recommendations, and to support innovation in the aviation sector, aiding the CAA’s growth-duty</p>
<p>6: Fees, Charges and Levies</p>	<p>Complies</p>	<p>The CAA will be compliant with this section from the time of the framework document’s implementation, which will be a phased introduction noting the reliance on the Funding Structure Reform Programme. Note also the interlinkages between this and Chapter 2.</p> <p>Chapter 6.11.3: It is agreed between CAA, DfT and HM Treasury that the FRoM (6.11.3) as it does not apply to CAA.</p> <p>Chapter 6.7: The CAA applies the user pays principle in setting its statutory Scheme of Charges (of which there are currently around 1300 in total), noting that there are many different user groups within the aviation and aerospace sector, often holding multiple approvals and licences and historically these charges have included an element of ability to pay, so larger corporates tend to make a bigger relative contribution than small businesses or individuals. This approach, which includes cross-subsidies, will be reviewed through the CAA’s Funding Structure Reform (FSR) programme, where the principle will be consulted on publicly and a policy position will be formed about its ongoing appropriateness or otherwise to consider suitability going forward. HM Treasury will be engaged appropriately through the FSR programme. The CAA is not proposing making any changes to its Scheme of Charges on these points outside the</p>

		<p>FSR programme, and outside the charging commitment to CPIH-1% it made through the Government’s Review of the CAA in 2023.</p> <p>Clarification re Chapter 6.9 on levies: the statute governing the CAA requires it to consult those who pay its statutory charges and the Secretary of State on its proposed charges to its Charging Schemes, but not Parliament. Rather, they are regarded as administrative schemes made under the provisions of Section 11 of the Civil Aviation Act and Section 69 Space Industry Act. This extends to activities where CAA is carrying out a specific function, such as pilot licensing, as well as the policy work to support those schemes and wider CAA activities that contribute to regulatory activities.</p>
7: Working With Others	Complies	