

GENERAL LIGHTHOUSE FUND

Annual Report and Accounts for the Year Ended 31 March 2015

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Department
for Transport

GENERAL LIGHTHOUSE FUND

Report and Accounts for the year ended 31 March 2015

Presented to Parliament pursuant to
Section 211(5) of the Merchant Shipping Act 1995
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1. Introduction

- 1.1. The report and accounts of the General Lighthouse Fund (GLF) are prepared pursuant to Section 211(5) of the Merchant Shipping Act 1995.
- 1.2. 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 (RoI). 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.
- 1.3. All three GLAs contained their running cost expenditure within levels sanctioned by Ministers in 2014/15. 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.
- 1.4. 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 p8).
 - Transfer of the GLAs 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 £6.5m (£6.1m in 2013/14) from commercial activities.
 - Continued development of the GLA Joint Strategic Board for good administrative purpose.
 - Procurement of a new Tri-GLA Helicopter contract forecast to save £7.9m.
 - Emergency responses including the Hoegh Osaka, a 51,000 tonne vehicle carrier which grounded in the Solent, and the loss of MV Cemfjord, a 1850 tonne cement carrier which sank in the Pentland Firth.
 - Agreement reached with the Irish government to fund CIL's operations in the Republic of Ireland wholly from RoI sources from 1 April 2015.

2. Strategic Report

2.1. Aims and Objectives of the General Lighthouse Fund

- 2.1.1. 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.
- 2.1.2. 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.
- 2.1.3. 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
- 2.1.4. 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.

2.2. Future Goals

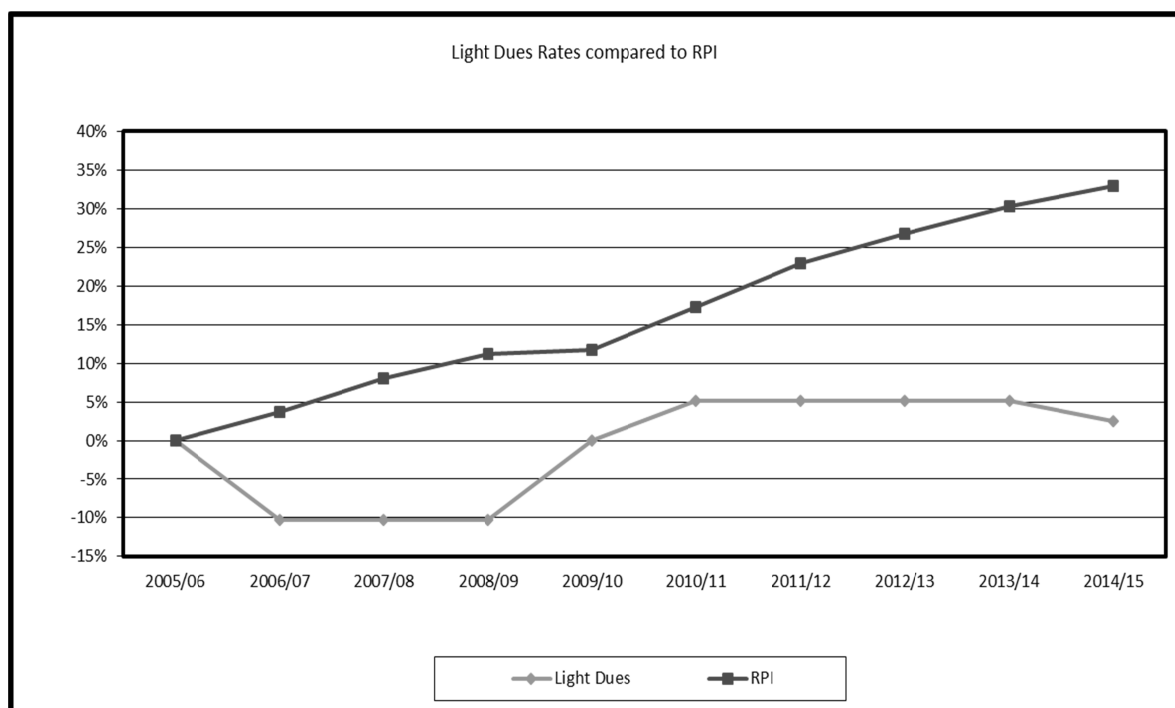
- 2.2.1. To continue to drive efficiencies in the provision of marine aids to navigation where it is safe, proportionate and appropriate to do so, to provide benefit to the industry, leisure users and the GLAs themselves.
- 2.2.2. To deliver the strategy contained in '2020 The Vision' and its successor '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.
- 2.2.3. 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
- 2.2.4. To maintain stability for the payers of Light Dues minimising the cost to industry.

2.3. Performance and Progress

2.3.1. Fund Performance

- 2.3.1.1. 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.
- 2.3.1.2. 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 40p today

and is some 30% lower in real terms than they were 10 years ago. A further reduction in Light Dues has been made for 2015/16 reducing the rate from 40p to 39p.



2.3.2. GLA Performance

2.3.2.1. 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.

2.4. Regulation, Parliament and the public

2.4.1. 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)

2.4.2. These accounts have been prepared in accordance with the 2014/15 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.

2.4.3. 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.

2.4.4. 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.

2.4.5. 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.

- 2.4.6. 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.
- 2.4.7. The work of the Northern Lighthouse Board is a reserved matter under Section 30 of, and Schedule 5 to the Scotland Act 1998. The NLB maintains a close relationship with the Scottish Government as does the Department for Transport under the terms of a concordat.
- 2.4.8. Following the 2014 Smith Commission Report on Scottish devolution the UK Government published a command paper in January 2015 to take forward three Smith Commission proposals as follows:
- Scottish Ministers to appoint a commissioner to the NLB board (an arrangement that will also enable the Scottish Government to have a formal consultative role in setting the strategic priorities for the NLB)
 - NLB to provide copies of its annual accounts to the Scottish Parliament.

2.5. Staff and Communications

2.5.1. Training

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.

2.5.2. Tri-GLA staff

TH currently hosts three inter GLAs functions: Research and Radio Navigation; 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.

2.5.3. 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.

2.5.4. Diversity information

Number of persons of each sex who were employed by the GLF as at 31 March 2015 was:
(Number of whole time equivalents on 31 March 2015)

| | 2014/15 | 2014/15 | 2013/14 | 2013/14 |
|------------------|------------|------------|------------|------------|
| | Female | Male | Female | Male |
| Commissioner/NED | 4 | 20 | 5 | 19 |
| Director | 2 | 10 | 1 | 11 |
| Manager | 4 | 35 | 4 | 34 |
| Employee | 120 | 455 | 123 | 474 |
| Total | 130 | 520 | 133 | 538 |

2.6. Sustainability

- 2.6.1. 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'.
- 2.6.2. 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.
- 2.6.3. 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.
- 2.6.4. In the e-Navigation environment the sudden reversion to traditional visual and radar navigation methods in congested and confined waters is a genuine concern.
- 2.6.5. 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.
- 2.6.6. 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 pan-European project called ACCSEAS that provided an e-Navigation test-bed in the North Sea and it continues to lead the international development of eLoran and virtual AtoNs.

2.7. Environment

- 2.7.1. 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.
- 2.7.2. 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.
- 2.7.3. 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.

Philip Rutnam
Accounting Officer
18 November 2015

3. Directors' Report

3.1. Scope

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.

3.2. Operating results

- 3.2.1. A substantial change in the finances of the GLF occurred during 2014/15. GLA pension liabilities were transferred to the Cabinet Office on 1 April resulting in the removal of a £415m liability from the Fund. To finance the transfer the GLF utilised £153.5m of cash reserves and took on borrowing of £200m from the DfT. Full details of the pension transfer and loan can be found in notes 23 and 24 to the accounts.
- 3.2.2. The operating results for the year are set out in the Statement of Comprehensive Net Income (p29) and show a surplus of £24.8m for 2014/15 (£47.0m surplus in 2013/14). The difference is due almost entirely to one off gains on the liquidation of GLF investments in 2013/14.
- 3.2.3. Including Other Comprehensive Income the Statement of Comprehensive Net Income (SoCNI) reports a net gain for the year of £93.1m (£22m 2013/14). The large increase is due to a one off exceptional gain on the transfer of GLA pensions (note 23 refers) along with unrealised gains in PPE which have been increased in line with market indexes.
- 3.2.4. Gains reported in the SoCNI increase the net worth of the GLF as shown on the Statement of Financial Position (SoFP) to £102.4m. This is a substantial increase in net worth due to three main areas, the Gain on Settlement from the pension transfer, gains from property revaluations and an operating surplus of £24.8m. It should also be noted that cash balances were high artificially high at 31 March as a loan repayment of £12m was due 1 April.
- 3.2.5. The Net Cashflow from all activities (p31) shows a decrease of £136m. This is due to the £153.5m transferred to the Cabinet Office to fund the GLA pension transfer (note 23 to the accounts refers). Pension transfer aside, the GLF increased its cash reserves by around £18m, continuing the positive trend of cash income exceeding cash expenditure. This is an ongoing requirement of the GLF to ensure loan repayments to DfT can be met.
- 3.2.6. 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. In prior years the Statement of Financial Position carried a large pension liability requiring the Secretary of State for Transport to guarantee GLA pension liabilities by issuing a letter of comfort. Following the transfer of GLA pensions the letter of comfort is no longer required as the GLF has sufficient assets to meet all liabilities.
- 3.2.7. 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 (FRM) and The Accounts Direction, issued by the Secretary of State for Transport 27 February 2013. No material changes were required for 2014/15.

3.3. Financial Performance

- 3.3.1. 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 | 10,808 | 11,225 | (417) |
| Capital Expenditure | *1,314 | 1,427 | (113) |
| Other Costs | 2,433 | 2,691 | (259) |
| Total | 14,555 | 15,344 | (789) |

* Excludes capital expenditure funded from EU grant

| Northern Lighthouse Board | Actual Expenditure £'000 | Cash Limits £'000 | Variation £'000 |
|-----------------------------------|---|----------------------------------|----------------------------|
| Running Costs | 14,233 | 14,815 | (579) |
| Capital Expenditure | 2,616 | 2,745 | (132) |
| Expenditure on behalf of all GLAs | 186 | 44 | 142 |
| Other Costs | 3,416 | 3,791 | (375) |
| Total | 20,451 | 21,395 | (944) |

| Trinity House | Actual Expenditure £'000 | Cash Limits £'000 | Variation £'000 |
|-----------------------------------|---|----------------------------------|----------------------------|
| Running Costs | 23,608 | 24,617 | (1,009) |
| Capital Expenditure | 3,196 | 4,348 | (1,152) |
| Expenditure on behalf of all GLAs | 3,200 | 2,833 | 367 |
| Expenditure on behalf of DfT | 246 | 261 | (15) |
| Other Costs | 3,945 | 4,783 | (838) |
| Total | 34,195 | 36,842 | (2,647) |

3.3.2. Expenditure on Non-Current Assets

During the year to 31 March 2015 the GLAs' expenditure on non-current assets was as follows:

| Commissioners of Irish Lights | 2014/15 £'000 | 2013/14 £'000 |
|---|--------------------------|--------------------------|
| Assets in course of construction | 1,082 | 284 |
| Land | - | - |
| Buildings | 162 | 164 |
| Buoys & Beacons | - | - |
| Lightvessels | - | - |
| Tenders Ancillary Craft & Floating Aids | 786 | 127 |
| Information Technology | - | 61 |
| Intangible software | - | - |
| Plant & Equipment | 374 | 918 |
| Total | 2,404 | 1,553 |

| Northern Lighthouse Board | 2014/15 £'000 | 2013/14 £'000 |
|---|--------------------------|--------------------------|
| Assets in course of construction | 1,235 | 718 |
| Land | - | - |
| Buildings | 765 | 284 |
| Buoys & Beacons | 8 | 19 |
| Lightvessels | - | - |
| Tenders Ancillary Craft & Floating Aids | - | 222 |
| Information Technology | 21 | 102 |
| Intangible software | 43 | 20 |
| Plant & Equipment | 544 | 1,112 |
| Total | 2,616 | 2,477 |

| Trinity House | 2014/15 £'000 | 2013/14 £'000 |
|---|--------------------------------|--------------------------------|
| Assets in course of construction | 1,853 | 2,503 |
| Land | - | - |
| Buildings * | - | 104 |
| Buoys & Beacons | 333 | 190 |
| Lightvessels | - | 185 |
| Tenders Ancillary Craft & Floating Aids | 28 | 372 |
| Information Technology | 136 | 301 |
| Intangible software | 190 | 45 |
| Plant & Equipment | 656 | 397 |
| Total | 3,196 | 4,097 |

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

- 3.3.3. 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 | £13.0m |
| Northern Lighthouse Board | £18.2m |
| Trinity House | <u>£31.4m</u> |
| Total | £62.6m |

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

| | |
|-------------------------------|---------------|
| Light Dues | £89.4m |
| Irish Government Contribution | <u>£ 2.3m</u> |
| Total | £91.7m |

3.4. Aids to Navigation (AtoN) Availability

- 3.4.1. 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.
- 3.4.2. 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.

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

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 | 2010/11 | | 2011/12 | | 2012/13 | | 2013/14 | | 2014/15 | |
| | | Min | Act | Diff | Act | Diff | Act | Diff | Act | Diff | Act | 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% | 99.8% | 0.0% |
| Lights | 2 | 99.0% | 100.0% | 1.0% | 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% | 99.8% | 2.8% | 99.7% | 2.7% | 99.6% | 2.6% |
| Lights | 3 | 97.0% | 99.8% | 2.8% | 99.9% | 2.9% | 99.9% | 2.9% | 99.8% | 2.8% | 99.8% | 2.8% |
| Northern Lighthouse Board | | | | | | | | | | | | |
| Aton Type | Cat. | IALA | 2010/11 | | 2011/12 | | 2012/13 | | 2013/14 | | 2014/15 | |
| | | Min | Act | Diff | Act | Diff | Act | Diff | Act | Diff | Act | Diff |
| Buoys | 1 | 99.8% | 99.9% | 0.1% | 100.0% | 0.2% | 99.9% | 0.1% | 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% | 99.9% | 0.1% |
| Racons | 1 | 99.8% | 99.8% | 0.0% | 99.8% | 0.0% | 99.8% | 0.0% | 99.9% | 0.1% | 100.0% | 0.2% |
| Buoys | 2 | 99.0% | 100.0% | 1.0% | 100.0% | 1.0% | 100.0% | 1.0% | 99.9% | 0.9% | 99.9% | 0.9% |
| Lights | 2 | 99.0% | 99.9% | 0.9% | 99.8% | 0.8% | 99.8% | 0.8% | 99.8% | 0.8% | 99.8% | 0.8% |
| Buoys | 3 | 97.0% | 99.9% | 2.9% | 99.9% | 2.9% | 100.0% | 3.0% | 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 | 2010/11 | | 2011/12 | | 2012/13 | | 2013/14 | | 2014/15 | |
| | | Min | Act | Diff | Act | Diff | Act | Diff | Act | Diff | Act | 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% | 100.0% | 0.2% | 99.9% | 0.1% | 99.9% | 0.1% | 99.8% | 0.0% | 99.8% | 0.0% |
| Lights | 2 | 99.0% | 99.8% | 0.8% | 99.9% | 0.9% | 99.9% | 0.9% | 99.9% | 0.9% | 100.0% | 1.0% |
| Fog Signals* | 3 | 97.0% | 99.7% | 2.7% | | | | | | | | |
| Lights | 3 | 97.0% | 99.9% | 2.9% | 99.9% | 2.9% | 99.9% | 2.9% | 99.8% | 2.8% | 99.8% | 2.8% |

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

3.5. Public Interest

3.5.1. Staff Relations

One member of staff at NLB took one day off as part of Trade Union Industrial Action. There were no instances on industrial action at TH or CIL.

3.5.2. 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.

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

3.5.4. 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 2014/15.

3.5.5. 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.

3.5.6. Significant Liabilities

Until 1 April 2014 there was a deficit on the General Lighthouse Fund's pension scheme reflected in the accounts at £415m. The entire liability was transferred to the Cabinet Office for a settlement value of £353.5m on 1 April 2014. To fund this transfer the GLF used £153.5m of cash reserves and a loan from the Department for Transport of £200m. Treatment of GLA pension schemes, including transfer to the PCSPS, can be found in note 23 and the Loan Liability in note 24.

Stakeholders

3.5.7. 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.

3.5.8. 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.

3.5.9. 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.

3.5.10. 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.

3.5.11. 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.

3.5.12. 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.

3.5.13. 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.

3.5.14. 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.

3.5.15. Sickness Absence

Sickness absence in the three GLAs during the year was:

| | 2014/15 | 2013/14 |
|--|----------------|----------------|
| Trinity House | | |
| Total number of days sickness | 2,257 | 2,987 |
| Average number of days lost per employee | 7.3 | 9.9 |
| Commissioner of Irish Lights | | |
| Total number of days sickness | 999 | 1,241 |
| Average number of days lost per employee | 8.9 | 10.4 |
| Northern Lighthouse Board | | |
| Total number of days sickness | 1,461 | 1,302 |
| Average number of days lost per employee | 8.7 | 7.5 |

Average number of days lost per employee is based on total number employed of 589 (596 13/14) which excludes lighthouse attendants & casual staff.

Sickness figures for 2014/15 are higher than prior year at NLB due to increased long term sickness in a small number of employees.

3.5.16. 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.

3.5.17. 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.

3.5.18. 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.

3.6. 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 2014/15 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 fee for auditing the 2014/15 accounts was £77,700 (2013/14 £154,000) of this fee £74,000 was paid in 2014/15 and £3,700 will be paid in 2015/16.

No fees for additional audit services were paid in 2014/15 (2013/14 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
18 November 2015

4. 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.

Director's rate of pay are determined using the same methodology as that applied to staff. External consultancy is engaged every other year in order to market test salaries against the appropriate market.

The remuneration of the Directors and their pension entitlements are shown below:

Remuneration of Directors (Audited)

| Name | Salary | Bonus | Benefits | Pension | Total | Salary | Bonus | Benefits | Pension | Total |
|-------------------------|---------|---------|----------|-----------------------|---------|---------|---------|----------|-----------------------|---------|
| | 2014/15 | 2014/15 | 2014/15 | Benefits [#] | 2014/15 | 2013/14 | 2013/14 | 2013/14 | Benefits [#] | 2013/14 |
| | £000 | £000 | £ | £000 | £000 | £000 | £000 | £ | £000 | £000 |
| I McNaught | 115-120 | 20-25 | 1,000 | 51 | 190-195 | 115-120 | 15-20 | 900 | 51 | 185-190 |
| R Barker | 85-90 | 15-20 | 1,100 | 34 | 135-140 | 80-85 | 10-15 | 1,000 | 23 | 120-125 |
| JS Scorer | 90-95 | 15-20 | 2,000 | 43 | 155-160 | 90-95 | 15-20 | 1,600 | 27 | 135-140 |
| JS Wedge | 90-95 | 15-20 | 1,100 | 23 | 135-140 | 90-95 | 15-20 | 1,000 | 12 | 120-125 |
| MJ Gladwyn ¹ | - | - | - | - | - | 5-10 | - | 400 | - | 5-10 |
| ED Johnson | 15-20 | - | 500 | - | 15-20 | 15-20 | - | 600 | - | 15-20 |
| P Matthews | 15-20 | - | 800 | - | 15-20 | 15-20 | - | 500 | - | 15-20 |
| N Palmer ² | 20-25 | - | 800 | - | 20-25 | 20-25 | - | 1000 | - | 20-25 |
| D Ring | 15-20 | - | 700 | - | 15-20 | 5-10 | - | - | - | 5-10 |

¹ Retired 31 August 2013, full year equivalent salary £15k-20k.

² Receives remuneration as a Non-Executive Director and an Examiner

[#] Pension data is provided by MYCSP. In 2013-14, there was a change in the way pension benefit had been calculated. As per EPN380, The value of pension benefits accrued during the year was 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 2014-15 relate to performance in 2014-15 and the comparative bonuses reported for 2013-14 relate to performance in 2013-14.

Pay Multiples

| | 2014/15 | 2013/14 |
|--|---------|---------|
| Band of Highest Paid Directors Total Remuneration (£000's) | 140-145 | 135-140 |
| Median Total Remuneration | £31,469 | £31,479 |
| Ratio | 4.5 | 4.4 |

In 2014-15, no employees received remuneration in excess of the highest paid director (2013-14 Nil). Remuneration ranged from £10,384 to £112,017 (2013/14 £13,915 to £110,492). 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 (Contract renewed in 2015 for further 3 years) | 1 February 2012 | 31 January 2018 |
| 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 PCSPS. They are entitled to compensation for permanent loss of office under the terms of the Civil Service Compensation scheme.

| | Real Increase in pension £'000 | Real Increase in lump sum £'000 | Accrued Pension £'000 | Accrued lump sum £'000 | CETV 31 March 14 £'000 | CETV 31 March 15 £'000 | Real Increase CETV £'000 | Employer contribution Partnership Pension Account £'000 |
|------------|-----------------------------------|------------------------------------|--------------------------|---------------------------|------------------------------|------------------------------|--------------------------------|---|
| I McNaught | 2.5-5.0 | - | 10-15 | - | 115 | 169 | 36 | - |
| J Wedge | 0.0-2.5 | 2.5-5 | 30-35 | 100-105 | 635 | 690 | 20 | - |
| J Scorer | 2.5-5.0 | - | 15-20 | - | 244 | 293 | 42 | - |
| R Barker | 0.0-2.5 | - | 15-20 | - | 256 | 307 | 31 | - |

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 | Bonus | Benefits | Pension | Total | Salary | Bonus | Benefits | Pension | Total |
|---------------------------|---------|---------|----------|-----------------------|---------|---------|---------|----------|-----------------------|---------|
| | 2014/15 | 2014/15 | 2014/15 | Benefits [#] | 2014/15 | 2013/14 | 2013/14 | 2013/14 | Benefits [#] | 2013/14 |
| | £000 | £000 | £ | £000 | £000 | £000 | £000 | £ | £000 | £000 |
| R Lockwood ¹ | 5-10 | 0 | - | 10 | 15-20 | 85-90 | 5-10 | - | 18 | 115-120 |
| Mike Bullock ² | 105-110 | 5-10 | - | 40 | 150-155 | - | - | - | - | - |
| D Gorman ³ | 70-75 | 5-10 | - | 18 | 95-100 | 75-80 | 5-10 | - | 10 | 100-105 |
| Mairi Rae ⁴ | 5-10 | 0 | - | 2 | 5-10 | - | - | - | - | - |
| P Day | 75-80 | 5-10 | - | 30 | 110-115 | 75-80 | 5-10 | - | 9 | 85-90 |
| M Waddell | 75-80 | 5-10 | - | 25 | 105-110 | 75-80 | 5-10 | - | 13 | 95-100 |

¹ to 9 May 2014 full year equivalent salary £90k-£95k

² from 29 April 2014 full year equivalent salary £115k-£120k

³ to 26 February 2015 full year equivalent salary £80k-£85k

⁴ from 2 March 2015 full year equivalent salary £70k-£75k

[#] Pension data is provided by MYCSP. In 2013-14, there was a change in the way pension benefit had been calculated. As per EPN380, The value of pension benefits accrued during the year was 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 PCSPS. 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.

| | Real Increase in pension £'000 | Real Increase in lump sum £'000 | Accrued Pension £'000 | Accrued lump sum £'000 | CETV 31 March 14 £'000 | CETV 31 March 15 £'000 | Real Increase CETV £'000 | Employer contribution Partnership Pension Account £'000 |
|------------|---|--|-----------------------------|------------------------------|------------------------------|------------------------------|-----------------------------------|--|
| R Lockwood | 0-2.5 | 0-2.5 | 10-15 | - | 241 | 251 | 9 | - |
| M Bullock | 0-2.5 | 0-2.5 | 0-2.5 | - | - | 32 | 22 | - |
| D Gorman | 0-2.5 | 2.5-5 | 20-25 | 70-75 | 502 | 535 | 18 | - |
| M Rae | 0-2.5 | 0-2.5 | 7.5-10 | - | 109 | 111 | 1 | - |
| P Day | 0-2.5 | 0-2.5 | 25-30 | - | 298 | 333 | 13 | - |
| M Waddell | 0-2.5 | (2.5)-0 | 30-35 | 50-55 | 544 | 590 | 18 | - |

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 | 9,996 |
| Additional daily payment | 500 |
| Chairman's remuneration | 19,992 |
| Vice Chairman's remuneration | 13,332 |
| Total amount paid in 2014/15 including NI | 77,056 |
| Total amount paid in 2013/14 including NI | 76,237 |

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:

| | 2014/15 | 2013/14 |
|------------------------------|----------------|----------------|
| | £ | £ |
| R Quayle (left 25 May 2013) | - | 1,475 |
| M Brew (started 1 June 2013) | 9,996 | 8,250 |
| M Close | 19,992 | 19,800 |
| A Mackenzie | 13,332 | 13,200 |
| J Ross | 9,996 | 9,900 |
| G Crerar | 9,996 | 9,900 |
| A Beveridge | 9,996 | 9,900 |

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.

| | 2014/15 | 2013/14 |
|--|---------|---------|
| Band of Highest Paid Directors Total Remuneration (£000's) | 115-120 | 105-110 |
| Median Total Remuneration | £29,852 | £30,012 |
| Ratio | 3.9 | 3.6 |

In 2014/2015 no employees received remuneration in excess of the highest-paid director (2013-2014 nil). Remuneration ranged from £18,591 to £116,148 (2013/2014 £18,281 to £99,596).

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.

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 Executive also took also took a further voluntary pay cut to coincide with employee pay cuts. The average pay cut taken was 5.3%

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

The Chief Executive and Executive Management Team (Heads of Department) are members of the PCSPS.

Co-opted and ex officio Commissioners of the board are not remunerated.

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 1.2755 for 2014/15 and 1.1858 for 2013/14.

| Name | Salary | Bonus | Benefits | Pension | Total | Salary | Bonus | Benefits | Pension | Total |
|-----------|---------|---------|----------|-----------------------|---------|---------|---------|----------|-----------------------|---------|
| | 2014/15 | 2014/15 | 2014/15 | Benefits [#] | 2014/15 | 2013/14 | 2013/14 | 2013/14 | Benefits [#] | 2013/14 |
| | £000 | £000 | £ | £000 | £000 | £000 | £000 | £ | £000 | £000 |
| Y Shields | 105-110 | - | - | 36 | 140-145 | 120-125 | - | - | 47 | 165-175 |
| R McCabe | 85-90 | - | - | 12 | 100-105 | 95-100 | - | - | 24 | 115-125 |
| J Burke | 90-95 | - | - | 20 | 110-115 | 100-105 | - | - | 29 | 125-135 |
| H Roe | 90-95 | - | - | 32 | 120-125 | 95-100 | - | - | 39 | 130-140 |

[#] Pension data is provided by MYCSP. In 2013-14, there was a change in the way pension benefit had been calculated. As per EPN380, The value of pension benefits accrued during the year was 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

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

| | | |
|--|---------|---------|
| | 2014/15 | 2013/14 |
| Band of Highest Paid Directors Total Remuneration (£000's) | 102-110 | 120-125 |
| Median Total Remuneration | £33,571 | £38,905 |
| Ratio | 3.2 | 3.2 |

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 2014/15, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £32,325 to £101,198 (2013/14 £29,008-£94,081). 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 1.2755 for 2014/15 and 1.1858 for 2013/14.

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

In accordance with EPN430 MYCSP supplied this year's information. Then calculating the real increase in CETV and the pension benefits accrued during the year 2014/15 for the single total figure of remuneration, MYCSP take into account inflation.

| | Real Increase | Real Increase | Accrued | Accrued lump | CETV | CETV | Real Increase | Employer contribution Partnership Pension |
|-----------|---------------|---------------|---------|--------------|-------------|-------------|---------------|---|
| | in pension | in lump sum | Pension | sum | 31 March 14 | 31 March 15 | CETV | Account |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Y Shields | 2.5-5 | - | 5-10 | - | 78 | 108 | 17 | - |
| R McCabe | 0-2.5 | 2.5-5 | 30-35 | 100-105 | 727 | 780 | 12 | - |
| J Burke | 0-2.5 | - | 25-30 | - | 346 | 382 | 9 | - |
| H Roe | 0-2.5 | - | 5-10 | - | 38 | 67 | 19 | - |

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 PCSPS. 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 in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008.

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
18 November 2015

5. 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 yearend; 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".

6. General Lighthouse Fund Governance Statement

Accounting Officer's introduction

The Governance Statement 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 1-3 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.

In 2013-14 the GLAs accounts were consolidated into the Departmental Account for the first time. The GLAs 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 fourth 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.

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.

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 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 the Government Internal Audit Agency (GIAA). This operates to the standards defined in Government Internal Audit Standards. The work of the GIAA 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 GIAA's independent opinion on the adequacy and effectiveness of the GLAs' systems of internal control.

Summary of Internal Audit Reports

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

"On the basis of the evidence obtained during 2014/15 the assurance opinions provided for the General Lighthouse Authorities (GLAs) are summarised in the table below:

| Authority | Opinion ¹ | RAG |
|-------------------------------|---|---|
| Trinity House | Substantial In my opinion, the framework of governance, risk management and control is adequate and effective. | Green  |
| Northern Lighthouse Board | Moderate In my opinion, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. | Yellow  |
| Commissioners of Irish Lights | Moderate In my opinion, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. | Yellow  |

Overall, across the GLAs, 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. Prompt action is often taken by the GLAs in implementing our recommendations. 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 GIAA during 2014/15 at any of the GLAs.

Whilst our work during 2014/15 identified a need to strengthen controls in some other areas in the GLAs, 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 2014–15.

Philip Rutnam
Accounting Officer
18 November 2015

7. 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 2015 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 Report 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 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 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 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 2015 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 Report to be audited has 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 Directors' 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
26 November 2015

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

8. Accounting Statements

Statement of Comprehensive Net Income For the Year Ended 31 March 2015

| | Notes | 2014/15 £'000 | 2013/14 £'000 |
|--|-------|----------------------|----------------------|
| Income : | | | |
| Light Dues | 3 | 89,421 | 90,709 |
| Other income | 4 | 10,336 | 32,108 |
| | | <u>99,757</u> | <u>122,817</u> |
| Expenditure : | | | |
| Staff costs | 5 | (30,152) | (27,261) |
| Amortisation | 13 | (294) | (326) |
| Depreciation | 11 | (14,738) | (12,728) |
| Loss on Revaluation | | (212) | (952) |
| Pension Cost - Current Service | 5&23 | (13) | (5,893) |
| Pension Cost - Past Service | 5&23 | - | (797) |
| Other Expenditure | 6 | (29,504) | (27,482) |
| | | <u>(74,913)</u> | <u>(75,440)</u> |
| Net Operating Income/Expenditure | 7 | 24,844 | 47,377 |
| Exceptional Items | 23 | 63,515 | - |
| Interest receivable | 8 | 139 | 400 |
| Interest payable | 9 | (5,006) | (1,256) |
| Interest on Pension Scheme Liability | 23 | - | (16,474) |
| Revaluation of Investment Property | 12 | 33 | (27) |
| Surplus / (deficit) for the financial year | | <u>83,525</u> | <u>30,020</u> |
| Other Comprehensive Income | | | |
| Items that will not be classified to net operating costs: | | | |
| Net gain/(loss) on revaluation of Property, Plant and Equipment | 11 | 15,342 | 8,478 |
| Remeasurements (actuarial gains/(losses)) | 23 | - | 1,831 |
| Items that may be classified to net operating costs: | | | |
| Net gain/(loss) on revaluation of available for sale financial assets | | - | 2,059 |
| Translation of Euro Reserves | | (5,743) | (970) |
| Accumulated investment revaluations taken to operating income | | - | (19,440) |
| Total Comprehensive Income | | <u>93,124</u> | <u>21,978</u> |

Notes on pages 33 to 57 form part of these accounts.

**Statement of Financial Position
As at 31 March 2015**

| | Notes | 2014/15 £'000 | 2013/14 £'000 |
|--|-------|-----------------------|---------------------|
| Assets | | | |
| Non-Current assets | | | |
| Property, Plant and Equipment | 11 | 269,612 | 269,787 |
| Investment Property | 12 | 583 | 608 |
| Intangible Assets | 13 | 511 | 573 |
| Trade and Other Receivables | 14 | 10 | 15 |
| | | <u>270,716</u> | <u>270,983</u> |
| Current Assets : | | | |
| Assets Classified as Held for Sale | 15 | 27 | 27 |
| Inventories | 16 | 3,519 | 3,766 |
| Trade and Other Receivables | 17 | 5,876 | 5,393 |
| Cash & Cash Equivalents | 18 | 50,710 | 186,526 |
| | | <u>60,132</u> | <u>195,712</u> |
| Total assets | | <u>330,848</u> | <u>466,695</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 19 | (11,916) | (12,109) |
| Provisions | 20 | (296) | (1,190) |
| Financial Liabilities | 24 | (21,929) | - |
| | | <u>(34,141)</u> | <u>(13,299)</u> |
| Non-Current liabilities | | | |
| Provisions | 20 | (1,365) | (3,079) |
| Pension Liabilities | 23 | - | (415,034) |
| Other Liabilities | 19 | (7) | (8) |
| Finance Lease Liabilities | 19 | (22,976) | (26,042) |
| Financial Liabilities | 24 | (170,000) | - |
| | | <u>(194,348)</u> | <u>(444,163)</u> |
| Total Assets less Total Liabilities | | <u>102,359</u> | <u>9,233</u> |
| Reserves | | | |
| General Reserve | | (75,398) | (162,434) |
| Revaluation Reserve | | 177,757 | 171,667 |
| Total Reserves | | <u>102,359</u> | <u>9,233</u> |

Notes on pages 33 to 57 form part of these accounts.

Philip Rutnam
Accounting Officer
18 November 2015

Statement of Cash Flows
For the Year Ended 31 March 2015

| | Notes | 2014/15 £'000 | 2013/14 £'000 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net Surplus/(Deficit) after Interest | | 83,525 | 30,020 |
| Loss/(Profit) on Sale of Investments | | - | (19,440) |
| Loss on revaluation of buildings | | - | (1) |
| Loss/(Profit) on Disposal of Property Plant and Equipment | 6 | 896 | 872 |
| Loss/(Profit) on Disposal of Assets Held for Sale | 6 | - | (637) |
| Pensions Transfer | | (415,033) | - |
| Pension Benefits Outflow | 23 | - | (16,584) |
| Current Service Cost | 23 | - | 5,748 |
| Past Service Cost | 23 | - | 921 |
| Depreciation | 11 | 14,738 | 12,728 |
| Amortisation | 13 | 294 | 326 |
| Impairments | 11 | 1,835 | 279 |
| Revaluation Losses (property, Plant & Equipment) | SoCNI | 212 | 952 |
| (Increase)/Decrease in Trade and Other Receivables | 14&17 | (478) | 1,025 |
| (Increase)/Decrease in Inventories | 16 | 247 | (349) |
| Increase/(Decrease) in Trade Payables | 19 | 1,168 | (1,717) |
| Use of Provisions | 20 | (2,608) | (1,089) |
| Revaluation of Investment Properties | 12 | (33) | 27 |
| Foreign Exchange Translation | | 25 | (61) |
| Net cash outflow from operating activities | | (315,212) | 13,020 |
| Cash flow from investing activities | | | |
| Purchase of Property, Plant and Equipment | 11 | (7,983) | (8,258) |
| Purchase of Intangible assets | 13 | (233) | (65) |
| Purchase of Investments | | - | (3,796) |
| Proceeds from disposal of Property, Plant and Equipment | | 36 | 1,065 |
| Proceeds from disposal of Investment Assets | 12 | - | 285 |
| Proceeds from disposal of Investments | | - | 56,684 |
| Net cash outflow from investing activities | | (8,180) | 45,915 |
| Cash flows from financing activities | | | |
| Pension Financing Cost | 23 | - | 16,474 |
| Financing Received | 24 | 200,000 | - |
| Financing Repaid | 24 | (10,000) | - |
| Financing costs | 24 | 1,929 | - |
| Capital element of Payments in Respect of Finance Leases | | (4,353) | (4,315) |
| Net cash flow from financing activities | | 187,576 | 12,159 |
| Net cash flow from all activities | | (135,816) | 71,094 |
| Net increase in cash and cash equivalents in the period | 18 | (135,816) | 71,094 |
| Cash and cash equivalents at the beginning of the period | 18 | 186,526 | 115,431 |
| Cash and cash equivalents at the end of the period | 18 | 50,710 | 186,526 |

Notes on pages 33 to 57 form part of these accounts.

**Statement of Changes in Equity
For the Year Ended 31 March 2015**

| | 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 |
| Net gain/ (loss) on revaluation of Intangible Assets | - | - | - |
| Net gain/ (loss) on revaluation of surplus Property Plant and Equipment | - | - | - |
| Release of Revaluation reserve to the General Reserve re Depreciation | 5,019 | (5,019) | - |
| Release of Revaluation reserves to the General Reserve re Disposals | 240 | (240) | - |
| 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 |

| | General Reserve £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|---|----------------------------------|--------------------------------------|---------------------------------|
| Balance at 31 March 2014 | (162,434) | 171,667 | 9,233 |
| Surplus / (deficit) for the financial year | 83,525 | - | 83,525 |
| Net gain/ (loss) on revaluation of Investments | - | - | - |
| Net gain/ (loss) on revaluation of Property, Plant and Equipment | - | 15,344 | 15,344 |
| Net gain/ (loss) on revaluation of Intangible Assets | - | - | - |
| Net gain/ (loss) on revaluation of surplus Property Plant and Equipment | - | - | - |
| Release of Revaluation reserve to the General Reserve re Depreciation | 6,148 | (6,148) | - |
| Release of Revaluation reserves to the General Reserve re Disposals | 124 | (124) | - |
| Release of Investment Revaluations to the Statement of Net Income | - | - | - |
| Foreign translation of Euro Reserves* | (2,761) | (2,982) | (5,743) |
| Re-measurements recognised in Other Comprehensive Income | - | - | - |
| Balance at 31 March 2015 | (75,398) | 177,757 | 102,359 |

* The cumulative foreign translation of Euro Reserves is £11.324m as measured from the inception of the Statement of Changes in Equity on 1 April 2009.

Notes on pages 33 to 57 form part of these accounts.

9. Notes to the Accounts for the Year Ended 31 March 2015

1. Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2014/2015 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 2015 shows net assets of £102,359,000. 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

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which are described in Note 23. The defined schemes are unfunded and are mostly contributory except in respect of dependants' benefits. The GLAs recognise the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services. It does this by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the GLAs recognise the contributions payable for the year.

The GLAs recognise liabilities for short-term employee benefits (which fall due within twelve months of the period in which they are earned). In practice, all material short-term employee benefits are settled during the period in which they are earned. The GLAs are required to pay, as termination benefits, the additional cost of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds.

The GLAs recognise the full cost of benefits (including pension's payable up to the normal retirement age and lump sums) as an expense and liability when it becomes demonstrably committed to providing those benefits.

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/£1.3821). 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 or 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.

Financial Liabilities

Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate. Where the effective interest rate is not materially different from the actual interest rate the actual interest rate is used instead. 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 2015, 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 standards listed below are not yet effective for the year ended 31 March 2015 and have 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 2018, however, it is yet to receive EU endorsement so it is not possible to predict the actual application date. Initial application of IFRS 9 is expected to have a limited impact. This is because classification of financial assets and liabilities may change, however existing measurement approaches will remain unchanged.

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 2015. 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.

IFRS 15, Revenue from Contracts with Customers, is expected to come into effect from 1 January 2017, though it has not yet received EU endorsement. It requires the recognition of revenue as the performance obligations under the contracts are satisfied. Its implementation is expected to have no material impact.

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.

Other changes due to come into effect after 2014–15 are considered to have no impact.

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 tax on ships entering the UK or the Republic of Ireland, in addition to RoI light Dues the GLF receives a contribution from 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 | 2014/15 £'000 | 2013/14 £'000 |
|-------------------|-------------|--------------|--------------|--------------|------------------|------------------|
| Light Dues Income | - | - | - | 89,421 | 89,421 | 90,709 |
| GLA Drawdowns | 31,400 | 18,210 | 12,988 | (62,598) | - | - |
| Other Income | 3,055 | 1,555 | 3,453 | 2,273 | 10,336 | 32,108 |
| Total Income | 34,455 | 19,765 | 16,441 | 29,096 | 99,757 | 122,817 |
| Gross Expenditure | (34,248) | (22,187) | (14,865) | (3,613) | (74,913) | (75,440) |
| Net Expenditure | 207 | (2,422) | 1,576 | 25,483 | 24,844 | 47,377 |
| Total Assets | 142,383 | 94,111 | 43,181 | 51,173 | 330,848 | 466,695 |

3 Light Dues

| | 2014/15 £'000 | 2013/14 £'000 |
|---|------------------|------------------|
| Light Dues collected in United Kingdom | 85,718 | 86,786 |
| Light Dues collected in Republic of Ireland | 3,703 | 3,923 |
| | 89,421 | 90,709 |

4 Other Income

| | Tri GLA £'000 | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|-------------------------------------|------------------|--------------|--------------|--------------|--------------|------------------|------------------|
| Buoy Rental | - | 748 | 295 | 161 | - | 1,204 | 1,172 |
| Property Rental | - | 232 | 27 | 339 | - | 598 | 517 |
| Other Commercial Income | - | - | 61 | - | - | 61 | 62 |
| Tender Hire | - | 1,061 | 1,107 | 1,774 | - | 3,942 | 3,646 |
| Republic of Ireland Contribution | - | - | - | - | 2,273 | 2,273 | 5,318 |
| Income from listed Investments* | - | - | - | - | - | - | 20,242 |
| Grant Income | 350 | 80 | - | 1,087 | - | 1,517 | 496 |
| Release of Deferred Income | - | - | - | - | - | - | - |
| Sundry Receipts | - | 584 | 65 | 92 | - | 741 | 655 |
| | 350 | 2,705 | 1,555 | 3,453 | 2,273 | 10,336 | 32,108 |

*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 2014/15 £'000 | Total 2013/14 £'000 |
|------------------------------------|--------------------------|-----------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|---------------------------|
| Wages & Salaries | 11,352 | 123 | 6,864 | 180 | 5,474 | 184 | 24,177 | 24,949 |
| Social Security Costs | 961 | - | 584 | - | 499 | 20 | 2,064 | 2,089 |
| Employers Pension Contributions | 2,031 | - | 1,237 | - | 989 | - | 4,257 | |
| | 14,344 | 123 | 8,685 | 180 | 6,962 | 204 | 30,498 | 27,038 |
| Other Pension Costs | 13 | - | - | - | - | - | 13 | - |
| Redundancy Costs | 59 | - | - | - | - | - | 59 | 45 |
| Staff related Provisions | - | - | - | - | - | - | - | 481 |
| Sub Total | 14,416 | 123 | 8,685 | 180 | 6,962 | 204 | 30,570 | 27,564 |
| Capitalised Costs | (139) | - | - | - | (279) | - | (418) | (303) |
| Total Net Costs | 14,277 | 123 | 8,685 | 180 | 6,683 | 204 | 30,152 | 27,261 |

Average number of Persons Employed

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

| | 2014/15 Permanent | 2014/15 Others | 2014/15 Total | 2013/14 Permanent | 2013/14 Others | 2013/14 Total |
|-----------------------------------|----------------------|-------------------|------------------|----------------------|-------------------|------------------|
| Directly Employed | 584 | 9 | 593 | 595 | 7 | 602 |
| Other | - | 8 | 8 | - | 9 | 9 |
| Staff engaged on Capital Projects | 11 | - | 11 | 7 | - | 7 |
| | 595 | 17 | 612 | 602 | 16 | 618 |

Reporting of Compensation Scheme Exit Packages

| Exit Package Cost Band | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages | |
|-------------------------------|-----------------------------------|---------|-----------------------------------|----------------|-------------------------------|----------------|
| | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| Less than £10,000 | - | - | - | - | - | - |
| £10,000-£25,000 | - | - | - | 1 | - | 1 |
| £25,000-£50,000 | - | - | 1 | 4 | 1 | 4 |
| £50,000-£100,000 | - | - | 4 | 5 | 4 | 5 |
| £100,000-£150,000 | - | - | 2 | 3 | 2 | 3 |
| £150,000-£200,000 | - | - | 1 | - | 1 | - |
| Greater than £200,000 | - | - | - | - | - | - |
| Total Number of Exit Packages | - | - | 8 | 13 | 8 | 13 |
| Total Cost (£) | - | - | 408,467 | 920,661 | 408,467 | 920,661 |

6 Other Expenditure

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|--|---------------|--------------|--------------|--------------|------------------|------------------|
| Running Costs | 11,031 | 6,253 | 3,775 | 842 | 21,901 | 22,297 |
| Rentals under Operating Leases | 1,307 | 757 | 1,057 | - | 3,121 | 2,987 |
| Auditors Remuneration | - | - | - | 74 | 74 | 154 |
| Research and Development | - | - | - | 1,620 | 1,620 | 1,531 |
| Non-Cash Items | - | - | - | - | - | - |
| Impairments | 1,835 | - | - | - | 1,835 | 280 |
| Loss/(Profit) on Disposal of HfS* Assets | - | - | - | - | - | (507) |
| Loss/(Profit) on Disposal of PPE | 5 | 755 | 134 | - | 894 | 784 |
| Provision Provided in the Year | 59 | - | - | - | 59 | (44) |
| Loss on Disposal of Investments | - | - | - | - | - | - |
| | 14,237 | 7,765 | 4,966 | 2,536 | 29,504 | 27,482 |

*Held for Sale

7 Net Operating Expenditure

The expenditure headings disclosed on the SoCNI have been chosen to add clarity to these accounts, however, central government bodies usually report expenditure under the following headings:

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|----------------------------|---------------|---------------|---------------|-----------------|------------------|------------------|
| Administration Costs | | | | | | |
| Staff Costs | 1,540 | 1,684 | 1,026 | 1,077 | 5,327 | 4,895 |
| Other Administrative costs | 1,814 | 2,531 | 680 | 2,536 | 7,561 | 7,711 |
| Income | - | - | - | (91,694) | (91,694) | (116,269) |
| Programme Costs | | | | | | |
| Staff Costs | 11,783 | 7,181 | 5,861 | - | 24,825 | 24,566 |
| Other Programme costs | 19,111 | 10,791 | 7,299 | - | 37,201 | 38,267 |
| Income | (3,055) | (1,555) | (3,454) | - | (8,064) | (6,547) |
| Net Operating cost | 31,193 | 20,632 | 11,412 | (88,081) | (24,844) | (47,377) |

8 Interest Receivable

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|--------------------------|-------------|--------------|--------------|--------------|------------------|------------------|
| Bank Interest Receivable | 2 | 2 | - | 135 | 139 | 400 |

9 Interest Payable

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|----------------------------|-------------|--------------|--------------|--------------|------------------|------------------|
| Interest on DfT Loan | - | - | - | 3,959 | 3,959 | - |
| Interest on Finance Leases | 402 | 616 | 29 | - | 1,047 | 1,256 |
| | 402 | 616 | 29 | 3,959 | 5,006 | 1,256 |

10 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 11 refers. Other Impairments are as follows:

2014-15

During the year to 31 March 2015 Trinity House completed re-engineering the Nab Tower, a major Navigational Aid marking the entrance to the Solent, along with a modernisation project at Bardsey Lighthouse. The cost of completing these projects exceeds the Depreciated Replacement Cost for a modern replacement therefore £1,210,803 (Nab) and £600,625 (Bardsey) has been impaired. Trinity House also impaired £23,136 of obsolete equipment aboard a vessel. These have been charged to the SoCNI in accordance with the FReM.

No impairments were reported at NLB or CIL.

11 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 2014 | 9,766 | 133,749 | 65,247 | 9,830 | 11,492 | 2,410 | 37,111 | 6,044 | 275,649 |
| Additions | - | 927 | 814 | - | 341 | 157 | 1,574 | 4,170 | 7,983 |
| Donations | - | - | - | - | - | - | - | - | - |
| Disposals | (1) | (1,004) | (371) | - | (356) | (430) | (897) | (111) | (3,170) |
| Impairments | - | (1,621) | (23) | - | - | - | (207) | - | (1,851) |
| Reclassifications | (1) | (82) | - | - | - | - | (78) | - | (161) |
| Revaluations | 498 | 7,178 | (3,452) | (242) | (527) | (153) | (679) | - | 2,623 |
| Transfers | - | 3,165 | - | 222 | 60 | (16) | 2,090 | (5,521) | - |
| Foreign Exchange | (328) | (2,419) | (1,717) | - | (382) | (48) | (1,107) | (111) | (6,112) |
| At 31 March 2015 | 9,934 | 139,893 | 60,498 | 9,810 | 10,628 | 1,920 | 37,807 | 4,471 | 274,961 |
| Depreciation | | | | | | | | | |
| At 1 April 2014 | - | 99 | 41 | - | 285 | 1,291 | 4,146 | - | 5,862 |
| Charged in Year | - | 3,562 | 5,331 | 687 | 1,021 | 348 | 3,789 | - | 14,738 |
| Disposals | - | (545) | (371) | - | (207) | (430) | (685) | - | (2,238) |
| Impairments | - | (6) | - | - | - | - | (10) | - | (16) |
| Reclassifications | - | - | - | - | - | - | - | - | - |
| Revaluations | - | (3,031) | (5,001) | (687) | (817) | (159) | (2,979) | - | (12,674) |
| Transfers | - | - | - | - | - | - | - | - | - |
| Foreign Exchange | - | - | - | - | - | (40) | (283) | - | (323) |
| At 31 March 2015 | - | 79 | - | - | 282 | 1,010 | 3,978 | - | 5,349 |
| NBV at 31/3/14 | 9,766 | 133,650 | 65,206 | 9,830 | 11,207 | 1,119 | 32,965 | 6,044 | 269,787 |
| NBV at 31/3/15 | 9,934 | 139,814 | 60,498 | 9,810 | 10,346 | 910 | 33,829 | 4,471 | 269,612 |
| Asset Financing | | | | | | | | | |
| Owned | 9,934 | 139,814 | 4,554 | 9,810 | 10,346 | 910 | 33,829 | 4,471 | 213,668 |
| Finance Leased | - | - | 55,944 | - | - | - | - | - | 55,944 |
| On Balance Sheet PFI | - | - | - | - | - | - | - | - | - |
| | 9,934 | 139,814 | 60,498 | 9,810 | 10,346 | 910 | 33,829 | 4,471 | 269,612 |

*Assets under Construction and Payments on Account

The net revaluation gain for PPE is £15m (increase of £12.7m from restated depreciation plus £2.6m increase in gross value).

PPE revaluation gains are recognised in Other Comprehensive Income whilst losses which cannot be offset by previous revaluation gains are included in Expenditure on the Statement of Net Comprehensive Income along with investment property revaluations.

Prior Year Property Plant and Equipment

| | 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 whilst losses are included in Expenditure on the Statement of Net Comprehensive Income along with investment property revaluations.

12 Investment Property

| | TH £'000 | NLB £'000 | CIL £'000 | 2014/15 £'000 | 2013/14 £'000 |
|--------------------|-------------|--------------|--------------|------------------|------------------|
| At 1 April | - | 150 | 458 | 608 | 931 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | (285) |
| Transfers | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Revaluations | - | 10 | 23 | 33 | (27) |
| Impairments | - | - | (58) | (58) | (11) |
| At 31 March | - | 160 | 423 | 583 | 608 |

Investment Assets include the Northern Lighthouse Board's Holiday Cottages and Interpretation Centre, and a number of Non-Operational CIL property from which commercial income is derived.

13 Intangible Assets

Current Year

| | Software £'000 | Licences £'000 | Assets in Progress £'000 | Total £'000 |
|--------------------------|-------------------|-------------------|--------------------------------|----------------|
| Cost or Valuation | | | | |
| At 1 April 2014 | 2,921 | 150 | - | 3,071 |
| Additions | 233 | - | - | 233 |
| Donations | - | - | - | - |
| Disposals | - | - | - | - |
| Transfers | - | - | - | - |
| Impairments | - | - | - | - |
| Reclassifications | - | - | - | - |
| Revaluation | - | - | - | - |
| Foreign Exchange | (24) | - | - | (24) |
| At 31 March 2015 | 3,130 | 150 | - | 3,280 |
| Amortisation | | | | |
| At 1 April 2014 | 2,439 | 58 | - | 2,497 |
| Charged in year | 286 | 8 | - | 294 |
| Disposals | - | - | - | - |
| Impairments | - | - | - | - |
| Reclassifications | - | - | - | - |
| Revaluation | - | - | - | - |
| Foreign Exchange | (22) | - | - | (22) |
| At 31 March 2015 | 2,703 | 66 | - | 2,769 |
| NBV at 31/3/14 | 482 | 91 | - | 573 |
| NBV at 31/3/15 | 427 | 84 | - | 511 |

Intangible Assets - Prior Year

| | Software £'000 | Licences £'000 | Assets in Progress £'000 | Total £'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 |

14 Non-Current Trade and Other Receivables

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|--|-------------|--------------|--------------|--------------|------------------|------------------|
| Amounts falling due after one year: | | | | | | |
| Trade Receivables | - | - | - | - | - | - |
| Deposits and Advances | - | - | - | - | - | - |
| Other Receivables | - | - | - | - | - | - |
| Prepayments and Accrued Income | - | 10 | - | - | 10 | 15 |
| VAT Recoverable | - | - | - | - | - | - |
| | - | 10 | - | - | 10 | 15 |

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 | - | 10 | - | - | 10 | 15 |
| | - | 10 | - | - | 10 | 15 |

15 Assets Classified as Held for Sale

| | TH £'000 | NLB £'000 | CIL £'000 | 2014/15 £'000 | 2013/14 £'000 |
|--------------------|-------------|--------------|--------------|------------------|------------------|
| At 1 April | 27 | - | - | 27 | 190 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | (163) |
| Transfers | - | - | 161 | 161 | - |
| Depreciation | - | - | - | - | - |
| Revaluations | - | - | (161) | (161) | - |
| Impairment | - | - | - | - | - |
| At 31 March | 27 | - | - | 27 | 27 |

16 Inventories

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|-------------|-------------|--------------|--------------|--------------|------------------|------------------|
| Inventories | 2,628 | 551 | 340 | - | 3,519 | 3,766 |

17 Trade Receivables and Other Current Assets

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|---|--------------|--------------|--------------|--------------|------------------|------------------|
| Amounts falling due within one year: | | | | | | |
| Trade Receivables | 318 | 50 | 27 | 1,030 | 1,425 | 1,386 |
| Deposits and Advances | - | 24 | - | - | 24 | 23 |
| Other Receivables | 278 | - | 505 | 2,131 | 2,914 | 2,490 |
| Prepayments and Accrued Income | 490 | 226 | 155 | 10 | 881 | 968 |
| VAT Recoverable | 287 | 202 | 143 | - | 632 | 526 |
| | 1,373 | 502 | 830 | 3,171 | 5,876 | 5,393 |

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

| | | | | | | |
|-------------------------------|--------------|------------|------------|--------------|--------------|--------------|
| Central Government | 311 | 267 | - | 1,557 | 2,135 | 518 |
| Local Authorities | - | - | - | - | - | 18 |
| NHS Trusts | - | - | - | - | - | - |
| Public Corporations | - | - | - | - | - | - |
| Intra Government Balance | 311 | 267 | - | 1,557 | 2,135 | 536 |
| Bodies External to Government | 1,062 | 235 | 830 | 1,614 | 3,741 | 4,857 |
| | 1,373 | 502 | 830 | 3,171 | 5,876 | 5,393 |

18 Cash and Cash Equivalents

| | 2014/15 £'000 | 2013/14 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 186,526 | 115,431 |
| Net Changes in Cash and Cash Equivalent Balances | (135,816) | 71,095 |
| Balance at 31 March | 50,710 | 186,526 |
| The following Balances were held at: | | |
| Government Banking Service | 34,122 | 30,245 |
| Commercial Banks and Cash in Hand | 16,588 | 156,281 |
| Balance at 31 March | 50,710 | 186,526 |

19 Trade Payables and Other Current Liabilities

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|---|--------------|--------------|--------------|--------------|------------------|------------------|
| Amounts falling due within one year: | | | | | | |
| VAT Payable | - | - | - | - | - | - |
| Other Taxation and Social Security | 293 | 208 | 223 | - | 724 | 846 |
| Trade Payables | 1,111 | 1,300 | 150 | - | 2,561 | 1,534 |
| Other Payables | 309 | - | 358 | 99 | 766 | 174 |
| Accrued and Deferred Income | 2,289 | 492 | 2,018 | - | 4,799 | 5,127 |
| Current Part of Finance Leases | 1,462 | 1,604 | - | - | 3,066 | 4,428 |
| Prepayments and Accrued Income | - | - | - | - | - | - |
| Bank Overdraft | - | - | - | - | - | - |
| | 5,464 | 3,604 | 2,749 | 99 | 11,916 | 12,109 |

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

| | | | | | | |
|-------------------------------|--------------|--------------|--------------|-----------|---------------|---------------|
| Central Government | 515 | 734 | - | - | 1,249 | 604 |
| Local Authorities | - | - | - | - | - | - |
| NHS Trusts | - | - | - | - | - | - |
| Public Corporations | - | - | - | - | - | - |
| Intra Government Balance | 515 | 734 | - | - | 1,249 | 604 |
| Bodies External to Government | 4,949 | 2,870 | 2,749 | 99 | 10,667 | 11,505 |
| | 5,464 | 3,604 | 2,749 | 99 | 11,916 | 12,109 |

| | TH £'000 | NLB £'000 | CIL £'000 | GLF £'000 | 2014/15 £'000 | 2013/14 £'000 |
|--|---------------|---------------|--------------|--------------|------------------|------------------|
| Amounts falling due after one year: | | | | | | |
| Other Payables, Accruals and Deferred Income | - | - | 7 | - | 7 | 8 |
| Finance Lease | 10,179 | 12,797 | - | - | 22,976 | 26,042 |
| | 10,179 | 12,797 | 7 | - | 22,983 | 26,050 |

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 | 10,179 | 12,797 | 7 | - | 22,983 | 26,050 |
| | 10,179 | 12,797 | 7 | - | 22,983 | 26,050 |

20 Provisions for Liabilities and Charges

| | Redundancy £000 | Restructuring £000 | Oxfordness £000 | Litigation £000 | ACPs £000 | MNOFF £000 | Other £000 | Total £000 |
|---------------------------------|--------------------|-----------------------|--------------------|--------------------|--------------|---------------|---------------|---------------|
| Balance at 1 April 2014 | 521 | - | 5 | - | 1,971 | 1,366 | 406 | 4,269 |
| Provided in the Year | 59 | - | - | - | - | - | 21 | 80 |
| Provision Written Back | - | - | - | - | (1,890) | - | (75) | (1,965) |
| Provisions Utilised | (409) | - | (5) | - | - | - | (172) | (586) |
| Unwinding of Discount | - | - | - | - | - | - | - | - |
| Foreign Exchange | (22) | - | - | - | (81) | (1) | (33) | (137) |
| Balance at 31 March 2015 | 149 | - | - | - | - | 1,365 | 147 | 1,661 |

Analysis of expected of discounted flows

| | | | | | | | | |
|----------------------------------|------------|----------|----------|----------|----------|--------------|------------|--------------|
| In one year or less or on demand | 149 | - | - | - | - | - | 147 | 296 |
| Between one and five years | - | - | - | - | - | 1,365 | - | 1,365 |
| Later than five years | - | - | - | - | - | - | - | - |
| Balance at 31 March 2015 | 149 | - | - | - | - | 1,365 | 147 | 1,661 |

The GLAs have provided for:

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

Restructuring Costs - Nil

Oxfordness - Cost of removal of optic and mercury from Oxfordness Lighthouse was completed in the year.

Litigation - Nil

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. This was transferred to the PCSPS during the year.

MNOFF - 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

21 Capital Commitments

Contracted capital commitments at 31 March 2015 not otherwise included in these financial statements

| | 2014/15 £'000 | 2013/14 £'000 |
|------------------------------|------------------|------------------|
| Property Plant and Equipment | 1,356 | 1,616 |
| Intangible Assets | 267 | - |
| | 1,623 | 1,616 |

22 Commitments under Leases

Obligations under Operating Leases comprise:

| | 2014/15 £'000 | 2013/14 £'000 |
|---|------------------|------------------|
| Land | | |
| Not Later than One Year | 45 | 49 |
| Later Than One Year and Not Later Than Five Years | 182 | 197 |
| Later Than Five Years | 2,343 | 2,560 |
| Total | 2,570 | 2,806 |
| Buildings | | |
| Not Later than One Year | 20 | 36 |
| Later Than One Year and Not Later Than Five Years | 68 | 70 |
| Later Than Five Years | 55 | 55 |
| Total | 143 | 161 |
| Other | | |
| Not Later than One Year | 1,693 | 2,200 |
| Later Than One Year and Not Later Than Five Years | 1,225 | 1,998 |
| Later Than Five Years | - | - |
| Total | 2,918 | 4,198 |

Obligations under Finance Leases comprise:

| | 2014/15 £'000 | 2013/14 £'000 |
|---|------------------|------------------|
| Other | | |
| Not Later than One Year | 4,009 | 5,532 |
| Later Than One Year and Not Later Than Five Years | 16,034 | 16,034 |
| Later Than Five Years | 10,169 | 14,179 |
| Sub - Total | 30,212 | 35,745 |
| Less Interest Element | (4,171) | (5,274) |
| Total | 26,041 | 30,471 |

23 Pension Commitments

All commitments relating to the GLAs pension schemes were transferred to the PCSPS on 1 April 2014. This transfer was approved by the Secretary of State for Transport, the Cabinet Office and HM Treasury. All associated pension liabilities have been removed from these accounts as responsibility for pensions is now a matter for the Cabinet Office.

There was no change in pension benefit and member transfer was made without members' consent. From 1st April 2014 the GLAs became liable for paying an employer's contribution in respect of current staff that transferred.

As at 31 March 2014 the Pension Schemes remained within the GLF and were accounted for in accordance with IAS 19 (revised) in the 2013/14 financial statements. The transfer value applicable on 1 April 2014 was subject to bulk valuation by the Government Actuary Department (GAD). £355m was paid to the Cabinet Office from the General Lighthouse Fund in April 2014. The final figure of was agreed by the Cabinet Office on 1 June 2015 resulting in a £1.55m refund to the GLF.

The PCSPS uses different actuarial assumptions from IAS 19(r) used in these accounts for 2013/14. This has resulted in a significant difference between the pension liabilities opening balance and the agreed transfer value. As the transfer value is lower than the carrying value there has been a large gain on settlement disclosed on the Statement of Comprehensive Net Income. Due to the size and one off nature of this transaction it has been show as an exceptional item in accordance with IAS 1.

GLA ACP liabilities were also transferred to the PCSPS on 1 April 2014, the value agreed for ACPs (included above) was £1.8m.

PCSPS

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme operated by Cabinet Office. Individual employer's share of underlying liabilities is not separately identified. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Employer contributions for 2014/15 were:

| | NLB | TH | CIL | 2014/15 | 2013/14 |
|------------------------|-------|-------|-------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Employer contributions | 1,208 | 2,044 | 989 | 4,241 | 0 |

In addition, employer contributions of £1,633 (2013-14: £nil) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Employer contributions are payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2013-14: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,256 (2013-14: £26,239) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2013-14: 3.0% to 12.5%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the reporting period date were £1,217 (2013-14: £1,812). Contributions prepaid at that date were £nil (2013-14: £nil).

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

| | £'000 | £'000 | £'000 |
|--|----------|------------------|------------------|
| | Assets | Liabilities | Net |
| | £000 | £000 | £000 |
| Fair Value of Plan Assets | - | - | - |
| Present Value of Funded Liabilities | - | - | - |
| Present Value of Unfunded Liabilities | - | 415,034 | (416,865) |
| Opening Scheme (Liability)/Asset at 31 March 2014 | - | 415,034 | (416,865) |
| Service Cost | | | |
| Current service cost | - | - | - |
| Past service cost (including curtailments) | - | - | - |
| Effect of Settlements | - | (63,360)* | 63,360 |
| Total Service Cost * | - | (63,360) | 63,360 |
| Net Interest | | | |
| Interest Income on Plan Assets | - | - | - |
| Interest Cost on Defined Benefit Obligations | - | - | - |
| Impact of Asset Ceiling on Net Interest | - | - | - |
| Total Net Interest | - | - | - |
| Total Defined Benefit Cost Recognised in SOCNI | - | (63,360) | 63,360 |
| Cashflows | | | |
| Plan Participants Contributions | - | - | - |
| Employer Contributions | - | - | - |
| Transfers In (exc. club transfers) | - | - | - |
| Transfers Out (exc. club transfers) | - | (351,674) | 351,674 |
| Club Transfers In | - | - | - |
| Club Transfers Out | - | - | - |
| Unfunded Benefits Paid | - | - | - |
| Total Cashflows | - | (351,674) | 351,674 |
| Expected Closing Position | - | (0) | 0 |
| Remeasurements | | | |
| Change in Demographic | - | - | - |
| Change in Financial Assumptions | - | - | - |
| Other Experience | - | - | - |
| Return on Assets exc. amounts included in net interest | - | - | - |
| Net Interest | - | - | - |
| Changes in Asset Ceiling | - | - | - |
| Total Remeasurements Recognised in Other Comprehensive Income | - | - | - |
| Exchange Differences | - | - | - |
| Effect of Business Combinations and Disposals | - | - | - |
| Fair Value of Plan Assets | - | - | - |
| Present Value of Funded Liabilities | - | - | - |
| Present Value of Unfunded Liabilities | - | (0) | 0 |
| Closing (Liability)/Asset at 31 March 2015 | - | (0) | 0 |

*A settlement gain of £155,000 is included in the SoCNI for pension ACPs which also transferred alongside the main schemes.

| PRIOR YEAR | £'000 | £'000 | £'000 |
|--|----------|-----------------|------------------|
| | Assets | Liabilities | Net |
| | £000 | £000 | £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) |
| Remeasurements | | | |
| 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 Remeasurements 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.

The Impact of Remeasurements is shown below:

| | 31/03/15 | 31/03/14 | 31/03/13 | 31/03/12 | 31/03/11 |
|---|-----------|---------------|--------------------|-------------------|----------------|
| Experience Gains and (Losses) on Scheme Liabilities | - 0.0% | 8,345 2.0% | (6,744) (1.6%) | (7,057) (1.9%) | 11,665 3.2% |
| Total Remeasurements Recognised in Other Comprehensive Income | - 0.0% | 1,831 0.4% | (25,635) (6.2%) | (8,606) 0.0% | 35,547 0.0% |
| Total Scheme Liability | 0 | 415,034 | 410,306 | 377,966 | 361,513 |

No pension sensitivity analysis or projected expense is provided as the schemes have transferred.

Merchant Navy Officers' Pension Fund

The GLAs are Participating Employers of the Merchant Navy Officers Pension Fund (MNOF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOF 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 MNOF were given the option of continuing MNOF 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 MNOF has a deficit of £120,000,000 identified in an actuarial valuation as at 31 March 2012. Contributions to the MNOF of £9,744 (£11,373 2013/14) were made during 2014/2015 relating to 1 member of MNOF.

The rules of the MNOF 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. No lump sum payments were made during the year (125,000 2013/14).

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 however is not expected to be made public until after these accounts are published.

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 £26,487 (2013/14 £26,377) 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 Financial Liabilities

The GLF received a loan from the Department for Transport which was used to fund the transfer of GLA pension liabilities to the PCSPS (note 23 refers). The loan is for a fixed term of 10 years starting 1 April 2014 and has a fixed interest rate of 2.03%. Repayments are due every 6 months on 1 April and 1 October, interest is calculated based on the outstanding balance at each repayment point.

| | 2014/15 £'000 | 2013/14 £'000 |
|-----------------------------|------------------|------------------|
| Balance at 1 April | - | - |
| Loans received | (200,000) | - |
| Principal repaid | 10,000 | - |
| Interest paid | 2,030 | - |
| Interest accrued | (3,959) | - |
| Balance at 31 March | (191,929) | - |
| Amount due within 12 months | (21,929) | - |
| Amount due after 12 months | (170,000) | - |

25 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. It is not known whether calls will be required for 2014/15.

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 £693,208 and £22,525 depending on when the termination was to occur. 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 but is not published yet.

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 £9.1m and £13.8m, however, due to the uncertain nature of these events, no provision has been made in the accounts.

26 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 (TSL), a wholly owned subsidiary of the Corporation of Trinity House. The agreement provides for some 37 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 26 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.

E D Johnson, Non-Executive Director of the THLS Lighthouse Board, is appointed to the Board of Trinitas Services Ltd as nominee of the Corporate Board responsible for Trinity House Charities. Commodore J S Scorer, Director, resigned on 3 March 2015 as a member of the Board TSL and was replaced by S Millyard on 24 March 2015, both were 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 2014/15 THLS paid £289,635 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£284,494 in 2013/14).

Conversely, the Corporation of Trinity House reimburses THLS for the provision of services during the year. The Corporation paid £63,405 to THLS in respect of these services during the year (£64,330 in 2013/14).

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 former Director of Finance and Administration, Douglas Gorman, is currently 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. The trust has established that the relationship will end summer 2015.

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 in the financial year but obsolete site and plant documentation of nil or nominal value, has been donated.

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.

27 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 15 £'000 | 31 Mar 14 £'000 |
|---------------------|--------------------|--------------------|
| Cash and | | |
| Investments | 32 | 34 |
| Heritage Collection | 277 | 277 |
| | 309 | 311 |

28 Financial Instruments

IAS 39 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 addressed by holding sufficient cash reserves, while longer term, GLA budgets and or the Light Dues tariff would be considered.

Credit Risk

Credit risk is the risk of suffering financial loss, should any customers or counterparties fail to fulfil their contractual obligations to the GLF or GLAs. There are no loans receivable in the GLF accounts and the main income source is Light Dues, a tax payable on arrival into port. UK light dues collection is via a network of Trinity House collectors who must also be members of the Institute of Chartered Shipbrokers, pass an approval process and sign up to payment by Direct Debit. Irish Light Dues are collected via Irish Revenues and Customs offices. Light dues credit risk is considered to be very low. NLB have a bank guarantee in place for £640,000 which would provide immediate funding if a key contractor went out of business.

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, there is no exposure to interest rate risk and the lease expires in 2015.

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 Lloyds euro account until needed for CIL General Lighthouse Fund advances. The balance held as at 31 March 2015 £0.6m

Market Risk

The GLF has no investment market risk.

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 2015.

| | Carrying Value £'000 | Fair Value £'000 |
|------------------------------|----------------------------|------------------------|
| Financial Assets | | |
| Cash at Bank and in Hand | 50,710 | 50,710 |
| Financial Liabilities | | |
| Finance Lease Obligations | 26,041 | 26,041 |

29 Further Information

Number of non-current assets.

| | TH | NLB | CIL | 2014/15 | 2013/14 |
|---------------------------|-----|-----|-----|---------|---------|
| Lighthouses* | 64 | 206 | 74 | 344 | 343 |
| Lightvessels | 12 | - | - | 12 | 12 |
| Lightfloats | 2 | - | - | 2 | 2 |
| Lanby Buoys | - | - | - | - | - |
| Buoys & Beacons | 752 | 227 | 212 | 1,191 | 1,172 |
| Tenders & Ancillary Craft | 12 | 2 | 1 | 15 | 15 |
| Lighthouses Abroad | 1 | - | - | 1 | 1 |

Number of Non-Current Assets Deployed

| | TH | NLB | CIL | 2014/15 | 2013/14 |
|----------------------------|-----|-----|-----|---------|---------|
| Lighthouses ^{1,2} | 66 | 206 | 72 | 344 | 342 |
| Lightvessels | 8 | - | - | 8 | 8 |
| Lightfloats | 2 | - | - | 2 | 2 |
| Lanby Buoys | - | - | - | - | - |
| Buoys & Beacons | 554 | 190 | 162 | 906 | 903 |
| Tenders & Ancillary Craft | 12 | 2 | 1 | 15 | 15 |
| Lighthouses Abroad | 1 | - | - | 1 | 1 |

¹ Includes one NLB station providing radio/electronic navigation aids only

² Lighthouses at Farne and Skokholm are no longer owned by Trinity House however they remain current operational lighthouse stations.

30 Losses

Obsolete Inventory valued at £1,000 (2013/14 £45,000) was written off during the year.

31 Events after Reporting Period

The finance lease on the vessel Granuaile operated by the Commissioners of Irish Lights came to an end in August 2015, the commissioners took the opportunity to purchase the legal title of the vessel for a nominal sum of €15,000. This transaction will have no impact on accounts as the vessel is already included on the balance sheet at market value.

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

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.

The Trinity House Head of Internal Audit in his Annual Report for 2014-2015 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'.

Furthermore, a Triennial Review of Trinity House was completed in June 2014. It concluded that the organisation should continue in its current form and that on governance it followed best practice guidance, having regard to its size and statutory role.

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. There is a balance of Executive and Non-Executive Directors on the Board, a Non-Executive Deputy Chairman and a Board Committee structure with only one of its six Committees chaired by the Executive Chairman. There is also a Framework Document with the Department for Transport (see below). Together they ensure an appropriate balance of power is maintained.

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 7 occasions during 2014-2015, together with a further meeting to consider future strategy. 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 Corporate Plan for 2015-2020 and Annual Report and Accounts for 2013-2014;
- Review and approval of nine organisational Policies;
- Monitoring of Performance (KPIs);
- Review of the organisation's risk appetite and the nature and extent of the corporate and organisational risks faced by the organisation in the implementation of its Strategy;
- Considering items to be discussed at the Joint Strategic Board; advising accordingly; and receiving feedback on meetings of the Chief Executives' Committee and Joint Strategic Board;
- Approval and monitoring of the Action Plan in respect of the small number of recommendations arising from the Triennial Review;
- Receipt of regular reports from Executive Directors on inter alia Aids to Navigation requirements and performance; operational matters; health and safety; expenditure against budget; income from Light Dues against previous trends and other business performance matters;
- Endorsing the move to Certification against OHSAS 18001 Occupational Health and Safety Management Systems Requirements.

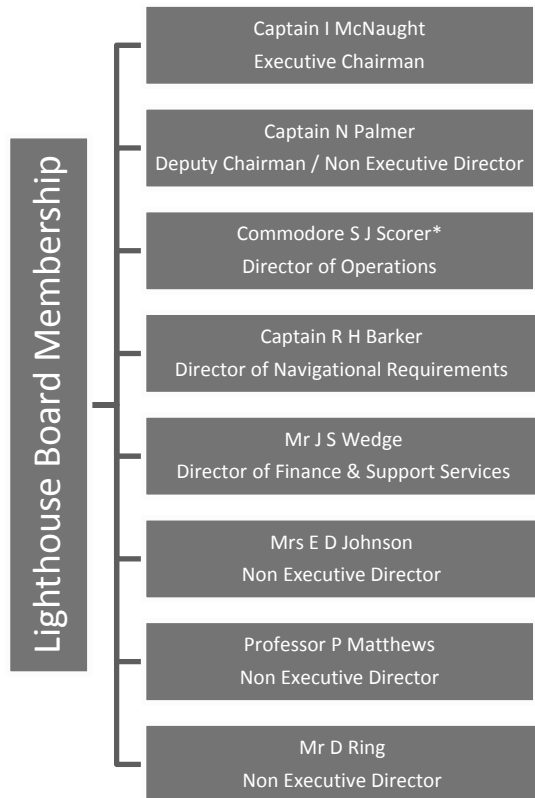
These activities were in line with the matters reserved to the Board in its Terms of Reference.

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 completes each year a self-assessment of performance and implements recommendations to improve its effectiveness.

The Lighthouse Board comprises a balance of:

- Four Voting Executive Members (three Elder Brethren and the Director of Finance & Support Services)
- Four Voting Non Executive Members (one Elder Brother and three nominated by the Secretary of State for the Department for Transport).



**Commodore S J Scorer retired on 28 February 2015*

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. | <ul style="list-style-type: none"> • Agreement to the approach to the Fleet Review; • Promoting inter-GLA co-operation such as the new helicopter contract; • Overview and scrutiny of the Corporate Plan 2015-20; • Monitoring progress against the Operational Action Plan arising from the 2014-19 Strategy; • Review of TH policies; • Approval of various new and revised policies, project briefs and mandates; • Ongoing scrutiny of key finance and operational matters and 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. | <ul style="list-style-type: none"> • Scrutiny of the Annual Report & Accounts; • Review of Risk Registers; • Implementation of a fully integrated internal audit plan incorporating both Trinity House resourced internal audits and Government Internal Audit Agency resourced internal audits; • Review of progress against the internal audit plan; • Review of internal audit reports and findings including the Head of Internal Audit's annual report and opinion; • Review of the Register of Members' Interests and Hospitality Register; • Consideration of other risk management issues e.g. any cases of fraud or bribery. |
| Directors' Remuneration Chair: Professor P Matthews | Assessment of Executive Directors' performance, remuneration, bonuses and corporate performance. | <ul style="list-style-type: none"> • Assessment of executive director and corporate performance. |
| Executive Remuneration Chair: Mr J S Wedge | Assessment of staff remuneration, manpower requirements and organisational structure. | <ul style="list-style-type: none"> • Consideration of the pay remit; • Review of Senior Management Team performance and structure; • Review of manpower planning; and • Support Vessel Service |

| | | |
|--|---|--|
| | | retention plan. |
| Examiners Chair: Captain R H Barker | All requirements for the service's provision of Aids to Navigation. | <ul style="list-style-type: none"> • Consideration of the general requirements for risk mitigation measures for offshore wind farms; • Assessment and delivery of the 2015 Aids to Navigation review; • Assessment and provision of two additional Aids to Navigation at the Varne Bank; • Assessment for risk to safety of Navigation of 14 new wrecks; • User consultation on the Aids to Navigation requirements at Liverpool Bar; • Consideration for the on-going requirement for Fog signals / hazard warning; • Post London Array Offshore Wind Farm construction – re-established Aids to Navigation through Foulger's Gat. |
| Nominations Chair: Professor P Matthews | Proposing Executive appointments to the Lighthouse Board. | <ul style="list-style-type: none"> • Consideration of the requirements for the post of Director of Operations. |

Attendance at Board and Committee meetings during 2014-2015 was as follows:

| Members Non – Executive (NE) | LHB | Executive Committee | Audit & Risk Assurance Committee | Directors' Remuneration Committee | Executive Remuneration Committee | Examiners | Nominations Committee |
|------------------------------------|---------|------------------------|--|---|--|-----------|--------------------------|
| Captain I McNaught ⁱ | 7(of 7) | 11(of 11) | 4(of 4) | * | 4(of 4) | 5(of 7) | 1(of 1) |
| Captain N Palmer (NE) | 6(of 7) | * | * | 1(of 1) | * | 7(of 7) | 1(of 1) |
| Commodore S J Scorer ⁱⁱ | 6(of 6) | 10(of 10) | * | * | 4(of 4) | 5(of 6) | * |
| Captain R H Barker | 7(of 7) | 11(of 11) | * | * | 4(of 4) | 7(of 7) | * |
| Mr J S Wedge ⁱ | 7(of 7) | 9(of 11) | 4(of 4) | * | 4(of 4) | * | * |
| Mrs E D Johnson (NE) | 7(of 7) | * | 4(of 4) | * | * | * | * |
| Professor P Matthews (NE) | 6(of 7) | * | 4(of 4) | 1(of 1) | * | * | 1(of 1) |
| Mr D Ring (NE) | 7(of 7) | * | 3(of 4) | 1(of 1) | * | * | 1(of 1) |

Note: Figures in table denote meetings attended (meetings available for individual to attend)

* Not members of the Committee

ⁱ Captain I McNaught and Mr J S Wedge are not members but are invited to attend the Audit & Risk Assurance Committee

ⁱⁱ Retired at end of February 2015

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.

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 2015 and up to the date of the approval of the Annual Report and Accounts.

Risk Categories

During 2014-2015 the Board's Corporate and Organisational Risk Schedules have been regularly updated.

The Trinity House Organisational Risk Schedule 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 2014-2015 the Board, using the Treasury's five point classification scale of risk appetite, reviewed and approved the organisation's risk appetite. Having regard to the 2014-2019 Strategy, the view was that the risk appetite should remain averse or minimalist in terms of regulatory compliance and reputation and no more than cautious in terms of financial / value for money matters with a move to a more open approach as regards operational and policy delivery in respect inter alia of commercial and other new areas of work.

The Executive Directors are responsible for managing risks within their commands.

Processes, tools and techniques employed for embedding risk management into the organisation include:

- A documented Risk Management Policy;
- Internal audit planning workshops 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;
- Training for internal auditors on risk management including risk appetite.

Trinity House leads the General Lighthouse Authorities' Triennial Risk Management Review, the last review was completed in December 2012; the next review will take place in the summer of 2015. 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 in December 2012 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 quarterly intervals during 2014-2015, although amendments are made in the intervening time in the light of changes in the risk profile.

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.

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.

A survey of external stakeholders including Port and Harbour Authorities, Mariners, Commercial Customers and Central Government and Parliament was conducted during 2014-2015. This survey determined that Trinity House lives up to the expectations of its external stakeholders with performance across a range of measures in particular quality, reliability and efficiency and Trinity House heritage.

Staff Engagement focus group discussions were carried out with staff representatives, Senior Managers and the Executive Board of Directors during 2014-2015. There was a lot of encouraging and positive feedback. Opportunities for improvement included increased involvement of staff in future planning and decision making and improved collaboration.

Changes to Risk Profile

The key changes to the risk profile of Trinity House during the year ended 31 March 2015 were the risks and uncertainties introduced as a result of:

- Support Vessel Service recruitment and retention difficulties;
- Service delivery issues with MYCSP following the transfer of Trinity House pensions into the Principal Civil Service Pension Scheme;
- The devolution issues arising from Scottish Independence Referendum;
- Civil Aviation Authority Requirements arising from Cap 1145 in respect of Trinity House offshore helicopter operations;
- Global Navigation Satellite System (GNSS) vulnerability and the potential loss of international support for the development of e-Loran.
- The Fleet Review

Key Strategic Risk Issues

In 2014-2015 the key strategic risk issues of concern represented on the Corporate Risk Schedule included:

- Support Vessel Service Recruitment and Retention;
- Implications for Trinity House of Commissioners of Irish Lights Strategy '2015 & Beyond reflecting move to Irish self-funding';
- Result of the Scottish Independence Referendum and associated devolution issues and implications for Trinity House;
- Service delivery issues with MYCSP following the transfer of Trinity House pensions into the Principal Civil Service Pension Scheme;
- The reclassification by the Office for National Statistics (ONS) of Light Dues as a tax.
- The designation of Trinity House as a Central Government Body and designation to Department for Transport means it may make it more difficult to make financial reporting returns;
- Global Navigation Satellite System (GNSS) vulnerability;
- Civil Aviation Authority Requirements arising from Cap 1145 in respect of Trinity House offshore helicopter operations;
- Risk of adverse cost reduction formula being imposed on General Lighthouse Authorities (RPI-X) following expiry of the current agreed formula at the end of March 2016;
- Adverse outcome of the Fleet Review.

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 2014-2015 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 2014. For good practice, the Audit and Risk Assurance Committee review the Registers on an annual basis.

There exists a Fraud and Bribery Risk Register.

Information Risk

During 2014-2015 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 2014-2015 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 fraud and information risk awareness training as provided by the Civil Service Learning. This learning is undertaken by way of an on-line course which covers fraud and 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 2014-2015 only one data-related incident was reported to the SIRO. This related to the loss in transit of an encrypted hard drive which only contained non-sensitive data.

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, third party 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 met seven times this 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 quarterly 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 Government Internal Audit Agency team (previously Department for Transport Audit and Risk Assurance) 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 quarterly 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 2014-2015 Trinity House received no ministerial directions.

Head of Internal Audit Opinion

On the basis of the evidence obtained during 2014-2015, 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 2015. 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
15 July 2015

Appendix 2

Commissioners of Irish Lights Governance Statement

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 CIL's 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 moderate 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 are 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, Interreg project and the options for RoI operational self-funding including light dues charging mechanism post April 2015. The Board also reviewed and agreed the Corporate Plan 2015- 20 and the Annual Report and Accounts.

Membership of the Board during 2014/15 was as follows:

Co-opted Commissioners

| | |
|--|--|
| David Delamer (Chairman & Office Bearer) | John Coyle (Vice-Chairman & Office Bearer) |
| Sheila Tyrrell | John Gore-Grimes |
| Michael Maclaran | Elizabeth Shanks |
| Mary Gallagher | Kieran Crowley |
| Mark Barr | Donal O'Mahony |

Sheila Tyrrell retired as Chairman on 31 May 2014. 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 Christy Burke was appointed to the Board 24 October 2014

The Lord Mayor Councillor Oisin Quinn resigned 6 June 2014

Councillor Ciaran Cuffe was appointed to the Board 25 July 2014

Councillor Mannix Flynn was appointed to the Board 25 July 2014

Councillor Sean Haughey was appointed to the Board 25 July 2014

Councillor Dermot Lacey resigned 31 May 2014

Councillor Edie Wynne resigned 31 May 2014

Councillor Paddy Burke resigned 31 May 2014

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 2015

| Name | Board | Audit & Risk Committee | Remuneration Committee | Nominations Committee | Corporate Management Committee |
|---|-------|------------------------|------------------------|-----------------------|--------------------------------|
| Commissioners: | | | | | |
| David Delamer (Chairman) | 8/8 | - | 1/1 | 1/1(C) | 1/1 |
| John Coyle | 5/8 | 3/4 (C) | 1/1 | 0/1 | 1/1 |
| Sheila Tyrrell | 7/8 | - | 1/1 (C) | 1/1 | - |
| John Gore-Grimes | 6/8 | - | - | - | 0/1 |
| Michael Maclaran | 7/8 | - | - | 1/1 | 1/1 (C) |
| Elizabeth Shanks | 7/8 | 4/4 | - | - | - |
| Mary Gallagher | 7/8 | - | - | - | - |
| Kieran Crowley | 7/8 | 4/4 | - | - | - |
| Mark Barr | 8/8 | 3/4 | 1/1 | - | - |
| Donal O'Mahony | 7/8 | - | - | - | 1/1 |
| The Lord Mayor Councillor Oisin Quinn | 1/3 | - | - | - | - |
| The Lord Mayor Councillor Christy Burke | 1/5 | - | - | - | - |
| Councillor Ciaran Cuffe | 3/5 | - | - | - | - |
| Councillor Mannix Flynn | 4/5 | - | - | - | - |
| Councillor Sean Haughey | 4/5 | - | - | - | - |
| Yvonne Shields | 8/8 | 4/4 | 1/1 | 1/1 | 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 advise the Board and the Accounting Officer on issues relating to 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 four occasions in the year ended 31 March 2015.

The main activities for the year included the review of the 2013/14 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 practice 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 organisational structures. Additionally they review the remuneration and performance of the Chief Executive. The Committee consists of CIL Office Bearers and two other Commissioners along with the Chief Executive.

The Remuneration Committee met once in the year ended 31 March 2015. 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 once in the period ended 31 March 2015. When they arise 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 DfT (UK) and the DTTAS (Ireland).

No new directors were appointed during the year other than the ex-officio Commissioners. During the year one Commissioner's term was extended by one year past the normal retirement date.

d) The Inspecting Committee

The Inspecting Committee is an advisory committee to the Board with responsibility for reviewing the practical implementation of Board policy around the coast. 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. The Board has also attended external training courses during the past year.

Performance Evaluation

Performance Evaluation of the Board takes place on an annual basis. The Board of CIL has a Board Governance Handbook in place which sets out the manner in which business is conducted within CIL. In addition Board members completed and reviewed a rigorous self-assessment during the year. The Board has agreed that every three years it will engage external advisers to assist with the Board self-assessment evaluation.

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 are formally set out in correspondence to the Chief Executive from the 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 2015 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, practice 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.
- Risk proofing the annual Corporate Plan.
- 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 'averse'.
- 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 December 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. Indications continue to show 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 58 key risks.

Changes to Risk Profile

The key changes to the risk profile of CIL during the year ended 31 March 2015 were:

- *CIL Self-Financing from Irish sources by 2015/16.* By virtue of the agreement entered into by the Irish and UK governments there is now greater certainty over the funding structure for CIL into the future.
- *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 37% in the past 5 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.
- *New Management Structure - risks associated with implementation and bedding in of the new structure within CIL are ongoing.* The new structure has now been implemented. The management team meet monthly to monitor and review implementation and manage any issues arising. A job evaluation exercise commenced in March 2015 by Hay Group using their internationally recognised job evaluation methodology to understand how roles in CIL operate currently. This will allow Hay

Group to determine and advise CIL on how best achieve overall strategy and Corporate Plan objectives through our current workforce.

- *CIL Pension Liability.* By virtue of the agreement to transfer the pension liabilities of CIL to the PCSPS on 1 April 2014, CIL has divested itself of all risks associated with funding of this liability into the future.

Management Assurance Return (MAR)

The Executive Management team within CIL complete a Management Assurance Return (MAR) which is reviewed signed 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. The CIL MAR was signed off by the Chief Executive and submitted to the DfT on 18 February 2015.

Head of Internal Audit Opinion

On the basis of the evidence obtained during 2014/15, the Head of Internal Audit has provided an overall 'Moderate' 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.

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 provides 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, presented at Audit and Risk Committee Meetings 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 2014.

Significant Internal Control Issues

There have been no significant internal control or governance problems in the year ended 31 March 2015.

Therefore I can report that corporate governance and risk management within CIL remains robust and effective, and complies with Managing Public Money (HM Treasury July 2013), 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
31 July 2015

Appendix 3

Northern Lighthouse Board Governance Statement

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.

Performance against Key Performance Indicators

The detailed report can be found on pages 12 and 13 of the NLB accounts 2014/15.

Governance

Organisation structure

The Commissioners form the Board of Commissioners that oversees 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 six 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, any potential conflicts are declared, and they have no day-to-day involvement in the running of the Northern Lighthouse Board other than as members of the Managing Board.

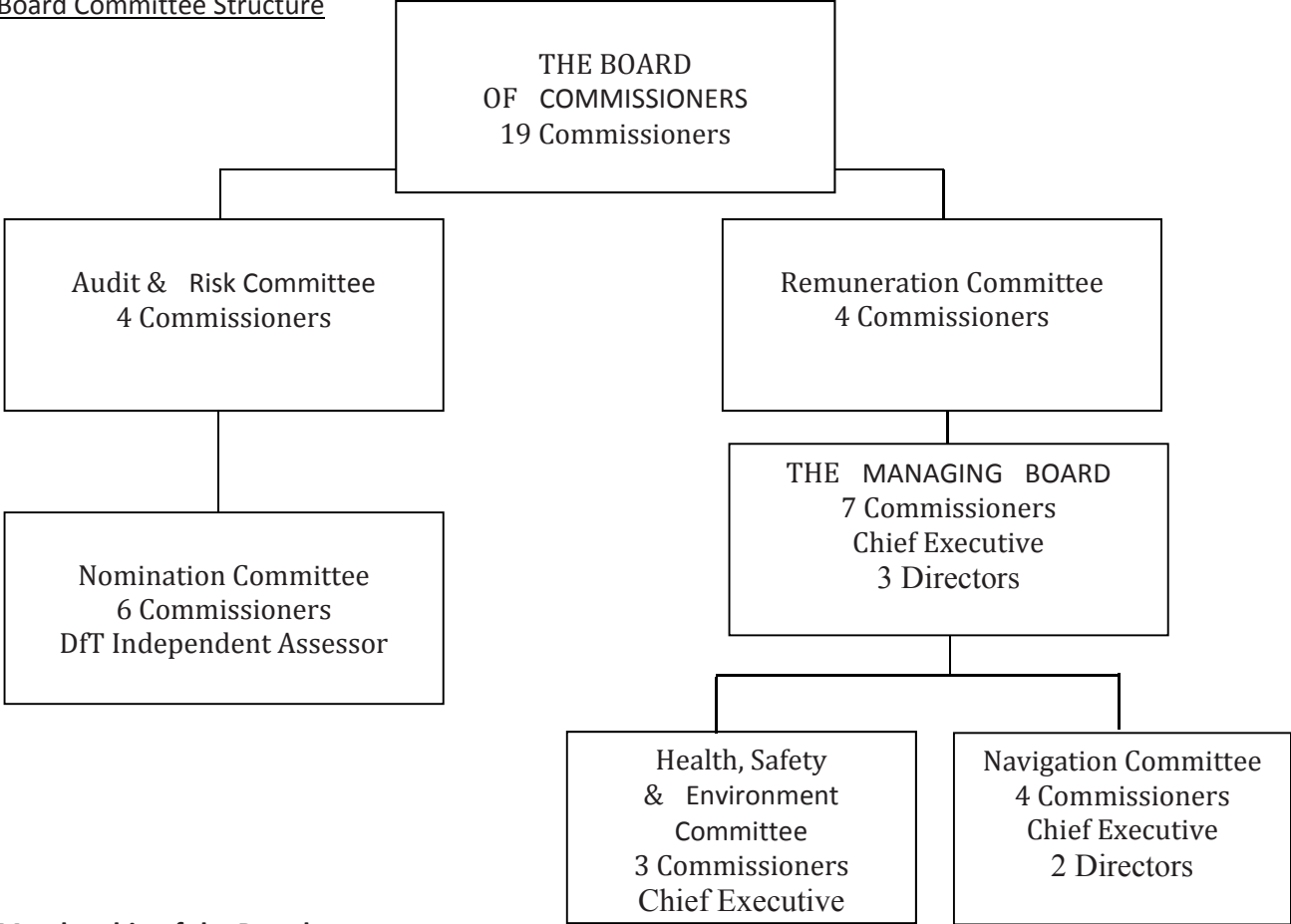
Only co-opted Commissioners including those nominated by DfT, Isle of Man and Transport Scotland, receive remuneration for their services. The arrangements are set out in an agreement with DfT. The level of remuneration and annual increase are notified to the Board by the DfT and are based on remuneration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

The 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, five other Commissioners, the Chief Executive and the three Directors. The Managing Board meets on six occasions each year.

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



Membership of the Board

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). In addition, following the recommendations of the Smith Commission review of further devolved powers to the Scottish Government, Transport Scotland will similarly nominate one person for election under (e).

The membership of the Northern Lighthouse Board in 2014/2015 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.

Sheriff Principal Bruce A Kerr QC, Sheriff Principal of North Strathclyde
Commissioner since 31 December 1998 to 30 September 2014.

Sheriff Principal Brian Lockhart, Sheriff Principal of South Strathclyde, Dumfries and Galloway.
Commissioner since 1 November 2005 to 28 January 2015.

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

Sheriff Principal Duncan Murray WS, Sheriff Principal of North Strathclyde
Commissioner since 1 October 2014.

Sheriff Principal Ian Abercrombie QC, Sheriff Principal of South Strathclyde, Dumfries and Galloway.
Commissioner since 1 February 2015.

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

Elected by the Commissioners and Scottish Government appointee and receives a remuneration

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

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 2018
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 2018

Vice Chairman since 1 April 2013

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

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 2015 was 4.8 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 2014/2015

Roger Lockwood CB BA Chief Executive until 9 May 2014.

Mike Bullock MBE, MA,FCILT Chief Executive since 29 April 2014.

Moray Waddell B.Sc.(Hons) MSc MIEE MIMechE MCIBSE FloD Director of Engineering

Captain Phillip Day AFNI Director of Marine Operations

Douglas Gorman ACMA CGMA CFIIA Director of Finance and Administration until 27 February 2015

Mairi Rae FCMA CGMA Director of Finance and Administration from 2 March 2015

Board performance and activity

Board of Commissioners

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.

The Board of Commissioners has also established six other committees to deal with specific topics:

| Board Committee | Remit | Highlights |
|---|--|--|
| <p>Managing Board</p> <p>Chair: Captain Mike Close</p> | <p>Operational and strategic management of the organisation</p> | <ul style="list-style-type: none"> • Key priorities for NLB personnel • Review of NLB policies • Approval of various project briefs and mandates • Financial performance and forecast review • Review of performance indicators of Aids to Navigation • Quality, Health, Safety and Environment matters • Estate matters |
| <p>Health, Safety & Environment</p> <p>Chair: Alistair Mackenzie</p> | <p>The safety of all personnel involved in any activities undertaken by the Board</p> | <ul style="list-style-type: none"> • Support the line management in complying with its responsibilities • Support initiatives developed by line management - including Health & Safety Awareness Programme • Review of incidents and lessons identified • Provide the Quality, Health, Safety and Environmental Manager direct access to the Board |
| <p>Navigation</p> <p>Chair: Alistair Mackenzie</p> | <p>To formulate policies for the provision of Aids to Navigation</p> | <ul style="list-style-type: none"> • Review the plans and financial projections for any changes to the Board's network of Aids to Navigation • Monitor and approve the capital works programme • AtoN Review 2015 |
| <p>Audit & Risk</p> <p>Chair: Sheriff Principal Alastair Dunlop</p> | <p>Review of the effectiveness of the internal control systems including corporate governance</p> | <ul style="list-style-type: none"> • Scrutiny of the Annual Report and Accounts • Review of Business Riskcards and Risk Registers • Review of internal audit reports and findings including the Head of Internal Audit's annual report and opinion and review of management's response and implementation plans |
| <p>Remuneration</p> <p>Chair: Captain Mike Close</p> | <p>Determine remuneration and bonuses for the Chief Executive and Directors and to propose the remuneration for Co-opted Commissioners</p> | <ul style="list-style-type: none"> • Assessment of Chief Executive and Directors' performance |
| <p>Nomination Committee</p> <p>Chair: Sheriff Principal Bruce Kerr to 30 September 2014 Sheriff Principal Craig Scott from 1 October 2014</p> | <p>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</p> | <ul style="list-style-type: none"> • Committee changes following the retirement of three statutory Commissioners. • Recommendation of Vice-Chairman from 1 April 2015 |

Number of Meetings held in 2014/2015 & Committee Members Attendance

| Members - Commissioners | BoC | Managing Board | Audit & Risk Committee | Remuneration Committee | Nomination Committee | Navigation Committee | HSE Committee |
|---|---------|----------------|------------------------|------------------------|----------------------|----------------------|---------------|
| Captain Mike Close (Chairman) | 3(of 3) | 6(of 6) | | 1(of 1) | 2(of 2) | 4(of 4) | |
| Captain Alistair Mackenzie (Vice-Chairman) | 3(of 3) | 5(of 6) | | 1(of 1) | | 4(of 4) | 4(of 4) |
| Rt Hon Frank Mulholland QC | 0(of 3) | | 2(of 4) | | 1(of 2) | | |
| Lesley Thomson QC | 2(of 3) | 1(of 3) | | 0(of 1) | | | |
| Sheriff Principal Ian R Abercrombie QC ⁵ | | | | | | | |
| Sheriff Principal Alastair Dunlop ³ | 3(of 3) | | 4(of 4) | | | 4(of 4) | 4(of 4) |
| Sheriff Principal Bruce Kerr ¹ | 1(of 1) | 2(of 3) | | | | | |
| Sheriff Principal Marysia Lewis ⁶ | | | | | | | |
| Sheriff Principal Brian Lockhart ² | 2(of 2) | | | | | | |
| Sheriff Principal Duncan Murray WS ⁴ | 2(of 2) | | | | | | |
| Sheriff Principal Derek Pyle | 2(of 3) | | | | 0(of 2) | | |
| Sheriff Principal Craig Scott QC | 1(of 3) | | 3(of 4) | | 2(of 2) | | |
| Sheriff Principal Mhairi Stephen QC | 1(of 3) | 4(of 6) | | 1(of 1) | | | |
| Captain Michael Brew | 3(of 3) | 4(of 6) | | | | | |
| Captain Alastair Beveridge | 3(of 3) | | | | | 4(of 4) | 4(of 4) |
| Graham Crerar | 3(of 3) | 5(of 6) | 4(of 4) | | | | |
| John Ross CBE FRAgS | 2(of 3) | 5(of 6) | | | 2(of 2) | | |
| Councillor Donald Wilson | 0(of 3) | | | | | | |
| Councillor Sadie Docherty | 0(of 3) | | | | | | |
| Councillor George Adam | 0(of 3) | | | | | | |
| Councillor Jimmy Gray | 1(of 3) | | | | | | |
| Councillor Len Scoullar | 0(of 3) | | | | | | |

¹ Retired 30 September 2014

² Retired 28 January 2015

³ Retired 30 April 2015

⁴ Appointed 1 October 2014

⁵ Appointed 1 February 2015

⁶ Appointed 1 May 2015

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 Committee's deliberations inform official recommendations to the Minister with regard to the setting of Light Dues rates for the coming year.

Joint Strategic Board

The Joint Strategic Board was established in 2010 and consists of representatives from all three General Lighthouse Authorities. The Board continues to deliver its main purpose of fostering tri-GLA cooperation and coordination and to realise the resulting efficiencies. The JSB maintains a strategic "Road Map" to track and manage significant issues and initiatives which affect all three GLAs. All three GLAs are exceeding the RPI-X targets they agreed with the Shipping Minister for the five year period 2011/12 to 2015/16 and it is expected that this will be succeeded by a similar arrangement over the period 2016/17 to 2020/21.

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

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’.

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 July 2014. 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 2015 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 its 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

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 Lights 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

Risk management framework

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.

Risk identification, evaluation and control

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.

Risk tolerance/ "risk appetite"

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 his annual report the Head of Internal Audit was able to provide an overall "Moderate" assurance rating. He said "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control".

The key processes in place are:

- the Board 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;
- 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 his 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.

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 | £14,707,000 226.5 |

| 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 2015 and up to the date of approval of the annual report and accounts.

Mike Bullock

Chief Executive

24 August 2015

