GENERAL LIGHTHOUSE FUND

Annual Report and Accounts for the Year Ended 31 March 2014

HC 653

Department for Transport

GENERAL
LIGHTHOUSE FUND

Report and Accounts for the year ended 31 March 2014

Presented to Parliament pursuant to
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Introduction to the Report and Accounts

The report and accounts of the General Lighthouse Fund (GLF) are prepared pursuant to Section 211(5) of the Merchant Shipping Act 1995.

Accounting for the Fund

These accounts have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the GLF for the purpose of giving a true and fair view has been selected. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The Fund's accounts consolidate the General Lighthouse Authorities' (GLAs) accounts; the accounts maintained by the Department for Transport (DfT) and the light dues collection accounts maintained by Trinity House.

The accounts of the GLAs have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport 27 February 2013.

Statutory Background

Section 195 of the Merchant Shipping Act 1995, and Section 634 of the Merchant Shipping Act 1894 in respect of the Republic of Ireland, state that: Responsibility for the provision and management of lighthouses, buoys and beacons on the coasts and seas around the British Isles is vested in the three GLAs:

- Trinity House in its capacity as a lighthouse service (TH)
- Commissioners of Northern Lighthouses (known as Northern Lighthouse Board) (NLB)
- Commissioners of Irish Lights (CIL)

Code of Practice for Board Members

The GLAs have adopted codes of best practice for Commissioners and Board Members, which are based on the Model Code of Best Practice for Public Bodies issued by HM Treasury. The Code is underpinned by the Seven Principles of Public Life set out by the Committee of Standards in Public Life.

Key Achievements & Events during the Year

- The continuous maintenance of Aid to Navigation (AtoN) availability above the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) standards (see p4).

- Transfer of the GLA pension liabilities to the Principal Civil Service Pension Scheme (PCSPS) on 1 April 2014.

- GLA Running costs reduced ahead of ministerial target.

- Generated income of £6.1m (£5.7m in 2012/13) from commercial activities.

- Secured EU funding for a pan-European project lead by the GLAs to provide an e-Navigation test bed in the North Sea region.

- Continued development of the GLA Joint Strategic Board for good administrative purpose.

- Royal Assent of the Marine Navigation Act 2013.

- Disposals of surplus non-operational assets to generate receipts of £1.3m.

- Liquidation of invested surplus funds to realise market gains of £20.2m.

Strategic Report

Nature, Objectives and Strategy of the General Lighthouse Fund

The General Lighthouse Fund was created by statute in 1898 to provide funding for the three GLAs. The GLAs predate the establishment of the Fund by over 350 years. Trinity House can trace its origins back to 1514, the Northern Lighthouse Board and the Commissioners of Irish Lights can trace their origins to statutes passed in 1786.

Prior to 1836, AtoNs were provided by a mixture of the GLAs and private operators each levying a charge on passing ships. Private operators generally purchased the right from the Treasury or the Crown to provide AtoNs and to levy a charge. In 1836 Parliament decided that the GLAs should have compulsory powers to buy out private lighthouses. The current funding arrangements were established by the Merchant Shipping (Mercantile Marine Fund) Act of 1898, which separated the funding for AtoNs from other marine items. It also passed responsibility to the Fund for a number of colonial lighthouses, which had previously been funded by Treasury grants. As former colonies achieved independence these responsibilities have been passed on, leaving a small residual responsibility for Europa Point Lighthouse in Gibraltar and the Sombrero Light off Anguilla.

In recent years progress towards modernisation of the GLAs has been rapid. All lighthouses were automated by 1998 with controls centralised at each GLA headquarters. Floating AtoNs have been solarised. A Differential Global Positioning System to enhance the US Global Positioning System has been provided since 1998 permitting the GLAs to close the expensive Decca Navigation System in 2000 and in the coming years e-Navigation will play an ever increasing role as an aid to navigation (see page 6). The GLAs have focused on reducing costs with major investments in both depots and ships. Today the GLAs are multi-skilled organisations providing a highly technical and specialised professional service. The primary aim of the GLAs is:

To deliver a reliable, efficient and cost effective
'AIDS TO NAVIGATION SERVICE'
for the benefit and safety of all mariners

The GLAs future vision of Marine Aids to Navigation is contained in the document '2025 and beyond' which was launched by, the Shipping Minister in a ceremony at Trinity House on 18 July 2011. This stated that the GLAs Marine Aids to Navigation Strategy to 2025 is: to continue to provide an appropriate mix of AtoN for general navigation; to continue to provide a timely and effective response to wreck and AtoN failures; to continue to undertake superintendence and management of all aids to navigation in accordance with international standards, recommendations and guidelines; to introduce e-Navigation AtoN components and services in the UK and Ireland; to work with users, partners and stakeholders nationally and internationally, to promote the safety of marine navigation based on harmonized international standards, recommendations and guidelines; to embrace relevant technologies as they evolve; and to improve reliability, efficiency and cost-effectiveness of the GLAs service while ensuring the safety of navigation.

Future Goals

To continue to drive efficiencies in the provision of marine aids to navigation where it is safe, proportionate and appropriate to do so, in part from taking forward those recommendations in the Atkins assessment that provide benefit to the industry, leisure users and the GLAs themselves.

To deliver the strategy contained in '2020 The Vision' and its successor '2025 and Beyond', the three GLAs will continue to co-operate with each other, consult with all users and continuously review all their AtoNs. Furthermore the GLAs will search for new cost effective technology that can deliver an ever more efficient service to ensure that the AtoN requirements of the next 15 years are met.

Give effect to the understanding reached between UK and Irish Ministers that Aids to Navigation in the Republic of Ireland will be funded from Irish sources from 2015/16.

To maintain stability for the payers of Light Dues minimising the cost to industry.

Key Performance Indicators

Aids to Navigation (AtoN) Availability

Availability of AtoN is the prime factor in any measurement to demonstrate compliance with the GLAs statutory responsibilities. The standards against which the GLAs measure themselves are those recommended as the minima by IALA. The figures shown below reproduced in accordance with those standards, show three year rolling averages under the various categories of aids and against the minimum availability required for each category. It can be seen that the GLAs service has exceeded those minima in all years covered by the review.

Definition, calculation and targets

The method of measurement and the recognised availability standards are set for each category by the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA). They are published in the IALA Aids to Navigation Guide (NAVGUIDE – Edition March 2010). Availability is measured by dividing total time (i.e. the sum of the total number of hours in a year multiplied by the number of Aids to Navigation in each category) into the difference between total time and the number of hours that the Aids were not available to the mariner. This calculation is then expressed as a percentage. Each of the physical Aids to Navigation operated is allocated a category and each category has an availability target:

Category 1 Availability Target 99.8%

An Aid to Navigation that is considered to be of primary navigational significance. It includes the lighted aids to navigation and Racons that are considered essential for marking landfalls and primary routes.

Category 2 Availability Target 99.0%

An Aid to Navigation that is considered to be of navigational significance. It includes lighted aids to navigation and Racons that mark secondary routes and those used to supplement the marking of primary routes.

Category 3 Availability Target 97.0%

An Aid to Navigation that is considered to be of less navigational significance than Category 1 and 2.

Source of data

The performance data is provided from software situated in each GLA monitoring centre.

Performance

See page 4.

Changes to data or calculation

There have been no changes to the data or method of calculation.

General Lighthouse Authorities Aids to Navigation Availability – Three Year Rolling Averages

Trinity House

Aton Type	Cat.	IALA Min	2009/10 Act	2009/10 Diff	2010/11 Act	2010/11 Diff	2011/12 Act	2011/12 Diff	2012/13 Act	2012/13 Diff	2013/14 Act	2013/14 Diff
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
Racons	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
Lights	2	99.0%	99.9%	0.9%	100.0%	1.0%	100.0%	1.0%	100.0%	1.0%	100.0%	1.0%
Fog Signals	3	97.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.8%	2.8%	99.7%	2.7%
Lights	3	97.0%	99.8%	2.8%	99.8%	2.8%	99.9%	2.9%	99.9%	2.9%	99.8%	2.8%

Northern Lighthouse Board

Aton Type	Cat.	IALA Min	2009/10 Act	2009/10 Diff	2010/11 Act	2010/11 Diff	2011/12 Act	2011/12 Diff	2012/13 Act	2012/13 Diff	2013/14 Act	2013/14 Diff
Buoys	1	99.8%	99.9%	0.1%	99.9%	0.1%	100.0%	0.2%	99.9%	0.1%	99.9%	0.1%
Lights	1	99.8%	99.8%	0.0%	99.8%	0.0%	99.8%	0.0%	99.8%	0.0%	99.8%	0.0%
Racons	1	99.8%	99.9%	0.1%	99.8%	0.0%	99.8%	0.0%	99.8%	0.0%	99.9%	0.1%
Buoys	2	99.0%	99.9%	0.9%	100.0%	1.0%	100.0%	1.0%	100.0%	1.0%	99.9%	0.9%
Lights	2	99.0%	99.8%	0.8%	99.9%	0.9%	99.8%	0.8%	99.8%	0.8%	99.8%	0.8%
Buoys	3	97.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	100.0%	3.0%	100.0%	3.0%
Beacons	3	97.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%

Commissioners of Irish Lights

Aton Type	Cat.	IALA Min	2009/10 Act	2009/10 Diff	2010/11 Act	2010/11 Diff	2011/12 Act	2011/12 Diff	2012/13 Act	2012/13 Diff	2013/14 Act	2013/14 Diff
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
Racons	1	99.8%	99.9%	0.1%	100.0%	0.2%	99.9%	0.1%	99.9%	0.1%	99.8%	0.0%
Lights	2	99.0%	99.8%	0.8%	99.8%	0.8%	99.9%	0.9%	99.9%	0.9%	99.9%	0.9%
Fog Signals	3	97.0%	99.8%	2.8%	99.7%	2.7%						
Lights	3	97.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.8%	2.8%

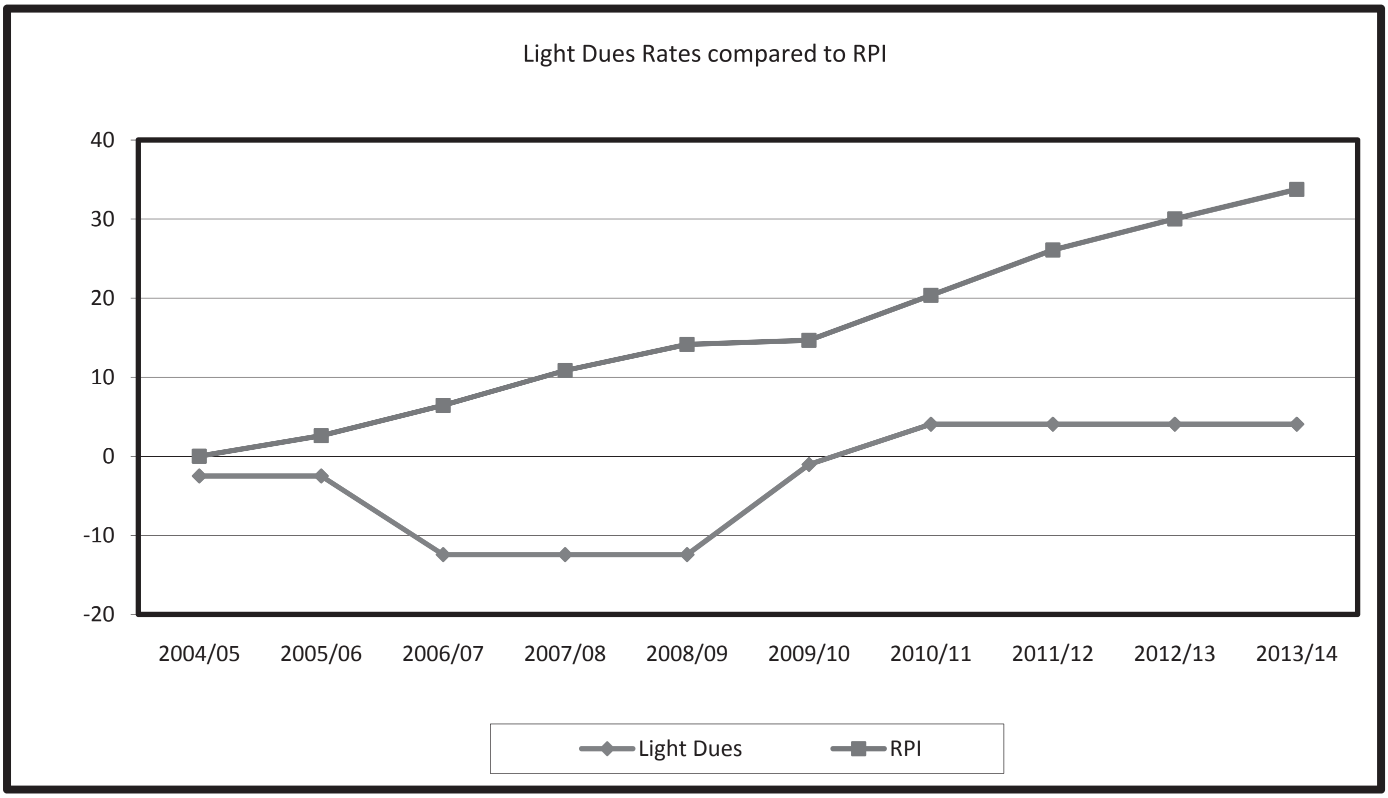
CIL's remaining fog signals were discontinued in January 2011; hence the table contains no data for 2011/12 onwards.

Current and Future Developments

Light Dues

The income to the GLF comes mostly from light dues, which are charged on commercial shipping calling at United Kingdom and Republic of Ireland ports. The Secretary of State for Transport has a duty to ensure the effective management of the GLF and enable the adequate provision of AtoNs at the minimum cost.

The Government remains committed to the present system of recovering the GLAs' costs through light dues. The Government and GLAs have worked together to minimise its costs and the real term levels of light dues. The level of light dues per tonne has fallen from its historic peak of 43p in 1993 to 41p today and is some 33.7% lower in real terms than they were 10 years ago. A further reduction in Light Dues has been made for 2014/15 reducing the rate from 41p to 40p.



Research and Development

Without fundamental change, given the increasing complexity of navigating around the British Isles and other areas of the world, the risk of collisions and groundings will undoubtedly increase. The IMO's response is the adoption of e-Navigation which is defined as 'The harmonized collection, integration, exchange, presentation and analysis of maritime information on-board and ashore by electronic means to enhance berth to berth navigation and related services, form safety and security at sea and protection of the marine environment'.

The concept is that all charting, communications and navigation information will be integrated into a coherent presentation on the bridge. There will be a common data-link ship-to-ship and ship-to-shore giving a clear and up-to-the-minute presentation of vessel traffic disposition. The benefits of e-Navigation in the high-risk areas off the coasts of the UK and Ireland are clear.

E-Navigation will bring a fundamental change to the concept of operations used for maritime navigation. GPS is currently the undoubted primary navigation system which has recently been joined by GLONASS. These systems will be joined, in the future, by other satellite systems such as Compass and Galileo. Due to the vulnerabilities of the signal, the IMO accept the need for a backup to GNSS but there is no agreement at this stage on what that back up should be. Until the backup is defined there is a clear single point of failure, as e-Navigation would rely almost exclusively on satellite navigation systems for its positioning, navigation and timing inputs.

In the e-Navigation environment the sudden reversion to traditional visual and radar navigation methods in congested and confined waters is a genuine concern.

This is why the GLAs continue to research an independent, dissimilar terrestrial position, navigation and timing (PNT) backup: enhanced Loran (eLoran). The GLAs continue to participate in a pan-European Loran network on a trial basis because eLoran or a derivative provides a reliable, accurate, secure and low cost alternative to GNSS derived (PNT) for multi modal uses and applications. eLoran, or an equivalent terrestrial backup to GNSS, is a key building block of e-Navigation.

Most of the GLA work to develop e-Navigation is carried out by the Research and Radio Navigation (R&RNAV) department based at the Trinity House depot in Harwich. This department successfully led a bid to obtain European funding for a pan-European project called ACCSEAS that will provide an e-Navigation test-bed in the North Sea. It has continued to lead the international development of eLoran and virtual AtoNs.

Marine Navigation Act 2013

The Marine Navigation Act passed into law in April 2013. The Act introduces new powers and duties to improve the ability of harbour and lighthouse authorities to discharge their responsibilities for safety management in UK waters. This includes measures to confirm the powers of the GLAs to work outside the 12 nautical mile territorial limit and to mark wrecks electronically, and to improve their ability to tender for commercial work where this can allow the utilisation of surplus capacity.

Resources

People

There is a comprehensive training plan throughout the GLAs that aims to give staff the skills and knowledge required to perform efficiently. Staff are encouraged to develop through performance and development systems, whereby personal development plans are produced on an annual basis for every member of staff. In addition, skill gaps are identified through careful strategic analysis and organisation wide development initiatives introduced as a result.

TH currently hosts three inter GLAs functions: Research and Radio Navigation (discussed on Page 6); the collection of light dues in the UK, and out-of-hours AtoN monitoring. Light dues collection is achieved using an internet based collection system, operated by Institute of Chartered Shipbrokers light dues collectors in each port. Other arrangements exist in the Republic of Ireland and the Isle of Man for the collection of light dues.

Sickness Absence

Sickness absence in the three GLAs during the year was:

	2013/14	**2012/13**
Trinity House		
Total number of days sickness	2,987	2,141
Average number of days lost per employee	9.9	6.9
Commissioner of Irish Lights		
Total number of days sickness	1,241	1,066
Average number of days lost per employee	10.4	8.1
Northern Lighthouse Board		
Total number of days sickness	1,302	1,642
Average number of days lost per employee	7.5	8.9

Average number of days lost per employee is based on total number employed of 596 (626 12/13) which excludes lighthouse attendants & casual staff.

Sickness figures for 2013/14 are higher than prior year at Trinity House and the Commissioners of Irish Lights due to increased long term sickness in a small number of employees. Short term sickness has remained comparable to prior years.

Diversity information

Number of persons of each sex who were employees by the GLF as at 31 March 2014 was:
(Number of whole time equivalents on 31 March 2014)

	Female	Male
Director	5	20
Manager	4	27
Employee	123	477
Total	**132**	**524**

Environment

The GLAs seek to develop their environment management policies in a manner fully consistent with Government initiatives and public opinion. Thus, measures to protect the environment and ensure sustainable development figure strongly in the GLAs' consideration of modernisation, improvement and the use of appropriate future technologies at all of their establishments and facilities.

The GLAs are seen as leaders in the use of renewable energy sources for navigational aids, principally through the installation of solar-electric power systems occasionally supplemented by wind power. This has reduced considerably their dependence on carbon based energy.

The GLAs are continually reviewing all issues affecting environmental considerations which take account of the sensitive coastline in which they operate and the occasionally hazardous nature of some of the operations they have to undertake.

Disabled Employees

The policy of the GLAs towards the employment of disabled people is that a disability is no bar to recruitment or advancement. The nature of the duties at lighthouses imposes some limitations on the employment of disabled staff. When dealing with employee absence, compliance with the Disability Discrimination Act is ensured by always seeking advice through Occupational Health Services utilised by the GLAs.

Equal Opportunities

The GLAs are equal opportunity employers and at every stage of recruitment, staff transfer and promotion, carefully ensure that the selection processes used in no way give any preference on the basis of gender, age, race, disability, sexual orientation or religion.

Employee Involvement

The GLAs are committed to effective communications which they maintain through formal and informal briefings, internal magazines, newsletters and electronic media, including their own Intranet services. Consultation with employees is effected using a long-established but continually developing mechanism including joint committees covering all staff. Employees are informed of matters of concern to them; they are consulted frequently and regularly so that account may be taken of their interests.

Relationships

Department for Transport

The General Lighthouse Fund is administered by the DfT, who sponsor the three General Lighthouse Authorities. The relationship between the GLAs and the DfT is set out in a Framework Document (Incorporating Financial Memorandum and Management Statement) which was updated in the summer of 2013.

Department of Transport, Tourism and Sport (Republic of Ireland)

Relationships with the Irish Department of Transport, Tourism and Sport (DTTAS) are managed through formal and informal meetings. There are a number of committees such as the Maritime Safety Committee which are used as the forum to share knowledge and to discuss policy issues in relation to maritime safety. DTTAS are also responsible for approval and payment of the Irish Government Supplement on an annual basis.

Joint Strategic Board

The Joint Strategic Board was established in 2010 as a recommendation of the Assessment of the Provision of Marine Aids to Navigation around the United Kingdom and Ireland (the "Atkins Review"). The Board, consisting of representatives from all three General Lighthouse Authorities, is now delivering on its main purpose to foster tri-GLA cooperation and coordination and to realise the resulting savings. The centralisation of out-of-hours monitoring onto Harwich has been a marked success and all three GLAs are exceeding their RPI-X targets. The JSB has introduced a strategic "Road Map" to track the final recommendations of the Atkins Review and to drive further, post Atkins, savings activities and coordination.

Lights Advisory Committee

The Lights Advisory Committee acts as an advisor to the Secretary of State on light dues matters. It is convened by the UK Chamber of Shipping, and comprises representatives of payers of light dues. It includes ship-owners from all parts of the British Isles and most sectors of the shipping industry, plus representatives of the fishing industry. Port operators and cargo interests who are affected by light dues are also represented.

User Consultation

The Joint User Consultative Group (JUCG) was formed in 1988 comprising representatives of the GLF, the three GLAs and the users of their services to enable a mutual exchange of information on major policy matters of concern within the field of AtoNs. The JUCG assists in advising the Secretary of State for Transport on the changing requirements for marine AtoN.

Investment Managers
The General Lighthouse Fund withdrew from investments during 2013/14. The GLF holds cash accounts with the Government Banking Service via Citi bank and HSBC Investments Limited provides a Money Market Fund.

Scottish Government
The work of the NLB is a reserved matter under Section 30 of, and Schedule 5 to, the Scotland Act 1998. However, the NLB maintains a close relationship with the Scottish Government, as does the DfT under the terms of a concordat. Responsibility for matters relating to Section 34 of the Coast Protection Act 1949 has been devolved to the Scottish Government and the NLB are consulted and advise the Scottish Government on these applications.

Isle of Man Government
The work of the NLB also covers the Isle of Man and as a result NLB has a relationship on AtoN matters with the Department of Transport of the Isle of Man Government.

Revenue Commissioners (Republic of Ireland)
Light dues in the Republic of Ireland are collected by the Revenue Commissioners, and transferred to the General Lighthouse Fund on a monthly basis. The Revenue Commissioners are paid a fee for this service.

Financial Position

Source of Finance
The GLAs are financed by advances made by the DfT from the Fund whose principal income is from light dues levied on shipping using ports in the United Kingdom and the Republic of Ireland. The Fund receives additional income from the Republic of Ireland Exchequer following an agreement entered into in 1985 and from sundry receipts generated by the GLAs from buoy and property rental, workshop service and the sale of assets. The fund also receives income from investments however this will now cease as investments have been used to fund the GLA pension transfer (note 23 refers)

All three GLAs contained their running cost expenditure within levels sanctioned by Ministers in 2013/14. The level of light dues in the United Kingdom is determined by the Secretary of State for Transport under Section 205 of the Merchant Shipping Act 1995. The Irish Government sets the level of light dues in the Republic of Ireland, under the Merchant Shipping (Light Dues) Act 1983.

Operating results

The operating results for the year are set out in the Statement of Comprehensive Net Income (p29) and show a surplus of £30m for 2013/14 (£19.8m deficit in 2012/13). Operating income for the year was within expectations however, a substantial one-off gain on the disposal of GLF invested funds (£20.2m) is included within other income for 2013/14. Operating expenditure has returned to 'normal' levels and is substantially less than 2012/13 which included exceptional revaluation losses for Property Plant and Equipment (PPE).
Including Other Comprehensive Income the Statement of Comprehensive Net Income (SoCNI) reports a net gain for the year of £22m, this takes into account unrealised gains in PPE which have been increased in line with market indexes, and an adjustment for investment gains reported as other income in prior periods which are now included in profit above.

Gains reported in the SoCNI increase the net worth of the GLF as shown on the Statement of Financial Position (SoFP) to £9.2m. This is the first time in many years the GLF net worth has been a positive figure as liabilities relating to the pension schemes have historically exceeded assets. Most of the GLA assets are now held at Fair Value and re-assessed annually, in addition the pension liability of £415m will be removed from the GLF accounts in 2014/15 following transfer to the PCSPS, note 23 refers.

The Net Cashflow from all activities (p31) shows a gain of £71.1m, this continues the positive trend of cash income exceeding cash expenditure for the year but is also artificially high due to £50.8m of opening investments transferred to cash during the year.

Going Concern
These accounts have been prepared on a going concern basis, as the DfT are satisfied that the Fund's activities are sustainable for the foreseeable future. The Statement of Financial Position at 31 March 2014 reflects a pension liability of £415m (see below and note 23). The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (see appendix 1). The letter states that in the unlikely event of insufficient money being available from the GLF to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Accounting Policies, Changes in Accounting Estimates and Errors
The Accounting Policies are reviewed each year in accordance with IAS 8, Accounting Policies. This review is carried out at the tri-GLA Accounts Format Working Group with reference to the Financial Reporting Manual (FReM) and The Accounts Direction, issued by the Secretary of State for Transport 27 February 2013. No material changes were required for 2013/14.

Performance against cash Limits

The performance of the GLAs' against annual cash limits set by the Secretary of State for Transport can be seen below:

Commissioners of Irish Lights	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	12,275	13,110	(835)
Capital Expenditure	1,329	1,833	(504)
Other Costs	8,824	9,420	(595)
Total	**22,428**	**24,363**	**(1,934)**

Northern Lighthouse Board	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	14,106	14,553	(447)
Capital Expenditure	2,484	2,720	(236)
Expenditure on behalf of all GLAs	148	148	0
Other Costs	5,680	6,058	(378)
Total	**22,418**	**23,479**	**(1,061)**

Trinity House	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	24,221	24,425	(204)
Capital Expenditure	4,097	5,407	(1,310)
Expenditure on behalf of all GLAs	2,929	3,413	(484)
Expenditure on behalf of DfT	276	289	(13)
Other Costs	8,909	10,710	(1,801)
Total	**40,432**	**44,244**	**(3,812)**

Expenditure on Non-Current Assets

During the year to 31 March 2014 the GLAs' expenditure on non-current assets was as follows:

Commissioners of Irish Lights	2013/14 £'000	2012/13 £'000
Assets in course of construction	284	233
Land	-	-
Buildings	164	-
Buoys & Beacons	-	-
Lightvessels	-	-
Tenders Ancillary Craft & Floating Aids	127	823
Information Technology	61	66
Plant & Equipment	918	1,275
Total	**1,553**	**2,397**

Northern Lighthouse Board	2013/14 £'000	2012/13 £'000
Assets in course of construction	718	1,212
Land	-	-
Buildings	284	7
Buoys & Beacons	19	20
Lightvessels	-	-
Tenders Ancillary Craft & Floating Aids	222	41
Information Technology	102	6
Plant & Equipment	1,112	599
Total	**2,457**	**1,885**

Trinity House	2013/14 £'000	2012/13 £'000
Assets in course of construction	2,503	2,757
Land	-	-
Buildings	104	-
Buoys & Beacons	190	391
Lightvessels	185	-
Tenders Ancillary Craft & Floating Aids	372	1,296
Information Technology	301	165
Intangible software	45	93
Plant & Equipment	397	671
Total	**4,097**	**5,373**

Trinity House London is owned by the Corporation of Trinity House and is not an asset of the GLF.

Finance Leasing Arrangements
There is exposure on the finance leases for the ships to a change in the main rate of Corporation Tax. During the setting up of the ships finance leases the GLAs evaluated the option of eliminating this exposure, however, it was found that the financial risks were not significant.

Cash Draw Downs and Liquidity
The three GLAs rely primarily on advances from the General Lighthouse Fund for their cash requirements. As a result of this Liquidity Risk is controlled within the GLF bank accounts. The GLAs withdrew during the year the following:

Commissioners of Irish Lights	£20.6m
Northern Lighthouse Board	£20.6m
Trinity House	£38.6m
Total	**£79.8m**

The principal source of income for the GLF during the year was:

Light Dues	£90.7m
Irish Government Contribution	£ 5.3m
Total	**£96.0m**

Payment of Creditors Policy
The GLAs seek to adopt the conventions within the British Standards BS 7890, "Methods for achieving good payment performance in commercial transactions" which are reflected within the GLAs' internal practices. Payment of all creditors' accounts is arranged by the date stipulated within the contract or other agreed terms of credit. Exceptions to this are as follows:

1. Payment within a shorter timescale where a discount may be available; and

2. Where there is a genuine dispute in respect of the invoice concerned. In all cases the supplier is immediately informed of the details of the query and that the payment will be withheld pending resolution.

Suppliers are informed of our policy via a supplementary notice within contracts and are asked to provide any comments on this issue to the Directors of Finance.

Philip Rutnam
Accounting Officer
05 September 2014

Directors Report

Membership of the board
The three GLAs have their own boards and governance structures which are described in their Governance Statements reproduced at Appendix 3. In addition a Joint Strategic Board, consisting of representatives from all three General Lighthouse Authorities, fosters tri-GLA cooperation and coordination, to maximise efficiencies and realise savings. The core GLF is the responsibility of the Secretary of State for Transport and management is delegated to officials within the Department for Transport. Further details are available in the governance statement from 24 page.

Pension Liability
There is a deficit on the General Lighthouse Fund's pension scheme and this is reflected in the accounts. The total deficit, which was recognised on the Statement of Financial Position for the first time in 2003/04, amounts to £415m as at 31 March 2014. During 2013/14 significant work has been completed to allow transfer of the pension schemes to the PSCPS in 2014/15, this transfer took place on 1 April 2014. Treatment of GLA pension schemes, including transfer to the PCSPS, can be found in note 23.

Events after the Year End
These are covered in note 30 to the accounts.

Sickness Absence
Sickness Absence data can be found on page 7 of the Strategic report.

Disability Management
Disability Management data can be found on page 8.

Research and development
Research and Development is an inter GLA function performed by the Research and Radio Navigation (R&RNAV) department based at Trinity House. The work of the R&RNAV department is discussed on Page 6.

Personal data related incidents
The GLAs are responding proportionately to the Cabinet Office's minimum mandatory measures, having regard to their relative small size, legal status and role as General Lighthouse Authorities.
The Data Protection Officers for each of the GLAs are unaware of any data related incidents during 2013/14.

Audit
The accounting records of the GLAs and the consolidated General Lighthouse Fund accounts are examined by the UK Comptroller and Auditor General. The GLAs accounts, except for the departures specifically required by the accounts direction, are prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector. The audit fee for 2013/14 was £154,000 (2012/13 £135,000).
No fees for additional audit services were paid in 2013/14 (2012/13 nil).

So far as the Accounting Officer is aware, there is no relevant audit information of which the General Lighthouse Fund's auditors are unaware, and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the General Lighthouse Fund's auditors are aware of that information.

Philip Rutnam
Accounting Officer
05 September 2014

Remuneration Reports

The officials who manage the General Lighthouse Fund are appointed by the Secretary of State for Transport, and are remunerated in accordance with the relevant Civil Service pay scale. The costs incurred by DfT are charged to the GLF on an annual basis. The Directors of the three General Lighthouse Authorities are remunerated as set out below.

Trinity House

Remuneration Strategy

Trinity House operates a remuneration strategy based on spot rate salaries informed by job evaluation and market testing. Trinity House uses the Hay job evaluation methodology which provides a sound, tried and tested approach to job evaluation that ensures consistency and fairness across job groups and directorates. It also enables the organisation to benchmark with external comparators to ensure their salary rates remain competitive. The organisation aims to pay within the mid to upper quartile of the market, in order to attract and retain quality staff in often highly specialist, technical roles.

Competency frameworks have been developed for all Support Vessel Service, administrative positions and the lower level technical posts**.** These frameworks allow employees to develop their skills and progress internally, thus facilitating succession planning. Reward based purely on length of service is avoided, as progression within the competency frameworks is dependent upon the achievement of various qualifications and skill levels. Trinity House market tests all positions against local and national pay markets as appropriate and undertakes an equal pay audit throughout the service every two years to ensure our pay rates remain competitive.

Trinity House operates a performance related pay system to incentivise staff. The current system is designed to increase staff awareness and understanding of corporate level objectives and ensure that personal objectives link to departmental and strategic objectives. An annual staff bonus is linked to the appraisal cycle. Every individual's performance and achievements are assessed in relation to objectives, behavioural and technical competencies. Bonus allocation is determined by individual performance and organisational level success against the year's corporate strategic objectives.

This approach to pay policy ensures TH complies with age discrimination policy and rewards performance and competence as opposed to long service.

The creation of long-term effectiveness depends on the talents, contribution and commitment of the Executive Chairman and Directors; their success depends on the Board's ability to attract and retain staff of a high quality. It is considered essential that the remuneration structure should be competitive with those of comparable organisations. The remuneration strategy seeks to balance the fixed cost element with variable reward, providing the opportunity for variable remuneration in the form of the performance-based bonuses. The remuneration of the Directors and their pension entitlements are shown below:

Remuneration of Directors (Audited)

Name	Salary 2013/14 £'000	Bonus 2013/14 £'000	Benefits 2013/14 £	Pension Bens # 2013/14 £000	Total 2013/14 £'000	Salary 2012/13 £'000	Bonus 2012/13 £'000	Benefits 2012/13 £	Pension Bens # 2012/13 £000	Total 2012/13 £'000
I McNaught	115-120	15-20	900	51	185-190	110-115	20-25	800	49	185-190
R Barker	80-85	10-15	1,000	23	120-125	75-80	10-15	900	30	120-125
JS Scorer	90-95	15-20	1,600	27	135-140	90-95	15-20	1,500	32	140-145
JS Wedge	90-95	15-20	1,000	12	120-125	90-95	15-20	1,000	19	125-130
FC Bourne[1]	-	-	-	-	-	5-10	-	100	-	5-10
MJ Gladwyn[2]	5-10	-	400	-	5-10	15-20	-	-	-	15-20
ED Johnson	15-20	-	600	-	15-20	15-20	-	900	-	15-20
P Matthews[3]	15-20	-	500	-	15-20	10-15	-	400	-	15-20
N Palmer[4]	20-25	-	1000	-	20-25	15-20	-	1600	-	20-25
D Ring[5]	5-10	-	-	-	5-10	-	-	-	-	-

[1] Retired 19 July 2012, full year equivalent salary £15k-20k.
[2] Retired 31 August 2013, full year equivalent salary £15k-20k.
[3] Appointed 20 July 2012, full year equivalent salary £15k-20k.
[4] Receives remuneration as a Non-Executive Director and an Examiner
[5] Appointed 1 December 2013, full year equivalent salary £15k-£20k.

Pension benefits are calculated in accordance with EPN380 issued by http://www.civilservice.gov.uk/pensions. The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Benefits in Kind

Benefits include any benefits provided by Trinity House and treated by HM Revenue and Customs as a taxable emolument. Included as benefits are; relocation expenses travel and subsistence expenses in respect of travel to their normal place of work, gym memberships and private outpatient medical care. These have been rounded to the nearest £100.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 relate to performance in 2013-14 and the comparative bonuses reported for 2012-13 relate to performance in 2012-13.

Pay Multiples

	2013/14	2012/13
Band of Highest Paid Directors Total Remuneration (£000's)	135-140	135-140
Median Total Remuneration	£31,479	£30,574
Ratio	4.4	4.5

In 2013-14, no employees received remuneration in excess of the highest paid director (2012-13 Nil). Remuneration ranged from £13,915 to £110,492 (2012/13 £12,736 to £111,938). Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Service Contracts

Non-Executive Directors are employed on fixed term contracts for a period of up to 3 years, the term may be extended where appropriate.

Non-Executive Director	Contract Start	Expiry Date
E D Johnson (Contract renewed in 2014 for further 3 years)	1 May 2011	30 April 2017
N Palmer	1 February 2012	31 January 2015
P Matthews	20 July 2012	19 July 2015
D Ring	1 December 2013	30 November 2016

Pensions (Audited)

All Executive Board Members of Trinity House (including the Executive Chairman) are ordinary members of the Trinity House Lighthouse Service Pension scheme. They are entitled to compensation for permanent loss of office under the terms of the Trinity House Lighthouse Service Compensation scheme which operates by analogy to the Civil Service compensation scheme. From 1st April 2014 all Trinity House Lighthouse Service Pensions Scheme members will transfer directly into the Principal Civil Service Pensions Scheme.

	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**
	Real Increase in pension	**Real Increase in lump sum**	**Accrued Pension**	**Accrued lump sum**	**CETV 31 March 13**	**CETV 31 March 14**	**Real Increase CETV**	**Employer contribution Partnership Pension Acct.**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
I McNaught	2.5-5	-	5-10	-	64	115	36	-
J Wedge	0-2.5	0-2.5	30-35	95-100	582	632	10	-
J Scorer	0-2.5	-	10-15	-	206	254	27	-
R Barker	0-2.5	-	10-15	-	205	246	20	-

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Trinity House Lighthouse Service pension scheme. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Northern Lighthouse Board

Composition

The Board's Remuneration Committee is made up of four Commissioners who have no personal financial interest, other than as Commissioners, in the matters to be decided, no potential conflicts of interest arising from cross-directorships, and no day-to-day involvement in running the Northern Lighthouse Board other than as members of the Board of Commissioners and the Managing Board. The Committee consults the Chief Executive about its proposals, other than in relation to his own remuneration, and has access to professional advice from inside and outside the Board. Arrangements are in place for the Remuneration Committee to ask for and receive legal advice from the Board's solicitor. The Committee has used external advice to provide comparison pay information and to recommend new structures.

Background

The remuneration of the Chief Executive and Directors is determined by the Remuneration Committee now consisting of the Chairman and Vice Chairman of the Board and two other Commissioners, under powers delegated by the Board of Commissioners. The current pay structure was implemented with effect from 1 April 2004 following a review by a firm of external consultants. The new structure was agreed by the Department for Transport.

General

The creation of long-term effectiveness depends on the talents, contribution and commitment of the Chief Executive and Directors (the "executive directors"); so the Board must be able to attract and retain people of high quality. It is essential that the remuneration structure should be competitive with those of comparable organisations.

Pay Approach

The remuneration of Executive Directors is based on the following criteria:

• Job weight
• Market pay comparisons
• Performance

All Directors have a base pensionable salary which is annually reviewed, and in addition can earn a non-pensionable and non-consolidated performance bonus paid retrospectively in the light of performance in the previous year, as measured against objectives set by the Remuneration Committee.

These objectives reflect both the corporate objectives agreed by the Board for NLB as a whole and the personal contribution which can be made by each Director.

Remuneration of Executive Directors (Audited)

Name	Salary 2013/14 £000	Bonus 2013/14 £000	Benefits 2013/14 £	Pension Bens # 2013/14 £000	Total 2013/14 £000	Salary 2012/13 £000	Bonus 2012/13 £000	Benefits 2012/13 £	Pension Bens # 2012/13 £000	Total 2012/13 £000
R Lockwood	85-90	5-10	-	24	120-125	85-90	5-10	-	22	120-125
D Gorman	75-80	5-10	-	24	110-115	75-80	5-10	-	25	105-110
P Day	75-80	5-10	-	31	110-115	75-80	5-10	-	42	120-125
M Waddell	75-80	5-10	-	23	105-110	75-80	5-10	-	21	100-105

Pension benefits are calculated in accordance with EPN380 issued by http://www.civilservice.gov.uk/pensions. The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Executive Directors' Pensions (Audited)

The Executive Directors are members of the Northern Lighthouse Board Pension Scheme which is an unfunded defined benefit scheme. Notes e and f of the following table show the cash equivalent transfer value (CETV) of the directors' pension benefits accrued at the beginning and the end of the reporting period. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Northern

Lighthouse Board Pension Scheme, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

	(a) Real Increase in pension	(b) Real Increase in lump sum	(c) Accrued Pension	(d) Accrued lump sum	(e) CETV 31 March 13	(f) CETV 31 March 14	(g) Real Increase CETV	(h) Employer contribution Partnership Pension Acct.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R Lockwood	0-2.5	0-2.5	10-15	-	221	196	17	-
D Gorman	0-2.5	2.5-5	20-25	65-70	502	454	10	-
P Day	0-2.5	0-2.5	25-30	-	259	234	6	-
M Waddell	0-2.5	(2.5)-0	30-35	50-55	511	475	4	-

Remuneration of Commissioners (Audited)

Commissioners:

1. Elected by the Board under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Merchant Shipping Act 1995 (the "Co-opted Commissioners"); or

2. Nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State;

Commissioners are paid a basic remuneration per annum and with the exception of the Chairman and Vice Chairman are eligible for an additional daily payment for each day exceeding 20 days in the year.

	£
Basic annual remuneration	9,900
Additional daily payment	495
Chairman's remuneration	19,800
Vice Chairman's remuneration	13,200
Total amount paid in 2013/14 including NI	76,237
Total amount paid in 2012/13 including NI	64,593

Co-opted Commissioners' remuneration is set by the Board as a whole on the advice of the Department for Transport. Co-opted Commissioners are appointed for three years but may be re-appointed for further terms up to a normal limit of 10 years. Ex-Officio Commissioners hold office for the duration of their qualifying office. Commissioners are not members of the Northern Lighthouse Pension Scheme and are not entitled to receive compensation for loss of office. Commissioners are entitled to reclaim travel and subsistence costs at the same rates and under the same regulations that apply to employees.

The remuneration of the Commissioners (excluding NI) is analysed as follows:

	2013/14	2012/13
	£	£
A Whyte (left 27 February 2013)	-	8,957
R Quayle (left 25 May 2013)	1,475	9,804
M Brew (started 1 June 2013)	8,250	-
M Close	19,800	13,068
A Mackenzie	13,200	9,804
J Ross	9,900	9,804
G Crerar (started 1 April 2012)	9,900	9,804
A Beveridge (started 1 March 2013)	9,900	817

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The Commissioners are Non-Executive Directors in this context.

	2013/14	2012/13
Band of Highest Paid Directors Total Remuneration (£000's)	105-110	105-110
Median Total Remuneration	£30,012	£29,724
Ratio	3.6	3.6

In 2013/2014 no employees received remuneration in excess of the highest-paid director (2012-2013 nil). Remuneration ranged from £18,281 to £99,596 (2012/2013 £15,708 to £97,799).

Total remuneration includes salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Commissioners of Irish Lights

Remuneration Committee

This Committee advises on remuneration policy and practise for CIL to ensure that staff of the right quality are attracted, retained and motivated, within budgetary constraints and in accordance with DfT and DTTAS guidance. The Remuneration Committee also consider matters relating to efficient and effective staffing levels and structures and the remuneration and associated issues related to the Chief Executive. The Terms of Reference of the Remuneration Committee were updated and approved at the May 2013 Board meeting.

Background

CIL management and employee pay and conditions were historically based on those in the Irish Civil Service. During 2010/11 the salaries of the Chief Executive and Senior Management Team were reduced to reflect market conditions. In November 2013, CIL negotiated a LRC (Labour Relations Commission) proposal to reduce salaries for all employees (with the exception of those who had already taken pay cuts). This was supported in a ballot by the majority of CIL unions and a pay reduction was implemented in February 2014.

The Chief and Executive Management Team did not receive performance related payments or benefits.

The Chief Executive and Executive Management Team are members of the CIL Pension Scheme. The CIL Pension Scheme is analogous to the UK Principal Civil Service Pension Scheme (PCSPS).

Remuneration of Chief Executive and Heads of Departments (Audited)

These figures are converted to sterling from euros at an average exchange rate for the years reported of 1.1858 for 2013/14 and 1.2281 for 2012/13.

Name	Salary 2013/14 £000	Bonus 2013/14 £000	Benefits 2013/14 £	Pension Bens # 2013/14 £000	Total 2013/14 £000	Salary 2012/13 £000	Bonus 2012/13 £000	Benefits 2012/13 £	Pension Bens # 2012/13 £000	Total 2012/13 £000
Y Shields[1]	120-125	-	-	47	165-75	120-125	-	-	49	165-75
R McCabe	95-100	-	-	24	115-125	90-95	-	-	(32)	55-65
J Burke	100-105	-	-	29	125-135	95-100	-	-	(11)	80-90
H Roe[2]	95-100	-	-	39	130-140	35-40	-	-	10	45-50
B Coyne[3]	-	-	-	-	-	50-55	-	-	-	50-55

[1] The Chief Executive took a voluntary pay cut of 8% in February 2014, reducing her salary to £116,377.
[2] Full Time Equivalent salary £95k-£100k, appointed Director of Corporate Services appointed 12 November 2012.
[3] Acting Head of Corporate Services until 11 November 2012.
Pension benefits are calculated in accordance with EPN380 issued by http://www.civilservice.gov.uk/pensions. The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Pay Multiples

	2013/14	2012/13
Band of Highest Paid Directors Total Remuneration (£000's)	120-125	120-125
Median Total Remuneration	£43,226	£42,871
Ratio	2.9	2.8

Commissioners of Irish Lights are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisations workforce. In 2013/14, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £8,652 to £101,198 (2012/13 £8,354-£97,712). Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.
These figures are converted to sterling from euros at an average exchange rate for the years reported of at an average rate for the year of 1.1858 for 2013/14 and 1.2281 for 2012/13.

Pension Entitlements of Chief Executive and Heads of Departments (Audited)

The UK Civil Service Disclosure Calculator (PC 357: Departmental Resource Accounts: Disclosure of Salary, Pension and Compensation information 2013-14) was used to calculate this year's information.

	(a) Real Increase in pension £'000	(b) Real Increase in lump sum £'000	(c) Accrued Pension £'000	(d) Accrued lump sum £'000	(e) CETV 31 March 13 £'000	(f) CETV 31 March 14 £'000	(g) Real Increase CETV £'000	(h) Employer contribution Partnership Pension Acct. £'000
Y Shields	2.5-5	-	5-10	-	49	84	22	-
R McCabe	0-2.5	2.5-5	35-40	105-110	703	782	22	-
J Burke	0-2.5	-	25-30	-	323	372	14	-
H Roe	2.5-5	-	0-5	-	7	41	21	-

Cash Equivalent Transfer Values (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the CIL pension scheme. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in Cash Equivalent Transfer Values (CETV)

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Philip Rutnam
Accounting Officer
05 September 2014

Statement of the Responsibilities of the General Lighthouse Authorities' Boards, the Secretary of State for Transport and the Accounting Officer

General Lighthouse Fund

Under Section 218 of the Merchant Shipping Act 1995 and Section 664 of Merchant Shipping Act 1894 (Republic of Ireland) the General Lighthouse Authorities are each required to prepare a statement of accounts in such form, and at such times, as instructed by the Secretary of State for Transport. The accounts of the GLF, which consolidates the Authorities' accounts, Investment activity and Light Dues income, are prepared annually on an accruals basis and must give a true and fair view of the GLF affairs at the year end; and of its income, expenditure, cash flows and changes in equity for the financial year. Section 211(5) of the Merchant Shipping Act 1995 requires the Secretary of State for Transport to lay the accounts of the GLF before Parliament. The DfT prepares these accounts.

HM Treasury appointed the Permanent Secretary of the Department for Transport, Philip Rutnam, as Principal Accounting Officer of the Department with effect from 10 April 2012. In preparing these accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual in particular to:

- Observe the requirements of the Merchant Shipping Act 1995, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, as set out by the Government Financial Reporting Manual and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer for DfT is also the Accounting Officer for the GLF. The responsibilities of Accounting Officers, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for keeping proper records and for safeguarding the GLF assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in “Managing Public Money”.

General Lighthouse Fund Governance Statement

Accounting Officer's introduction
I am pleased to introduce the Governance Statement for 2013–14, which explains the approach to corporate governance in the bodies whose activities are financed by the General Lighthouse Fund (GLF) and certain functions of the Department for Transport. Good governance is vital to effective financial and risk management.

The bodies whose activities are financed by the GLF are the following General Lighthouse Authorities (GLAs):

Trinity House
Northern Lighthouse Board
Commissioners of Irish Lights

The Governance Statements of these Authorities are set out in Appendix 3 and form an integral part of the GLF's Governance Statement, describing the Governance arrangements operating within the three GLAs.

HM Treasury's Managing Public Money (MPM) guidance summarises the purpose of the Governance Statement as being to record the stewardship of the organisation to supplement the accounts. The Statement should provide a sense of how successfully the organisation has coped with the challenges it faces, and how vulnerable its performance is, or might be.

The Governance Statements describe how the GLA Board's and their supporting governance structures work, how they have performed, and provides an assessment of how the GLAs and the GLF has been managed, including the effectiveness of the systems of internal control, risk management and accountability.

Accounting Officer's scope of responsibilities
As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the GLAs and the GLF's policies, aims and objectives, whilst safeguarding the public funds and GLF assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's Managing Public Money. I carry out this responsibility in conjunction with the Boards of the individual GLAs. Each of the GLA Boards has vested their Chief Executive (Executive Chairman in the case of Trinity House) with the responsibility for ensuring that a sound system of internal control is maintained and operated. These responsibilities were set out in a letter from me to each Chief Executive/Executive Chairman.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is an on-going process designed to identify and prioritise the risks to the achievement of GLA/GLF's policies, aims and objectives. The system is designed to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently and effectively.

In addition to ensuring a sound system of internal control, it is my responsibility to provide effective and efficient delivery of the policy objectives and, where appropriate, advise Ministers on the most efficient allocation of resource. It is also my responsibility to ensure that the organisational capability of the GLF is continuously improved and that the GLF and the GLAs policy objectives are aligned with the DfT's objectives.

For 2013-14 the GLAs accounts are consolidated into the Departmental Account for the first time. The GLA are classified as Central Government Bodies and therefore fall within the DfT's Clear Line of Sight accounting boundary. The core GLF accounts, although maintained by the department, are not part of the departmental accounts. As a separate fund, the core GLF is maintained at arms-length from DfT finances.

As a result of their legislative powers and duties, the GLAs assume responsibility for positive discharge of the Government's obligations under the Safety of Life at Sea Convention 1974 (Chapter V, Regulation 13) for the provision and maintenance of aids to navigation within their respective areas of jurisdiction. To assist this process, the GLAs, take steps to:

- observe and record developments at the International Maritime Organisation (IMO);
- actively participate at Council and Committee level at the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA);
- observe and record maritime developments within the European Union and elsewhere;
- maintain links with the International Telecommunications Union through the national radio licensing authority and IALA, regarding the allocation of radio frequencies in NW Europe;

Governance
The statutory basis for the General Lighthouse Fund is found in S211 of the Merchant Shipping Act 1995, which also states that the Secretary of State for Transport is responsible for the administration of the Fund. This responsibility is delegated to officials within the Maritime Safety and Environment Division of DfT.

Managing Public Money requires that the Governance Statement describes the Board structure, including the Board Committees and report on Board performance. Due to its nature, the GLF does not have a Board with its associated formal committee structure; however it has in place arrangements to comply with the best practice contained in Managing Public Money.

Information concerning the Board structures, committees, meetings and effectiveness can be found in Appendix 3.

A Framework Document sets out the relationship between the Secretary of State for Transport and the GLAs in matters of business and finance and aims to provide a clear understanding of their respective duties and responsibilities according to Part VIII & IX of the Merchant Shipping Act 1995 (MSA 1995), as amended by the Merchant Shipping and Marine Security Act 1997, and Part XI of the Merchant Shipping Act 1894 (MSA 1894) as amended by the Merchant Shipping (CIL) Act, 1997 in respect of CIL's activities in the Republic of Ireland.

A comprehensive budgeting system exists with GLA Corporate Plans incorporating five year budgets which are reviewed and endorsed by the GLA Boards and the Lights Finance Committee for submission to the Secretary of State. Budgets are delegated to the individual GLAs and are reviewed by DfT officials in addition the GLAs are set performance targets and indicators, which are monitored on a monthly basis. The GLAs have completed the third year of a five year budget period that limits increases in Running Costs to no more than general price inflation (as measured by the retail prices index) less an X value set by the Minister.

The Governance, Organisational and Committee structure in place in the three GLAs is discussed in great detail in the GLA Governance Report; in addition the following is relevant to the GLF.

Lights Finance Committee

The Lights Finance Committee includes representatives of the shipping industry, convened via the Chamber of Shipping, the GLAs and DfT officials. The Committee meets annually and considers the GLA budgetary and the GLF's funding requirements and the implications for Light Dues rates. The Committees deliberations inform official recommendations to the Minister with regard to the setting of Light Dues rates for the coming year.

Joint Strategic Board of the GLAs

The Board, consisting of representatives from all three GLA, has as its main purpose the coordination of tri-GLA cooperation with the aim of realising the resulting savings. The centralisation of out-of-hours monitoring onto Harwich has been a marked success and all three GLAs are exceeding their RPI-X targets, The JSB has introduced a strategic "Road Map" to track the final recommendations of the WS Atkins Assessment of the Provision of Marine Aids to Navigation around the United Kingdom and Ireland and to drive further, post Atkins, savings activities and coordination.

Investment Committee

The GLF ceased to hold investments during 2013/14, the investment committee is therefore no longer required.

DfT Group Audit Committee

The Annual Report and Accounts of the GLF are reviewed by the DFT Group Audit Committee, taking into account reports from the Audit and Risk Assurance Department of DfT and the National Audit Office and makes a recommendation to the Accounting Officer.

Risk Assessment
A triennial Risk Management Review was undertaken in December 2012 by external risk management consultants on behalf of the three GLAs. This contains the risk management policy and strategy for the GLAs. This review includes the analysis of all main risks facing the GLAs supported by third party assurance from a firm of independent risk consultants and draws on best practice guidance from the UK Risk Management Standard, prepared by the Institute of Risk Management, Association of Insurance and Risk by the Institute of Risk Management, Association of Insurance and Risk Managers and the National Forum for Risk Management in the Public Sector. A further triennial review will be carried out in 2015.

As part of the joint GLA risk management review each of the individual GLA risk registers have been independently analysed having regard to current best practice to produce 12 risks, which are considered to pose the greatest threat to the GLAs and their stakeholders including the GLF. In compiling the document it was noted that certain other risks would have a significant impact on the General Lighthouse Authorities but posed a lesser threat to the General Lighthouse Fund – for example a change in Government policy regarding responsibility for the operation of the three lighthouse services. It was considered that the GLAs had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. It was also noted that in the event that the GLF were wound up, there would be a pension liability estimated by independent actuarial valuation to be £415m as at 31 March 2014. However the pension liabilities of the GLF have subsequently (1 April 2014) been transferred to the PCSPS and all liability removed from the GLAs accounts.

A declaration of contingent pension liabilities is made to Parliament each year and a note acknowledging the liabilities added to the GLF Accounts. DfT officials also maintain a Risk Register for specific GLF risks. The Register describes Risks to the GLF such as, currency fluctuations, GLA cost/income variances, legislative risks, Light Dues, Wreck Removal and uninsured loss risk and political risk, together with actions in place to manage these risks.

Officials review the Risk Register on a regular basis. The review of risks includes an evaluation of the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place. Officials will determine whether the risks have altered from the very high, high, medium, low, or very low probability and impact categories that they have previously been allocated. They also consider whether additional controls should be applied to reduce the residual risk further.
There are no specific risks material to the GLF group which require disclosure, material GLA risks are contained within the governance statements at Appendix 3.

Review of the effectiveness of the system of internal control
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control that exists within the GLF and the bodies funded by the GLF. My review is primarily informed by the work of internal audit, and by the management assurance reporting of the GLA Chief Executives who act as Accounting Officers within their respective organisations, and are responsible for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The DfT has established a number of procedures to monitor and forecast the operation of the activities of the Fund including:

- Moved GLF banking arrangements to the Government Banking Service provided by HMT. Compile weekly monthly and Quarterly reports detailing cashflow activity and forecasts of the GLF.
- Monthly Financial Reports which includes data on Light Dues income, trends and projections for the GLF.
- GLAs spending is included in the monthly DfT budget workbooks provided to HMT to monitor spending against budgets.
- Twelve week cash forecast projections for the GLF cash holdings, monitoring of GLA delegated budgets as well as monitoring of GLA cash funding.
- Five-year forecasts of GLA income and expenditure revised annually including progress toward agreed expenditure reduction targets, such as RPI-X targets set by the Minister.
- An annual actuarial report on the GLA pension schemes highlighting the annual costs and long term liabilities of both the individual and the combined GLA schemes. Currently this work is carried out by Hymans Robertson LLP;
- An annual report to Ministers and the Lights Advisory Committee, the industry representative on light dues and Aids to Navigation, covering the operation of the GLF over the last year and forecasts for medium term GLF levels in support of the required level of light dues.

Key elements of the on-going review of controls at the GLAs include:

- Regular meetings of strategic committees to decide policy and review progress against plans;
- Audit committees which operate in line with the 'Audit Committee Handbook';
- Regular reports from managers on the steps they are taking to manage risks in their areas of responsibility; and
- Annual reviews of key business risks and how they are managed.

Extra Territorial Waters

In order to meet their responsibilities with regard to AtoNs and Wreck Marking, the GLAs are required to operate outside of Territorial Waters. The statutory powers of the GLAs in this respect have been clarified by the amendment to the Merchant Shipping Act 1995 made by the Marine Navigation Act 2013.

Internal Audit

The GLAs use the independent internal audit services of Audit and Risk Assurance (ARA) of the DfT. This operates to the standards defined in Government Internal Audit Standards. The work of the ARA is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the bodies' Audit Committees and approved by their Boards. At least annually, the Head of Internal Audit for the GLAs' provides me with a report on internal audit activity in the GLAs. The report includes the ARA's independent opinion on the adequacy and effectiveness of the GLAs' systems of internal control.

Summary of Audit Internal Reports

The report of the Head of Internal Audit stated the following:

> "Overall, across the GLA's, internal control processes in the areas reviewed during the year were generally found to be effective, though there were areas where control weaknesses and areas for improvement were identified. Corrective action plans have been agreed with management to address the control weaknesses identified.
>
> Management responses to our findings continue to be positive and action to strengthen controls is agreed across all three GLAs, although at times this has been a lengthy process to ensure management actions are proportionate and timely given the reduction in resources available at the local level. Prompt action is often taken by GLAs in implementing our recommendations and in some cases actions are completed before our work is completed. I can therefore report that control weaknesses identified are addressed promptly and effectively across the three GLAs.
>
> There were no reported cases of fraud or impropriety to ARA during 2013/14 at any of the GLAs.
>
> Two audit reports delivered during 2013/14 gave 'Partial' assurance:
>
> - CIL Outsourcing and Management of Contracts; and
> - Phase one of the Tri-GLA Helicopter Procurement.
>
> Whilst our work during 2013/14 identified a need to strengthen controls in some other areas, there is nothing further which I would deem significant or material which warrants mention in this report."

Conclusion

The GLF has in place a robust system of accountability, which I can rely on as Accounting Officer, for the use of the public funds which it provides to finance the work of the GLAs. This system allows me to provide the assurance that GLF will spend its money in line with the principles set out in Managing Public Money and the Merchant Shipping Act 1995.

Having reviewed the evidence provided to me by GLF management, compliance functions, the HIA's opinion and the external audit of the GLF, I am satisfied that the GLF has maintained a sound system of internal control during the financial year 2013–14.

Philip Rutnam
Accounting Officer
05 September 2014

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of The General Lighthouse Fund for the year ended 31 March 2014 under the Merchant Shipping Act 1995. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Reports that is described in that report as having been audited.

Respective responsibilities of the Boards, Secretary of State, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of the General Lighthouse Authorities' Boards, Secretary of State for Transport and the Accounting Officer, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine the financial statements in accordance with the Merchant Shipping Act 1995. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the General Lighthouse Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the General Lighthouse Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state General Lighthouse Fund's affairs as at 31 March 2014 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Merchant Shipping Act 1995 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Reports to be audited have been properly prepared in accordance with Secretary of State directions made under the Merchant Shipping Act 1995; and
- the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
08 September 2014

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

General Lighthouse Fund
Statement of Comprehensive Net Income
For the Year Ended 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
Income :			
Light Dues	3	90,709	89,946
Other income	4	32,108	15,237
		122,817	105,183
Expenditure :			
Staff costs	5	(27,261)	(28,698)
Amortisation		(326)	(242)
Depreciation		(12,728)	(10,237)
Loss on Revaluation		(952)	(34,458)
Pension Cost - Current Service	23	(5,894)	(4,958)
Pension Cost - Past Service	23	(797)	(171)
Other Expenditure	6	(27,482)	(26,558)
		(75,440)	(105,322)
Net Income/Expenditure		47,377	(139)
Interest receivable	7	400	310
Interest payable	8	(1,256)	(1,582)
Interest on Pension Scheme Liability	8	(16,474)	(18,162)
Revaluation of Investment Property	11	(27)	(243)
Surplus / (deficit) for the financial year		30,020	(19,816)
Other Comprehensive Income			
Items that will not be classified to net operating costs:			
Net gain/(loss) on revaluation of Property, Plant and Equipment	10	8,478	168,574
Remeasurements (actuarial gains/(losses))		1,831	(25,635)
Items that may be classified to net operating costs:			
Net gain/(loss) on revaluation of available for sale financial assets	17	2,059	1,453
Translation of Euro Reserves		(970)	(250)
Accumulated investment revaluations taken to operating income		(19,440)	
Total Comprehensive Income		21,978	124,326

Statement of Financial Position
As at 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
Assets			
Non-Current assets			
Property, Plant and Equipment	10	269,787	269,085
Investment Property	11	608	931
Intangible Assets	12	573	775
Trade and Other Receivables	13	15	28
		270,983	270,819
Current Assets :			
Assets Classified as Held for Sale	14	27	190
Inventories	15	3,766	3,417
Trade and Other Receivables	16	5,393	6,405
Investments	17	-	50,829
Cash & Cash Equivalents	18	186,526	115,431
		195,712	176,272
Total assets		466,695	447,091
Liabilities			
Current Liabilities			
Trade and Other Payables	19	(12,109)	(13,626)
Other Liabilities	20	(1,190)	(1,466)
		(13,299)	(15,092)
Non-Current liabilities			
Provisions	20	(3,079)	(3,892)
Pension Liabilities	23	(415,033)	(410,306)
Other Liabilities	19	(8)	-
Financial Liabilities	19	(26,042)	(30,545)
		(444,163)	(444,743)
Total Assets less Total Liabilities		**9,233**	**(12,744)**
Reserves			
General Reserve		(162,434)	(199,119)
Revaluation Reserve		171,667	186,375
Total Reserves		**9,233**	**(12,744)**

Philip Rutnam
Accounting Officer
05 September 2014

Statement of Cash Flows
For the Year Ended 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
Cash flows from operating activities			
Net Deficit after Interest		30,020	(19,816)
Loss/(Profit) on Sale of Investments	2	(19,440)	(2,363)
Loss on revaluation of buildings		(1)	-
Loss/(Profit) on Disposal of Property Plant and Equipment	6a	872	998
Loss/(Profit) on Disposal of Investment Assets	6a	-	-
Loss/(Profit) on Disposal of Assets Held for Sale	6a	(637)	(90)
Loss on Disposal of Intangible Assets	6a	-	-
Pension Benefits Outflow	23	(16,584)	(16,829)
Current Service Cost	23	5,748	5,145
Past Service Cost	23	921	223
Depreciation	10	12,728	10,237
Amortisation	12	326	242
Impairments	9	279	530
Revaluation Losses (property, Plant & Equipment)	10	952	34,458
(Increase)/Decrease in Trade and Other Receivables	16&13	1,025	175
(Increase)/Decrease in Inventories	15	(349)	105
Increase/(Decrease) in Trade Payables	19&22	(1,717)	2,131
Use of Provisions	20	(1,089)	435
Revaluation of Investment Properties	11&14	27	306
Foreign Exchange Translation		(61)	(198)
Net cash outflow from operating activities		13,020	15,689
Cash flow from investing activities			
Purchase of Property, Plant and Equipment	10	(8,258)	(10,150)
Purchase of Intangible assets	12	(65)	(101)
Purchase of Investments	11	(3,796)	(6,495)
Proceeds from disposal of Property, Plant and Equipment		1,065	192
Proceeds from disposal of Investment Assets	17	285	
Proceeds from disposal of Investments		56,684	48,481
Net cash outflow from investing activities		45,915	31,927
Cash flows from financing activities			
Pension Financing Cost	23	16,474	18,162
Capital element of Payments in Respect of Finance Leases		(4,315)	(4,030)
Net cash flow from financing activities		12,159	14,132
Net cash flow from all activities		71,094	61,748
Net increase in cash and cash equivalents in the period	18	**71,094**	**61,748**
Cash and cash equivalents at the beginning of the period	18	**115,431**	**53,683**
Cash and cash equivalents at the end of the period	18	**186,526**	**115,431**

Statement of Changes in Equity
For the Year Ended 31 March 2014

	General Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2012	(153,441)	16,371	(137,070)
Comprehensive Net Income	(19,816)	-	(19,816)
Net Gain on revaluation of Investments	-	1,453	1,453
Net loss on revaluation of Property Plant and Equipment	-	168,574	168,574
Release of reserves to the Statement of Comprehensive Income	23	(23)	-
Foreign translation of Euro Reserves	(250)	-	(250)
Actuarial (loss)/gain	(25,635)	-	(25,635)
Balance at 31 March 2013	**(199,119)**	**186,375**	**(12,744)**

	General Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2013	(199,119)	186,375	(12,744)
Surplus / (deficit) for the financial year	30,020	-	30,020
Net gain/ (loss) on revaluation of Investments	-	2,059	2,059
Net gain/ (loss) on revaluation of Property, Plant and Equipment	-	8,478	8,478
Release of Revaluation reserve to the General Reserve re Depreciation	5,019	(5,019)	0
Release of Revaluation reserves to the General Reserve re Disposals	240	(240)	0
Release of Investment Revaluations to the Statement of Net Income	-	(19,440)	(19,440)
Foreign translation of Euro Reserves	(425)	(545)	(970)
Re-measurements recognised in Other Comprehensive Income	1,831	-	1,831
Balance at 31 March 2014	**(162,434)**	**171,667**	**9,233**

Notes to the Accounts for the Year Ended 31 March 2014

1. Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2013/2014 Government Financial Reporting Manual (FReM) issued by HM Treasury, except for the departures specifically required by the accounts direction. The accounting policies contained in the FReM follow International Accounting Standards as adopted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the GLF for the purpose of giving a true and fair view has been selected. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. In addition, the GLAs' accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport.

b) Going Concern

The Statement of Financial Position at 31 March 2014 shows net assets of £9,233,000 including pension liabilities falling due in future years. The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (see appendix 2). The letter states that in the unlikely event of insufficient money being available from the GLF to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments. On 1 April 2014 the pension liabilities were transferred to the PCSPS and GLA pension schemes closed to new entrants (this is disclosed as a non-adjusting event after the reporting period, see note 23 & 30). It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

c) Intangible Assets

Computer Software has been capitalised and is amortised on a straight-line basis over the estimated useful economic life of between 3 to 5 years dependent on the expected operating life of the asset. Intangible Assets are shown at cost less amortisation. Intangible licences have been capitalised and are amortised over the life of the licence. Amortisation is calculated on a monthly basis and is commenced in the month after original purchase or when the asset is brought into use and is continued up to the end of the month prior to disposal.

d) Pension Benefits

Pension benefits are accounted for in line with the requirements of IAS 19 (R): Employee Benefits. All pension assumptions are set out in note 23.

e) Non-Current Assets and Depreciation

Capitalisation

Non-current assets are recognised where the economic life of the item of property plant and equipment exceeds one year; the cost of the item can be reliably measured; and the original cost is greater than £5,000.

Assets are recognised initially at cost, which comprises purchase price, any costs of bringing assets to the location and condition necessary for them to be capable of operating in the manner intended, and initial estimates of the costs of dismantling and removing the assets where an obligation to dismantle or remove the assets arises from their acquisition or usage.

Subsequent costs of day-to-day servicing are expensed as incurred. Where regular major inspections of assets are required for their continuing operation, the costs of such inspections are capitalised and the carrying value of the previous inspection is derecognised, for example Dry Dock and Repair (DD&R) of ships.

Expenditure on renewal of structures is capitalised when the planned maintenance spend enhances or replaces the service potential of the structure. All routine maintenance expenditure is charged to the Statement of Comprehensive Net Income.

Internal staff costs that can be attributed directly to the construction of an asset, including renewals of structures that are capitalised, are capitalised.

Operating software, without which related hardware cannot operate, is capitalised, with the value of the related hardware, as property, plant and equipment. Application software, which is not an integral part of the related hardware, is capitalised separately as an intangible non-current asset.

Any gains or losses on the eventual disposal of property, plant and equipment are recognised in the Statement of Comprehensive Net Income when the asset is derecognised. Gains are not classed as revenue.

Valuation

After recognition, the item of Property, plant and equipment is carried at Fair Value in accordance with IAS16 and the current FReM. The assets are expressed at their current value at regular valuation or through the application of Modified Historic Cost Accounting. For assets of low value and/or with a useful life of 5 years or less, depreciated historic cost (DHC) is considered as a proxy for fair value.

Asset Class	Valuation Method	Valued by
Non Specialised Land & Buildings	Fair Value, using Existing Use Valuation principles	RICS Valuation Statement (UKVS) 1.1 Professional valuation every 5 years. Value plus indices in Intervening years.
Specialised Property	Fair Value using Depreciated Replacement Cost principles (DRC)	RICS Valuation Statement (UKVS) 1.1 Professional valuation every 5 years. Value plus indices in Intervening years.
Non Operational Property*	Market Value	Specified as Obsolete, Assets Held for Sale or Investment Assets. Professional Valuation annually.
Tenders, Ancillary Craft & Lightvessels	Fair Value	Professional Valuation Annually
Buoys	Fair Value	Internally using MV of recent purchases, then on an annual basis using MV of recent purchases, or recognised indices, as appropriate.
Beacons	Fair Value	RICS Valuation Statement (UKVS) 1.1 (valued at DRC if specialised and defined as such under the RICS Red Book) valuation every 5 years, Value plus indices in intervening years.
Plant, Machinery & IT Equipment - Low Value or short life	Depreciated Historic Cost	N/A
Plant & Machinery – Not included above.	Fair Value	RICS Valuation Statement (UKVS) 4.1 & 4.3 Professional valuation as base cost, plus indices annually thereafter.
Plant and Machinery at Lighthouses	FV using Depreciated Replacement Cost principles (DRC)	UKVS 1.1 (valued at DRC if specialised and defined as such under the RICS Red Book) Professional valuation every 5 years, Value plus indices in intervening years

*Non Operational in this context relates to property that is not required for the GLA to carry out its statutory function.

Where assets are re-valued through professional valuation or through the use of indices, the accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset. If the assets carrying amount is increased as a result of revaluation, the increase is recognised in other comprehensive income and accumulated in equity in the Revaluation Reserve. However, the increase shall be recognised in the statement of Comprehensive Net Income to the extent that it reverses a revaluation decrease of that class of asset previously recognised in profit and loss. If the assets carrying amount is decreased as a result of revaluation, the decrease is recognised in the statement of Comprehensive Net Income. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve. The decrease recognised in other comprehensive income reduces the amount held in the revaluation reserve in respect of that asset.

Depreciation is calculated on an annual basis and is commenced in the financial year after original purchase or when the asset is brought into use and is continued up to the end of the financial year in which the sale or disposal takes place. Assets in the course of construction are not depreciated.
Depreciation is charged on a straight line basis having regard to the estimated operating lives as follows:

Categories	Depreciation Lives	Categories	Depreciation Lives
Land and Buildings		**Buoys and Beacons**	
Land	Not Depreciated	Steel Buoys	Up to 50 years
Lighthouses (Building Structure)	25-300 years	Beacons	Up to 100 years
Lighthouse Improvements	25 years	Plastic Buoys	10 years
or remaining Life if less		Solarisation Costs	10 years
Other Buildings	50 years		
Tenders and Ancillary Craft		**Plant and Machinery**	
Tenders*	25 years	Lighthouses	15 -25 years
Tenders (Dry Dock and Repair)	Up to 5 Years	Automation equipment	15 -25 years
Other Tenders**	2 to 3 Years	Racons & Radio Beacons	15 years
Launches	15 years	Depots and Workshops	10 years
Workboats	Up to 25 years	Office Equipment	Up to 10 years
Lightvessels		Vehicles	5 - 15 years
Lightvessel (hulls)	50 years	Computers - Major systems	5 years
Lightvessel (hull conversions)	15 years	Computers – Other	3 years
Lightvessel (Dry Dock and Repair)	7 years	AIS Equipment	7 Years

*Tenders held under finance leases are depreciated over 25 years, being the expected useful life. The primary lease period is less than this but a secondary period sufficient to cover the balance is available.
** Depending on Dry Docking Schedule.

f) Inventories
As per the Accounts Direction, Inventories should be valued by using the Average Cost method. Trinity House values Inventories on a First in-First Out basis. This departure does not have a material effect on the Inventory values reported.

g) Research and Development
Research and Development work is co-ordinated by the Radio Navigation Committee for Major Research and Development. Direct expenditure incurred via this channel or any other research and development activity is charged to the Statement of Comprehensive Net Income.

h) Leasing Commitments
Assets obtained under finance leases are capitalised in the Statement of Financial Position and depreciated as if owned. The interest element of the rental obligation is charged to the Statement of Consolidated Income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding at the beginning of the year. The capital element of the future lease payments is stated separately under Payables, both within one year and over one year. Expenditure incurred in respect of operating leases is charged to the Statement of Consolidated Income as incurred. Rentals received under operating leases are credited to income.

i) Foreign Currency Transactions
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date (€1/£1.2096). Transactions in foreign currencies are recorded at an average rate ruling during the period in which the transaction occurred. All differences are taken to the Statement of Consolidated Income.

j) Taxation
The fund is exempt from Corporation Tax under provisions of Section 221 of the Merchant Shipping Act 1995. The GLA are liable to account for VAT on charges rendered for services and are able to reclaim VAT on all costs under the provisions of the Value Added Tax Act 1983.

k) Provisions
Provisions are made for liabilities and charges in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets where, at the reporting date, a legal constructive liability (i.e. a present obligation from a past event) exists, the transfer of economic benefits is probable and a reasonable estimate can be made.

l) Government Grants
Government Grants are recognised in full in the Statement of Comprehensive Net Income in the year in which they are received.

m) Investment Properties
The GLA hold a small number of properties that are considered surplus to requirements and are currently held for their income generation potential. It has been agreed that this alternative use is in the best interests of the GLA and the General Lighthouse Fund. These properties are treated in accordance with IAS 40: Accounting for Investment Properties and are accordingly valued to open market value each year.

n) Investments
Investments are stated at market value at the reporting date.

o) Financial Assets and Liabilities
Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are typically cash or rights to receive cash or equity instruments in another entity. Financial liabilities are typically obligations to transfer cash. A contractual right to exchange financial assets or liabilities with other entities will also be a financial asset or liability, depending on whether the conditions are potentially favourable or adverse to the reporting entity.

Financial Assets
The GLF classifies its financial assets as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for sale. Such assets are initially recognised at fair value. Where material, they are subsequently measured at amortised cost using the effective interest method. The financial assets contained within the investment portfolio are classified as "Available for Sale Financial Assets", as such they are carried at fair value subsequent to initial recognition, unrealised gains and losses are deferred in reserves until they are realised or impairment occurs.

Financial Liabilities
Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished.

Embedded Derivatives
Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is split out and reported at fair value with gains and losses being recognised in the Income and Expenditure Account. A review of all GLA contracts has determined that, as at 31 March 2014, no contracts contained embedded derivatives.

Determining Fair Value
Fair value is defined as the amount for which an asset is settled or a liability extinguished, between knowledgeable parties, in an arm's length transaction. This is generally taken to be the transaction value, unless, where material, the fair value needs to reflect the time value of money, in which case the fair value would be calculated from discounted cash flows.

p) New Standards and Interpretations Adopted Early
The GLF has chosen not to adopt early any new standards or interpretations.

q) New Standards and Interpretations not yet adopted
The standard listed below is not yet effective for the year ended 31 March 2014 and has not been applied in preparing these financial statements but will be adopted in subsequent periods:

IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after January 2015. Initial application of IFRS 9 is expected to have a limited impact.

IFRS 12 covers disclosures of interests in other entities, requiring particular disclosure of arrangements where the reporting entity owns a majority of shares but does not consolidate, and arrangements where the reporting entity owns more than 20% of shares but does not equity account, and vice versa. This standard should not give rise to any accounting changes. This standard is expected to be implemented in the 2014-15 FReM.

IFRS 13 provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. HM Treasury have issued an exposure draft, to take effect from 1 April 2014. The exposure draft identifies types of asset which are rarely traded, such as specialised assets that are retained for the delivery of public services, and suggests valuation methods that may be appropriate for assets of this nature, including depreciated replacement cost. The GLF has material asset categories currently valued using depreciated replacement cost however it is not thought that IFRS 13 will have a material effect on these.

The International Accounting Standards Board (IASB) has issued an exposure draft of a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments, with a matching liability. The pattern for recognition of the expenditure will depend on the type of leases: for most leases of property, the lessee will recognise expenditure on a straight-line basis; for most leases of other types of asset, the lessee's expenditure will reduce over the term of the lease. The GLF has a number of small operating leases (see note 22) which may become on-balance sheet. The implementation date for this change has not been set by the IASB.

r) Income

In accordance with the Merchant Shipping Act 1995, the GLAs are permitted to sell surplus capacity. Income from these activities is recognised in the period to which it relates. The principal source of income for the GLF is Light Dues, a charge on ships entering the UK of the Republic of Ireland, in addition to RoI light Dues the GLF receives a contribution form the Irish Government towards the work of CIL in the Republic.

s) Estimates

Where the accounts contain material estimates, e.g. depreciation and pension valuations, an Actuary or Qualified Valuer is employed.

2 Analysis of Net Income by Segment

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Light Dues Income	-	-	-	90,709	90,709	89,946
GLA Drawdowns	38,600	20,610	20,603	(79,813)	-	-
Other Income	2,902	1,158	2,488	25,560	32,108	15,237
Total Income	41,502	21,768	23,091	36,456	122,817	105,183
Gross Expenditure	(33,257)	(20,308)	(18,178)	(3,697)	(75,440)	(105,322)
Net Expenditure	8,245	1,460	4,913	32,759	47,377	(139)
Total Assets	138,531	93,019	47,589	187,556	466,695	447,091

3 Light Dues

	2013/14 £'000	2012/13 £'000
Light Dues collected in United Kingdom	86,786	86,101
Light Dues collected in Republic of Ireland	3,923	3,845
	90,709	**89,946**

4 Other Income

	Tri GLA £'000	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Buoy Rental	-	671	335	166	-	1,172	1,016
Property Rental	-	238	27	252	-	517	519
Other Commercial Income	-	-	62	-	-	62	57
Tender Hire	-	1,075	708	1,863	-	3,646	3,534
Republic of Ireland Contribution	-	-	-	-	5,318	5,318	5,327
Income from listed Investments *	-	-	-	-	20,242	20,242	4,000
Grant Income	382	-	-	114	-	496	200
Release of Deferred Income	-	-	-	-	-	-	-
Sundry Receipts	-	536	26	93	-	655	584
	382	**2,520**	**1,158**	**2,488**	**25,560**	**32,108**	**15,237**

*profit from accumulated market gains

5 Staff Numbers and Related Costs

Staff Costs comprise

	TH Permanent £'000	TH Others £'000	NLB Permanent £'000	NLB Others £'000	CIL Permanent £'000	CIL Others £'000	Total 2013/14 £'000	Total 2012/13 £'000
Wages & Salaries	11,088	147	6,712	150	6,599	253	24,949	24,180
Social Security Costs	955	-	573	-	533	28	2,089	2,139
	12,043	**147**	**7,285**	**150**	**7,132**	**281**	**27,038**	**26,319**
Other Pension Costs	-	-	-	-	-	-	-	-
Redundancy Costs	45	-	-	-	-	-	45	1,358
Annual Compensation Pay*	-	-	-	-	-	-	-	419
Staff related Provisions	-	-	-	-	481	-	481	1,176
Sub Total	**12,088**	**147**	**7,285**	**150**	**7,613**	**280**	**27,564**	**29,272**
Capitalised Costs	(77)	-	-	-	(226)	-	(303)	(574)
Total Net Costs	**12,011**	**147**	**7,285**	**150**	**7,387**	**280**	**27,261**	**28,698**

*Annual Compensation Pay are actuarialy assessed payments to staff who have left employment on the grounds of redundancy or early retirement, between the age of 50 and 60, when normal pension benefits become payable.

Average number of Persons Employed
The average number of whole-time equivalent persons employed during the year was:

	2013/14 Permanent	2013/14 Others	2013/14 Total	2012/13 Permanent	2012/13 Others	2012/13 Total
Directly Employed	595	7	602	612	7	619
Other	-	9	9	-	7	7
Staff engaged on Capital Projects	7	-	7	11	-	11
	602	**16**	**618**	**623**	**14**	**637**

Reporting of Compensation Scheme Exit Packages	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Exit Package Cost Band						
Less than £10,000	-	1	-	2	-	3
£10,000-£25,000	-	-	1	2	1	2
£25,000-£50,000	-	-	4	1	4	1
£50,000-£100,000	-	-	5	5	5	5
£100,000-£150,000	-	-	3	1	3	1
£150,000-£200,000	-	-	-	-	-	-
Greater than £200,000	-	-	-	-	-	-
Total Number of Exit Packages	**-**	**1**	**13**	**11**	**13**	**12**
Total Cost (£)	**-**	**7,926**	**920,661**	**503,281**	**920,661**	**511,207**

6 Other Expenditure

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Running Costs	11,374	6,072	3,658	1,193	22,297	23,219
Rentals under Operating Leases	1,231	622	1,134	-	2,987	3,038
Auditors Remuneration *	-	-	-	154	154	135
Research and Development	-	-	-	1,531	1,531	1,132
Non-Cash Items						
Impairments	280	-	-	-	280	530
Loss/(Profit) on Disposal of Held for Sale Assets	-	(507)	-	-	(507)	-
Loss/(Profit) on Disposal of PPE	25	245	514	-	784	908
Provision Provided in the Year	15	(347)	288		(44)	596
Loss on Disposal of Investments	-	-	-	-	-	-
	12,925	**6,085**	**5,594**	**2,878**	**27,482**	**29,558**

* Additional audit costs relate to time spent on asset revaluations for the 2012/13 accounts (budget £134k)

7 Interest Receivable

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Bank Interest Receivable	2	-	-	398	400	310

8 Interest Payable

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Interest on Finance Leases	466	691	99	-	1,256	1,582
Interest on Pension Liability	6,768	3,544	6,162	-	16,474	18,162
	7,234	**4,235**	**6,261**	**-**	**17,730**	**19,744**

9 Impairments

Assets which have decreased in value as a result of revaluations have been separately identified as Revaluation Losses on the Statement of Comprehensive Net Income, note 10 refers. Other Impairments are as follows:

2013-14

Trinity House is currently undertaking a project to re-engineer the Lighthouse at Bardsey Island in North Wales. Due to a change in equipment supplied by the manufacturer, a redesign of part of the project had to be undertaken and as a result equipment to the value of £3,477 became obsolete and had to be impaired.
During the year, THV Alert, THV Patricia and workboats 408 and 432 underwent a Dry Dock and Repair. The costs of which were capitalised, in accordance with the Trinity House Accounting policies. On revaluation at the 31st March 2014 the carrying amount of the vessels and workboats exceeded the new valuation and as a result an impairment has been made of £16,392, £237,178, £ 5,558 and £17,767 respectively.

10 Property Plant and Equipment

Current Year

	Land £000	Buildings £000	Vessels £000	Light-Vessels £000	Buoys £000	IT Equip. £000	Plant & Mach. £000	*AUC £000	Total £000
Cost or Valuation									
At 1 April 2013	9,567	135,837	65,385	9,848	12,389	2,222	34,864	5,448	275,560
Additions	-	552	722	185	385	479	2,427	3,508	8,258
Donations	-	-	-	-	-	-	-	-	-
Disposals	(25)	(310)	(315)	-	(186)	(151)	(1,571)	-	(2,558)
Impairments	-	-	(429)	-	-	-	-	(3)	(432)
Reclassifications	88	(88)	-	-	-	-	-	-	-
Revaluations	198	(1,834)	41	(205)	(1,063)	(125)	(1,011)	-	(3,999)
Transfers	-	31	164	2	40	(1)	2,607	(2,901)	(58)
Foreign Exchange	(60)	(439)	(320)	-	(73)	(14)	(205)	(8)	(1,119)
At 31 March 2014	**9,768**	**133,749**	**65,248**	**9,830**	**11,492**	**2,410**	**37,111**	**6,044**	**275,652**
Depreciation									
At 1 April 2013	-	87	-	-	330	1,297	4,761	-	6,475
Charged in Year	-	3,150	4,520	638	1,194	264	2,962	-	12,728
Disposals	-	(16)	(66)	-	(3)	(134)	(1,202)	-	(1,421)
Impairments	-	-	(153)	-	-	-	-	-	(153)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(3,120)	(4,259)	(638)	(1,238)	(124)	(2,324)	-	(11,703)
Transfers	-	-	-	-	-	-	-	-	-
Foreign Exchange	-	-	-	-	-	(12)	(49)	-	(61)
At 31 March 2014	**-**	**101**	**42**	**-**	**283**	**1,291**	**4,148**	**-**	**5,865**
NBV at 31/3/13	**9,567**	**135,750**	**65,385**	**9,848**	**12,059**	**925**	**30,103**	**5,448**	**269,085**
NBV at 31/3/14	**9,768**	**133,648**	**65,206**	**9,830**	**11,209**	**1,119**	**32,963**	**6,044**	**269,787**
Asset Financing									
Owned	9,768	133,648	5,886	9,830	11,209	1,119	32,963	6,044	210,467
Finance Leased	-	-	59,320	-	-	-	-	-	59,320
On Balance Sheet PFI	-	-	-	-	-	-	-	-	-
	9,768	**133,648**	**65,206**	**9,830**	**11,209**	**1,119**	**32,963**	**6,044**	**269,787**

*Assets under Construction and Payments on Account

The net revaluation gain for PPE is £7.7m (increase of £11.7m from restated depreciation less £4.0m fall in gross value).
PPE revaluation gains are recognised in Other Comprehensive Income (£8.5m) whilst losses are included in Expenditure on the Statement of Net Comprehensive Income (£0.8m) along with investment property revaluations.

Prior Year Property Plant and Equipment

	Land	Buildings	Vessels	Light-Vessels	Buoys	IT Equip.	Plant & Mach.	AUC*	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2012	1,788	72,389	83,483	4,409	15,827	3,289	78,907	6,311	266,403
Additions	-	7	2,160	-	411	362	2,419	4,203	9,562
Donations	-	-	-	-	-	-	-	-	-
Disposals	-	(1,257)	(1,239)	(192)	(1,909)	(421)	(13,776)	(4)	(18,798)
Impairments	-	(182)	-	-	-	-	(341)	-	(523)
Reclassifications	(166)	314	936	3,436	14	66	(3,150)	(1,890)	(440)
Revaluations	7,859	63,925	(20,086)	1,967	(1,975)	(1,091)	(31,272)	-	19,327
Transfers	(2)	443	-	228	-	12	2,261	(3,163)	(221)
Foreign Exchange	88	198	131	-	21	5	(184)	(9)	250
At 31 March 2013	**9,567**	**135,837**	**65,385**	**9,848**	**12,389**	**2,222**	**34,864**	**5,448**	**275,560**
Depreciation									
At 1 April 2012	87	23,697	35,423	3,537	9,328	2,785	54,073	-	128,930
Charged in Year	11	1,866	3,151	163	1,021	303	3,722	-	10,237
Disposals	-	(1,105)	(1,195)	(192)	(1,551)	(421)	(13,237)	-	(17,701)
Impairments	-	(47)	-	-	-	-	54	-	7
Reclassifications	(88)	(189)	256	1,985	(1)	(94)	(2,224)	-	(355)
Revaluations	(10)	(24,029)	(37,420)	(5,493)	(8,391)	(1,279)	(37,331)	-	(113,953)
Transfers	-	(22)	-	-	-	-	(66)	-	(88)
Foreign Exchange	-	(84)	(215)	-	(76)	3	(230)	-	(602)
At 31 March 2013	**-**	**87**	**-**	**-**	**330**	**1,297**	**4,761**	**-**	**6,475**
NBV at 31/3/12	**1,701**	**48,692**	**48,060**	**872**	**6,499**	**504**	**24,834**	**6,311**	**137,473**
NBV at 31/3/13	**9,567**	**135,750**	**65,385**	**9,848**	**12,059**	**925**	**30,103**	**5,448**	**269,085**
Asset Financing									
Owned	9,567	135,750	7,458	9,848	12,059	925	30,103	5,448	211,158
Finance Leased	-	-	57,927	-	-	-	-	-	57,927
On Balance Sheet PFI	-	-	-	-	-	-	-	-	-
	9,567	**135,750**	**65,385**	**9,848**	**12,059**	**925**	**30,103**	**5,448**	**269,085**

*Assets under Construction and Payments on Account.

11 Investment Property

	TH	NLB	CIL	2013/14	2012/13
	£'000	£'000	£'000	£'000	£'000
At 1 April	285	150	496	931	1,292
Additions	-	-	-	-	-
Disposals	(285)	-	-	(285)	-
Transfers	-	-	-	-	(118)
Depreciation	-	-	-	-	-
Revaluations	-	-	(27)	(27)	(243)
Impairments	-	-	(11)	(11)	-
At 31 March	**-**	**150**	**458**	**608**	**931**

Investment Assets include the Northern Lighthouse Board's Holiday Cottages and Interpretation Centre, Trinity House's 35/36 West Street and 7 Church Street in Harwich and a number of Non-Operational CIL property from which commercial income is derived.

12 Intangible Assets

Current Year

	Software	Licences	Assets in Progress	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2013	2,860	150	-	3,010
Additions	65	-	-	65
Donations	-	-	-	-
Disposals	(58)	-	-	(58)
Transfers	58	-	-	58
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluation	-	-	-	-
Foreign Exchange	(4)	-	-	(4)
At 31 March 2014	2,921	150	-	3,071
Amortisation				
At 1 April 2013	2,183	51	-	2,234
Charged in year	318	8	-	326
Disposals	(58)	-	-	(58)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluation	-	-	-	-
Foreign Exchange	(4)	-	-	(4)
At 31 March 2014	2,439	59	-	2,491
NBV at 31/3/13	**677**	**98**	**-**	**775**
NBV at 31/3/14	**482**	**91**	**-**	**573**

Intangible Assets - Prior Year

	Software £'000	Licences £'000	Assets in Progress £'000	Total £'000
Cost or Valuation				
At 31 March 2012	2,846	150	-	2,996
Additions	101	-	-	101
Donations	-	-	-	-
Disposals	(133)	-	-	(133)
Transfers	131	-	-	131
Impairments		-	-	-
Reclassifications	(82)			(82)
Revaluations		-	-	-
Foreign Exchange	(2)	-	-	(2)
At 31 March 2013	**2,861**	**150**	**-**	**3,011**
Amortisation				
At 31 March 2012	2,138	43	-	2,181
Charged in Year	234	8	-	242
Disposals	(133)	-	-	(133)
Impairments	-	-	-	-
Reclassifications	(53)			(53)
Revaluations	-	-	-	-
Foreign Exchange	(1)	-	-	(1)
At 31 March 2013	**2,185**	**51**	**-**	**2,236**
NBV at 31/3/12	**708**	**107**	**-**	**815**
NBV at 31/3/13	**676**	**99**	**-**	**775**

13 Non Current Trade and Other Receivables

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Amounts falling due after one year:						
Trade Receivables	-	-	-	-	-	-
Deposits and Advances	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Prepayments and Accrued Income	-	15	-	-	15	28
VAT Recoverable	-	-	-	-	-	-
	-	**15**	**-**	**-**	**15**	**28**

Amounts falling due after one year are all outside the Whole of Government Boundary

Central Government	-	-	-	-	-	-
Local Authorities	-	-	-	-	-	-
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	-	-	-	-	-
Intra Government Balance	-	-	-	-	-	-
Bodies External to Government	-	15	-	-	15	28
	-	**15**	**-**	**-**	**15**	**28**

14 Assets Classified as Held for Sale

	TH £'000	NLB £'000	CIL £'000	2013/14 £'000	2012/13 £'000
At 1 April	27	163	-	190	2
Additions	-	-	-	-	-
Disposals	-	(163)	-	(163)	(2)
Transfers	-	-	-	-	478
Depreciation	-	-	-	-	(225)
Revaluations	-	-	-	-	(63)
Impairment	-	-	-	-	-
At 31 March	**27**	**-**	**-**	**27**	**190**

15 Inventories

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Inventories	2,729	630	407	-	3,766	3,417

16 Trade Receivables and Other Current Assets

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Amounts falling due within one year:						
Trade Receivables	308	69	16	993	1,386	2,400
Deposits and Advances	-	23	-	-	23	26
Other Receivables	291	-	522	1,677	2,490	2,498
Prepayments and Accrued Income	513	289	127	39	968	886
VAT Recoverable	251	114	161	-	526	595
	1,363	**495**	**826**	**2,719**	**5,393**	**6,405**

Amounts included above that fall within the Whole of Government Boundary are:

	TH	NLB	CIL	GLF	2013/14	2012/13
Central Government	251	267	-	-	518	582
Local Authorities	18	-	-	-	18	16
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	-	-	-	-	123
Intra Government Balance	269	267	-	-	536	721
Bodies External to Government	1,094	228	826	2,704	4,857	5,684
	1,363	**495**	**826**	**2,704**	**5,393**	**6,405**

17 Investments

	Total £'000
Brought Forward 1 April 2013	50,829
Additions	3,795
Disposals	(56,683)
Gain/(Loss) on revaluation	2,059
Carried Forward 31 March 2014	**-**

All investments were moved to cash during the year (see below)

18 Cash and Cash Equivalents

	2013/14 £'000	2012/13 £'000
Balance at 1 April	115,431	53,683
Net Changes in Cash and Cash Equivalent Balances	71,095	61,748
Balance at 31 March	**186,526**	**115,431**
The following Balances were held at:		
Government Banking Service	156,281	-
Commercial Banks and Cash in Hand	30,245	115,431
Balance at 31 March	**186,526**	**115,431**

19 Trade Payables and Other Current Liabilities

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Amounts falling due within one year:						
VAT Payable	-	-	-	-	-	-
Other Taxation and Social Security	396	201	249	-	846	892
Trade Payables	1,020	457	57	-	1,534	1,466
Other Payables	91	-	52	31	174	676
Accrued and Deferred Income	2,237	715	2,175	-	5,127	6,372
Current Part of Finance Leases	1,416	1,540	1,472	-	4,428	4,220
Prepayments and Accrued Income	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-
	5,160	**2,913**	**4,005**	**31**	**12,109**	**13,626**
Amounts included above that fall within the Whole of Government Boundary are:						
Central Government	389	215	-	-	604	851
Local Authorities	-	-	-	-	-	-
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	-	-	-	-	89
Intra Government Balance	389	215	-	-	604	940
Bodies External to Government	4,771	2,698	4,005	31	11,505	12,686
	5,160	**2,913**	**4,005**	**31**	**12,109**	**13,626**

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2013/14 £'000	2012/13 £'000
Amounts falling due after one year:						
Other Payables, Accruals and Deferred Income	-	-	8	-	8	8
Finance Lease	11,641	14,401	-	-	26,042	30,537
	11,641	**14,401**	**8**	**-**	**26,050**	**30,545**

Amounts included above that fall within the Whole of Government Boundary are:

Central Government	-	-	-	-	-	-
Local Authorities	-	-	-	-	-	-
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	-	-	-	-	-
Intra Government Balance	-	-	-	-	-	-
Bodies External to Government	11,641	14,401	8	-	26,050	30,545
	11,641	**14,401**	**8**	**-**	**26,050**	**30,545**

20 Provisions for Liabilities and Charges

	Redundancy £000	Restructuring £000	Orefordness £000	Litigation £000	ACPs £000	MNOPF £000	Other £000	Total £000
Balance at 1 April 2013	1,010	-	50	5	2,425	1,866	-	5,356
Provided in the Year	362	-	-	-	28	-	414	840
Provision Written Back	(180)	-	(29)	-	(7)	(347)	-	(563)
Provisions Utilised	(661)	-	(16)	(5)	(440)	(153)	-	(1,275)
Unwinding of Discount	-	-	-	-	-	-	-	-
Foreign Exchange	(10)	-	-	-	(35)	-	(8)	(53)
Balance at 31 March 2014	**521**	**-**	**5**	**-**	**1,971**	**1,366**	**406**	**4,269**
Analysis of expected of discounted flows								
In one year or less or on demand	431	-	5	-	348	-	406	1,190
Between one and five years	90	-	-	-	1,623	1,366	-	3,079
Later than five years	-	-	-	-	-	-	-	-
Balance at 31 March 2013	**521**	**-**	**5**	**-**	**1,971**	**1,366**	**406**	**4,269**

The GLAs have provided for:

Redundancy Costs - the estimated redundancy costs as a result of re-organisations within the three GLAs.

Restructuring Costs - Nil

Orfordness - Cost of removal of optic and mercury from Orfordness Lighthouse which is required no matter what the eventual outcome of this site.

Litigation - Potential litigation in respect of Asbestos claim, as advised by solicitors.

ACPs - the actuarially calculated estimate for the future liabilities for Annual Compensation Payments that are compensation payments until Age 60 and receipt of normal pension benefits.

MNOPF - Provision for actuarially calculated estimate of additional contribution to the Merchant Navy Officers Pension Fund to help meet the deficit in the Fund.

Other – Provision to repair storm damage to Irish property in the winter of 2013/14
Other – Provision to pay a voluntary disclosure made by CIL to the Republic of Ireland Tax Authority

Provisions provided/written back in the year have been charged to Other Expenditure (£-44k) and Staff Costs (£481k)

21 Capital Commitments

Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements

	2013/14 £'000	2012/13 £'000
Property Plant and Equipment	1,616	2,760
Intangible Assets	-	19
	1,616	**2,779**

22 Commitments under Leases

Obligations under Operating Leases comprise:

	2013/14 £'000	2012/13 £'000
Land		
Not Later than One Year	49	51
Later Than One Year and Not Later Than Five Years	197	183
Later Than Five Years	2,560	2,753
Total	**2,806**	**2,987**
Buildings		
Not Later than One Year	36	21
Later Than One Year and Not Later Than Five Years	70	11
Later Than Five Years	55	2
Total	**161**	**34**
Other		
Not Later than One Year	2,200	2,181
Later Than One Year and Not Later Than Five Years	1,998	3,892
Later Than Five Years	-	-
Total	**4,197**	**6,073**

Obligations under Finance Leases comprise:

Other		
Not Later than One Year	5,532	5,660
Later Than One Year and Not Later Than Five Years	16,034	17,967
Later Than Five Years	14,179	18,619
Sub - Total	**35,745**	**42,246**
Less Interest Element	(5,274)	(7,489)
Total	**30,471**	**34,757**

23 Pension Commitments

These are internally financed defined benefit schemes operated by each of the Authorities. The pension benefits are determined by the Secretary of State under section 214 of the Merchant Shipping Act 1995. The Secretary of State has determined that the rules of the Principal Civil Service Pension Scheme shall apply.

The schemes fall within the definitions of a "Public Service Pension Scheme" in section 1 of the Pension Schemes Act 1993 and are not required to be separately funded. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Under Section 214 of the Merchant Shipping Act 1995 the Secretary of State has approved the closure of the GLAs pension schemes and the transfer of the membership and the accrued superannuation liability to the PCSPS. Pension accruals in the GLA schemes ceased on 31 March 2014 and accrual to the PCSPS started on 1 April 2014. As there is no change in pension benefit and member transfer is made without members’ consent, although the Boards of the respective GLAs had a responsibility to clearly explain to members what changes are being made. From 1st April 2014 the GLAs will become liable for paying an employer’s contribution in respect of staff who are members of PCSPS.

As at 31 March 2014 the Pension Schemes remained within the GLF and have been accounted for in accordance with IAS 19 (revised) in the financial statements and notes below, however, the transfer value applicable on 1 April 2014 is subject to bulk valuation by the Government Actuary Department (GAD). An estimated transfer value of £365m was calculated by the GLAs Actuary, the final valuation will not be known until the autumn of 2014. £355m has been paid to the Cabinet Office as a down-payment for the transfer, this amount has been paid using GLF cash reserves of £155m and a loan of £200m from the DfT. Further details are available in note 30 to these accounts.

The pension liabilities of the three General Lighthouse Authorities are paid as they fall due on the following basis:

- i) Payments to pensioners/spouses/children for the financial year under review.
- ii) Lump sums paid to new pensioners and preserved lump sums coming into effect during the year.
- iii) Annual compensation payments paid to those members who are made redundant in advance of pension age.
- iv) Accrued benefits due to employees who leave and who opt to have such benefits transferred to another scheme.
- v) Injury benefits.
- vi) Refunds of spouses’ pension contributions at leaving and/or age 60.

Reduced by:

- vii) Contributions made by employees during the year in respect of benefits.
- viii) Accrued benefits transferred from other pension schemes in respect of current members.

The GLAs obtain professional actuarial valuations annually for IAS 19 (R) purposes.

The valuation assumed the following return / investment rates:-

	NLB	**TH**	**CIL**
Discount Rate (nominal)	4.35%	4.35%	4.35%
Discount Rate (real)	1.80%	1.80%	1.80%
Inflation Rate (CPI)	2.50%	2.50%	2.50%
Salary Growth Rate (nominal)	4.50%	4.50%	4.50%
Salary Growth Rate (real)	2.00%	2.00%	2.00%
Rate of Increase to pensions in payment & deferment	2.50%	2.50%	2.50%

The actuary’s updated estimate of the liability of ACPs at 31 March 2014 is £1,971,000

The following has been provided in accordance with the International Accounting Standard IAS 19 (R) - Employee Benefits.

	£'000	£'000	£'000
	Assets £000	**Liabilities £000**	**Net £000**
Fair Value of Plan Assets	-		-
Present Value of Funded Liabilities		-	-
Present Value of Unfunded Liabilities		410,306	(410,306)
Opening Scheme (Liability)/Asset at 31 March 2013	**-**	**410,306**	**(410,306)**
Service Cost			
Current service cost		5,748	(5,748)
Past service cost (including curtailments)		921	(921)
Effect of Settlements	-	-	-
Total Service Cost *	**-**	**6,669**	**(6,669)**
Net Interest			
Interest Income on Plan Assets	-		-
Interest Cost on Defined Benefit Obligations		16,474	(16,474)
Impact of Asset Ceiling on Net Interest	-	-	-
Total Net Interest	**-**	**16,474**	**(16,474)**
Total Defined Benefit Cost Recognised in SOCNI	**-**	**23,143**	**(23,143)**
Cashflows			
Plan Participants Contributions	-	1,548	(1,548)
Employer Contributions	-	-	-
Transfers In (exc. club transfers)	-	224	(224)
Transfers Out (exc. club transfers)	-	(95)	95
Club Transfers In	-	105	(105)
Club Transfers Out	-	(3)	3
Unfunded Benefits Paid	-	(18,363)	18,363
Total Cashflows	**-**	**(16,584)**	**16,584**
Expected Closing Position	**-**	**416,865**	**(416,865)**
Re-measurements			
Change in Demographic		-	-
Change in Financial Assumptions		6,514	(6,514)
Other Experience		(8,345)	8,345
Return on Assets exc. amounts included in net interest			-
Net Interest	-	-	-
Changes in Asset Ceiling	-	-	-
Total Re-measurements Recognised in Other Comprehensive Income	**-**	**(1,831)**	**1,831**
Exchange Differences	-	-	-
Effect of Business Combinations and Disposals	-	-	-
Fair Value of Plan Assets	-		-
Present Value of Funded Liabilities		-	-
Present Value of Unfunded Liabilities		415,034	(415,034)
Closing (Liability)/Asset at 31 March 2014	**-**	**415,034**	**(415,034)**

**The corresponding items in the statement of Comprehensive Net Income are lower than stated above due to a pension provision adjustment in the year and other minor pension costs relating to other pension schemes across the GLAs.*

PRIOR YEAR	£'000	£'000	£'000
	Assets £000	**Liabilities £000**	**Net £000**
Fair Value of Plan Assets	-		-
Present Value of Funded Liabilities		-	-
Present Value of Unfunded Liabilities		377,966	(377,966)
Opening Scheme (Liability)/Asset at 31 March 2012	**-**	**377,966**	**(377,966)**
Service Cost			
Current service cost		5,145	(5,145)
Past service cost (including curtailments)		223	(223)
Effect of Settlements	-	-	-
Total Service Cost *	**-**	**5,368**	**(5,368)**
Net Interest			
Interest Income on Plan Assets	-		-
Interest Cost on Defined Benefit Obligations		18,162	(18,162)
Impact of Asset Ceiling on Net Interest	-	-	-
Total Net Interest	**-**	**18,162**	**(18,162)**
Total Defined Benefit Cost Recognised in SOCNI	**-**	**23,530**	**(23,530)**
Cashflows			
Plan Participants Contributions	-	1,197	(1,197)
Employer Contributions	-	-	-
Transfers In (exc. club transfers)	-	130	(130)
Transfers Out (exc. club transfers)	-	(73)	73
Club Transfers In	-	35	(35)
Club Transfers Out	-	-	-
Unfunded Benefits Paid	-	(18,081)	18,081
Total Cashflows	**-**	**(16,792)**	**16,792**
Expected Closing Position	**-**	**384,704**	**(384,704)**
Remeasurements			
Change in Demographic		-	-
Change in Financial Assumptions		18,856	(18,856)
Other Experience		6,744	(6,744)
Return on Assets exc. amounts included in net interest			-
Net Interest	-	-	-
Changes in Asset Ceiling	-	-	-
Total Remeasurements Recognised in Other Comprehensive Income	**-**	**25,600**	**(25,600)**
Exchange Differences	-	-	-
Effect of Business Combinations and Disposals	-	-	-
Fair Value of Plan Assets	-		-
Present Value of Funded Liabilities		-	-
Present Value of Unfunded Liabilities		410,304	(410,304)
Closing (Liability)/Asset at 31 March 2013	**-**	**410,304**	**(410,304)**

**The corresponding items in the statement of Comprehensive Net Income are lower than stated above (£242k) due to an MNOPF pension provision written back in the year and other minor pension costs relating to other pension schemes across the GLAs.*

The Impact of Remeasurements is shown below:

	31/03/14	31/03/13	31/03/12	31/03/11	31/03/10
Experience Gains and (Losses) on Scheme Liabilities	8,345	(6,744)	(7,057)	11,665	50,118
	2.0%	(1.6%)	(1.9%)	3.2%	12.3%
Total Remeasurements Recognised in Other Comprehensive Income	1,831	(25,635)	(8,606)	35,547	(70,892)
	0.4%	(6.2%)	0.0%	0.0%	0.0%
Total Scheme Liability	415,034	410,306	377,966	361,513	408,465

Pensions Sensitivity Analysis at 31 March 2014	**31 Mar 14**
Scenario:	**£'000**
31 March 2014 Basis	415,034
Real discount rate increased by 0.5% per annum	(385,906)
Real discount rate decreased by 0.5% per annum	(446,685)
Real salary growth assumption increased by 0.5% per annum	(410,254)
Real salary growth assumption decreased by 0.5% per annum	(419,965)
Inflation assumption increased by 0.5% per annum	(441,711)
Inflation assumption decreased by 0.5% per annum	(389,791)
Mortality tales used rated down by 2 years	(429,539)
Mortality tales used rated up by 2 years	(399,936)

The Department for Transport has included the liability for the General Lighthouse Authorities' pensions in the Departmental Accounts for 2013/14 a liability of £415m has been disclosed.

The principal revenues of the Fund are light dues, which are fixed by the Secretary of State by orders under Section 205(5) of the Merchant Shipping Act 1995 (which are subject to negative resolution by Parliament). Subject to Parliament's approval of such orders, the Secretary of State will seek to ensure that annual revenues are maintained at a sufficient level to meet the pension liabilities.

Merchant Navy Officers' Pension Fund

The GLAs are Participating Employers of the Merchant Navy Officers Pension Fund (MNOPF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOPF is a funded multi-employer scheme but the GLA boards are unable to identify their share of the underlying assets and liabilities. Formerly officers who started employment with the GLAs and were members of the MNOPF were given the option of continuing MNOPF membership or joining the GLA Pension Scheme. This option is no longer given to new entrants. The assets of the scheme are held separately from the General Lighthouse Fund, being held in separate funds managed by trustees of the scheme. Contributions to the scheme (20.0% of pensionable salaries) are charged to the Statement of Comprehensive Net Expenditure when they are paid.

The GLAs are Participating Employers of the Merchant Navy Officers' Pension Fund (MNOPF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOPF has a deficit of £120,000,000 identified in an actuarial valuation as at 31 March 2012.
Contributions to the MNOPF of £22,000 (£14,000 2012/13) were made during 2013/2014 relating to 1 member of MNOPF.

The rules of the MNOPF state that Participating Employers may be called to make lump sum payments to make up deficits. The rules state that an employer will not be regarded as ceasing to be a Participating Employer as a result of ceasing to employ Active Members or other eligible employees. Lump Sum payment of £95,000 (Nil 2012/13) were made during the year

Requests for additional contributions would normally only arise after the triennial valuation of the scheme and then only if the scheme was in a deficit considered significant enough to require additional contributions as part of recovery plan. The next valuation will be completed as at 31 March 2015.

Partnership Pension Accounts

Employees joining after 1 October 2002 can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer contributions of £26,000 (2012/13 £23,000) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

There were no contributions due to the partnership pension providers at the Statement of Financial Position. There were no contributions that had been prepaid at that date.

24 Contingent Liabilities disclosed under IAS 37

Protection and Indemnity
The GLA's marine protection and indemnity risks are insured through The Standard Club (Europe) limited which is a member of the International Group of Protection and Indemnity Clubs.

The Club has adopted a conservative underwriting policy and concentrates on insuring vessels operating in European inland waterways, harbours and coastal trades.

The mutual method of insuring these risks includes a re-insurance programme and the pooling arrangements of the International Group. However, in common with all members of International Group Clubs, the GLAs could be liable for additional premium payments (Supplementary Calls) to cover any claims which cannot be met from funds available. The Standard Club has closed the years up to and including 2011/2012 and there will be no Supplementary Calls for these years. The Club have advised the GLAs that it does not anticipate Supplementary Calls for the years 2012/2013 and 2013/14. As a result the GLAs have made no provision in the Accounts.

eLoran Babcock (formerly VT) Contract
On 31 May 2007, a contract was signed for the provision of a UK and Irish Enhanced LORAN Signal-In-Space as part of a European Enhanced LORAN service. Broadcasting from Anthorn in Cumbria, the quarterly cost to the GLA's of this service is £97,036. Provision of a new transmitter, which is subject to approval from DfT, will increase the future quarterly payment.

The contract covers a period from 31 May 2007 to 1 October 2022. The GLAs had reserved the right to terminate the contract, at their sole discretion at the end of the first phase, on or about 1 October 2010. A contract variation effective from 30 September 2010 determines that phase one could run until the expiry date of the contract but that the contract can be terminated earlier or as otherwise agreed between the parties. Should the GLAs choose to terminate the contract a termination cost will be liable of between £791,950 and £22,525 depending on when the termination was to take place. The GLAs are continuing within the first phase of the contract and if a new transmitter is installed a revised schedule will be required.

At present, the GLAs do not envisage terminating the contract and have made no provision in the Accounts.

Merchant Navy Officers Pension Fund
An actuarial valuation was carried out as at 31 March 2012 which has resulted in deficits upon which members have been called upon to contribute. The GLAs have paid the deficit contributions which were due for payment on 30 June 2013 in respect of the 2012 valuation. Any further liability will be restricted to the additional contributions sought in June 2013 due to the deficit reported as at 31 March 2012 that cannot be recovered from other employers (e.g. liquidated companies etc.) who are unable to pay their share in June 2013 and needs to be recovered from those remaining.

Additional liability may arise as a result of new actuarial valuations which result in further deficits. The next valuation is due as at 31 March 2015.

The GLAs do not have reliable estimates of this liability and have therefore made no further provision other than for the illustrative deficit contribution, but declare it as a contingent liability.

Lighthouse Estate
As a result of regular surveys the Directors of Trinity House recognise that there is a raised degree of risk at a number of stations that may demand a currently unquantified level of future investment. These stations are Beachy Head, St Catherine's, Flamborough Head, Royal Sovereign and Wormleighton. The total cost is estimated at between £8.1m and £12.8m, however, due to the uncertain nature of these events, no provision has been made in the accounts.

25 Related-party transactions

The Fund is administered by the Department for Transport who sponsor the three Authorities. For governance purposes each is considered to be a Non-Departmental Public Body (NDPB), however for financial purposes they are considered to be Public Corporations.

The Authorities and DfT are regarded to be related parties. Neither the Secretary of State for Transport nor any key officials with responsibilities for the Fund or any of the Authorities' Board members, key managerial staff or other related parties have undertaken any material transactions with the Fund during the year.

Trinitas Services Ltd
Trinity House Lighthouse Service (THLS) has entered into an agreement to lease lighthouse cottages to Trinitas Services Limited, a wholly owned subsidiary of the Corporation of Trinity House. The first agreement provides for some 34 lighthouse cottages at 14 locations to be leased to Trinitas for 25 years. Trinitas has refurbished the cottages and has a contract with Rural Retreats to let them as holiday cottages. At present 30 cottages are let under this agreement.

During 2006/07 Trinity House refurbished a further 7 lighthouse cottages at the Lizard, and entered into a second agreement to lease them to Trinitas Service Ltd for 20 years commencing February 2002, with an effective possession date of 14th December 2006. Trinitas has entered into a contract with Cornish Cottages to let 6 of them as holiday cottages.

Commodore J S Scorer, Director of the THLS Lighthouse Board and E D Johnson, Non-Executive Director of the THLS Lighthouse Board, are appointed to the Board of Trinitas Services Ltd as nominees of the Corporate Board responsible for Trinity House Charities. Viscount Cobham, A Groom and Commander G Hockley are appointed to the Board of TSL as nominees of the Corporate Board responsible for Trinity House Charities, none of whom are members of the TH Lighthouse Board.

Corporation of Trinity House
The Corporation of Trinity House owns Trinity House Tower Hill and provides rent free accommodation for the use of THLS. THLS reimburses the Corporation for service charges in proportion to the floor area occupied. During 2013/14 TH paid £279,427 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£276,006 in 2012/13).

Conversely, the Corporation of Trinity House reimburses THLS for the provision of services during the year. The Corporation paid £64,330 to THLS in respect of these services during the year (£63,465 in 2012/13).

The North Ronaldsay Trust
The North Ronaldsay Trust is a company limited by guarantee and registered in Scotland. The trust has been established to promote the island and in particular, the built and natural heritage. The Trust has six nominated members including the Northern Lighthouse Board. The Director of Finance and Administration has been appointed as a Director of the Company. The Board's liability to the Trust is limited to £1 and there have been no transactions in the year.

Scotland's Lighthouse Museum Ltd
Scotland's Lighthouse Museum (SLM) Ltd is a registered charity whose primary purpose is to advance and promote the education of the general public, to establish and preserve a Museum of the history and operation of the lighthouses in Scotland and to aid their physical preservation. The Director of Engineering of the Northern Lighthouse Board is an SLM Board Member. There have been no transactions between the Trust and the Board.

James Coats, Junior, “Ferguslie” Paisley Memorial Fund (formerly referred to as the Black Bequest)
The James Coats, Junior, “Ferguslie” Paisley Memorial Fund is a registered charity whose primary purpose is to provide support to former lighthouse keepers and their dependants. The Trustees are the Chairman, Vice-Chairman and Chief Executive. There have been no transactions between the Trust and the Board.

The Commissioners of Northern Lighthouses 2000 Trust
The Commissioners of Northern Lighthouses 2000 Trust is a registered charity whose primary purpose is to provide support to Merchant Navy Officer Cadets. The Trustees are the Chief Executive, Director of Finance and one Commissioner. There have been no transactions between the Trust and the Board.

The Northern Lighthouse Heritage Trust
The Northern Lighthouse Heritage Trust is a registered charity whose primary purpose is to support the preservation and conservation of lighthouse heritage. There have been no transactions between the Trust and the Board.

Scottish Shipping Benevolent Association
Scottish Shipping Benevolent Association is a registered charity whose primary purpose is to give assistance to people in the Scottish Shipping Industry. Roger Lockwood is a Director since 31 April 2009. A charitable donation of £100 was made on 1 August 2013.

Department of Transport, Tourism and Sport (Republic of Ireland)
The Republic of Ireland's Department of Transport, Tourism and Sport (DTTAS) is considered to be a related party of the Commissioners of Irish Lights. During the year no material transactions took place between the Commissioners of Irish Lights and the DTTAS except as disclosed by note 4 to the accounts.

26 Third Party Assets

There are other assets held by the Northern Lighthouse Board on behalf of the Commissioners. These assets are a collection of furniture, books, maps, paintings and silver and do not form part of the General Lighthouse Fund.

	31 Mar 14	31 Mar 13
	£'000	£'000
Cash and Investments	33,902	40,503
Heritage Collection	277,100	277,100
	311,002	**317,603**

27 Financial Instruments

IAS 32 Financial Instruments: Presentation requires disclosure of the role which Financial Instruments have had during the year in creating or changing the risks the GLA's face in undertaking their activities. Because of the largely non trading nature of their activities and the method of funding from the General Lighthouse Fund, they are not exposed to the degree of financial risk faced by other business entities. The GLAs have borrowing powers under the Merchant Shipping Act 1995 but very limited powers to invest in surplus assets / funds.

As permitted by IFRS 7, trade receivables and payables which mature or become payable within 12 months of the reporting date have been omitted from the profile.

The fair value of publicly traded derivatives and trading and available for sale securities is based upon quoted market prices at the reporting date.

Liquidity Risk
Liquidity Risk for all three GLAs resides with the GLF through the operation of cash Funds held with the Government Banking Service (GBS) and is largely dependent on the flow of Light Dues levied on Ships calling at UK and Irish ports. Cash positions are managed through weekly and monthly management reporting in addition annual long term forecasts seek to ensure adequate financing is available. Short term financing issues are by holding sufficient cash reserves, while longer term, GLA budgets and or the Light Dues tariff would be considered.

Interest Rate Risk

Trinity House
TH have three finance leases on THV Galatea, THV Alert and THV Patricia, it is not considered that these present any exposure to interest rate risk;

THV Patricia has expired its primary term and is now on a fixed peppercorn rent.
The interest rate for the finance lease for the THV Alert was fixed on 9 August 2006 and therefore exposes no risk.
The interest rate for the finance lease for the THV Galatea was fixed on 24 December 2008 and therefore exposes no risk.

TH holds working funds in money market accounts and is therefore exposed to interest rate fluctuations, although here again these balances are very small and so the risk is insignificant.

Northern Lighthouse Board
There is an exposure on the leases to a change in the main rate of Corporation Tax. During the setting up of the finance lease for NLV Pole Star, NLB evaluated the option of eliminating the exposure. However it was found that the financial risks were not significant.

NLB hold working funds in a money market account and is therefore exposed to interest rate fluctuations. However the balance is managed to ensure that it is maintained at a minimum to meet forecast short term cash requirements.

Commissioners of Irish Lights
The finance lease for the ILV Granuaile is at a fixed interest rate and there is no exposure to interest rate risk.

CIL holds monies in interest earning deposit accounts which are exposed to interest rate fluctuations. However, these accounts are managed so that monies retained are held at minimum levels.

GLF
The GLF has no liabilities that will lead to an exposure to rising interest rates, however falling or low interest rates do impact on the GLF in terms of returns from cash held with the HSBC Liquidity Fund and GBS Deposit Account.

Currency Risks
Euro income from Republic of Ireland Light Dues and contributions from the Irish Government is retained in a GBS euro account until needed for CIL General Lighthouse Fund advances. The balance held as at 31 March 2013 £0.5m

Market Risk
The GLF liquidated an Investment Portfolio during the year. This portfolio comprised of investments in equities, both UK and overseas and Corporate Bonds. This portfolio was exposed to movements, both up and down, in International Investment markets, which will had a direct impact upon the value of the portfolio and the GLF has a whole. All exposure to Market Risk was removed in December 2013.

Due to the operating currency of CIL being in Euros, and partially funded by the GLF from Light Dues received in the UK in sterling, the GLF has an exposure to movements in the Euro/Sterling exchange market.

Fair Values
Set out below is a comparison by category of the carrying values and fair values of the Fund's financial assets and liabilities as at 31 March 2014.

	Carrying Value £'000	Fair Value £'000
Financial Assets		
Investments	-	-
Cash at Bank and in Hand	186,526	186,526
Bank Guarantees	640	640
Financial Liabilities		
Finance Lease Obligations	30,471	30,471

28 Further Information

Number of non-current assets.

	TH	NLB	CIL	2013/14	2012/13
Lighthouses	64	205	74	343	348
Lightvessels	12	-	-	12	12
Lightfloats	2	-	-	2	2
Lanby Bouys	-	-	-	-	-
Bouys & Beacons	730	230	212	1,172	1,172
Tenders & Ancilliary Craft	12	2	1	15	15
Lighthouses Abroad	1	-	-	1	1

Number of Non Current Assets Deployed

	TH	NLB	CIL	2013/14	2012/13
Lighthouses	65	205	72	342	344
Lightvessels	8	-	-	8	8
Lightfloats	2	-	-	2	2
Lanby Bouys	-	-	-	-	-
Bouys & Beacons	551	190	162	903	911
Tenders & Ancilliary Craft	12	2	1	15	15
Lighthouses Abroad	1	-	-	1	1

29 Losses

Obsolete Inventory valued at £45,000 (2012/13 £50,000) was written off during the year.

30 Events after Reporting Period

Pensions Transfer

Transfer of the GLAs pension schemes to the PCSPS, took place on 1 April 2014. This transaction removed the pension liability of £415m from the GLF balance sheet which is valued in accordance with IAS 19 (R). The value of pension liabilities for transfer purposes is determined by the Government Actuary Department (GAD). £355m was paid to the Cabinet Office on 1 April 2014 based on an estimate of the GAD transfer value. The final valuation will be agreed by GAD in autumn 2014 when a balancing payment/refund will be due.

The £355m transfer was funded from the GLF cash balances (£155m) along with a loan from the Department for Transport of £200m. This event occurred on 1 April 2014 and is therefore a 'non adjusting event after the reporting period' in accordance with IAS 10. In future accounting periods £200m will be disclosed as a loan liability measured initially at Fair Value and thereafter at Amortised Cost in accordance with IAS 39.

The Annual Compensation Payments (ACPs) provision of £2m was also transferred to the PCSPS on 1 April 2014.

Authorised For Issue

These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. International Financial Reporting Standard (IFRS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Appendix 1
Five Year Summary

	2013/14 £'000	2012/13 £'000	2011/12 £'000	Restated 2010/11 £'000	Restated 2009/10 £'000	Restated 2008/09 £'000
Light Dues and Irish Income	90,709	89,946	91,248	87,077	76,223	69,581
Investment Income	20,242	4,000	4,774	2,275	2,306	2,589
Other Income	11,866	11,237	11,961	10,662	12,186	10,058
Total Income	**122,817**	**105,183**	**107,983**	**100,014**	**90,715**	**82,228**
Staff Costs	(27,261)	(28,698)	(28,461)	(33,914)	(29,959)	(29,708)
Pensions	(6,691)	(5,129)	(7,523)	12,259	(5,319)	(7,859)
Amortisation	(326)	(242)	(260)	(335)	(504)	(418)
Depreciation	(12,728)	(10,237)	(10,738)	(10,779)	(10,670)	(9,953)
Loss on Revaluation	(952)	(34,458)	-	-	(115)	(113)
Other Expenditure	(27,482)	(26,558)	(26,882)	(25,733)	(27,857)	(33,924)
Total Operating Costs	**(75,440)**	**(105,322)**	**(73,864)**	**(58,502)**	**(74,424)**	**(81,975)**
Net Income	47,377	(139)	34,119	41,512	16,291	253
Exceptional Items	-	-	-	-	-	-
Interest on Pension Scheme Liability	400	(18,162)	(19,430)	(18,035)	(19,288)	(21,952)
Other Interest Receivable	(1,256)	310	216	102	51	923
Interest Payable	(16,474)	(1,582)	(1,872)	(2,151)	(2,345)	(2,560)
Revaluation of Investment Property	(27)	(243)	(78)	(18)	-	-
Surplus/(Deficit) for the Financial Year	**30,020**	**(19,816)**	**12,955**	**21,410**	**(5,291)**	**(23,336)**
Property, Plant and Equipment	269,787	269,085	137,473	146,490	152,515	157,711
Net current Assets	182,410	447,091	139,950	117,182	98,040	75,387
Long Term Creditors, Capital & Reserves	(16,815)	(15,092)	(171,877)	(178,060)	(244,470)	(191,801)
Pension Liability & Other Provisions	(418,112)	(44,743)	(416,682)	(368,059)	(411,847)	(333,319)
Property Plant & Equipment Purchased	8,258	9,562	5,807	7,107	7,804	10,486
Average Number of Permanent Employees	618	636	675	693	719	714

Appendix 2

The Department for Transport, Local Government and the Regions
Letter of Comfort in Respect of General Lighthouse Fund Pensions, Contingent Liabilities, to be Given to the General Lighthouse Authorities

The pensions in respect of the beneficiaries of the Pension Schemes of the General Lighthouse Authorities (GLAs) are safe. This is recognised by the fact that the pensions liability of the General Lighthouse Fund (GLF) is reported to Parliament annually as a contingent liability of the Department of Transport, Local Government and the Regions (DTLR). This is a form of early warning to Parliament that it may be asked to authorise expenditure on this item. Any liability which a GLA might not be able to meet from its own resources (which in the GLA's case is the GLF) would fall to DTLR as the sponsor department.

DTLR has therefore already given the strongest public assurance that the pensions of the beneficiaries of the Pension Schemes of the GLAs will be paid by the inclusion of the liabilities of the GLF in their departmental contingent liability return to Parliament. Therefore in the unlikely event of insufficient money being available, DTLR will request funds from Parliament to ensure that the pensions are paid to the beneficiaries of the Pensions Schemes of the GLAs. The pensions of the GLAs are therefore assured by this Letter of Comfort.

Signed By:

David Jamieson

On behalf of the Secretary of State for Transport, Local Government and the Regions
Date 17 December 2001

Appendix 3 General Lighthouse Authorities Governance Statements

Trinity House Governance Statement

Introduction

HM Treasury introduced a new Code of Good Practice for Corporate Governance in Central Government Departments in July 2011.

The Board confirms that throughout the accounting period Trinity House has applied the principles contained in the Code. This includes:

- A full analysis of the significant business risks to produce and continually update the Corporate Risk Schedule and the Organisational Risk Schedule beneath it;
- Identification on the Risk Schedules of the means by which the business risks are controlled and who is accountable for each significant risk;
- Internal Audit basing their programme of audit work on the Risk Schedules and the supporting Directorate / Departmental Risk Registers.

An internal audit of Corporate Governance and Risk Management arrangements within Trinity House carried out in November 2013 by the Department for Transport Audit and Risk Assurance Team validated that Trinity House is compliant with, to the extent that it is appropriate, the revised guidance on corporate governance and risk management issues by HM Treasury. The audit resulted in no recommendations for improvement and a full assurance rating.

The Trinity House Head of Internal Audit in his Annual Report for 2013-14 was of the opinion that 'there are no significant weaknesses or matters that fall within the scope of issues that should be reported in the Governance Statement'.

Trinity House acknowledges one departure from the Code is that the Trinity House Executive Chairman combines the role of Chairman and Chief Executive. The Board considers that this provides the most efficient and effective use of resources without compromising the basic principles of good governance. Although the guidance advocates the separation of these two roles there are further counterbalances provided inter alia by the trustee actions of the Secretary of State for Transport, as exercised by the Navigation Safety Branch of Department for Transport and through the Secretary of State's nominees on the Lighthouse Board.

Trinity House Lighthouse Board and its Committees

Lighthouse Board

The Corporation established a constitution and terms of reference for a Lighthouse Board on 4 June 1984. This has since been reviewed and updated with the latest amendment on 14 January 2014.

The Lighthouse Board is accountable to the Corporation and is responsible for effective control of the functions of Trinity House as a General Lighthouse Authority.

The Board met formally on 8 occasions during 2013-14 including a session to discuss future strategy with the Senior Management Team. Having regard to its main responsibility of providing a reliable and efficient aids to navigation service for the benefit and safety of all mariners, the coverage of its work included:

- Review and approval of the Strategy for 2014-19;
- Review and approval of the Corporate Plan for the period 2014-19 and the Annual Report and Accounts;
- Review and approval of eight organisational Policies;
- Monitoring of Performance (KPIs);
- Review of strategic approach to risk including risk appetite and the Risk Schedules;
- Receipt of regular reports from the General Lighthouse Authorities' Joint Strategic Board, Executive Directors and Committees.

These activities were in line with the matters reserved to the Board in its Terms of Reference.

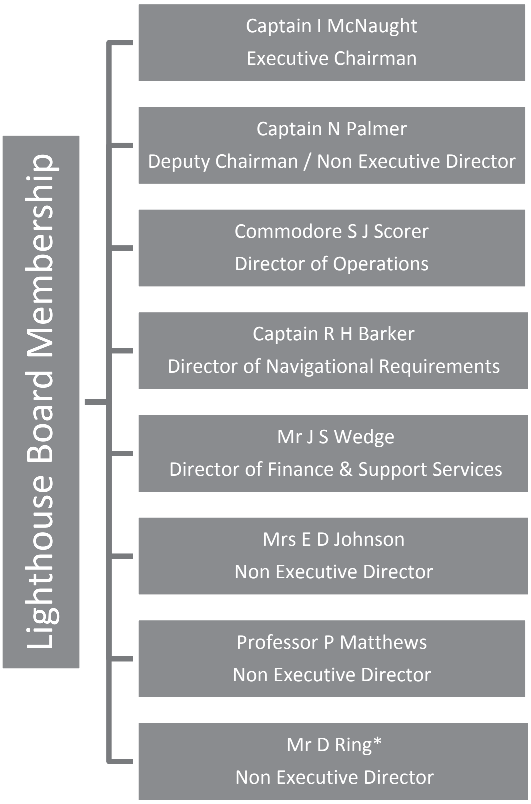
The Board works to a Code of Conduct and Best Practice. This Code was updated in July 2013 to reflect the latest Cabinet Office Code of Conduct and the new Framework Document for the General Lighthouse Authorities.

The Board completed a self-assessment of performance for 2012-13 at the September 2013 Lighthouse Board meeting. The report on the performance of the Board concluded that 2012-13 was a challenging but particularly successful year for the Board in terms of performance as evidenced by the organisation's level of achievement against its corporate objectives. Actions arising from the self-assessment included arrangements for the Board to meet more frequently at the Harwich Depot to increase visibility to workforce.

The Board is generally satisfied with the quality of data it receives but noted during its self-assessment that there is a need to ensure the information provided to the Board is concise and appropriate for consideration at Board level. It was acknowledged that the development of KPIs presented in a dashboard style has improved the Board's ability to monitor trends in operational performance.

The Lighthouse Board comprises a balance of:

- 4 Voting Executive Members (Three Elder Brethren and the Director of Finance & Support Services)
- 4 Voting Non Executive Members including one Elder Brother



**Mr D Ring appointed on 1 December 2013 following the retirement of Mr M J Gladwyn on 31 August 2013*

Committees

The Board delegates certain of its responsibilities to committees. This provides for greater independence with regard to audit, appointments and remuneration.

All Committees, other than the Executive Committee, are chaired by a Board Member, other than the Executive Chairman.

Board Committee	**Remit**	**Highlights**
Executive Chair: Captain I McNaught	Operational management of the organisation.	• Agreement to the approach to the Triennial Review; • Review of TH policies; • Approval of various Project Briefs and Mandates; • Review of draft IT Strategy 2014-17; • Review of draft TH Strategy 2014-19; and • Ongoing scrutiny of risk registers to contribute to effective internal control.
Audit & Risk Assurance Chair: Mrs E D Johnson	Review of organisational controls, risk, governance, finances and systems.	• Scrutiny of the Annual Report & Accounts; • Review of Risk Registers • Review of Fraud & Bribery Response Plan • Review of internal audit reports and findings including the Head of Internal Audit's annual report and opinion • Assessment of Trinity House's compliance with the HM Treasury Audit and Risk Assurance Committee Handbook; and • Introduction of a more co-ordinated approach to the audit function through a single audit

		plan managed in-house to ensure a more complete assurance framework.
Directors' Remuneration Chair: Professor P Matthews	Assessment of Executive Directors' performance, remuneration, bonuses and corporate performance.	• Assessment of director and corporate performance.
Executive Remuneration Chair: Mr J S Wedge	Assessment of staff remuneration, manpower requirements and organisational structure.	• Consideration of the pay remit; • Review of Engineering; • Review of manpower planning; and • Review of buy out of the SVS overtime arrangements.
Examiners Chair: Captain R H Barker	All requirements for the service's provision of Aids to Navigation.	• Approval of the final draft of the Tri GLA Risk Response Criteria; • Consideration of marking requirements for the significant new wreck in TorBay in close proximity to the DW anchorage; • Assessment of 2015 AtoN review areas for future requirements; and • Consideration of the general requirements for risk mitigation measures for offshore windfarms.
Nominations Chair: Professor P Matthews	Proposing Executive appointments to the Lighthouse Board.	There were no Executive appointments in 2013/14.

Attendance at Board and Committee meetings during 2013-14 was as follows:

Members Non – Executive (NE)	LHB	Executive Committee	Audit & Risk Assurance Committee	Directors' Remuneration Committee	Executive Remuneration Committee	Examiners
Captain I McNaught[iv]	8(of 8)	9(of 9)	3(of 4)	*	3(of 3)	5(of 5)
Captain N Palmer (NE)[i]	6(of 8)	*	2(of 2)	1(of 1)	*	5(of 5)
Commodore S J Scorer	8(of 8)	8(of 9)	*	*	3(of 3)	5(of 5)
Captain R H Barker	7(of 8)	9(of 9)	*	*	3(of 3)	5(of 5)
Mr J S Wedge [iv]	8(of 8)	9(of 9)	4(of 4)	*	3(of 3)	*
Mrs E D Johnson (NE)	8(of 8)	*	4(of 4)	*	*	*
Professor P Matthews (NE)	7(of 8)	*	4(of 4)	1(of 1)	*	*
Mr D Ring (NE)[ii]	2(of 2)	*	2(of 2)	1(of 1)	*	*
Mr M J Gladwyn (NE)[iii]	2(of 2)	*	*	0(of 0)	*	*

Note: Figures in table denote meetings attended (meetings available for individual to attend)
* Not members of the Committee
[i] Member of the Audit & Risk Assurance Committee up to and including 19 September 2013
[ii] Appointed on 1 December 2013
[iii] Retired at end of August 2013
[iv] Captain I McNaught and Mr J S Wedge are not members but are invited to attend the Audit & Risk Assurance Committee

Risk Management

Acting in the role of Accounting Officer, the Executive Chairman has the overall responsibility for maintaining a sound system of internal control that supports the achievement of Trinity House's policies, aims and objectives, whilst safeguarding the General Lighthouse Authority's funds and assets for which he is personally responsible, in accordance with the Managing Public Money rules. These responsibilities were formally set out in a letter dated 4 February 2010 to the Executive Chairman from Robert Devereux, the then Principal Accounting Officer of the Department for Transport.

The details of the operating arrangements the Department for Transport has agreed with Trinity House are contained within the Framework Document for the General Lighthouse Authorities dated 30 July 2013. This Framework Document incorporates a Management Statement and a Financial Memorandum.

There is regular contact between Board members and the Department for Transport officials, including their attendance at meetings and the Department for Transport officials are consulted as required in key decisions. The internal audit on Corporate Governance and Risk Management raised no findings in respect of the communication between the Board and the Department for Transport.

Internal Control

The system of internal control is designed to manage risk to an optimum level rather than to eliminate all risk of failure to achieve Trinity House's policies, aims and objectives; as such, compliance can only provide reasonable and not absolute assurance of effectiveness.

The system of control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trinity House's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Trinity House for the year ended 31 March 2014 and up to the date of the approval of the Annual Report and Accounts.

Risk Categories

During 2013-14 the Board's Corporate and Organisational Risk Schedules have been regularly updated and enhanced with the implementation of quantitative risk scores across all risk registers.

The Trinity House Organisational Risk Register divides the significant risks into four main categories:

- Strategic Risks;
- Financial Risks;
- Operational Risks; and
- Hazard Risks.

Any emerging risk issue, post mitigation, that would otherwise warrant increasing the probability assessment to high or very high on the Organisational Risk Schedule and which has a post mitigation impact assessment of medium or above is escalated to the Corporate Risk Schedule for separate analysis and evaluation.

The Schedule cross-references the risks identified to existing organisation controls and policies.

Risk Culture

The culture is one of close management and control of risks. Detailed policies and processes are in place for key activities. All processes have an assigned owner and are published on the company's intranet.

During 2013-14 the Board, using the Treasury's five point classification scale of risk appetite, re-affirmed its view that the risk appetite was generally 'averse' other than for commercial activity where it was considered to be 'cautious'.

The Executive Directors are responsible for managing risks within their commands.
Processes, tools and techniques employed for embedding risk management into the organisation include:

- Introduction of a documented Risk Management Policy;
- Internal audit planning workshop attended by Board Members and Senior Managers to identify key risk areas in order to inform priorities for internal audit;
- Production and maintenance of Registers for the significant risks arising from each of the business functions and key operational deliverables and which are subject to regular review by senior management and staff;
- Publication of all Risk Registers onto the company's intranet;
- In-house expertise provided by the Legal & Risk Department to advise on risk management issues;
- Building risk management into job descriptions;
- Inclusion of risk registers on team meeting' agendas;
- Workshops with staff to reinforce awareness of risk management.

Trinity House leads the General Lighthouse Authorities' Triennial Risk Management Review, the most recent of which was completed in December 2012. This contains the risk management policy and strategy for the General Lighthouse Authorities. Its recommendations were approved by the Board in early 2013. The review includes the analysis of all main risks facing the General Lighthouse Authorities supported by third party assurance from a firm of independent risk consultants and draws on best practice guidance from the UK Risk Management Standard, prepared by the Institute of Risk Management, Association of Insurance and Risk Managers and the National Forum for Risk Management in the Public Sector. The third party assurance concluded that the General Lighthouse Authorities, as individual and separate corporate entities, had established and embedded robust and well considered processes for risk management and loss control throughout all organisational levels.

Risk Monitoring

Directorate / Departmental risk registers were formally reviewed by the responsible Director and Senior Manager at six monthly intervals during 2013-14, although amendments are made in the intervening time in the light of changes in the risk profile. Quarterly reviews of the risk registers have now been introduced for future monitoring.
Risks are reviewed, the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place is evaluated and whether there is a change in the probability and impact categories is determined. Application of any additional controls to reduce the residual risk further is also considered.
The Executive and Audit & Risk Assurance Committees and the Board formally review the Corporate Risk Schedule quarterly.
Management of risk is an ongoing aspect of work within Trinity House. It is embedded into working practices through key policies and procedures such as:

- Utilisation of a robust project management methodology based on PRINCE2;
- Project risk registers for key service projects;
- Asset risk registers for each asset which inform asset management plans;
- Information Risk Policy and associated security procedures;
- Sound environmental planning process for managing environmental aspects and impacts;
- Safe Codes of Practice and Safe Work Instructions contained within the Company's Health and Safety Manual to ensure safe operations.

The internal audit of Corporate Governance and Risk Management arrangements within Trinity House carried out in November 2013 by the Department for Transport Audit and Risk Assurance Team noted '*there is a robust process for the effective and timely identification and management of risks.'*

Stakeholders and Risk

External stakeholders are involved in managing risks through the Joint User Consultative Groups, navigation user consultation procedures, meetings with industry representatives and the Lights Finance Committee. These forums provide stakeholders with the opportunity to comment on the Corporate Plan, budget and aids to navigation that Trinity House provides. Stakeholders comment on the full range of risks including Strategic, Financial, Operational and Hazard Risks.

Changes to Risk Profile

The key changes to the risk profile of Trinity House during the year ended 31 March 2014 were the risks and uncertainties introduced as a result of:

- The reclassification by the Office for National Statistics (ONS) of Trinity House as a Central Government Body and designation to Department for Transport for accounting purposes;
- The greater focus by the Commissioners of Irish Lights on commercial work;
- The Cabinet Office Triennial Review.

Key Strategic Risk Issues

In 2013-14 the key strategic risk issues of concern represented on the Corporate Risk Schedule included:

- Implications for Trinity House of Commissioners of Irish Lights Strategy '2015 & Beyond';
- Cabinet Office Triennial Review of Trinity House and Northern Lighthouse Board;
- The move by Commissioners of Irish Lights to self-funding in the Republic of Ireland and the possible outcome of the Scottish Independence Referendum and associated devolution issues;
- Pension Liability and the implementation of the move of pension scheme members to the Principal Civil Service Pension Scheme (PCSPS);

- The reclassification by ONS of Light Dues as a tax. The reclassification by ONS of Trinity House as a Central Government Body and designation to Department for Transport; and
- Failure to make financial reporting returns.

The Trinity House Audit and Risk Assurance Committee are provided at each meeting with a report from the Board Secretary summarising any significant changes to the Corporate Risk Schedule.

Identification and Mitigation of Conflicts of Interest

A Register of Interests that includes details of company directorships or other significant interests held by Board members and senior managers, which may conflict with their management responsibilities, is maintained. The Register is advertised on the Trinity House website and is available for public inspection. Access can be obtained by contacting the Board Secretary at Trinity House, Tower Hill, London.

There were no conflicts of interest identified during 2013-14 that required management intervention.

There is a clear documented procedure to ensure that all managers and staff enter a record on the Hospitality Register of any gifts, rewards or entertainment received or offered from clients.

The Audit and Risk Assurance Committee reviewed the Register of Members' Interests and the Hospitality Register in September 2013. For good practice, the Audit and Risk Assurance Committee will review the Registers on an annual basis.

A Fraud and Bribery Risk Register was introduced during 2013-14.

Information Risk

During 2013-14 Trinity House continued to comply with the Cabinet Office guidance on information risk management to the extent that it is relevant and with its own Policy on Information Risk.

Trinity House maintains an Information Asset Register with each asset assigned an Information Asset Owner (IAO) from the Senior Management Team. Each IAO provides a written judgement of the security and use of their assets annually to support the audit process. The Senior Information Risk Officer (SIRO) concluded from the 2013-14 review of information security risks by the individual IAOs that all information assets containing sensitive data are listed on the information asset register and are managed by an assigned IAO. The IAOs are aware of what data is under their responsibility and have a good overview of how this information is stored, accessed and processed.

Each IAO is required to undertake periodic information risk awareness training as provided by the Civil Service Learning. This learning is undertaken by way of an on-line course which covers information assurance.

There are clear instructions on the use of Computers, Email and Internet which all members of staff are required to annually sign up to. These instructions are reviewed and updated annually by the IT Manager.

During 2013-14 no data-related incidents were reported to the SIRO.

Review of Systems of Internal Control

Acting in the role of Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and governance. My review of the effectiveness of the systems of internal control and governance is informed by the work of internal auditors, external auditors, directors and senior managers within Trinity House who have responsibility for the development and maintenance of the internal control and governance framework. I have been advised on the effectiveness of the systems of internal control and governance by the Board and the Audit & Risk Assurance Committee. Plans to address any weaknesses and ensure continuous improvement of systems are in place.

The key elements of the ongoing review of the system of internal control and governance are:

- The Trinity House Lighthouse Board which meets eight times a year to decide policy, provide strategic direction and review progress. The Board receives Audit & Risk Assurance Committee minutes and reports covering areas such as risk management. The Board also formally reviews its own effectiveness and that of the Audit & Risk Assurance Committee on an annual basis;
- An Executive Directors' meeting each month which leads to the implementation of plans and reviews progress and performance. Risk management is formally reviewed by Directors and Senior Managers on a six-monthly basis but in practice is considered as part of the control of all key projects and activities;
- The Audit & Risk Assurance Committee which operates in line with the HM Treasury Audit and Risk Assurance Committee Handbook. The Chairman of the Audit & Risk Assurance Committee reports to the Board after each Audit & Risk Assurance Committee meeting;
- Internal Audit by the Department for Transport Audit and Risk Assurance team who provide regular reports that give an independent opinion on the adequacy and effectiveness of the system of internal control. The Head of Internal Audit produces an Annual Report which gives their opinion on the effectiveness of internal control;
- Internal Audit by the Trinity House in-house team of internal auditors whose key findings are reported to the Executive Committee and Audit & Risk Assurance Committee;
- External Audit who independently audit Trinity House accounts and summarise their findings in the management letter;
- Third Party Certification Audits whose key findings are reported to the Lighthouse Board;
- The monthly analysis of the management accounts and work plans by the Executive Directors and Senior Managers;
- The Management Assurance Statement which is completed in accordance with the Department for Transport Group's requirements. The Statement is subject to review by the Executive Committee and to scrutiny by the Audit & Risk Assurance Committee; and
- Annual review of the Trinity House Management System by the Executive Directors and Senior Management Team to ensure the continued adequacy, effectiveness and suitability of the system.

Ministerial Directions

During 2013-14 Trinity House received no ministerial directions.

Head of Internal Audit Opinion

On the basis of the evidence obtained during 2013-14, I am able to provide an overall 'Substantial' assurance rating on the adequacy and effectiveness of the Trinity House's arrangements for corporate governance, risk management and internal control.

Systems of corporate governance, risk management and internal control arrangements are well established and working effectively. Very minor control weaknesses have been identified in a maximum of one or two discrete areas.

In my opinion, there are no significant weaknesses or matters that fall within the scope of issues that should be reported in the Governance Statement.

Executive Chairman Opinion

There have been no significant internal control or governance problems in the year ended 31 March 2014. Therefore I can report that corporate governance and risk management within Trinity House remains robust and effective and comply with the best practice principles set out in HM Treasury's July 2011 Code of Good Practice for Corporate Governance in Central Government Departments as far as is appropriate.

Captain Ian McNaught
Executive Chairman
17 July 2014

Northern Lighthouse Board Governance Statement

Governance framework

Statutory background

The Commissioners owe their origin to the Act 26 George III Cap 101 dated 1786 which appointed nineteen Commissioners to carry out the Act which stated in its preamble that "it would conduce greatly to the security of navigation and the fisheries if four lighthouses were erected in the northern parts of Great Britain". The Act gave the Commissioners the necessary powers to purchase land, levy dues and borrow funds. Further legislation widened the Commissioners' powers and they were given the power to erect lighthouses on the Isle of Man in 1854.

The Commissioners were incorporated by Act of Parliament in 1798 under the title "The Commissioners of the Northern Lighthouses". This title was altered to its present form by the Merchant Shipping Act 1853.

Under Section 193 of the Merchant Shipping Act 1995 the Commissioners of Northern Lighthouses are appointed as the General Lighthouse Authority for Scotland and adjacent seas and islands and the Isle of Man, and under Section 195 are vested with responsibility for the superintendence and management of all lighthouses, buoys and beacons.

The Commissioners, within the area of jurisdiction for which they are the General Lighthouse Authority, have various powers and responsibilities in connection with the provision, maintenance, alteration, inspection and control of lighthouses, buoys and beacons, under Section 197 of the 1995 Act as amended. They also have Wreck Removal powers under Section 253 of the Act.

The Northern Lighthouse Board carries out the functions of the Commissioners of Northern Lighthouses who are constituted in terms of, and are given certain powers and duties by, Part VIII of and Schedules 8 and 9 to the Merchant Shipping Act 1995. The subject matter of that Act is a reserved matter under Section 30 of and Schedule 5 to the Scotland Act 1998 and in terms of Section 29 of the Scotland Act 1998. The Board's affairs will continue to be subject to legislation passed by the United Kingdom Parliament. Ministerial responsibility will remain with the Department for Transport.

The Merchant Shipping and Maritime Security Act 1997 amended the Merchant Shipping Act 1995 to give the Board the powers to enter into, and perform contracts with, third parties utilising spare capacity, with the permission of the Secretary of State. The Commencement Order for this and other provisions came into force on 17 July 1997.

The General Lighthouse Authorities (Beacon: Maritime Differential Correction System) Order 1997 came into force on 12 January 1998 and states that the definition of “Beacon” in Part VIII of the Merchant Shipping Act 1995 includes equipment for a Differential Global Positioning System (DGPS).

The General Lighthouse Authorities (Beacons: Automatic Identification System) Order 2006 came into force on 21 July 2006 and states that the definition of “Beacon” in Part VIII of the Merchant Shipping Act 1995 includes Automatic Identification System equipment used to provide aids to navigation.

The Corporation of Trinity House (England, Wales, Channel Islands and Gibraltar), the Commissioners of Northern Lighthouses (Scotland and the Isle of Man) and the Commissioners of Irish Lights (the whole of Ireland) are the General Lighthouse Authorities (GLAs) for the British Isles.

The Commissioners are defined as an “Executive Non-Departmental Public Body” by the Department for Transport. On 30th December 2011 the Office for National Statistics announced that the Commissioners, along with the other General Lighthouse Authorities, were re-classified for National Accounts purposes from a “Public Corporation” to a “Central Government Body”. As a consequence the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013 made the Commissioners of Northern Lighthouses a designated body to the Department for Transport for the financial year which ends on 31 March 2014.

Marine Navigation Act 2013

The Marine Navigation Act 2013 received Royal Assent on 29 April 2013 a commencement was laid for the area of jurisdiction for the General Lighthouse Authorities to be to the extent of the UK Pollution Control Zone that in turn is designated by orders under section 1(7) of the Continental Shelf Act 1964. The previous powers of the General Lighthouse Authorities to undertake commercial work have been deleted from the Merchant Shipping Act 1995 - Section 197 (8) to (11) – and have been replaced with new powers.

Responsibilities

General

As the General Lighthouse Authority for Scotland and the Isle of Man the Board has responsibility, subject to certain provisions, for the superintendence and management of “all lighthouses, buoys and beacons” throughout Scotland and the Isle of Man including “the adjacent seas and islands....” within and beyond territorial waters. In all, the Board provides over 400 physical aids complemented by a mix of radio navigation aids for the safety of all mariners engaged in general navigation irrespective of who pays for the service, the size or type of the vessel, equipment fit, the competence of crew or flag.

Safety of Life at Sea Convention

Because of its powers and duties under public law, the Board assumes responsibility for positive discharge of the Government's obligations under the Safety of Life at Sea Convention 1974 (Chapter V, Regulation 13) for the provision and maintenance of aids to navigation within its area of jurisdiction. To assist this process, the Board, together with General Lighthouse Authorities for England & Wales and Ireland, takes steps to:

- observe and record developments at the International Maritime Organisation (IMO);
- actively participate at Council and Committee level at the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA);
- observe and record maritime developments within the European Union and elsewhere;
- maintain links with the International Telecommunications Union through the national radio licensing authority and IALA, regarding the allocation of radio frequencies in NW Europe;

Marking of works below High Water

The Board acts as an adviser to the Scottish Government on the establishment and variation, from time to time, of navigational marking for certain works to which the consent of the Secretary of State has been issued under Part 4 Marine Licensing of the Marine (Scotland) Act 2010 - as extended to offshore installations in designated areas by Section 4 of the Continental Shelf Act 1964.

Wreck removal powers

The Board has a statutory responsibility for wrecks. Where the wreck is an obstruction to navigation the Board has powers to "mark, raise, remove or destroy" any vessel "sunk, stranded or abandoned in any fairway, or on the seashore or on or near any rock, shoal or bank, in its area of jurisdiction or any of the adjacent seas or islands" where there is no harbour or conservancy authority with power to raise, remove, or destroy the vessel.

Local Lighthouse Authorities

Local Lighthouse Authorities are required to obtain the sanction of the appropriate General Lighthouse Authority for their area to establish, alter or discontinue any aids to navigation within their local jurisdiction. As part of their statutory responsibilities, the Board inspects over 1,700 local aids to navigation in ports and harbours and carry out seaward inspections of offshore installations to ensure that the aids conform to the approved standards and are working properly.

Management

Board membership

The Commissioners were established as a corporate body in 1786. Their incorporation is set out in Section 193 of and Schedule 8 to the Merchant Shipping Act 1995 and, is as follows:-

(a) The Lord Advocate and the Solicitor-General for Scotland;

(b) The Lords Provosts of Edinburgh, Glasgow and Aberdeen and the Conveners of Highland and of Argyll & Bute Councils;

(c) The Sheriffs Principal of all the Sheriffdoms in Scotland;

(d) a person nominated by the Lieutenant Governor of the Isle of Man and appointed by the Secretary of State;

In addition, the Commissioners may elect;

(e) not more than five other persons elected by the Commissioners under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Act;

(f) the convener of any council whose area includes any part of the coast of Scotland.

The ex-officio appointments are for duration of the occupancy of the qualifying office. Persons appointed under (d) and (e) hold office for three years but may be re-appointed for further terms.

The Commissioners have also agreed with the Department for Transport that the Secretary of State will nominate one person for election under (e).

The membership of the Northern Lighthouse Board in 2013/2014 was as follows:-

Law Officers for Scotland

The Rt Hon Frank Mulholland QC, the Lord Advocate
Commissioner since 30 May 2007

Lesley Thomson QC, Solicitor General for Scotland
Commissioner since 25 May 2011

Sheriffs Principal of the Sheriffdoms in Scotland

Sheriff Principal R Alastair Dunlop QC, Sheriff Principal of Tayside, Central & Fife
Commissioner since 28 April 2000. Chairman from 1 April 2011

Sheriff Principal Bruce A Kerr QC, Sheriff Principal of North Strathclyde
Commissioner since 31 December 1998

Sheriff Principal Brian Lockhart, Sheriff Principal of South Strathclyde, Dumfries and Galloway.
Commissioner since 1 November 2005

Sheriff Principal Derek Pyle, Sheriff Principal of Grampian, Highland and Islands
Commissioner since 1 June 2012

Sheriff Principal Craig Scott QC, Sheriff Principal of Glasgow and Strathkelvin
Commissioner since 1 May 2011

Sheriff Principal Mhairi Stephen, Sheriff Principal of Lothian and Borders
Commissioner since 7 May 2011

Nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State and receives a remuneration

Captain Michael Brew
Commissioner since 1 June 2013 and appointed until 31 May 2016

Robert Quayle
Commissioner from 26 May 2004 until 25 May 2013

Elected by the Commissioners and receive a remuneration

Alastair Beveridge
Commissioner since 1 March 2013 and co-opted until 29 February 2016

Graham Crerar
Commissioner since 1 April 2012 and co-opted until 31 March 2015
Nominated by the Secretary of State and elected by the Commissioners

Captain Mike Close
Commissioner since 1 July 2008 and co-opted until 30 June 2017. Chairman since 1 April 2013

Alistair Mackenzie
Commissioner since 1 August 2009 and co-opted until 31 July 2015
Vice Chairman since 1 April 2013

John Ross CBE FRAgS
Commissioner since 1 October 2008 and co-opted until 30 September 2017

Lord Provosts

The Rt Hon Donald Wilson, Lord Provost of Edinburgh
Commissioner since 17 May 2012

Councillor Sadie Docherty, The Rt Hon Lord Provost of Glasgow
Commissioner since 17 May 2012

Councillor George Adam, Lord Provost of Aberdeen
Commissioner since 16 May 2012

Provost of Argyll & Bute Council

Councillor Len Scoullar
Commissioner since 1 November 2013

Councillor Isobel Strong
Commissioner from 22 May 2012 to 31 October 2013

Convener of Highland Council

Councillor Jimmy Gray
Commissioner since 17 May 2012

The average number of years service for Commissioners in post on 31 March 2014 was 4.4 years.

Patron

Her Royal Highness The Princess Royal LG LT GCVO QSO continues to act as the Patron of the Northern Lighthouse Board.

Senior management in 2013/2014

Roger Lockwood CB BA Chief Executive
Moray Waddell B.Sc.(Hons) MSc MIEE MIMechE MCIBSE FIoD Director of Engineering
Captain Phillip Day AFNI Director of Marine Operations
Douglas Gorman ACMA CGMA CFIIA Director of Finance and Administration

Corporate Governance

Organisation structure

The Commissioners form the Board of Commissioners that leads and controls the Northern Lighthouse Board. The Board of Commissioners meet on three occasions each year and has a formal schedule of matters reserved to it for decision. There are five Committees of the Board that also meet frequently and regularly and deal with specific aspects of the management of the Northern Lighthouse Board.

The Board has delegated authority to these Committees and each has defined terms of reference, subject to annual review. In the year all terms of reference have been reviewed and where necessary amended.

The Commissioners are all independent, i.e. they have no personal financial interest, other than as Commissioners, in the affairs of the Board, no potential conflict from cross-directorships, and no day-to-day involvement in the running of the Northern Lighthouse Board other than as members of the Managing Board.

Only co-opted Commissioners and the Isle of Man Nominee receive remuneration for their services. The arrangements are set out in an agreement with DfT. The level of remuneration and annual increase are notified to the Board by the DfT and are based on remuneration paid to similar non-executive posts in other public bodies.

The Director of Finance and Administration provides the DfT with an annual analysis of individual payments made to co-opted Commissioners to provide an assurance on compliance with this remuneration guidance.

The Board of Commissioners has vested responsibility for the overall management of activities in a Managing Board. It is made up of the Chairman, Vice Chairman, four other Commissioners, the Chief Executive and the three Directors. The Managing Board meets on six occasions each year. The Board of Commissioners has also established five other committees to deal with specific topics:

Audit and Risk Committee - to review the effectiveness of the internal control systems including corporate governance

Navigation Committee - to formulate policies for the provision of Aids to Navigation

Health, Safety and Environmental Committee - to support the line management in complying with its responsibilities

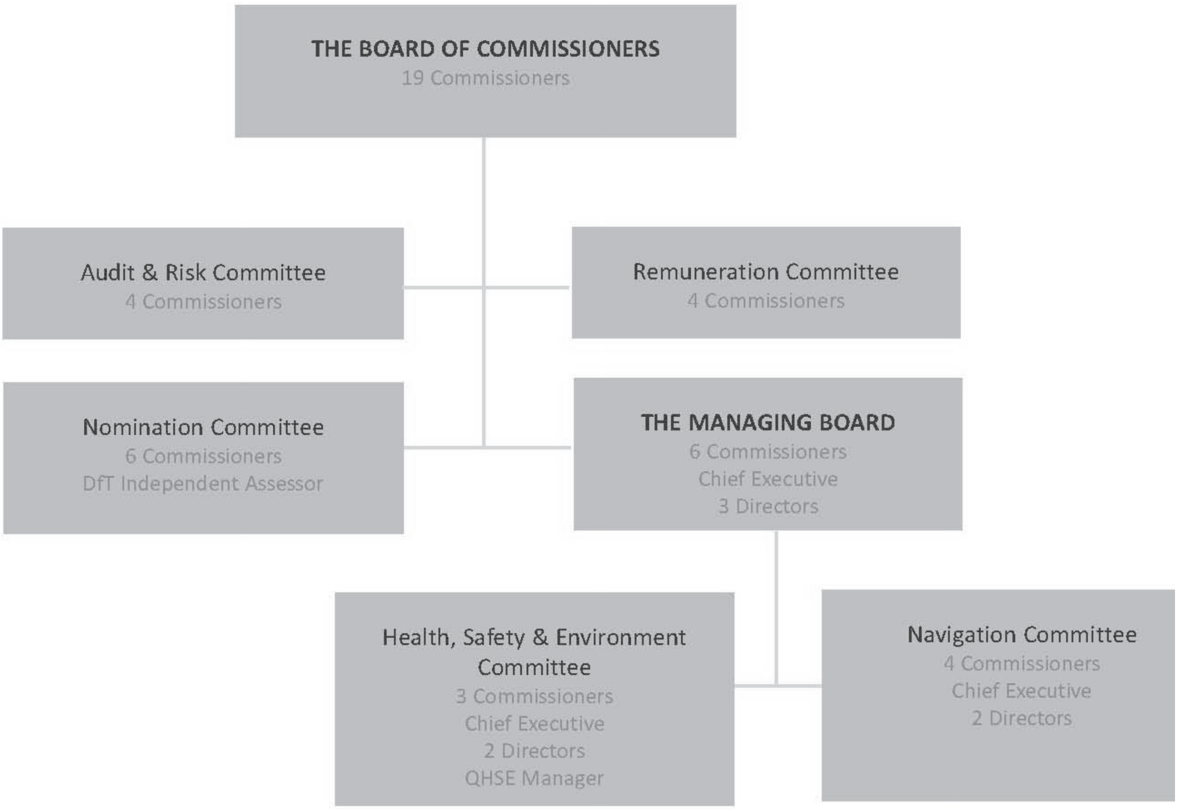
Nomination Committee - to recommend individuals to be appointed as Commissioners under Paragraph 2 & 3 of Schedule 8 to the Merchant Shipping Act 1995, and to recommend Commissioners for appointment to the Board’s Committees.

Remuneration Committee - to determine remuneration for the Chief Executive and executive directors and to propose the remuneration for Co-opted Commissioners.

The Board of Commissioners and all its committees receive papers for meetings one week prior to all meetings. To ensure that the Commissioners are properly briefed a number of arrangements have been put in place, for example:

- attendance at Board of Commissioners' meetings by the Chief Executive and Directors;
- attendance at Board of Commissioners and Committee meetings by managers who can provide specialist and professional advice to Commissioners.

Board Committee Structure



At its meetings, the Board of Commissioners receives reports from the various committees and considers matters specifically reserved to the Board. During the year, the Board has approved the Corporate Plan; the Annual Report and Accounts; and had been involved in the work of the tri-GLA Joint Strategic Board.

Number of Meetings held in 2013/2014 5

Committee Members Attendance

Commissioners	
Captain Mike Close (Chairman)	5/5
Rt Hon Frank Mulholland	1/5
Lesley Thomson	2/5
Sheriff Principal Mhairi Stephen	4/5
Sheriff Principal R Alastair Dunlop	5/5
Sheriff Principal Bruce A Kerr	3/5
Sheriff Principal Derek Pyle	1/5
Sheriff Principal Craig Scott	2/5

Sheriff Principal Brian Lockhart	2/5
Councillor Sadie Docherty	0/5
Rt Hon Donald Wilson	0/5
Councillor Isobel Strong	2/4
Councillor Len Scoullar	0/1
Councillor George Adam	0/5
Councillor Jimmy Gray	2/5
Robert Quayle	1/1
John Ross	5/5
Alistair Mackenzie	4/5
Graham Crerar	4/5
Alastair Beveridge	5/5
Captain Mike Brew	4/4

Information provided

Aids to Navigation performance report
Financial Report
Quality, Health & Safety Report

Key issues in the year

Designation to the Department for Transport
Recruitment of new Chief Executive
Annual Report and Accounts for the year ended 31 March 2013 approved
Corporate Plan 2014-2019 approved
Pensions
GLA□Triennial Review

Managing Board

The Managing Board meeting has a standing agenda which includes:

- financial performance and forecast review;
- review of performance indicators of Aids to Navigation;
- Quality, Health, Safety and Environment matters;
- Estate matters

Number of Meetings held in 2013/2014 6

Committee Members and Attendance

Commissioners	
Mike Close (Chairman)	6/6
Graham Crerar	6/6
Bruce Kerr	6/6
Alistair Mackenzie	5/6
John Ross	5/5
Sheriff Principal Mhairi Stephen	3/4
Mike Brew	3/3
R Alastair Dunlop	1/1
Robert Quayle	1/1

Information provided

Aids to Navigation performance
Financial performance
Briefing from the Chief Executive and Directors on current issues
Joint Strategic Board

Key issues in the year

Agreement of the Objectives and Business Plan for Financial Year 2014/15
Annual Report and Accounts for the year ended 31 March 2013
Health and Safety
Corporate Plan 2014-2019
Staff Plan 2014-2019
Pay Remit 2013
Pensions
Estate Issues

Audit and Risk Committee

The Audit and Risk Committee, which is comprised entirely of Commissioners and is advised as necessary by the Chief Executive and Director of Finance and Administration, has been given wide terms of reference by the Board of Commissioners to review all areas of financial control and probity. The Committee meets four times annually, to discuss findings, and to consider detailed audit reports and recommendations for the improvement of the Board's systems of internal control, together with management's response and implementation plans. It reviews the Board's annual financial statements together with the accounting policies. On at least one occasion each year the Committee is joined by the National Audit Office. The Audit Manager from the Department for Transport’s Audit and Risk Assurance Division (who provide an independent internal audit service to the Board) attends every meeting.

The responsibility for auditing the accounting records lies with the Comptroller and Auditor General under Section 211 of the Merchant Shipping Act 1995. The Committee is not therefore involved in the re-appointment of auditors.

Only in exceptional circumstances will the Board engage the auditors to undertake non-audit work. In these circumstances approval will be sought from the Department for Transport to avoid any potential conflict of interest. During the year there was no non-audit work completed.

The Audit & Risk Committee reports directly to the Board of Commissioners.

Number of Meetings held in 2013/2014 4

Committee Members Attendance

John Ross (Chairman)	2/2
Alastair Dunlop (Chairman)	2/2
Frank Mulholland	4/4
Craig Scott	2/4
Graham Crerar	4/4

Information provided

Internal Audit Reports
Future Audit Plan
Business Riskcard Reviews
Annual Report and Accounts
Bribery Act 2010 Compliance
GLA Framework Document
GLA Triennial Risk Management Review
Information Assurance Review

Key issues in the year

During the year the Committee reviewed the findings of internal audits carried out covering Commercial Activities; Collection of Light Dues; Assurance Testing; Central Fleet Management Thematic Review; MIS System Implementation; Helicopter Contract Management Part 1; and Helicopter Contract Management Part 2. The Commissioners also considered the going concern statement. The National Audit Office joined the Committee for four meetings in 2013/2014. All meetings include a separate session between the Committee Members and the Head of Internal Audit and National Audit Office representative but without the Executive present.

Navigation Committee

The Navigation Committee is responsible for determining the requirements for specific Aids to Navigation and reviewing the plans and financial projections for any changes to the Board's network of Aids to Navigation and managing, on behalf of the Board, the consultation process with the maritime community.

Information provided

AtoN Review
Notice to Mariners

Key issues in the year

During the year the Committee continued to monitor and approve the capital works programme.

The Committee reports directly to the Managing Board.

Number of Meetings held in 2013/2014	4
Committee Members Attendance	
Alistair Mackenzie (Chairman)	3/4
R Alastair Dunlop	3/4
Mike Close	4/4
Alastair Beveridge	4/4

Health, Safety & Environment Committee

The safety of all personnel involved in any activities undertaken by the Board is primarily the responsibility of the individual employee and line management. Recognising this primary responsibility the purpose of the Health, Safety and Environmental Committee is to support the line management in complying with its responsibilities, to support initiatives developed by line management, to monitor developments in HSE policies or practices in wider industry, to review information relating to incidents and to provide the Quality Health, Safety and Environmental Manager direct access to the Board.

Information provided

Health, Safety and the Environment Report

Key issues in the year

Agreeing Terms of Reference and formats of reports

Number of Meetings held in 2013/2014	2
Committee Members Attendance	
Alistair Mackenzie (Chairman)	2/2
Alastair Beveridge	2/2
R Alastair Dunlop	2/2

Nomination Committee

The Nomination Committee is responsible for the appointment process for Co-opted Commissioners under Paragraph 2 and 3 of Schedule 8 of the Merchant Shipping Act 1995. Part of the process is to identify the specific skills required by new Commissioners to balance the existing skills within the Board and to complement the skills within the Executive. The Committee also made recommendations on the membership of the Board's Committees.

The Committee reports directly to the Board of Commissioners. The decision on individual appointments is reserved to the Board who make the decision based on the recommendation made by the Committee.

Information provided

CV's of potential Commissioners
Commissioners Handbook

Key issues in the year

Committee memberships following the departure or potential departure of current Commissioners

Number of Meetings held in 2013/2014	2
Committee Members Attendance	
Bruce Kerr (Chairman)	2/2

Mike Close	2/2
John Ross	2/2
Derek Pyle	0/2
Brian Lockhart	1/2
Frank Mulholland	1/2

Remuneration Committee

The salary and bonuses of the Chief Executive and Directors are determined by a Remuneration Committee consisting of the Chairman and Vice Chairman and two other Commissioners. The Committee also makes proposals to the Board of Commissioners on Co-opted Commissioners remuneration.

The Committee reports directly to the Board of Commissioners.

Information provided

Executive personal Reports and Objectives

Key issues in the year

Discussion on annual bonuses for the Executive
Remuneration for the incoming Chief Executive

Number of Meetings held in 2013/2014	1
Committee Members Attendance	
Captain Mike Close	1/1
Mhairi Stephen	1/1
Alistair Mackenzie	1/1
Lesley Thomson	1/1

Risk assessment

Principal risks and uncertainties

As part of the joint GLA risk management review each of the individual GLA risk registers have been analysed having regard to current best practice to produce 12 risks, which are considered to pose the greatest threat to the GLAs and their stakeholders including the GLF. In this context their stakeholders are seen as:

- the mariner and shipowner
- their staff
- suppliers
- customers of commercial work
- Government / GLF
- society as a whole
- the environment

In compiling the document it was noted that certain other risks would have a significant impact on the General Lighthouse Authorities but posed a lesser threat to the General Lighthouse Fund – for example a change in Government policy regarding responsibility for the operation of the three lighthouse services. It was considered that the GLAs had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. The risks were grouped in accordance with the UK Risk Management Standard under the four headings of ‘Strategic’, ‘Financial’, ‘Operational’ and ‘Hazard’, together with the control measures in place to mitigate their effects, following also HM Treasury document ‘Management of Risk – A Strategic Overview’ known as the ‘Orange Book’. More general risk protections and controls are summarised at Annex II of the ‘Orange Book’.

Strategic Risks

Pension Funding

Long Term Funding of “pay-as-you-go” pension arrangements but this has been reduced.

Financial Risks

Resourcing

Reduction in resources for running Lighthouse Services (through pressure on Government from ship owners, review of funding arrangements, change in public spending policy, dock strike, breakdown in light dues system or similar).

Operational Risks

AtoN Provision

Failure to provide or adequately maintain an aid to navigation with the appropriate characteristics and/or in the correct location. Failure of monitoring staff to react appropriately. Failure to inspect inoperative or incorrectly operating aids to navigation, whether maintained by the GLAs, local ports or offshore industry.

Operational Staffing

Inability to recruit/retain suitable staff; industrial action taken by staff.

Information Technology

Major IT System failure. Unavailability of data. Loss of data/corruption of data. Inappropriate use of Internet/Email (Including loss through viruses or hacking).

Corporate Governance & Financial Control

Inadequate or improper financial and other controls including fraud and improper practice.

Legislation

Non-compliance with legislation or public policy.

Exploitation of Reserve Capacity

Non-compliance with contractual obligations including those arising from core or commercial activities. (Also a hazard risk)

Technological Change

Failure to review and adapt or inadequately to implement changes in technology (Also a strategic and hazard risk).

Hazard Risks

Natural Events

Natural Events leading to wide scale disruption.

Health, Safety & the Environment

Failure to secure the health and safety of employees and third parties.

Accidental damage to the environment, lighthouse or contract helicopter (Temporarily or permanently).

Wreck Marking

Requirement to disperse a wreck where the costs cannot be recovered from the owner at the time.
(Also an operational risk)

The risk management process is led by the Board of Commissioners. The Board has approved a process for the identification, assessment and management of key business risks.

Scope of Responsibilities

As Chief Executive I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Lighthouse Board's policies, aims and objectives whilst safeguarding the public funds and assets for which the Chief Executive is personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

My responsibilities as Chief Executive are set out in the Commissioners' Handbook.

As Chief Executive I also have the responsibility to act as the Accounting Officer for the Northern Lighthouse Board.

The Accounting Officer for the General Lighthouse Fund has delegated Accounting Officer responsibility to me in a letter dated 4th February 2010. I understand that the Accounting Officer for the General Lighthouse Fund will rely on my Governance Statement on internal control in preparing the Governance Statement for the General Lighthouse Fund. I have also been given accounting responsibilities by the Board of Commissioners as they discharge their responsibilities under the Merchant Shipping Act 1995.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Lighthouse Board for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Leadership

Risk management policy

The General Lighthouse Authorities' (GLAs) policy on risk management is to promote a culture of risk awareness and responsibility within their respective organisations at all levels. The authorities identify, evaluate, control, monitor and review the risks which may adversely affect delivery of their statutory duties and corporate objectives as GLAs or threaten them with prosecution, loss of reputation, legal liability or financial loss. Where appropriate additional controls may be put in place to reduce those risks further.

The GLAs' policy is to transfer, where possible, risks which are assessed as medium to large through insurance where it is economic to do so, having regard to the amount of indemnity offered and previous losses. Risks are tolerated where the cost of transfer is disproportionate to the benefit gained or they cannot be transferred, such as in the case of fines and punitive damages. Risks are treated through internal control where possible to contain them to acceptable levels. Internal control mechanisms include the adoption of sound codes of corporate governance, an ongoing awareness of public affairs, accreditation to internationally recognised quality standards, staff training and robust business continuity and emergency response plans. Occasionally, the risk response may be to terminate an activity.

Description of responsibilities

The Board of Commissioners decides policy and provides the strategic direction for the Northern Lighthouse Board.

The Managing Board reviews progress on the achievement of aims and objectives and to maintain operational efficiency.

The Audit & Risk Committee monitors the effectiveness of internal control and reports on its work to the Board of Commissioners. The Head of Internal Audit, to standards defined in the Government Internal Audit Standards, agrees an Audit Plan with the Audit & Risk Committee and then through a programme of reviews gives an independent opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement.

The Directors' Group, led by the Chief Executive, is responsible for reviewing the 12 business risks and the controls in place. It reports it findings to the Audit & Risk Committee.

Staff training

Senior management accountability

Each of the twelve Business Risks is the responsibility of one of the Chief Executive, a Director or a Senior Manager. That person acts as "Risk Owner" and leads the review at the Directors' Group meeting.

Risk management training

Briefings and training on risk management has been organised for Senior Managers.

Other issues

Independent review

The Head of Internal Audit conducted a review of risk management in March 2008 with a follow-up audit conducted in July 2009. The findings and recommendations were reported to the Audit & Risk Committee on 11 April 2008 and 22 July 2009 respectively. The recommendations made have been fully implemented.

Risk management maturity

The three GLAs regularly review and exchange best practice on risk management through the Inter GLA Committee structure. The GLAs conduct a triennial risk review. This review and the resulting recommendations and actions are discussed with key stakeholders through the Lighthouse Finance Committee. The review includes an assessment by external risk management consultants.

The process involves a timetable for the committees of the Board and the Chief Executive and Directors to review and update the assessment of these business risks throughout the year and then to report to the Board of Commissioners on these reviews. At most meetings of the Directors' Group one of the 12 Business Risks is reviewed. All 12 Business Risks are reviewed in a Financial Year. The outcomes of these reviews are documented and changes are made to the risk assessment. The Audit and Risk Committee meet four times a year and at each meeting it considers all the reviews completed by the Directors' Group since its last meeting. Progress on implementing the recommendations is monitored by the Audit and Risk Committee.

The risk and control framework

<u>Risk management framework</u>

The risk management framework consists of identified risks, the consequence to the Board if the risk materialises and the control measures in place. It also includes a risk rating of the risk materialising if controls were not in place and a second rating based on controls being fully functioning. Risks are regularly reviewed throughout the year. The Audit and Risk Committee also invites managers to discuss risk management issues at committee meetings.

<u>Risk identification, evaluation and control</u>

Risk management forms an integral part of the GLAs' strategic management. This overall strategy is:-

- to identify significant risks against key organisational aims and objectives within a defined process so that each element or level of risk identification fits within an overall framework;
- to assign ownership of organisational risks at a strategic level;
- to evaluate the significance of those risks using recognised standards;
- to respond effectively to risk through the use of controls, risk transfer and risk financing mechanisms;
- to review and report on those risks against the GLAs' unique nature and funding regime and where appropriate put in place additional measures to further mitigate the impact of any residual risk;
- to ensure that their risk management strategy is operating effectively;
- to embed risk management as an intrinsic part of the GLAs' organisational processes.

<u>Risk tolerance/ "risk appetite"</u>

The GLAs will normally only tolerate a risk after the application of controls and treatment so that the overall residual risk level is brought within acceptable parameters. The "risk appetite" of the GLAs, particularly in financial terms, is different to both private companies and government / public sector bodies due to their unique ring-fenced funding regime and the resources available to finance loss.

The GLAs undertake a triennial risk management review. The last review was in 2012. The outcome of each review is endorsed by the Joint Strategic Board and the Lights Advisory Committee - representing shipping, ports and cargo interests.

The GLAs, like other organisations, describe their "risk appetite". This is the amount of risk that we are prepared to accept, tolerate, or be exposed to at any point in time.

The GLAs risk appetite is assessed in line with HM Treasury guidance and its associated five point "averse□, "minimalist□, "cautious□, "open□ and "hungry□ descriptors.

The risk appetite of the GLAs is broadly considered to be "averse□. This is more fully described as "avoidance of risk and uncertainty is a key organisational objective". This is particularly the case for hazard risks such as health & safety and the environment. In respect of the exploitation of commercial opportunities it is considered to be more □cautious□ but always within a robust framework of loss control. "Cautious" is more fully described as "preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward".

As a minimum the GLAs seek to ensure:-

- compliance with laws and regulations (domestic, IALA and EU);
- the efficient and cost effective operation of their respective organisations;
- effective internal control and corporate governance.

The GLAs' risk response seeks however to achieve an appropriate balance between the potential realisation of risk and the cost of limiting that risk. They consider each risk in terms of whether it should be transferred, tolerated, where it cannot be transferred or the cost of transfer would be disproportionate to the potential benefit gained, treated to an acceptable level, or in exceptional cases discontinued.

Embedding risk management

The management of risk is embedded through the assignment of "risk owners" and the rolling review process use to review the twelve business risks.

Evidence of effectiveness

Assurance about the effectiveness of the Board's risk management strategy is obtained through robust review and reporting mechanisms that report to the Audit and Risk Committee, Board of Commissioners, the Department for Transport and the Lights Finance Committee. Reporting is carried out by in-house risk managers, internal and external auditors and external consultancy.

Changes

During the Financial Year changes to the assessment of the likelihood of specific events occurring and the control measures in place have been made following the Directors' Group rolling review process.

Most of these changes have resulted from the implementation of the recommendations made in the Final Report of the Assessment of the Provision of Marine Aids to Navigation around the United Kingdom & Ireland published in March 2010 – "the Atkins Review" - and the financial pressures on the General Lighthouse Fund.

Review of effectiveness

The Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive managers within the Northern Lighthouse Board. They have responsibility for the development and maintenance of the internal control framework. The Chief Executive also benefits from comments made by the external auditors in their management letter and other reports. The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Board of Commissioners, the Managing Board and the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In her annual report the Head of Internal Audit was able to provide an overall "Reasonable" assurance rating. She said "Systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified".

The key processes in place are:

- the Board decides policy and provides the strategic direction for the Northern Lighthouse Board;
- a Managing Board to review progress on the achievement of aims and objectives and to maintain operational efficiency;
- periodic reports from the Chairman of the Audit and Risk Committee to the Board of Commissioners concerning internal control;
- regular reports by the Head of Internal Audit, to standards defined in the Government Internal Audit Standards, giving independent opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement;
- regular reviews of compliance with the Framework Document for the General Lighthouse Authorities - last revised August 2013 - that governs the relationship between the Department for Transport and the General Lighthouse Authorities. The results of these reviews are reported to the Audit & Risk Committee;
- a separate statement within the Head of Internal Audit's annual report giving her opinion on the effectiveness of the internal control process; this report, which is reviewed by the Audit and Risk Committee, then forms the basis for a review of Internal Control by the Board of Commissioners;
- regular reviews of the 12 Business Risks at the Directors' Group meetings;
- compliance with the applicable best practice principles set out in HM Treasury's July 2011 Code of Good Practice for Corporate Governance.

Data Handling

Data handling training continued to be rolled out and targeted to those handling personal data where information is most sensitive and shared most often. Opportunities to improve controls are being identified through the training process and in the creation of individual Risk Registers.

Work continuing to further embed the principles of good data handling within the day to day business of NLB and the role/responsibilities of the Information Asset Owner. The IAO role is about providing assurance and making sure that action is taken. Although that does not mean they have to do everything themselves, it is now more of a defined ‘responsibility’ and a culture change.

Work has continued to manage the risks related to the use, processing, storage and transmission of information and data and the systems and processes used for those purposes.

Regular assurance returns to DfT.
A number of good security controls have been implemented i.e. encrypted laptops being issued.

Working to the requirements of the HMG IA Standard No. 6

There have been no incidence of data loss in the financial year.

Ministerial direction

The GLAs’ primary aim is to deliver a reliable, efficient and cost effective Aids to Navigation service for the benefit of all mariners.

The Minister has directed that increases in our Running Costs – both with and without commercial work income & costs netted off – are limited to no more than general price inflation (as measured by the Retail Price Index – All Items), less an X value set by the Minister, for a five-year period and measured from a Baseline.

The current X values, expressed as an annual average, are set for the five financial years starting in 2011/12 and ending in 2015/16. The following tables show :

- The Baseline
- the target set by the Minister.

	BASELINE
Running Costs	£15,124,000
Running costs with commercial income/ costs netted off	£14,707,000
RETAIL PRICE INDEX - ALL ITEMS	226.5

X Values	Minister’s Target
Running Costs	2.68% pa
Running Costs with commercial income/ costs netted off	3.12% pa

Significant internal control problems

There have been no significant internal control problems in the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

Mike Bullock
Chief Executive
29 July 2014

Corporate Governance

Overview

The CIL Board maintains the highest standards of corporate governance. CIL has reviewed the Irish Code of Practice for the Governance of State Bodies (2009) and the UK Code on Corporate Governance in Central Government Departments (July 2011) and arrangements are in place to ensure that governance structures and internal controls encompass the main principles of these codes and where relevant specific guidelines are adapted for implementation.

The Board has in place specific arrangements to comply with the requirements set out by the UK DfT Framework Document for the GLA's (incorporating the Financial Memorandum and Management Statement), dated 30 July 2013. This Framework Document sets out the relationship between the Secretary of State for Transport (via the UK DfT) and the GLA in matters of business and finance and aims to provide a clear understanding of their respective duties and statutory responsibilities under the legislation listed in section 1 of the annual report.

The cornerstones of CILs Governance include;

- An independent non-executive Board of Commissioners.
- Board Sub-Committees covering Audit & Risk, Remuneration, Nominations, Corporate Management and Inspections.
- Clear policies and a comprehensive system for Risk Management.
- Independent Internal and External Audit reviews.
- Monthly Management accounts and management reports.

Based on these processes and confirmation contained within the Annual Internal Audit opinion the Board considers it has complied as far as is practicable with best practice in corporate governance for the whole of the accounting period under review. The opinion given is one of an overall reasonable assurance rating based on evidence obtained on the adequacy and effectiveness of CIL's arrangements for corporate governance, risk management and internal control.

The Board of CIL

The Board has due regard for the benefits of diversity, experience and expertise and strives to achieve the right balance in its goal to provide leadership, effectiveness, accountability and sustainability to CIL.

The Board consists of:

- Ten co-opted Commissioners.
- The Lord Mayor of the city of Dublin plus three Councillors' of the City of Dublin (ex officio Commissioners).
- The Chief Executive in her capacity as Accounting Officer is a member of the Board with no voting rights.

The Executive Management Team attend the Board meetings.

CIL considers all Commissioners to be non-executive, independent Directors. A Register of Interests that includes details of company directorships or other significant interests held by Board members and senior managers is maintained. The Board is satisfied that these do not conflict with their duties and responsibilities as Commissioners of CIL. The Board endorses and complies with the principle of separation of the roles of Chairman and Chief Executive. The Board has appointed a Chief Executive and Management Team to run the day to day activities of the organisation.

From 2013 onwards, new Commissioners will be appointed for a 5 year term with the possibility of a renewal for another 5 years. All Board members appointed before this date remain on the Board to their 73rd birthday.

The Lord Mayor and ex officio members are appointed as Commissioners for as long as they hold such office.

The Board meets on eight occasions each year. Certain matters are considered at all meetings including the Chief Executive's operational report, finance report, where applicable reports from Board sub-committees and the GLA Joint Strategic Board, performance reports and requests for statutory sanctions. Board activities are structured to assist the Board in achieving its goal to support and advise the Chief Executive and management on the development and delivery of CIL strategy. In addition to regular items, during the year the Board spent considerable discussion time on the organisational review, capital projects, pensions and the options for RoI operational self-funding. The Board also reviewed and agreed the Corporate Plan 2014-19 and the Annual Report and Accounts.

Membership of the Board during 2013/14 was as follows:

Co-opted Commissioners

Sheila Tyrrell (Chairman & Office Bearer)
David Delamer (Vice-Chairman & Office Bearer)
John Coyle (Deputy Vice-Chairman & Office Bearer)
John Gore-Grimes
Michael Maclaran
Elizabeth Shanks
Mary Gallagher
Kieran Crowley (took his seat on the Board 26 July 2013)
Mark Barr (took his seat on the Board 26 July 2013)
Donal O'Mahony (took his seat on the Board 26 July 2013)

David Delamer and John Coyle were appointed Chairman and Vice-Chairman respectively on 31 May 2014

Ex-officio Commissioners (Representatives of Dublin City Council)

The Lord Mayor Councillor Naoise O Muiri (until 24 June 2013)
The Lord Mayor Councillor Oisin Quinn (took his seat on the Board 26 July 2013)
Councillor Dermot Lacey
Councillor Edie Wynne
Councillor Paddy Bourke

Executive Board Members

Yvonne Shields (Chief Executive)

Board Membership and Committee Structures

Attendance at scheduled meetings of the Board and its committees in the financial year ended 31 March 2014

Name	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee	Corporate Management Committee
Commissioners:					
Sheila Tyrrell (Chairman)	7/8	-	1/1 (C)	2/2(C)	1/1
David Delamer	7/8	-	1/1	2/2	1/1 (C)
John Coyle	5/8	3/3 (C)	1/1	1/2	0/1
John Gore-Grimes	7/8	2/3	-	-	-
Michael Maclaran	7/8	-	-	1/2	0/1
Elizabeth Shanks	8/8	2/3	-	-	-
Mary Gallagher	6/8	-	1/1	-	1/1
Kieran Crowley	6/6	1/1	-	-	-
Mark Barr	6/6	-	-	-	-
Donal O'Mahony	6/6	-	-	-	-
The Lord Mayor Councillor Naoise O Muiri	0/2	-	-	-	-
The Lord Mayor Councillor Oisin Quinn	1/6	-	-	-	-
Councillor Dermot Lacey	4/8	-	-	-	-
Councillor Edie Wynne	2/8	-	-	-	-
Councillor Paddy Bourke	2/8	-	-	-	-
Yvonne Shields	8/8	3/3	1/1	2/2	1/1

* Note (C) denotes Chairman

The following committees of the Board are established to co-ordinate key activities:

a) Audit and Risk Committee Review

The Audit and Risk Committee is established to monitor and review management controls, the financial stewardship of the funds at the Board's disposal, risk, compliance and corporate governance issues and the systems of internal control. The Committee also meets with the Head of DfT Internal Audit and the NAO to review the Annual reports and Accounts and to discuss any observations raised by the Auditors in their Report to those Charged with Governance.

The CIL Audit and Risk Committee met on three occasions in the year ended 31 March 2014.

The main activities for the year included the review of the 2012/13 Annual Report and Accounts and the recommendation that they be formally approved by the Board; reviewing the CIL Risk Register and ensuring that the internal audit programme was completed effectively. In addition the Committee reviewed and considered the reports provided by both the Internal and External Auditors.

b) Remuneration Committee

This Committee advises on remuneration policy and practise for CIL to ensure that staff of the right quality are attracted, retained and motivated, within budgetary constraints and in accordance with DfT and DTTAS guidance. The Remuneration Committee also considers matters relating to efficient and effective staffing levels and structures and the remuneration and associated issues related to the Chief Executive. The Committee consists of CIL Office Bearers and one other Commissioner along with the Chief Executive.

The Remuneration Committee met once in the year ended 31 March 2014. The main items considered included restructuring plans and associated matters.

c) Nominations Committee

The Nominations Committee is responsible for the appointment of elected members to the Board of CIL. The nominations committee met twice in the period ended 31 March 2014 to facilitate the process of replacing the three Board members that retired. Board vacancies are advertised in the national press. The selection process for new members includes interview by the Board Nominations Committee and representatives from the UK DfT and the RoI DTTAS.
All three vacancies were filled.

d) The Inspecting Committee

This Committee reviews all requirements for the organisation's provision of AtoN and in particular to review and ensure that quantity and mix of AtoN provided are commensurate with the traffic and degree of risk. The Inspecting Committee is an advisory committee to the Board with responsibility for inspection of AtoN. The Board reviewed inspection practice in 2013/14. Two short working inspections are completed each year with generally three Commissioners and two officials inspecting priority stations selected on the basis of planned/completed expenditure or policy proposals. The Inspecting Committee verify on behalf of the Board that AtoN requirements are being achieved in an economic manner and that workplace Health and Safety responsibilities are being met.

e) The Corporate Management Committee

The Corporate Management Committee meets once a year to undertake a detailed review of the draft Corporate Plan for the year ahead. This includes a review of annual performance against targets for the previous year.

Board Effectiveness

The CIL Board comprises individuals with deep knowledge and experience in core and diverse sectors of relevance to the activities of the organisation. Keeping up to date with key organisational, technical, policy and stakeholder requirements and developments is essential for the Board in terms of maintaining and enhancing effectiveness.

As the organisation continues through a period of change and transition, the Board has received frequent briefings from Departmental representatives attending Board meetings (UK DfT and RoI DTTAS) and presentations on matters of importance from the Chief Executive, Directors and senior managers during the past year.

Performance Evaluation

Performance Evaluation of the Board takes place on an annual basis. In 2013 the Chairman reviewed and refreshed the approach that was in place. The Board of CIL adopted a new Board Governance Handbook on the 31st May 2013. In addition Board members completed and reviewed a rigorous self-assessment during the year.

A separate self-assessment checklist was completed by members of the Audit and Risk Committee and covered areas recommended by HM treasury.

Risk Management

Accounting Officer Responsibility for Risk Management

Acting in the role of Accounting Officer, the Chief Executive has the responsibility for ensuring that there is a high standard of financial management including a sound system of internal control that promotes the efficient and economical conduct of CIL business and safeguards financial propriety and regularity. The Chief Executive, as accounting officer is responsible for safeguarding the GLA funds and assets for which she is personally responsible, in accordance with the principles set out in HM Treasury's Managing Public Money. These responsibilities were formally set out in a letter dated 25 August 2011 to the Chief Executive from Lin Homer, the then Principal Accounting Officer of the UK DfT. There is a regular flow of reporting information from CIL to the UK DfT, including monthly management accounts, Board reports and business cases. The UK DfT is involved at an early stage in all key decisions.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of CIL policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in CIL for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts.

Risk Management Policy

CIL has a risk management policy in place. The policy focuses on embedding a culture of risk awareness and responsibility, identifying and documenting risks and uncertainties, taking balanced and considered action to mitigate problems and capitalise on opportunities and ensuring business decisions at all levels are informed by an understanding of risks and opportunities. The Director of Corporate Services is the Risk Management Champion for the organisation. In this context he takes responsibility for highlighting risks of strategic and operational significance to the Chief Executive/Board and risk management policy, practise and reporting across the organisation.

Risk Management Culture

The culture is one of close management and control of risks. Every risk has an owner and co-owner responsible for the management of that risk. The process of embedding the risk management approach into the organisation has included:

- Development and regular review of the Risk Register with the involvement of managers and employees including discussion about significant risks faced by the organisation at senior management team meetings.
- Internal audit deriving their audit plan from risks listed on the register.
- Access to the Risk Register via the CIL intranet.
- An identifiable risk appetite whereby risks are considered on a risk by risk basis and in general for most risks facing CIL our appetite would be considered 'adverse'.
- Each risk is considered in terms of whether it should be treated, tolerated, transferred or terminated.
- CIL in conjunction with other two GLAs published an Annual Risk Management and Insurance Scrutiny paper in January 2014 which contains the risk management policy and strategy for the GLAs.

External Input to Risk Management

External stakeholders are involved in reviewing risks through the Joint Users Consultative Group, User Committees, general consultation with marine sector representatives and the Lights Advisory Committee. CIL have reviewed their User

Committee structure and now hold separate annual meetings with AtoN User and AtoN Provider groups. Initial indications are that this approach is improving the extent and quality of user engagement.

Risk Monitoring

CIL maintains a comprehensive Risk Register which is reviewed in detail by the Management team and the Audit and Risk Committee twice a year. Top risks arising from these reviews are presented to the Board for consideration. The review of risks includes an evaluation of the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place.

The risk register currently contains 54 key risks and these risks are divided into seven main categories:

- Strategic Risks
- Financial Risks
- Operational Risks
- External Risks
- Health & Safety
- Human Resources
- Technology & Data Services

Changes to Risk Profile

The key changes to the risk profile of CIL during the year ended 31 March 2014 were:

- *RoI Operational Self-Financing – CIL transitioning to RoI operational funding by 2015/16.* Following agreement reached by the Irish and UK governments to 'enable' CIL to be funded by RoI sources by 2015/16, CIL will have to continue to reduce costs, generate additional income, and gain agreement on funding structures going forward. There are multiple projects in place to enable delivery on the key elements of this programme and on-going discussions continue between the UK DfT and the RoI DTTAS to enable CIL to meet the objectives of the two governments.
- *Employee Reductions – Impact on Internal Controls and Service Delivery.* Arising from the implementation of the VER and VES schemes, CIL has reduced employee numbers by 34% in the past 4 years. With reducing employee numbers there is an increased risk to internal controls and segregation of duties and service provision and delivery. However through careful planning and changing of job profiles, Management have ensured that adequate controls and segregation of duties remain in place throughout the organisation and that service provision remains at the highest level, which is reflected in the AtoN availability statistics.
- *New Management Structure - risks associated with implementation and bedding in of the new structure within CIL are ongoing.* The new structures have been implemented in a project like fashion taking cognisance of all issues that may arise. The management team meet monthly to monitor and review implementation and manage any issues arising.

Management Assurance Return (MAR)

The Executive Management team within CIL complete a Management Assurance Return (MAR) which is singed off by the Chief Executive and returned to the Group Financial Controller of the DfT, the purpose of which is threefold, namely:-

(i) to make Management fully aware of what roles and responsibilities they have in respect of corporate governance,

(ii) to give assurance to the Chief Executive that internal controls within CIL are operating effectively and

(iii) to give assurance to the Chief Executive as accounting officer that internal controls are effective and operating to a high standard in support of the Annual Governance Statement, included in the Annual Report and Accounts.

The MAR sets out various statements relating to delegated authority, policy development, planning, budgets, communications and other matters of significance. Also the MAR returns are a key part of the governance framework within the DfT. The DfT Group Audit Committee view these returns as a primary source of assurance and it supports the Department's Accounting Officer in making his annual Governance Statement in the Department's Annual Report and Accounts.

Head of Internal Audit Opinion

On the basis of the evidence obtained during 2013/14, the Head of Internal Audit has provided an overall 'Reasonable' assurance rating on the adequacy and effectiveness of the CIL's arrangements for corporate governance, risk management, and internal control.

In his opinion, there are no significant weaknesses or matters that fall within the scope of issues that should be reported in the Governance Statement.

This overall opinion is supported by the following view from the Head of Internal Audit:

- CIL's corporate governance arrangements met the need of the organisation in accordance with Board objectives. CIL continues to demonstrate a strong commitment to complying with public sector practices and corporate governance principles.

- The organisations risk management arrangements are established at corporate level and were generally found to be working effectively.

- The organisation's internal control processes in the areas reviewed during the year were generally found to be effective, though there were areas where control weaknesses and areas for improvement were identified. Corrective action plans have been agreed with management to address the control weaknesses identified. No cases of potential fraud or impropriety were reported in 2013/14.

Review of Systems of Internal Control

Acting in the role of Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and governance. My review of the effectiveness of the systems of internal control and governance is informed by the work of the internal auditors, Audit and Risk Committee, Directors and Senior Managers within CIL who have responsibility for the development and maintenance of the internal control and governance framework, and comments made by the external auditors in their Report to those Charged with Governance (RTTCWG) and other reports.

The key elements of the on-going review of the system of internal control and governance are:

- The CIL Board which meets eight times a year to decide policy, provide strategic direction and review financial and operational progress. The Board receives Audit Committee minutes and reports covering areas such as risk management. The Board also formally reviews its own effectiveness on an annual basis.
- The Management Team meet on a monthly basis to review progress on the achievement of aims and objectives and to maintain operational efficiency. Risk management is formally reviewed by Directors and Senior Managers on a biannual basis and in practice is considered as part of the control of all key projects and activities.
- The Audit and Risk Committee operates in line with the "Audit Committee Handbook". The Chairman of the Audit and Risk Committee periodically reports to the Board on matters concerning internal control.
- Internal Audit, provide regular reports that give an independent opinion on the adequacy and effectiveness of the system of internal control. The Head of Internal Audit produces an Annual Report, which gives his opinion on the effectiveness of internal control. Internal Audit Report findings are reviewed and monitored by the Executive team on a quarterly basis and summary findings and opinions are reported to the Board following publication.
- External Audit independently audit CIL accounts and summarise their findings in their Report to those Charged with Governance.
- There is a monthly analysis of the management accounts and management reports by the Chief Executive, Directors and Senior Managers.
- A Risk Management and Insurance Scrutiny Review was undertaken jointly by the three GLAs in Autumn 2013.

Significant Internal Control Issues

There have been no significant internal control or governance problems in the year ended 31 March 2014.

Therefore I can report that corporate governance and risk management within CIL remains robust and effective, and complies with Managing Public Money (HM Treasury 2007), the Framework Document for the GLA's (July 2013) and the general principles set out in HM Treasury's Code of Good Practice for Corporate Governance in Central Government Departments (July 2011), as far as is appropriate.

Yvonne Shields
Chief Executive
25 July 2014

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