



Department  
for Transport

# GENERAL LIGHTHOUSE FUND

Annual Report and Accounts for the Year Ended 31 March 2020



Department  
for Transport

# General Lighthouse Fund Annual Report and Accounts 2019-20

(For the year ended 31 March 2020)

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

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## 1. Foreword

The majority of 2019-20 was business as usual for both the General Lighthouse Authorities (GLAs) and the Light Dues collection fund which, in aggregate, form these accounts. During this period, the GLAs have completed a number of major modernisation projects at lighthouses and made significant progress on procurements projects to replace two of the six GLA buoy tenders (vessels) and the decommissioning of Royal Sovereign Lighthouse.

Key achievements and events during 2019-20 include:

- the three GLAs contained their running cost expenditure within levels sanctioned by Department for Transport (DfT) Ministers during the year;
- the continuous maintenance of Aids to Navigation (AtoN) availability at, or above, the standards set by the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) (see **page 7**);
- further GLA running cost reductions ahead of efficiency targets set by DfT Ministers;
- income of £4.3m generated from GLA commercial activities;
- continued development of the GLA Joint Strategic Board for good administrative purpose;
- continued funding of Irish Lights' operations in the Republic of Ireland (IRL) wholly from Irish sources;
- maintenance of an operating surplus sufficient to meet borrowing repayments and maintain GLF cash reserves at a sustainable level; and
- sustained real terms reductions in UK Light Dues rates for the tenth consecutive year.

The arrival of COVID-19 and a national lockdown in March required the GLAs to instigate their crisis management systems and adapt quickly to an unprecedented and rapidly evolving situation whose wide-ranging worldwide impacts could not have been foreseen. The GLAs evaluated the risks and introduced appropriate systems and procedures quickly to ensure there was no break in their essential operations underpinning the safe and continuous flow of food, fuel, medical supplies and all other goods into the UK and Ireland by sea. Light Dues were not impacted by the restrictions during this period, income for the year being almost the same as for 2018-19. In part this is because vessels pay Light Dues for one month in advance, and many are also within scope of a maximum cap of nine paid voyages per year, which generally leads to a reduced monthly income in March each year.

The continued impact of COVID-19, along with some activities which were of necessity paused in March 2020, has forced a reprogramming of capital projects and a delay to routine maintenance which the GLAs will endeavour to recover in the second half of 2020-21 but is likely to have a continued impact into 2021-22 and beyond.

The medium-term impact to General Lighthouse Fund (GLF) income is to be determined and will depend on the length of the COVID-19 pandemic. We have already seen a significant decrease in Light Dues, a loss of GLA commercial income and increased cost pressures on the GLAs. 2020-21 UK Light Dues have been down an average of 15.5% since April 2020 and projections for the year show a shortfall against forecast of around £9m during 2020-21. Although the GLF remains in a good position in terms of cash reserves, which have enabled it to absorb this initial loss of income, these were already being actively managed downwards towards a target reserve. While the excellent work of the GLAs, in delivering efficiency and other savings, has also placed the GLF in a good position and meant that Light Dues have reduced by nearly 40% in real terms over the past decade, longer term, an increase in Light Dues is currently forecast in 2022-23. If income does not recover quickly the GLF will need to agree additional measures to address any funding gap.

The level of Light Dues in the UK 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 IRL under the Merchant Shipping (Light Dues) Act 1983.

## **Performance Report**

### **2.1. Overview**

#### **Background, Aims, Objectives and Regulation**

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

The GLF was created by statute in 1898 to provide funding for the three General Lighthouse Authorities (GLAs): Trinity House (TH), the Commissioners of Northern Lighthouses (known as the Northern Lighthouse Board or NLB) and the Commissioners of Irish Lights (known as Irish Lights or IL).

The GLAs are financed by advances made by the Secretary of State for Transport from the GLF. The principal income of the GLF is derived from Light Dues, a tax on commercial shipping using ports in the United Kingdom (UK) and the Republic of Ireland (IRL). The GLF receives additional income from the IRL Exchequer following an agreement, effective from 1 April 2015, to ensure IRL expenditure is wholly met from IRL income. The GLF also receives income from sundry receipts generated by GLA tender, buoy and property rentals as well as workshop services and asset sales.

The GLAs predate the establishment of the GLF by over 350 years. TH can trace its origins back to 1514 whilst NLB and Irish Lights can both trace their establishment to Acts of Parliament in 1786. Prior to 1836, AtoNs were provided by a mixture of the GLAs and private operators each levying a charge on passing ships. Private operators generally purchased the right to provide AtoNs and levy a charge to do so from HM Treasury or the Crown. In 1836, Parliament decided that the GLAs should have compulsory powers to buy out any remaining private lighthouses. The current funding arrangements were established by the Merchant Shipping (Mercantile Marine Fund) Act of 1898 which separated funding for AtoNs from other marine items and also passed responsibility to the GLF for a number of colonial lighthouses which had previously been funded by HM Treasury grants. As former British colonies subsequently achieved independence, these responsibilities have been passed on to the governments of these countries. Europa Point Lighthouse in Gibraltar remains the responsibility of TH.

Section 195 of the Merchant Shipping Act 1995, and Section 634 of the Merchant Shipping Act 1894 in respect of IRL, 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 (TH) in its capacity as a lighthouse service;
- the Commissioners of Northern Lighthouses (known as the Northern Lighthouse Board or NLB); and
- the Commissioners of Irish Lights (known as Irish Lights or IL).

The Marine Navigation Act 2013 amended the Merchant Shipping Act 1995 to introduce statutory powers enabling the GLAs to work outside the 12-nautical mile territorial limit, to mark wrecks electronically and to enhance their ability to tender for commercial work and make the best use of any reserve capacity.

The work of the NLB remains a reserved matter under both Section 30 of, and Schedule 5 to, the Scotland Act 1998. The NLB maintains a close relationship with the Scottish Government as does the DfT under the terms of a concordat. This close relationship was reinforced by the Scotland Act 2016 which made amendments to the Merchant Shipping Act 1995 to give powers to Scottish Ministers to appoint a commissioner to the NLB's Board and for NLB to lay copies of its annual report and accounts before the Scottish Parliament.

The GLAs are multi-skilled organisations providing a highly technical, specialised and professional service. The primary aim of the GLAs is:

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

The GLAs' future vision of marine AtoNs is contained in the document '2030 Navigating the Future', which sets out their joint strategy to:

- continue to provide an appropriate mix of AtoN for general navigation;
- continue to provide a timely and effective response to wreck and AtoN failures;

- continue to undertake superintendence and management of all AtoNs in accordance with international standards, recommendations and guidelines;
- introduce e-Navigation AtoN components and services in the UK and IRL;
- work with users, partners and stakeholders nationally and internationally to promote the safety of marine navigation based on harmonized international standards, recommendations and guidelines;
- embrace relevant technologies as they evolve; and
- improve the reliability, efficiency and cost-effectiveness of GLA services while ensuring the safety of navigation.

These accounts have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury. Accounting policies contained within 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 applied. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

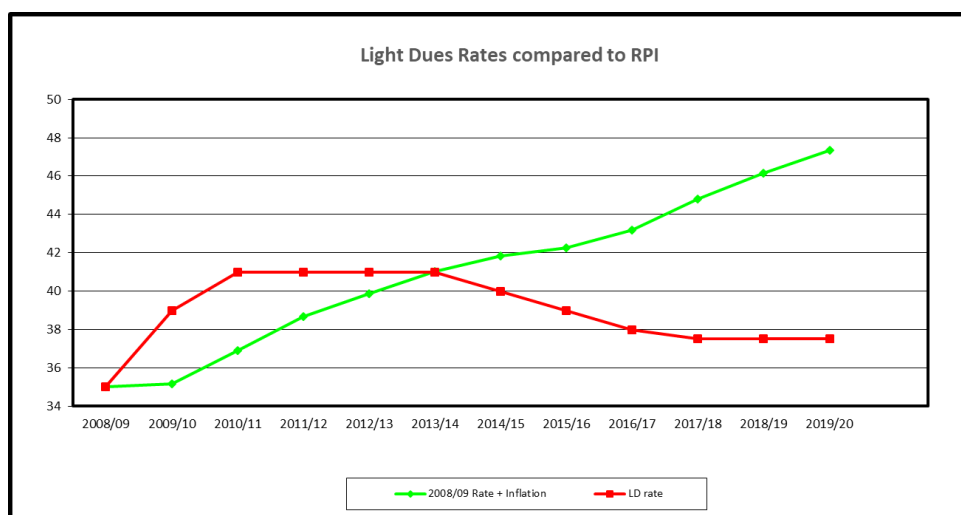
In addition to the FReM, an Accounts Direction issued by the Secretary of State for Transport on 25 September 2019 applies to the GLF and GLAs for reporting purposes. The GLF accounts consolidate the individual accounts of the three GLAs, the core GLF accounts maintained by DfT and the Light Dues collection accounts maintained by TH on behalf of the three GLAs. The Accounts Direction mandates a consolidated format to meet the requirements of the Merchant Shipping Act 1995 and reflect that overall control, risks and rewards of the GLAs rest with the GLF.

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 published by HM Treasury and underpinned by the Seven Principles of Public Life set out by the Committee of Standards in Public Life.

## 2.2. Performance Analysis

GLF income is primarily generated by the collection of Light Dues, a charge on commercial shipping calling at UK and IRL ports. The Secretary of State for Transport has a statutory duty, under the Merchant Shipping Act 1995, to ensure the effective management of the GLF and enable the adequate provision of AtoNs at the minimum cost.

The Government remains committed to recovery of the GLAs' costs through Light Dues. The Government and the GLAs have worked in partnership to minimise costs and the real-term levels of Light Dues in the UK which have fallen from a historic peak of 43p per Net Tonne in 1993 to 37.5p in 2019-20 (some 38% lower in real terms than they were 10 years ago). DfT Ministers have frozen Light Dues for the past three years with the rate remaining at 37.5p.



All GLA lighthouses were automated by 1998 with controls centralised at each GLA's headquarters. Floating AtoNs have been solarised and are also centrally monitored. A Differential Global Positioning System has been provided by the GLAs since 1998 but, following a comprehensive review, will be withdrawn in 2022. The GLAs continue to research e-Navigation options to enhance and complement traditional AtoNs through its GLA Research and Development (GRAD) team. The GLAs maintain their focus on reducing costs while enhancing capability through investment in new technology, operating depots and ships.

## Future Goals

The GLAs and DfT have set out a number of goals for the future including:

- to continue to drive efficiencies in the provision of AtoN where it is safe, proportionate and appropriate to do so, to provide benefit to the industry, leisure users and the GLAs themselves;
- to deliver the strategy contained within '2030 Navigating the Future', the GLAs will continue to co-operate with each other, consult with all users and continuously review all of their AtoNs;
- the GLAs will search for new, cost-effective, technology that can deliver an ever more efficient service to ensure that future AtoN requirements are met;
- to maintain GLF reserves at sufficient levels to mitigate the risk of unexpected financial pressures, to meet GLA funding and GLF borrowing commitments whilst minimising cost to industry; and
- to maintain stability for the payers of Light Dues.

## Financial Performance

The GLF Accounting Policies are reviewed every year in accordance with International Accounting Standard (IAS) 8, Accounting Policies, Accounting Estimates and Errors. The review is carried out at the tri-GLA Accounts Format Working Group with reference to FReM and the Accounts Direction issued by the Secretary of State for Transport. The implementation of IFRS 16 in April 2019 has led to some changes to the statements and additional lease notes. No other changes were required for 2019-20.

COVID-19 had no material impact on the GLF during 2019-20, national lockdowns delayed some GLA activity in the last weeks of March but the majority of disruption has been experienced in 2020-21. Light Dues income has fallen 15.5% (£8m) in the months April to October 2020.

Financial results for 2019-20 are set out in the Statement of Comprehensive Net Income (SoCNI) (see **page 29**) and show net operating income of £6.6m for 2019-20 (£18.8m 2018-19). DfT Ministers froze UK Light Dues rates for the 2019-20 financial year and Light Dues income remained constant.

Other Income increased due to a larger contribution from the IRL Government in proportion to IL spending net of asset disposals. Operating expenditure increased by £12.8m, the main contributors to this variance were new provisions for decommissioning (£11.4m) and staffing costs increases (£2.6m) £1.3m of which was due to an increase in pension contributions. Right of Use (RoU) assets depreciation is a new item in the SoCNI as a result of implementation of IFRS 16 and is broadly offset by reductions in operating lease expenditure recognised in the previous year under IAS 17, and depreciation from owned assets. The introduction of RoU assets is a result of implementing the new reporting standard for leases, IFRS16 which is explained in **note 23**.

Including Interest and Other Comprehensive Income, the SoCNI reports total comprehensive income for 2019-20 of £15.2m (£15.7m in 2018-19). There was a £9m gain in the value of GLA non-current assets following indexation (full revaluations take place on a five-year cycle) which offset the additional operating expenditure bringing total comprehensive income for the year to a similar value to 2018-19.

Gains reported in the SoCNI increase the net worth of the GLF as shown on the Statement of Financial Position (SoFP) by £15.2m to £210m. Cash reserves decreased in the year by £4.3m in line with expectations following a freeze in Light Dues rate over the past three years.

Looking forward, forecasts for 2020-21 show GLA spending will increase as projects and routine activity, delayed from the beginning of the pandemic, are reprogrammed with COVID-19 safety measures in place. Light Dues income is forecast to fall 11% in 2020-21, a reduction of around £9m compared to 2019-20. The GLF has sufficient cash reserves to manage a short term shortfall provided income returns to normal in 2021-22.

## Going Concern

The going concern basis of reporting remains appropriate as the GLF is funded from a tax (Light Dues), the GLAs are NDPBs of the Department and the core GLA functions are statutory.



## Cash Controls

The three GLAs rely primarily on advances from the GLF for their cash requirements. As a result, Liquidity Risk is controlled within the GLF bank accounts. Total GLA drawdowns from the GLF during the year were as follows:

Irish Lights	£12.8m
Northern Lighthouse Board	£23.9m
Trinity House	<u>£35.7m</u>
<b>Total</b>	<b>£72.4m</b>

The principal sources of income for the GLF during the year were:

Light Dues (UK)	£78.8m
Light Dues (IRL)	£6.2m
Irish government contribution	<u>£4.8m</u>
<b>Total</b>	<b>£89.8m</b>

## Expenditure on Non-Current Assets

During the year to 31 March 2020 the GLAs' expenditure on non-current assets was as follows:

<b>Irish Lights</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Assets in course of construction	298	1,021
Buildings	-	10
Buoys & beacons	17	-
Tenders ancillary craft & floating aids	556	92
Information technology	56	46
Intangible software	99	83
Plant & equipment	670	266
<b>Total</b>	<b><u>1,696</u></b>	<b><u>1,518</u></b>
<b>Northern Lighthouse Board</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Assets in course of construction	1,396	598
Buildings	463	1,578
Buoys & beacons	6	29
Tenders ancillary craft & floating aids	-	776
Information technology	57	60
Intangible software	45	-
Plant & equipment	420	614
<b>Total</b>	<b><u>2,387</u></b>	<b><u>3,655</u></b>
<b>Trinity House</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Assets in course of construction	1,566	1,568
Buildings*	139	357
Buoys & beacons	-	71
Lightvessels	755	430
Tenders ancillary craft & floating aids	63	877
Information technology	354	220
Intangible software	291	102
Plant & equipment	1,086	637
<b>Total</b>	<b><u>4,254</u></b>	<b><u>4,262</u></b>

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

## **Aids to Navigation (AtoN) availability**

AtoN availability is the prime factor to demonstrate compliance with the GLAs' statutory responsibilities and therefore mitigation of key risks. The standards against which the GLAs measure themselves are those recommended as the minima by IALA:

### **Category 1 availability target 99.8%**

An AtoN that is considered to be of primary navigational significance. It includes the lighted aids to navigation and Racons (radar beacons) that are considered essential for marking landfalls and primary routes.

### **Category 2 availability target 99.0%**

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

### **Category 3 availability target 97.0%**

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

The method of measurement and the recognised availability standards are set for each category by IALA and are published in its 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 AtoN in each category) into the difference between total time and the number of hours that the AtoNs were not available to the mariner. This calculation is then expressed as a percentage.

The GLAs' performance against these standards (see **page 7**) indicate they have met or exceeded the targets for all AtoN categories and for each of the past five years.

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.

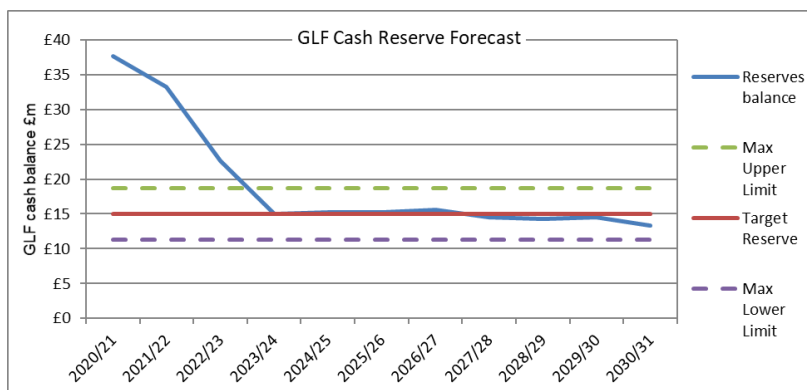
An additional Key Performance Indicator (KPI) is in development which will monitor the percentage of time GLA vessels are available to respond to new navigational dangers, AtoN casualties and other risks within the agreed response time for each location. The GLAs' published Risk Response Criteria will form the basis for assessment of this new KPI.

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

<b>Trinity House</b>		<b>IALA</b>		<b>2015/16</b>		<b>2016/17</b>		<b>2017/18</b>		<b>2018/19</b>		<b>2019/20</b>	
<b>Aton Type</b>	<b>Cat.</b>	<b>Min</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%
Racon	1	99.8%	99.8%	0.0%	100.0%	0.2%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%
Lights	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.9%	0.9%	99.9%	0.9%	99.9%	0.9%	99.9%
Fog Signals	3	97.0%	99.8%	2.8%	99.9%	2.9%	99.7%	2.7%	99.6%	2.6%	99.6%	2.6%	100.0%
AIS	3	97.0%	99.9%	2.9%	99.5%	2.5%	97.0%	0.0%	98.8%	1.8%	98.8%	1.8%	98.9%
Lights	3	97.0%	99.7%	2.7%	99.9%	2.9%	99.8%	2.8%	99.3%	2.3%	99.3%	2.3%	100.0%
<b>Northern Lighthouse Board</b>													
<b>Aton Type</b>	<b>Cat.</b>	<b>Min</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>
Buoys	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	100.0%	0.2%	100.0%	0.2%	100.0%
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%
Racon	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.8%
Buoys	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.9%	0.9%	100.0%	1.0%	100.0%	1.0%	100.0%
Lights	2	99.0%	99.8%	0.8%	99.9%	0.9%	99.9%	0.9%	100.0%	1.0%	100.0%	1.0%	99.9%
AIS	3	97.0%	99.7%	2.7%	99.1%	2.1%	98.4%	1.4%	97.6%	0.6%	97.6%	0.6%	99.2%
Buoys	3	97.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%
Beacons	3	97.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%
<b>Irish Lights</b>													
<b>Aton Type</b>	<b>Cat.</b>	<b>Min</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>	<b>Diff</b>	<b>Act</b>
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.8%
Racon	1	99.8%	99.8%	0.0%	99.8%	0.0%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.7%
Lights	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.8%	0.8%	100.0%	1.0%	100.0%	1.0%	99.9%
Lights	3	97.0%	99.8%	2.8%	99.8%	2.8%	99.8%	2.8%	99.8%	2.8%	99.8%	2.8%	99.8%

## Long-term trends

A long-term forecast for the GLF's cash reserves is utilised to manage the GLF and inform DfT Ministers when considering Light Dues rates. Annual GLA expenditure forecasts covering the next five-year period are extrapolated to ten years using inflation and other known commitments. This is added to GLF borrowing commitments and administration costs to determine a total forecast spending. Total spending is then compared to forecast Light Dues and other GLF income to determine a cash reserves forecast. This forecast was updated October 2020 to reflect latest GLA spending profiles and Light Dues income projections. Chargeable Light Due tonnage is forecast to remain suppressed for 2020-21 and slowly recover thereafter.



The DfT aims to maintain GLF cash reserves at £15m with a lower and upper tolerance of £11m & £18.75m respectively.

The forecast above shows high initial cash reserves will steadily reduce until 2024 when current GLF borrowing repayments have concluded. From 2024 the forecast assumes Light Dues rates will be adjusted accordingly to maintain GLF cash reserves within desired levels.

## Non-financial information

During 2019-20, the GLF and the GLAs had no reportable incidents relating to anticorruption and anti-bribery matters. Issues of social matters and respect for human rights are addressed through this report's separate disclosures on diversity and equality.

## Sustainability Reporting

The GLAs are exempt from mandatory sustainability reporting due to the size and nature of their operations. However, wherever practicable, they seek to develop their environmental management policies in a manner fully consistent with Government initiatives and public opinion. Thus, measures to protect the environment and ensure sustainable development feature strongly within the GLAs' consideration of modernisation, improvement and the use of appropriate future technologies at all of their establishments and facilities.

The GLAs are leaders in the use of renewable energy sources for AtoNs, principally through the installation of solar-electric power systems occasionally supplemented by wind power. The implementation of these technologies has considerably reduced the GLAs' dependence upon carbon-based energy.

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

**Bernadette Kelly** 08 December 2020  
Permanent Secretary and Accounting Officer

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

### **3. Accountability report**

#### **3.1. Directors' report**

##### **Structure**

The core GLF is the responsibility of the Secretary of State for Transport with management being delegated to officials. Details of the DfT's Ministers, Non-Executive and Executive Board members are published in the Department's Annual Report and Accounts. The GLAs are part of the DfT family; they deliver services to the public at arm's length from Ministers and are classed as Non-Departmental Public Bodies (NDPBs).

##### **GLA board membership**

Disclosure of the serving directors for 2019-20 is available in the Governance Statements of each GLA. Directors make an annual declaration of all third-party interests that may conflict with their Board duties. No significant interests were reported.

##### **Tri-GLA board**

The GLAs have their own boards and governance structures which are described in the Governance Statements of their respective Annual Report and Accounts. In addition, a Joint Strategic Board, consisting of representatives from all three GLAs, fosters tri-GLA co-operation and co-ordination to maximise efficiencies and realise savings.

##### **GDPR**

During 2018-19 the General Data Protection Regulation (GDPR) came into force. The Regulation provides an increased level of protection to individuals whose data is held/processed by organisations. The GLAs have enhanced their data protection policies and procedures in order to ensure compliance with the new legislation.

##### **Personal data related incidents**

There were no data related incidents reportable to the Information Commissioners during 2019-20 (2018-19, nil).

##### **Payment of Creditors Policy**

All payments by TH are made in accordance with the Public Contract Regulations 2015 (Chapter 9, Section 113-2a), NLB seeks to adopt the British Standard BS 7890 and IL seeks to comply with the Prompt Payment of Accounts Act 1997. Payment of all Accounts Payable are 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 Directors with financial responsibility. The average credit taken from trade payables during the year was: TH 10 days, NLB 13 days & IL 21 days (2018-19 TH 9 days, NLB 13 days & IL 20 days).

##### **Auditor**

The Comptroller and Auditor General (C&AG), as head of the National Audit Office (NAO), is the appointed auditor for the GLF. The audit work for the 2019-20 accounts cost £118k (2018-19 £90k). The higher audit costs in 2019-20 related to the NAO's audit work on the implementation of IFRS 16 leases along with unbudgeted additional assurance work on provisions and inventories. Auditor remuneration reflects only the costs of the statutory financial audit on these accounts, NAO did not perform any additional non-audit related work for the GLF during the year.

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

Under Section 218 of the Merchant Shipping Act 1995, and Section 664 of Merchant Shipping Act 1894 in relation to IRL, the GLAs 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 consolidate the GLAs' accounts, the core GLF accounts and Light Dues income, are prepared annually on an accruals basis and must give a true and fair view of the GLF affairs at the year-end; and of its income, expenditure, cash flows and changes in equity for the financial year. Section 211(5) of the Merchant Shipping Act 1995 requires the Secretary of State for Transport to lay the GLF accounts before Parliament; the DfT prepares these accounts.

HM Treasury appointed DfT's Permanent Secretary, Bernadette Kelly CB, as Principal Accounting Officer with effect from 18 April 2017. In preparing these accounts, the Accounting Officer is required to comply with the requirements of the FReM 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 FReM, 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 the 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 HM Treasury and published in its 'Managing Public Money' guidance.

As far as the Accounting Officer is aware there is no relevant audit information which the auditor has not been provided with and the Accounting Officer has taken all reasonable steps to provide relevant audit information to the auditor.

As far as the Accounting Officer is concerned, the GLF annual report and accounts as a whole is fair, balanced and understandable, and she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

### **3.3. Governance Statement**

#### **Accounting Officer's introduction**

The Governance Statement explains the approach to corporate governance in the bodies whose activities are financed by the GLF and certain functions of DfT. Good governance is vital to effective financial and risk management.

The bodies whose activities are financed by the GLF are the following GLAs:

- Trinity House (in its capacity as a lighthouse service);
- the Northern Lighthouse Board; and
- Irish Lights.

The Governance Statements of each GLA are available from their respective web sites and together form an integral part of the GLF's Governance Statement describing the governance arrangements operating within the three GLAs:

<https://www.trinityhouse.co.uk/about-us/governance/report-and-accounts>

<https://www.nlb.org.uk/who-we-are/publications-policies-and-guides/>

<https://irishlights.ie/who-we-are/publications.aspx>

HM Treasury's 'Managing Public Money' guidance summarises the purpose of the Governance Statement as being to record the stewardship of the organisation to supplement the accounts. The Governance 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 each GLA Board and their supporting governance structures work, how they have performed and provide an assessment of how the GLAs and the GLF has been managed including an assessment of the effectiveness of the systems of internal control, risk management and accountability.

#### **Accounting Officer's scope of responsibilities**

As GLF 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' guidance. I carry out this responsibility in conjunction with the boards of the individual GLAs. Each of the GLA Boards has vested their Chief Executive 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 myself to each Chief Executive.

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 resources. It is also my responsibility to ensure that the organisational capability of the GLF is continuously improved and that the GLF and the GLA's policy objectives are aligned with those of the DfT.

The GLAs are classified as Central Government Bodies and therefore fall within the DfT's group departmental accounting boundary. The core GLF accounts, although maintained by DfT, are not part of DfT's departmental group 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 AtoNs within their respective areas of jurisdiction. To assist this process, the GLAs take steps to:

- observe and record developments at the International Maritime Organization (IMO);
- actively participate at Council and Committee level at IALA;
- observe and record maritime developments within the European Union and elsewhere; and
- maintain links with the International Telecommunications Union through the national radio licensing authority and IALA, regarding the allocation of radio frequencies in North West Europe.

### **Governance**

The statutory basis for the GLF can be found in section 211 of the Merchant Shipping Act 1995 which also gives the Secretary of State for Transport statutory responsibility for its administration. This responsibility is delegated to officials within DfT's Maritime Directorate.

HM Treasury's Managing Public Money guidance 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 separate Board with an associated formal committee structure; however, it has in place arrangements to comply with the best practice contained in 'Managing Public Money' and is managed by DfT officials.

Information concerning the GLAs' board structures, committees, meetings and effectiveness can be found in their respective annual reports and accounts.

A Framework Document sets out the relationship between the Secretary of State for Transport and the GLAs in matters of business and finance. The framework provides a clear understanding of respective duties and responsibilities according to Part VIII & IX of the Merchant Shipping Act 1995, as amended by the Merchant Shipping and Marine Security Act 1997, and Part XI of the Merchant Shipping Act 1894 as amended by the Merchant Shipping (CIL) Act, 1997 in respect of the activity of IL in IRL.

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 (see below) for submission to the Secretary of State for Transport. Budgets are delegated to the individual GLAs and are reviewed by DfT officials. The GLAs also have set performance targets and indicators which are monitored on a monthly basis. The GLAs are nearing completion of a second 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 a percentage value set by DfT Ministers.

The Governance, Organisational and Committee structure in place within the three GLAs is discussed in greater detail in each GLA's Governance Reports, but in addition, the following are relevant to the GLF:

### **Lights Finance Committee**

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

### **Joint Strategic Board**

The Joint Strategic Board (JSB), consisting of representatives from all three GLAs, has as its main purpose the co-ordination of tri-GLA co-operation with the aim of realising the resultant savings. The JSB maintains a strategic road map to track key areas of focus, significant issues and initiatives which affect the GLAs.

### **Republic of Ireland Government**

The work of IL covers the whole of the island of Ireland and DfT officials work closely with their counterparts from the Department of Transport (DoT) in Ireland.

### **Isle of Man Government**

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

### **Revenue Commissioners (Republic of Ireland)**

Light Dues in IRL are collected by the Revenue Commissioners and transferred to the GLF on a monthly basis. The Revenue Commissioners are paid a fee for this service.

### **DfT Group Audit Committee**

In consultation with the chair of this committee, reviewing and recommending signing of the GLF Annual Report and Accounts is delegated to the Director of Group Finance taking into account reports from the Government Internal Audit Agency and the National Audit Office.

### **Risk Assessment**

In line with the requirements of the GLA Framework Document, the GLAs are required to, "jointly carry out a comprehensive risk management review, which shall include the key risks faced by the GLAs and a review of requirements at least every three years." This is addressed via the work of Inter GLA Committee (IGC) 6 (Legal and Risk) who manage the Triennial Risk Management Review process on behalf of the GLAs. The process is further underpinned by the provision of Annual Internal Risk Management and Insurance Scrutiny reviews, all of which are reported to the respective Audit and Risk Committee and the Tri-GLA Chief Executives Committee.

In 2018 Tri-GLA Triennial Risk Management Review included an extensive independent study completed by Marsh Risk Consulting. The study covered the GLAs' existing risk profile, effectiveness of current risk management controls, level of risk management maturity in existence across the organisations, in addition to examining the existing levels of insurance cover and the appropriateness of the GLF contingency reserve relating to self-insured losses. The associated Marsh Report found that, in summary, "a high level of risk management maturity exists across the GLAs within which their processes clearly demonstrate a high level of performance in comparison to other marine-based organisations."

DfT officials maintain a separate 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 identifiable risks.

DfT officials review the risk register on a regular basis, including 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 review also determines 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 to. At each review officials also consider whether additional controls should be applied to further reduce the residual risk.

There are no specific risks material to the GLF group which require disclosure. Material GLA risks are contained within the individual GLAs' annual reports and accounts.



## **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.

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

- utilising Government Banking Services provided by HM Treasury;
- providing monthly and quarterly reports detailing cashflow activity and forecasts;
- monthly financial reporting of data on Light Dues income, trends and projections;
- GLA spending is included in the monthly DfT budget workbooks provided to HM Treasury to monitor spending against departmental budgets. GLAs also report monthly spending against delegated cash spending limits to monitor spending against sanctioned GLF budget limits;
- twelve-week cash forecasts provided by the GLAs on a weekly basis to facilitate GLF cash reserves forecasting;
- five-year forecasts of GLA income and expenditure revised annually including progress toward agreed expenditure reduction targets, such as the RPI-X targets set by DfT Ministers; and
- an annual report to DfT Ministers and the Lights Advisory Committee, which represents Light Dues payers, covering the operation of the GLF over the preceding year and forecasts for medium term GLF cash reserves 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';
- third party certification audits for example for ISO standards accreditation;
- 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 may sometimes be required to operate outside of UK Territorial Waters. The statutory powers of the GLAs in this respect are found in 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 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, as Accounting Officer, with a report on internal audit activity within 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 2019-20, the assurance opinions provided for the General Lighthouse Authorities (GLAs) are summarised in the table below:*

Authority	Opinion	RAG
<b>Trinity House</b>	<b>Substantial</b> In my opinion, the framework of governance, risk management and control is adequate and effective.	Green 
<b>Northern Lighthouse Board</b>	<b>Substantial</b> In my opinion, the framework of governance, risk management and control is adequate and effective.	Green 
<b>Irish Lights</b>	<b>Substantial</b> In my opinion, the framework of governance, risk management and control is adequate and effective.	Green 

*Overall, the opinion across the GLAs is Substantial, reflecting what I consider to be an improved overall control environment. Internal control processes in the areas reviewed during the year were generally found to be effective, although there were a few 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 are agreed across all three GLAs. 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 2019-20 at any of the GLAs. Whilst our work during 2019-20 identified a need to strengthen controls in a few areas in the GLAs, there is nothing specific which I would deem significant or material which warrants mention in this report'*

## Conclusion

The GLAs have in place robust systems of internal control which I can rely on as Accounting Officer. I am pleased to note the improved opinion of the Head of Internal Audit as substantial across all three GLAs. This system allows me to provide the assurance that GLF spends 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 & GLA management, compliance functions, the Head of Internal Audit'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 2019-20.

### 3.4. Remuneration and staff report

The officials who manage the GLF 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, in relation to the management of the GLF, are charged to the GLF on an annual basis. The directors of the three GLAs are remunerated as set out below.

#### 3.4.1. Trinity House

##### Remuneration strategy

TH operates a remuneration strategy based on spot rate salaries informed by job evaluation and market testing.

TH 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 and behavioural and technical competencies. Bonus allocation is determined by individual performance and organisational level success against the year's corporate strategic objectives.

Director pay rates are determined using the same methodology as that which is applied to staff.

##### Service contracts

Executive Directors' contracts are permanent, subject to satisfactory performance, and require a twelve-month written notice period. Non-Executive Directors are employed on fixed term contracts for a period of up to 3 years, although their terms may be extended where appropriate.

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

#### Remuneration of Trinity House directors (audited)

##### Single total figure of remuneration

Name	Salary	Salary	Bonus	Bonus	Benefits	Benefits	Pension	Pension	Total	Total
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£	£	£000	£000	£000	£000
I McNaught	125 - 130	120 - 125	10 - 15	10 - 15	1,600	1,500	52	52	190 - 195	185 - 190
A Damen	85 - 90	85 - 90	5 - 10	5 - 10	900	800	38	37	135 - 140	130 - 135
R Barker	90 - 95	90 - 95	5 - 10	5 - 10	1,500	1,400	27	22	130 - 135	120 - 125
R W Dorey	90 - 95	85 - 90	5 - 10	5 - 10	1,200	1,100	25	-19	125 - 130	75 - 80
P Matthews <sup>2</sup>	-	5 - 10	-	-	-	600	-	-	-	5 - 10
N Palmer <sup>3</sup>	15 - 20	20 - 25	-	-	-	600	-	-	15 - 20	20 - 25
D Ring	15 - 20	15 - 20	-	-	1,100	900	-	-	15 - 20	15 - 20
M Amos	15 - 20	15 - 20	-	-	1,800	3,300	-	-	20 - 25	20 - 25
V Owen <sup>4</sup>	15 - 20	10 - 15	-	-	1,400	700	-	-	15 - 20	10 - 15
A Massey <sup>5</sup>	5 - 10	-	-	-	-	-	-	-	5 - 10	-

<sup>1</sup> 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.

<sup>2</sup> Retired 19 July 2018 (2018-19 full year equivalent salary £15,000 - £20,000)

<sup>3</sup> Retired 22 January 2020 (2019-20 full year equivalent salary £20,000 - £25,000)

<sup>4</sup> Commenced 14 September 2018 (2018-19 full year equivalent salary £15,000 - £20,000)

<sup>5</sup> Commenced 22 January 2020 (2019-20 full year equivalent salary £15,000 - £20,000)

##### Salary

Salary includes gross salary; overtime; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by TH and thus recorded in the accounts.

### Benefits in kind

Benefits include any benefits provided by TH and treated by HM Revenue and Customs as a taxable emolument. These have been rounded to the nearest £100.

### Bonuses

Performance Related Pay (PRP) is based on attained performance levels and is awarded as part of the appraisal process. Bonuses relate to the performance in the year in which they are made to the individual.

### Fair pay disclosure (audited)

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 banded remuneration of the highest-paid director in TH in the financial year 2019-20 was £135,000-140,000 (2018-19, £135,000-140,000). This was 4.2 times (2018-19, 4.2) the median remuneration of the workforce, which was £33,508 (2018-19, £32,851).

In 2019-20, no (2018-19, nil) employees received remuneration in excess of the highest-paid director. Excluding the highest paid director, remuneration ranged from £16,276 to £100,000-105,000 (2018-19, £15,483 to £100,000-105,000).

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

Non-executive director	Contract Start	Expiry Date
N Palmer (Contract extended 2018 for 2 years)	1 February 2012	22 January 2020
D Ring (Contract renewed 2016 for 3 years and 2019 for 1 year)	1 December 2013	30 November 2020
M Amos (Contract renewed 2019 for 3 years)	16 May 2017	15 May 2023
V Owen	14 September 2018	13 September 2021
A Massey	22 January 2020	21 January 2023

### Pensions (audited)

Pension benefits are provided through the Civil Service pension arrangements explained on [page 23](#).

	Real increase in pension £'000	Real increase in lump sum £'000	Accrued pension £'000	Accrued lump sum £'000	CETV 31 March 19 £'000	CETV 31 March 20 £'000	Real increase CETV £'000	Employer contribution partnership pension account £'000
I McNaught	2.5 - 5.0	-	25 - 30	-	462	523	47	-
A Damen	0.0 - 2.5	-	5 - 10	-	69	97	18	-
R Barker	0.0 - 2.5	-	20 - 25	-	412	440	25	-
R Dorey	0.0 - 2.5	0.0 - 2.5	45 - 50	135 - 140	958	1023	18	-

### Cash Equivalent Transfer Values

This 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 service, not just their current appointment.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. 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 Schemes (Transfer Values) (Amendment) Regulations 2008 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.

### 3.4.2. Northern Lighthouse Board

#### Remuneration strategy

The NLB believes long-term effectiveness depends on the talents, contribution and commitment of all employees so NLB 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 whilst remaining compliant with UK Government Pay Policy.

The remuneration of the NLB Chief Executive and Directors is determined by the Remuneration Committee consisting of the Chairman and Vice Chairman of the Board and two other Commissioners, under powers delegated by the Board of Commissioners.

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.

NLB received a 2 year pay settlement covering 2019-20 and 2020-21 which was approved by Ministers and implemented February 2020 and August 2020 respectively. The significant strategic risk to the delivery of operations has now been effectively mitigated.

#### Service contracts

Executive Directors' contracts are permanent, subject to satisfactory performance, and require a three-month written notice period.

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

#### Remuneration of executive directors (audited)

##### Single total figure of remuneration

Name	Salary	Salary	Bonus	Bonus	Benefits	Benefits	Pension	Pension	Total	Total
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£	£	£000	£000	£000	£000
M Bullock	125 - 130	125 - 130	-	-	-	-	50	49	175 - 180	170 - 175
M Rae	90 - 95	90 - 95	-	-	-	-	33	35	125 - 130	125 - 130
P Day	100 - 105	95 - 100	-	-	-	-	42	50	140 - 145	150 - 155

<sup>1</sup> 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.

#### Salary

Salary includes gross salary; overtime; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by NLB and thus recorded in the accounts.

#### Benefits in kind

Benefits include any benefits provided by NLB and treated by HM Revenue and Customs as a taxable emolument. These have been rounded to the nearest £100.

## Bonuses

Entitlement to bonus payments were consolidated into basic pay following a review in 2017.

## Fair pay disclosures (audited)

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 banded remuneration of the highest-paid director in NLB in the financial year 2019-20 was £130,000-135,000 (2018-19, £125,000-130,000). This was 3.9 times (2018-19, 4.0) the median remuneration of the workforce, which was £34,085 (2018-19, £31,192).

In 2019-20, no (2018-19, nil) employees received remuneration in excess of the highest-paid director. Excluding the highest paid director, remuneration ranged from £10,663 to £100,000-£105,000 (2018-19, £10,299 to £100,000-£105,000).

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. Includes commissioners for which the full time equivalent remuneration is equal to the annual remuneration.

## Executive directors' pensions (audited)

Pension benefits are provided through the Civil Service pension arrangements explained on page 23.

	Real increase in pension £'000	Real increase in lump sum £'000	Accrued pension £'000	Accrued lump sum £'000	CETV 31 March 19 £'000	CETV 31 March 20 £'000	Real increase CETV £'000	Employer contribution partnership pension account £'000
M Bullock	2.5 - 5.0	-	15 - 20	-	264	211	35	-
M Rae	0.0 - 2.5	-	20 - 25	-	291	246	22	-
P Day	0.0 - 2.5	-	45 - 50	-	629	573	24	-

## Remuneration of commissioners (audited)

Commissioners:

1. Elected by the NLB 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 for Transport and Transport Scotland.

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

The annual amounts payable are:

	2019/20 £	2018/19 £
- Basic annual remuneration	10,593	10,299
- Additional daily payment	533	500
- Chairman's remuneration	21,192	20,604
- Vice Chairman's remuneration	14,124	13,732
Total amount paid including National Insurance	88,942	79,665

Co-opted Commissioners' remuneration is set by the NLB as a whole on the advice of the DfT. 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 Principal Civil Service 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 NLB Commissioners (excluding NI) is analysed as follows:

	2019/20	2018/19
	£	£
M Brew (Chariman)	21,192	13,732
A Beveridge (Vice Chairman)	14,124	10,299
G Crerar (Retired 31/03/2020)	10,593	20,604
R Woodward (Appointed 27/09/2017)	10,593	10,299
E Wilkinson (Appointed 01/10/2017)	10,593	10,299
H Shaw (Appointed 01/08/2018)	10,593	6,866
A Mackenzie (Retired 31/07/2018)	-	3,433

### 3.4.3. Irish Lights

#### Remuneration strategy

The Board of IL sets and approves pay policy and pay scales for all posts including senior management salary levels (incl. Chief Executive and Directors). The Board updated its pay policy and set new pay scales for all positions below Chief Executive in March 2016. With respect to the scale for Directors, the Board agreed that this would be reviewed every 5 years to assess its appropriateness or earlier if there is significant movement in equivalent public sector scales. In the interim, pay increases will be in line with relevant pay agreements in the Irish public sector.

The Chief Executive and Executive Management Team (Heads of Department) are members of the Principal Civil Service Pension Scheme (PCSPS).

#### Service contracts

The contracts of the Chief Executive and Heads of Department are permanent. Co-opted and ex-officio Commissioners of the IL Board are not remunerated.

#### Remuneration of Chief Executive and Heads of Departments (audited)

These figures are converted to pounds sterling from euros at an average exchange rate for the years reported of 1.1438 for 2019-20 and 1.1342 for 2018-19.

#### Single total figure of remuneration

Name	Salary	Salary	Bonus	Bonus	Benefits	Benefits	Pension	Pension	Total	Total
	2019/20	2018/19	2019/20	2018/19	in Kind	in Kind	benefits <sup>1</sup>	benefits <sup>1</sup>	2019/20	2018/19
	£000	£000	£000	£000	£	£	£000	£000	£000	£000
Y Shields										
O'connor	125 - 130	125 - 130	-	-	-	-	51	50	180 - 185	175 - 180
R McCabe	105 - 110	105 - 110	-	-	-	-	2	(3)	110 - 115	105 - 110
J Burke	115 - 120	110 - 115	-	-	-	-	55	53	170 - 175	165 - 170
H Roe	105 - 110	105 - 110	-	-	-	-	42	42	150 - 155	150 - 155
R Boyle <sup>2</sup>	95 - 100	15 - 20	-	-	-	-	38	5	130 - 135	15 - 20

<sup>1</sup> 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.

<sup>2</sup> Commenced 5th February 2019 (2018-19 full year equivalent salary £95,000 - £100,000)

#### Salary

Salary includes gross salary; overtime; recruitment and retention allowances; and any other allowance to the extent that it is subject to taxation. This report is based on accrued payments made by IL and thus recorded in the accounts.

### Benefits in kind

Benefits include any benefits provided by IL and treated as a taxable emolument. These have been rounded to the nearest £100.

### Bonuses

IL does not operate a Performance Related Pay system.

### Fair pay disclosures (audited)

The banded remuneration of the highest-paid director in IL in the financial year 2019-20 was £125,000-130,000 (2018-19, £125,000-130,000). This was 3.2 times (2018-19, 3.1) the median remuneration of the workforce, which was £40,585 (2018-19, £40,928).

In 2019-20, no (2018-19, nil) employee received remuneration in excess of the highest-paid director. Excluding the highest paid director, remuneration ranged from £16,594 to £115,000-£120,000 (2018-19, £16,237 to £110,000-£115,000).

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.

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

Pension benefits are provided through the Civil Service pension arrangements explained on [page 23](#).

	Real increase in pension £'000	Real increase in lump sum £'000	Accrued pension £'000	Accrued lump sum £'000	CETV 31 March 19 £'000	CETV 31 March 20 £'000	Real increase CETV £'000	Employer contribution partnership pension account £'000
Y Shields								
O'Connor	2.5 - 5.0	-	25 - 30	-	312	362	30	-
R McCabe	0.0 - 2.5	2.5 - 5.0	45 - 50	145 - 150	1078	1093	3	-
J Burke	2.5 - 5.0	-	50 - 55	-	790	865	33	-
H Roe	2.5 - 5.0	-	15 - 20	-	254	303	32	-
R Boyle	0.0 - 2.5	-	0 - 5	-	4	30	19	-

## 3.5. Staff report

### Total staff costs\* (audited)

	Total 2019/20 £'000	Total 2018/19 £'000
Wages & salaries	26,720	25,537
Social security costs	2,600	2,437
Employers pension	6,478	5,206
	<b>35,798</b>	<b>33,180</b>
Other pension costs	45	42
Redundancy costs <sup>1</sup>	173	138
<b>Sub total</b>	<b>36,016</b>	<b>33,360</b>
Capitalised costs	(446)	(408)
<b>Total net costs</b>	<b>35,570</b>	<b>32,952</b>

<sup>1</sup> includes pay in lieu of notice and liquidated leave

\* Further detail available at [Note 5](#) to the accounts



## 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 undertaken using a long-established, but continually developing, mechanism and include 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.

## Equal opportunities

The GLAs are equal opportunity employers and at every stage of recruitment, staff transfer and promotion, they 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.

## 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 Equality Act 2010 is ensured by always seeking advice through Occupational Health Services utilised by the GLAs.

## 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 organisational wide development initiatives have been introduced as a result.

## Tri-GLA staff

TH hosts three inter-GLAs functions: the GLA Research and Development Directorate (GRAD); the collection of Light Dues and out-of-hours AtoN monitoring. Light Dues collection is achieved using an internet-based collection system with members of the Institute of Chartered Shipbrokers acting as Light Dues collectors in each port. Other arrangements exist in IRL and the Isle of Man for the collection of Light Dues.

## Average number of persons employed (audited)

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

	2019/20 Permanent	2019/20 Others	2019/20 Total	2018/19 Permanent	2018/19 Others	2018/19 Total
Directly employed	577	8	585	*573	11	584
Other	-	23	23	-	18	18
Staff engaged on capital projects	10	-	10	9	-	9
	<b>587</b>	<b>31</b>	<b>618</b>	<b>582</b>	<b>29</b>	<b>611</b>

\* restated to include additional five posts omitted in error in 2018/19

## Expenditure on consultancy

	TH £000	NLB £000	Irish Lights £000	2019/20 £000	2018/19 £000
Expenditure on consultancy	-	-	55	55	83

IL utilised consultants to assist with creating a new organisational strategy for the organisation.

## Expenditure on temporary staff/contingent labour

Included in Note 5 to the accounts as "other".

## Reporting of compensation scheme exit packages (audited)

The number and value of compulsory redundancies and other departures agreed during the year was:

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Exit package cost band						
Less than £10,000	-	-	-	-	-	-
£10,000-£25,000	-	-	-	1	-	1
£25,000-£50,000	-	-	1	1	1	1
£50,000-£100,000	-	-	2	1	2	1
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Greater than £200,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	-	-	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total cost (£)</b>	-	-	<b>155,948</b>	<b>138,479</b>	<b>155,948</b>	<b>138,479</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the GLAs have agreed early retirements, any additional costs are met by the GLA and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table above.

## Diversity information

Number of persons of each gender who were employed by the GLAs as of 31 March 2020 was (Number of whole time equivalents on 31 March 2020):

	2019/20	2019/20	2018/19	2018/19
	Female	Male	Female	Male
Commissioner/NED	10	28	10	27
Director	2	10	2	10
Manager	5	32	4	29
Employee	136	462	118	455
<b>Total</b>	<b>153</b>	<b>532</b>	<b>134</b>	<b>521</b>

## Sickness absence

Sickness absence in the three GLAs during the year was:

	2019/20	2018/19
<b>Trinity House</b>		
Total number of days sickness	3,329	2,934
Average number of days lost per employee	11.0	9.9
<b>Northern Lighthouse Board</b>		
Total number of days sickness	2,321	1,941
Average number of days lost per employee	13.0	11.4
<b>Irish Lights</b>		
Total number of days sickness	730	1,256
Average number of days lost per employee	6.4	11.4

Average number of days lost per employee is based on total number employed of 595 (577 2018-19) which excludes lighthouse attendants & casual staff.

## Staff relations

There were no instances of industrial action at NLB or IL during the year (2018-19, nil).

At Trinity House the Unite Union took one day of industrial action during the year in pursuit of their claim for a pay award in excess of civil service pay guidance (2018-19, nil).

## Pension scheme

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed staff and the majority of those already in service joined alpha. Before that date, staff participated in the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60 and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes. Members joining from October 2002 could opt for either the appropriate defined benefit arrangement or 'money purchase' stakeholder pension with an employer contribution (partnership pension account, see below).

Employee contributions are salary-related and range between 4.6% and 8.05% of Classic, Premium, Classic Plus, Nuvos and alpha. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in premium. In Nuvos, a member builds up a pension based on their pensionable earnings during the period when they were a member of the scheme. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus; 65 for members of Nuvos; and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details can be found at <https://www.civilservicepensionscheme.org.uk>

Employer contributions for 2019-20 were:

	TH	NLB	Irish Lights	2019/20	2018/19
	£000	£000	£000	£000	£000
Employer PCSPS contributions	3,067	1,860	1,551	6,478	5,206

In addition, employer contributions of £686, 0.5% (2018-19: £633, 0.5%) 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 26.6% to 30.1% (2018-19, 20% to 24.5%) 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 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

### Partnership pensions

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions paid to one or more of a panel of four appointed stakeholder pension providers were:

	TH	NLB	Irish Lights	2019/20	2018/19
	£000	£000	£000	£000	£000
Employer partnership pension contributions	10.6	16.4	0.0	27.0	17.1

Employer contributions are age-related and ranged from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

### Ensign Retirement Plan

The NLB is a participating employer in the Ensign Retirement Plan, a scheme created on 1 April 2016 to replace the previous defined benefit Merchant Navy Officers Pension Fund. From 1 April 2018 the Ensign Retirement Plan (for the MNOPF) became part of the Ensign Retirement Plan. During 2019-20 contributions of £12,697 (2018-19, £11,893) were made relating to one member.

### Off-payroll arrangements

There were no off-payroll arrangements during the year.

### **3.6. Parliamentary accountability disclosures (audited)**

#### **Regularity of expenditure**

The GLF has complied with the regularity of expenditure requirements as set out in HM Treasury Guidance.

#### **Losses & special payments**

There were no losses or special payments that are required to be disclosed per HM Treasury guidance (2018-19, £nil).

#### **Fees and Charges**

Light Dues, the principal source of income to the GLF, is a tax set annually in the UK by the Maritime Minister in accordance with the Merchant Shipping Act 1995. The rates are set at a level aimed to balance income with expenditure; any surplus generated remains in the GLF to fund navigational safety in a future period.

The GLAs also charge for some commercial activities to utilise reserve capacity. GLAs' commercial activities are charged at market rates.

None of these income streams are considered to represent a fee or charge within the scope of Managing Public Money

#### **Remote contingent liabilities**

There are no remote contingent liabilities (2018-19, £nil).

#### **EU Withdrawal**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

#### **Coronavirus**

In November 2019 a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end. The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2020. As a result, an unquantifiable contingent liability is disclosed, relating to likely increased operating costs across all GLA activities and reduced Light Dues income as a result of fewer ships calling into UK and Irish ports. This is reported as an unquantified contingent liability for the purposes of HM Treasury's PES requirements.

**Bernadette Kelly** 08 December 2020  
Permanent Secretary and Accounting Officer

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

## **4. THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

### **Opinion on financial statements**

I certify that I have audited the financial statements of The General Lighthouse Fund for the year ended 31 March 2020 under the Merchant Shipping Act 1995. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the General Lighthouse Fund's affairs as at 31 March 2020 and of 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 regularity**

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

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The General Lighthouse Fund in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the General Lighthouse Fund use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Lighthouse Fund have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the General Lighthouse Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Responsibilities of the Boards, Secretary of State and Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Merchant Shipping Act 1995.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the General Lighthouse Authorities' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the General Lighthouse Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the General Lighthouse Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the General Lighthouse Fund to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### **Other Information**

The Board and Accounting Officer are responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration & Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Merchant Shipping Act 1995;

- in the light of the knowledge and understanding of the General Lighthouse Fund and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration & Staff Report and the Parliamentary Accountability disclosures 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.

**Gareth Davies** 09 December 2020  
Comptroller and Auditor General

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



## 5. Financial Statements

### Statement of Comprehensive Net Income for the period ended 31 March 2020

	Notes	2019/20 £'000	2018/19 £'000
<b>Income</b>			
Light dues	3	85,032	85,160
Other income	4	9,873	9,115
		<u>94,905</u>	<u>94,275</u>
<b>Expenditure</b>			
Staff costs	5	(35,570)	(32,952)
Amortisation	13	(373)	(344)
Depreciation (owned assets)	10	(10,006)	(13,550)
Depreciation (RoU assets)	11	(3,897)	-
Gain/(loss) on revaluation of property, plant and equipment	10	(985)	(1,085)
Wreck removal		-	(64)
Other expenditure	6	(37,434)	(27,475)
		<u>(88,265)</u>	<u>(75,470)</u>
<b>Net operating income/(expenditure)</b>		<b>6,640</b>	<b>18,805</b>
Interest receivable	7	279	265
Interest payable	8	(2,455)	(2,814)
Revaluation of investment property	12	16	(200)
<b>Income / (expenditure) for the financial year</b>		<b>4,480</b>	<b>16,056</b>
<b>Other comprehensive income</b>			
Items that will not be classified to net operating costs:			
Gain/(loss) on revaluation of property, plant and equipment	10	9,620	401
Items that may be classified to net operating costs:			
Translation of euro reserves		1,102	(721)
<b>Total comprehensive income / (expenditure)</b>		<b>15,202</b>	<b>15,736</b>

Notes on pages 33 to 57 form part of these accounts

**Statement of Financial Position**  
as at 31 March 2020

	<b>Notes</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (owned)	10	241,219	260,498
Right of use assets (leased)	11	32,899	-
Investment assets	12	1,385	1,290
Intangible assets	13	1,186	1,104
Non-current receivables	14	67	40
		<hr/>	<hr/>
		276,756	262,932
<b>Current assets</b>			
Assets classified as held for sale	15	378	278
Inventories	16	4,614	4,202
Trade and other receivables	17	4,837	5,285
Cash & cash equivalents	18	53,801	58,073
		<hr/>	<hr/>
		63,630	67,838
<b>Total assets</b>			
		<hr/>	<hr/>
		340,386	330,770
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19 & 23	(14,890)	(14,104)
Provisions	20	(453)	(415)
Financial liabilities	21	(20,914)	(21,117)
		<hr/>	<hr/>
		(36,257)	(35,636)
<b>Non-current liabilities</b>			
Provisions	20	(11,574)	(171)
Leases & other liabilities	22 & 23	(12,198)	(9,905)
Financial liabilities	21	(70,000)	(90,000)
		<hr/>	<hr/>
		(93,772)	(100,076)
<b>Total assets less total liabilities</b>			
		<hr/>	<hr/>
		210,357	195,058
<b>Reserves</b>			
General fund		40,637	29,687
Revaluation reserve		169,720	165,371
		<hr/>	<hr/>
<b>Total equity</b>		210,357	195,058

**Bernadette Kelly** 08 December 2020  
Permanent Secretary and Accounting Officer

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

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

**Statement of Cash Flows**  
for the period ended 31 March 2020

	Notes	2019/20 £'000	2018/19 £'000
<b>Cash flows from operating activities</b>			
Net income/(expenditure) after interest		4,480	16,056
Loss/(profit) on disposal of property plant and equipment	6	33	69
Depreciation	10 & 11	14,162	13,550
Amortisation	13	373	344
Impairments	9	569	1,125
Revaluation of PPE, RoU and HfS assets *	10, 11 & 15	985	1,085
(Increase)/decrease in trade and other receivables	14 & 17	421	552
(Increase)/decrease in inventories	16	(412)	(40)
Increase/(decrease) in trade payables	19 & 22	(408)	1,198
Increase/(decrease) in accrued borrowing costs	21	(203)	(203)
Increase/(decrease) in provisions	20	11,441	113
Revaluation of investment properties *	12	(16)	200
Foreign exchange translation		8	23
<b>Net cash outflow from operating activities</b>		<b>31,433</b>	<b>34,072</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant & equipment	10	(7,902)	(9,250)
Purchase of right of use assets	11	(2,432)	-
Purchase of intangible assets	13	(435)	(185)
Purchase of Investments	12	-	(47)
Proceeds from disposal of property, plant & equipment		130	105
<b>Net cash outflow from investing activities</b>		<b>(10,639)</b>	<b>(9,377)</b>
<b>Cash flows from financing activities</b>			
Financing repaid	21	(20,000)	(20,000)
Capital element of payments in respect of leases liabilities	23	(5,066)	(3,436)
<b>Net cash flow from financing activities</b>		<b>(25,066)</b>	<b>(23,436)</b>
<b>Net cash flow from all activities</b>		<b>(4,272)</b>	<b>1,259</b>
Net increase in cash and cash equivalents in the period	18	<b>(4,272)</b>	<b>1,259</b>
Cash and cash equivalents at the beginning of the period	18	<b>58,073</b>	<b>56,814</b>
Cash and cash equivalents at the end of the period	18	<b>53,801</b>	<b>58,073</b>

\* 2018/19 restated to move held for sale revaluation loss (£7k) from investment properties to PPE.

Notes on pages 33 to 57 form part of these accounts

**Statement of Changes in Taxpayer Equity**  
for the period ended 31 March 2020

	<b>General Fund £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total Reserves £'000</b>
Balance at 31 March 2018	7,937	171,386	179,323
Income / (expenditure) for the financial year	16,056	-	16,056
Net gain/ (loss) on revaluation of property, plant and equipment	-	401	401
Release of revaluation reserve to the general fund re depreciation	6,016	(6,016)	-
Release of revaluation reserves to the general fund re disposals	35	(35)	-
<sup>1</sup> Foreign translation of euro reserves	(357)	(365)	(722)
Balance at 31 March 2019	<b>29,687</b>	<b>165,371</b>	<b>195,058</b>
	<b>General Fund £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total Reserves £'000</b>
Balance at 31 March 2019	29,687	165,371	195,058
Income / (expenditure) for the financial year	4,480	-	4,480
<sup>2</sup> First time adoption of IFRS 16	94	-	94
Net gain/ (loss) on revaluation of property, plant and equipment	-	9,620	9,620
Release of revaluation reserve to the general fund re depreciation	5,772	(5,772)	-
Release of revaluation reserves to the general fund re disposals	17	(17)	-
Release of revaluation reserves to the general fund re reclassifications	42	(42)	-
<sup>1</sup> Foreign translation of euro reserves	545	560	1,105
Balance at 31 March 2020	<b>40,637</b>	<b>169,720</b>	<b>210,357</b>

<sup>1</sup> The cumulative foreign translation of euro reserves is £-3.47m as measured from the inception of the Statement of Changes in Equity on 1 April 2009.

<sup>2</sup> IFRS 16 adoption has resulted in an additional £9.1m of lease liabilities disclosed on the SoFP (£22.1 less existing finance leases of £13m). RoU assets of £9.2m are recognised leaving a £94k reserves adjustment (gain) arising from RoU assets leased at below market values (peppercorn leases).

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

## **6. Notes to the accounts for the year ended 31 March 2020**

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosures to assist readers' understanding and interpretation of the financial statements.

### **1 Accounting policies**

#### **a) Accounting convention**

These accounts have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury. 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 accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport.

Many of the material balances and transactions in these statements, such as property, plant and equipment, are underpinned by surveyors' valuations. Surveyors have reported that COVID-19 is a source of "material valuation uncertainty" as defined by the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards, effective 31 January 2020. The following inference is made: that this does not mean that their valuations cannot be relied upon, but rather that less certainty should be attached to those valuations. The GLF does not consider the limit of uncertainty on the total value of these balances to be material.

#### **b) Basis of consolidation**

In accordance with the accounts direction issued by the secretary of State for Transport 25 September 2019, these financial statements comprise a consolidation of the core GLF administration accounts, the Light Dues collection accounts along with the accounts of the Trinity House Lighthouse Service, the Commissioners of Northern Lighthouses (the Northern Lighthouse Board) and the Commissioners of Irish Lights (Irish Lights).

#### **c) Basis of preparation**

These financial statements have been prepared on a going concern basis under the historical cost convention modified to account for the revaluation of property, plant and equipment. The going concern basis is considered appropriate as the GLF is funded from a tax (Light Dues), the GLAs are NDPBs of the Department and the core GLA functions are statutory.

Figures are presented in pounds sterling and are rounded to the nearest £1,000. Cash transactions between pounds sterling and a foreign currency are recorded using the exchange rate applicable on the day or that applied to the transaction by the bank. Euro payments and receipts are recorded in pounds sterling using the average rate for the preceding month, for all other in year transactions requiring translation to pounds sterling the average rate for the year is used £1=€1.1438 (2018-19 £1=€1.1342). Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at 31 March 2020 £1=€1.1306 (31 March 2019 £1=€1.1605). Translation differences are recognised in the Statement of Comprehensive Net Income.

#### **d) New standards and interpretations adopted early**

IFRS 16 (Leases) has been adopted for the first time in these financial statements. The Secretary of State for transport issued the GLF and the GLAs with an accounts direction mandating early adoption to ensure accounting policy is aligned across the transport group which also adopted early. This standard is adopted by the cumulative catch-up method, as such, the comparatives for 2018-19 reflect the requirements of IAS 17 (Leases).

#### **e) New standards and interpretations not yet adopted**

The standards listed below are not yet effective for the year ended 31 March 2020 and have not been applied in preparing these financial statements.

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. Subject to adoption, it may become effective for accounting periods commencing on, or after, 1 January 2021 and should be included in the 2023-24 FReM at the earliest. The GLF considers that it has no contracts which meet the definition of insurance contracts.

The GLF does not consider that any other new, or revised standards, or interpretation will have a material impact

#### **f) Income**

In accordance with the Merchant Shipping Act 1995, the GLAs are permitted to sell reserve capacity. Income from these activities is recognised in the period contractual obligations are met in accordance with IFRS 15. The principal source of income for the GLF is Light Dues, a tax on ships entering the UK or the Republic of Ireland. Revenue from Light Dues is recognised at the point a vessel arrives into port i.e. the vessel arrival is treated as the contractual/taxable event as required by the FReM. In addition to IRL Light Dues the GLF receives a contribution from the Irish Government towards the work of Irish Lights in the Republic of Ireland.

#### **g) Intangible assets**

Computer Software has been capitalised at cost 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 held at cost less amortisation. Intangible licences have been capitalised at cost 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. Intangibles are subsequently valued using the revaluation model, as described in IAS 38. Any increases in value are taken to the revaluation reserve. Any decreases are taken initially to the revaluation reserve (insofar as there is a balance for that specific asset) and otherwise to the Statement of Comprehensive Net Income. If an intangible asset cannot be revalued because there is no active market for assets of that type these intangible assets are expressed at their current value through the application of Modified Historical Cost Accounting as a proxy for fair value less any accumulated amortisation or impairment losses.

#### **h) Pension benefits**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and or alpha a new pension scheme introduced in 1 April 2015 and described in **Note 25**. 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.

#### **i) 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 (€8,000).

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 intended manner, 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 and other 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.

**j) Valuation**

After recognition, the item of Property, Plant and Equipment is carried at Fair Value in accordance with IAS16 as adapted for the public sector in 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 (MV)	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 and 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.

## k) Depreciation

Depreciation is calculated on an annual basis and it is commenced in the financial year after original purchase and 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
<b>Land and buildings</b>		<b>Buoys and beacons</b>	
Land	Not Depreciated	Steel Buoys	Up to 50 years
Lighthouses (Building Structure)	25 - 150 years	Beacons	Up to 100 years
Lighthouse Improvements or remaining Life if less	25 years	Plastic Buoys	10 years
Other Buildings	50 years	Super Structures	5 - 15 years
		Solarisation Costs	10 years
<b>Tenders and ancillary craft</b>		<b>Plant and machinery</b>	
Tenders*	25 years	Lighthouses	15 - 25 years
Tenders (Dry Dock and Repair)	Up to 5 Years**	Automation equipment	15 - 25 years
Workboats	Up to 25 years	Racons & Radio Beacons	15 - 25 years
		Depots and Workshops	10 - 25 years
<b>Lightvessels</b>		Office Equipment	Up to 10 years
Lightvessel (hulls)	50 years	Vehicles	5 - 15 years
Lightvessel (hull conversions)	15 years	Computers - Major systems	5 years
Lightvessel (Dry Dock and Repair)	7 years**	Computers - Other	3 years
		AIS Equipment	7 - 10 Years
<b>Intangible</b>		DGPS	10 Years
Software	3 to 5 years		
Licences	Term of licence		

\*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.

## l) Leases

### Scope and classification

In accordance with IFRS 16, contracts, or parts of a contract that convey the right to use an asset in exchange for consideration are accounted for as leases. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use. In such cases, the relevant part is treated as a lease.

Low-value items are excluded from lease treatment, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items. Contracts with a term shorter than twelve months are also excluded.

The lease term comprises the non-cancellable period, together with any extension options it is reasonably certain will be exercised and any termination options it is reasonably certain will not be exercised.

### Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), the GLF recognises a right-of-use asset and a lease liability.

The lease liability is measured as the sum of payments, net of value added tax, for the remaining lease term (as defined above), discounted either by the rate implicit in the lease, or, where this cannot be determined, the incremental cost of government borrowing provided by HMT (1.99% from 1 April 2019 to 31 December 2019, 1.27% thereafter). The payments included in the liability are those that are fixed or in-substance fixed, excluding changes arising, for example, from future rent reviews or changes in an index.

The right-of-use (RoU) asset is measured at the value of the liability, adjusted for: any payments made before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, where the lease requires nominal consideration (a type of arrangement often described as a "peppercorn" lease), the asset is measured at its existing use value.



### **Subsequent Measurement**

RoU assets are subsequently measured using the fair value model. The GLF considers that the cost model is a reasonable proxy for the fair value model for leases of items other than land and property, and for leases of land and property with regular rent reviews. For other leases, the asset is carried at a revalued amount. The liability is adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments and modifications are measured by re-discounting the revised cash flows; the impact is reflected in the liability and either in the asset valuation or expenditure.

### **Lease Expenditure**

Expenditure includes interest, straight-line depreciation, any asset impairments and any change in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or for those shorter than twelve months are expensed.

### **Leases as the Lessor**

Where the GLF acts as lessor, it assesses whether those leases are finance or operating leases. For finance leases, it derecognises the asset and recognises a receivable. Interest is accrued throughout the financial year and is recognised in income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

### **Transitional arrangements**

The following arrangements have been applied to transition from IAS 17 to IFRS 16.

- Adoption of IFRS 16 using the cumulative catch up method i.e. without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2018-19 reflect the requirements of IAS 17;
- No reassessment of the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts have been classified using the IFRS 16 criteria;
- For leases previously treated as operating leases:
  - To measure the liability at the present value of the remaining payments, discounted by the incremental cost of borrowing as at the transition date;
  - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
  - To exclude leases whose term ends within twelve months of first adoption;
  - To use hindsight in assessing remaining lease terms;
- For leases previously treated as finance leases:
  - To use the carrying amount of the lease asset and liability measured immediately before first adoption under IAS 17 as the carrying value of the right-of-use asset and lease liability as at first adoption.

### **Estimates and judgements**

For embedded leases, the GLF determines the amounts to be recognised as the right-of-use asset and lease liability based on the stand-alone price of the lease component and the non-lease component or components. This determination reflects the prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components.

Some contracts cover both a lease of land which the lessee controls and rights of access through adjacent land which the lessee does not control. In more remote locations, where stand-alone prices are not readily observable, the GLF has elected to take the practical expedient of treating the entire contract as a lease.

The FReM requires that right-of-use assets held under “peppercorn” leases should be measured at existing use value. These leases include historic, long-term leases as well as more recent arrangements. The GLF has distinguished these from leases in which the consideration is low, but proportionate to the asset’s value (for example, the lease of a small area of land with few alternative uses). This distinction reflects, so far as possible, recent, observable market arrangements for comparable assets (for example, current rentals).

When an existing use value is required for low values or peppercorn leases, this is calculated based on similar arrangements within the estate i.e. using current rentals for similar property as a proxy. If similar arrangements are not available a professional valuation is sought.

### **Leases under IAS 17 (2018/19 only)**

Arrangements conveying the right to use an asset are treated as leases, regardless of their legal form. Leases are classified as finance leases if the risks and rewards of ownership are transferred to the lessee. Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased item or the present value of the minimum lease payments. Finance charges are allocated between periods to achieve a constant rate of

interest on the remaining liability balance and are charged directly against operating expenditure. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Other leases are classified as operating leases. Operating lease payments are recognised as an expense in Net Operating Expenditure on a straight-line basis over the lease term.

**m) Inventories**

As per the FReM, Inventories should be valued by using the Average Cost method. The value of Inventories is on a First in-First-Out basis. This departure does not have a material effect on the Inventory values reported.

**n) Research and Development**

Research and Development work is co-ordinated by the GLA Research and Development (GRAD) Policy 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.

**o) Taxation**

The fund is exempt from Corporation Tax under provisions of Section 221 of the Merchant Shipping Act 1995. The GLAs 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.

**p) 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.

**q) Government Grants**

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

**r) Investment properties**

The GLAs 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.

**s) 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*

Loans, trade receivables and accrued income are covered by the financial instruments standards IFRS 9.

Loans and receivables are recognised initially at fair value, plus transaction costs. Fair value is usually the contractual value. Thereafter, these assets are held at amortised cost.

Credit loss allowances for trade receivables and similar arrangements are measured at the lifetime expected credit loss where material. No credit loss allowances are recognised for arrangements with other central government bodies.

*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. As at 31 March 2020 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.

#### **t) Estimates**

The GLF may be liable as described in **Note 25** for any shortfall in the MNOPF pension fund. The GLF takes advice from qualified actuaries in determining the extent of any shortfall and whether it may be required to make further contributions.

Provisions are estimated based on the best information available at time of reporting see **note 20** for further details.

Aside from this, key estimates in the GLF accounts related to asset valuations. A number of qualified surveyors are engaged to provide professional valuations of different elements of the asset base as disclosed in **Notes 10, 11 & 12**. Specific estimation uncertainty arises in respect of the valuation of the lighthouse estate, the Depreciated Replacement Cost of which constitutes the largest element of the buildings category in **Note 10**. Key assumptions are made in the following areas:

- For each lighthouse, the GLF selects a modern equivalent asset (MEA) based on the navigation requirement at the asset's location. This selection is based on a decision tree common to each of the GLAs which draws on key considerations for construction strategy such as whether a structure is onshore or offshore; and the degree of challenge posed by wave patterns at the location. The analysis of available construction techniques draws on the professional expertise of suitable expert GLA staff and the options emerging from recent case studies into possible rebuild or refurbishment work following market engagement. The design of this decision tree is a matter of professional judgement since more prudent engineering assumptions will tend towards the selection of more expensive MEAs, risking overvaluation, while more aggressive engineering assumptions will tend towards less expensive ones, risking undervaluation through optimism bias. GLF has followed the principal of neutrality in any judgements arising and considered the results of the decision tree based on a number of actual locations.
- Costing rates are determined for the gross replacement cost of each MEA, establishing a standard valuation to apply to each lighthouse in that category rather than costing each lighthouse individually. This portfolio approach is permitted by the FReM and RICS 'Red Book'. These are determined based on the most recent available data from case studies, with a consideration of indexation. Adjustment factors are applied based on location and physical characteristics of the site, to reflect the varying difficulty and cost of construction, e.g. for remote islands.
- As required by the FReM, a discount is made to the gross replacement cost to reflect the GLF's assessment of the proportion of each lighthouse's useful life which has been expended. Condition point estimates which drive the measurement of this discount are based on the available data in respect of asset condition (including age), combined with professional judgement which considers the type of construction for the asset in use.

## 2 Analysis of operating segments

	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
Light dues income	-	-	-	85,032	85,032	85,160
GLA drawdowns	35,740	23,930	12,781	(72,451)	-	-
Other income	2,635	1,246	1,220	4,772	9,873	9,115
Total income	38,375	25,176	14,001	17,353	94,905	94,275
Gross expenditure	(46,659)	(23,637)	(15,740)	(2,229)	(88,265)	(75,470)
Net expenditure	(8,284)	1,539	(1,739)	15,124	6,640	18,805
<b>Total assets</b>	<b>134,473</b>	<b>104,950</b>	<b>47,214</b>	<b>53,749</b>	<b>340,386</b>	<b>330,770</b>

For a further breakdown please refer to the individual GLA accounts.

## 3 Light dues

	2019/20 £'000	2018/19 £'000
Light dues collected in United Kingdom	78,826	79,057
Light dues collected in Republic of Ireland	6,206	6,103
	<b>85,032</b>	<b>85,160</b>

## 4 Other income

	Tri GLA £'000	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
Buoy rental	-	776	261	163	-	1,200	1,331
Property rental	-	304	147	592	-	1,043	1,050
Other commercial income	-	-	301	-	-	301	63
Tender hire	-	803	475	434	-	1,712	2,422
Republic of Ireland contribution	-	-	-	-	4,772	4,772	3,228
Grant income	6	44	38	-	-	88	76
Sundry receipts	57	645	24	31	-	757	945
	<b>63</b>	<b>2,572</b>	<b>1,246</b>	<b>1,220</b>	<b>4,772</b>	<b>9,873</b>	<b>9,115</b>

## 5 Staff costs

	TH Permanent £'000	TH Others £'000	NLB Permanent £'000	NLB Others £'000	Irish Lights Permanent £'000	Irish Lights Others £'000	Total 2019/20 £'000	Total 2018/19 £'000
Wages & salaries	11,879	323	7,667	668	5,843	340	26,720	25,537
Social security costs	1,302	-	865	-	418	15	2,600	2,437
Employers pension	3,067	-	1,860	-	1,530	21	6,478	5,206
<b>Sub total</b>	<b>16,248</b>	<b>323</b>	<b>10,392</b>	<b>668</b>	<b>7,791</b>	<b>376</b>	<b>35,798</b>	<b>33,180</b>
Other pension costs	11	-	33	-	-	1	45	42
Redundancy costs <sup>1</sup>	-	-	173	-	-	-	173	138
<b>Sub total</b>	<b>16,259</b>	<b>323</b>	<b>10,598</b>	<b>668</b>	<b>7,791</b>	<b>377</b>	<b>36,016</b>	<b>33,360</b>
Capitalised costs	(175)	-	-	-	(271)	-	(446)	(408)
<b>Total net costs</b>	<b>16,084</b>	<b>323</b>	<b>10,598</b>	<b>668</b>	<b>7,520</b>	<b>377</b>	<b>35,570</b>	<b>32,952</b>

<sup>1</sup> includes pay in lieu of notice and liquidated leave

## 6 Other expenditure

	TH £'000	NLB £'000	Irish Lights £'000	GLF & Tri-GLA £'000	2019/20 £'000	2018/19 £'000
Running costs	13,126	6,433	4,165	554	24,278	23,006
Operating leases rentals (IAS17)	-	-	-	-	-	2,739
Variable lease costs (IFRS16)	375	14	169	-	558	-
Auditors remuneration	-	-	-	118	118	90
Research and development	-	-	-	490	490	446
Impairments	569	-	-	-	569	1,125
Loss/(profit) on disposal of HfS <sup>1</sup>	-	-	-	-	-	-
Loss/(profit) on disposal of PPE <sup>2</sup>	(27)	3	57	-	33	69
Loss/(profit) on disposal of Int <sup>3</sup>	-	-	-	-	-	-
Provision provided in the year <sup>4</sup>	10,605	783	-	-	11,388	-
	<b>24,648</b>	<b>7,233</b>	<b>4,391</b>	<b>1,162</b>	<b>37,434</b>	<b>27,475</b>

<sup>1</sup> Held for sale assets, <sup>2</sup> Property plant & equipment, <sup>3</sup> Intangible assets, <sup>4</sup> Provisions are detailed in note 20

## 7 Interest receivable

	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
Bank interest receivable	1	2	-	276	279	265

## 8 Interest payable

	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
Interest on DfT loan	-	-	-	1,929	1,929	2,335
Interest on finance leases (IAS17)	-	-	-	-	-	479
Interest on leases (IFRS16)	203	271	52	-	526	-
	<b>203</b>	<b>271</b>	<b>52</b>	<b>1,929</b>	<b>2,455</b>	<b>2,814</b>

## 9 Impairments

Assets which have decreased in value as a result of revaluations have been separately identified as revaluation losses on the Statement of Comprehensive Net Income. Other impairments are as follows:

### 2019-20

During the year a number of TH capital projects were completed including work to THV Patricia, Portland Bill Lighthouse & visitor centre and storage buildings in Harwich. As of 31 March 2020, the costs of these projects exceeded the Depreciated Replacement Cost valuation by £569,000 and in line with the requirements of FReM, these have been treated as impairments and transferred to the Statement of Comprehensive Net Income.

No impairments were reported at NLB or IL in the period to 31 March 2020.

### 2018-19

During the year a number of TH capital projects were completed including work to Lightvessel 10, THV Alert, Start Point and Sark Lighthouses. As of 31 March 2019, the costs of these projects exceeded the Depreciated Replacement Cost valuation by £1,125,000 and in line with the requirements of FReM, these have been treated as impairments and transferred to the Statement of Comprehensive Net Income.

No impairments were reported at NLB or IL in the period to 31 March 2019.

## 10 Property plant and equipment

### Current year

	Land £000	Buildings £000	Vessels £000	Light- Vessels £000	Buoys £000	IT Equip. £000	Plant & Mach. £000	AUC* £000	Total £000
<b>Cost or valuation</b>									
1 April 2019	11,441	152,094	31,460	9,360	16,042	2,805	41,426	2,678	267,306
Additions	-	602	619	755	23	467	2,176	3,260	7,902
Donations	-	-	-	-	-	-	-	-	-
Disposals	-	(12)	(415)	-	(6)	(77)	(1,043)	-	(1,553)
Impairments	-	(125)	-	-	-	-	(139)	-	(264)
Reclassifications	-	(44)	(26,596)	-	-	-	-	-	(26,640)
Revaluations	(127)	4,462	(1,648)	545	(594)	(242)	(2,214)	-	182
Transfers	-	605	108	-	36	-	897	(1,663)	(17)
Foreign exchange	94	636	111	-	79	7	228	28	1,183
<b>At 31 March 2020</b>	<b>11,408</b>	<b>158,218</b>	<b>3,639</b>	<b>10,660</b>	<b>15,580</b>	<b>2,960</b>	<b>41,331</b>	<b>4,303</b>	<b>248,099</b>
<b>Depreciation</b>									
1 April 2019	-	9	322	-	652	917	4,908	-	6,808
Charged in year	-	3,253	602	648	869	495	4,139	-	10,006
Disposals	-	(1)	(415)	-	-	(77)	(909)	-	(1,402)
Impairments	-	(16)	-	-	-	-	-	-	(16)
Reclassifications	-	-	(45)	-	-	-	-	-	(45)
Revaluations	-	(3,235)	(464)	(648)	(277)	(242)	(3,701)	-	(8,567)
Transfers	-	-	-	-	-	-	-	-	-
Foreign exchange	-	-	4	-	3	4	85	-	96
<b>At 31 March 2020</b>	<b>-</b>	<b>10</b>	<b>4</b>	<b>-</b>	<b>1,247</b>	<b>1,097</b>	<b>4,522</b>	<b>-</b>	<b>6,880</b>
<b>NBV at 31 March 2019</b>	<b>11,441</b>	<b>152,085</b>	<b>31,139</b>	<b>9,360</b>	<b>15,390</b>	<b>1,888</b>	<b>36,518</b>	<b>2,678</b>	<b>260,498</b>
<b>NBV at 31 March 2020</b>	<b>11,408</b>	<b>158,208</b>	<b>3,635</b>	<b>10,660</b>	<b>14,333</b>	<b>1,863</b>	<b>36,809</b>	<b>4,303</b>	<b>241,219</b>
<b>Asset Financing</b>									
Owned	11,408	158,208	3,635	10,660	14,333	1,863	36,809	4,303	241,219
On balance sheet PFI	-	-	-	-	-	-	-	-	-
	<b>11,408</b>	<b>158,208</b>	<b>3,635</b>	<b>10,660</b>	<b>14,333</b>	<b>1,863</b>	<b>36,809</b>	<b>4,303</b>	<b>241,219</b>

\*Assets under Construction and Payments on Account.

The net revaluation gain for PPE is £8,749,000 (increase of £8,567,000 from restated depreciation less £182,000 decrease in gross value).

Asset revaluation gains and losses have been recognised as follows:

	TH £000	NLB £000	CIL £000	Total £000
Net revaluation gains/(losses) on property plant & equipment	5,659	3,692	(602)	8,749
Net revaluation gains/(losses) on RoU assets (see note 11)	255	(476)	-	(221)
Net revaluation gains/(losses) on held for sale assets (see note 15)	-	-	107	107
<b>Total gains / (losses)</b>	<b>5,914</b>	<b>3,216</b>	<b>(495)</b>	<b>8,635</b>
Of which:				
Revaluation gains/(losses) charged to SoCNE	122	168	(1,275)	(985)
Net revaluation gains/(losses) posted to revaluation reserve	5,792	3,048	780	9,620
<b>Total gains / (losses)</b>	<b>5,914</b>	<b>3,216</b>	<b>(495)</b>	<b>8,635</b>

## Prior year

	Land £000	Buildings £000	Vessels £000	Light- Vessels £000	Buoys £000	IT Equip. £000	Plant & Mach. £000	AUC* £000	Total £000
<b>Cost or valuation</b>									
1 April 2018	11,503	154,525	34,375	9,340	16,065	2,779	42,188	2,799	273,574
Additions	-	1,945	1,745	430	100	326	1,517	3,187	9,250
Donations	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(173)	(500)	-	(673)
Impairments	-	-	(367)	(311)	-	-	(575)	-	(1,253)
Reclassifications	(44)	632	-	-	-	-	(149)	-	439
Revaluations	43	(5,032)	(4,514)	(355)	(145)	(260)	(2,398)	-	(12,661)
Transfers	-	436	300	256	73	137	1,493	(3,288)	(593)
Foreign exchange	(61)	(412)	(79)	-	(51)	(4)	(150)	(20)	(777)
<b>At 31 March 2019</b>	<b>11,441</b>	<b>152,094</b>	<b>31,460</b>	<b>9,360</b>	<b>16,042</b>	<b>2,805</b>	<b>41,426</b>	<b>2,678</b>	<b>267,306</b>
<b>Depreciation</b>									
1 April 2018	-	8	4	-	63	923	4,940	-	5,937
Charged in year	-	3,613	4,179	658	861	424	3,815	-	13,550
Disposals	-	-	-	-	-	(166)	(333)	-	(499)
Impairments	-	-	(49)	(79)	-	-	-	-	(128)
Reclassifications	-	-	-	-	-	-	(14)	-	(14)
Revaluations	-	(3,612)	(3,806)	(579)	(270)	(261)	(3,442)	-	(11,970)
Transfers	-	-	-	-	-	-	-	-	-
Foreign exchange	-	-	(6)	-	(2)	(3)	(57)	-	(68)
<b>At 31 March 2019</b>	<b>-</b>	<b>9</b>	<b>322</b>	<b>-</b>	<b>652</b>	<b>917</b>	<b>4,909</b>	<b>-</b>	<b>6,808</b>
<b>NBV at 31 March 2018</b>	<b>11,503</b>	<b>154,517</b>	<b>34,372</b>	<b>9,340</b>	<b>16,002</b>	<b>1,856</b>	<b>37,248</b>	<b>2,799</b>	<b>267,637</b>
<b>NBV at 31 March 2019</b>	<b>11,441</b>	<b>152,085</b>	<b>31,138</b>	<b>9,360</b>	<b>15,390</b>	<b>1,888</b>	<b>36,517</b>	<b>2,678</b>	<b>260,498</b>
<b>Asset Financing</b>									
Owned	11,441	152,085	4,938	9,360	15,390	1,888	36,517	2,678	234,298
Finance leased	-	-	26,200	-	-	-	-	-	26,200
On balance sheet PFI	-	-	-	-	-	-	-	-	-
	<b>11,441</b>	<b>152,085</b>	<b>31,138</b>	<b>9,360</b>	<b>15,390</b>	<b>1,888</b>	<b>36,517</b>	<b>2,678</b>	<b>260,498</b>

\*Assets under construction and payments on account.

### Valuations

Professional valuations were obtained from the following:

Asset	Valuer	Organisation	Date of last full valuation
TH land, buildings & beacons	Mr Richard Bryan MRICS & Mr Stephen Jones MRICS	DVS Property Specialists*	31st March 2018
TH plant, machinery & lightvessels	Mr Andrew Lloyd MRICS	DVS Property Specialists*	31st March 2018
NLB land, buildings, beacons, lighthouses, plant & machinery	Mr Joun McClimens MRICS.	DVS Property Specialists*	31st March 2018
IL (RoI) land, building & beacons	Mr Niall Deegan MRICS	Irish Valuation Office	31st March 2018
IL (NI) land, building & beacons	Mr Sean Daly MRICS	LPS Mapping & Valuation services	31st March 2018
IL (RoI) lighthouse AtoN plant	Mr Niall Deegan MRICS	Irish Valuation Office	31st March 2018
IL (NI) lighthouse Aton plant	Mr Sean Daly MRICS	LPS Mapping & Valuation services	31st March 2018
IL (RoI & NI) plant & machinery	Robert McKay MSCSI MRICS	McKay Asset Valuers & Auctioneers	31st March 2018
All GLA Vessels	Charles Cundall (Director)	Braemar ACM Valuations Ltd	31st March 2020
Navigation bouys	Internally valued based on recent purchases taking into account age		31st March 2018

\* DVS Property Specialist is the commercial arm of the Valuation Office Agency



## 11 Right of Use Assets

	Land £000	Buildings £000	Vessels £000	Plant & Mach. £000	Total £000
<b>Cost or valuation</b>					
1 April 2019	-	-	-	-	-
Recognition	3,836	187	-	5,193	9,216
Reclassifications	-	-	26,595	-	26,595
Additions	504	-	1,928	-	2,432
Disposals	-	-	(101)	-	(101)
Impairments	-	-	(321)	-	(321)
Revaluations	-	-	(2,485)	-	(2,485)
Remeasurements	(676)	-	-	38	(638)
Foreign exchange	40	-	-	4	44
<b>At 31 March 2020</b>	<b>3,704</b>	<b>187</b>	<b>25,616</b>	<b>5,235</b>	<b>34,742</b>
<b>Depreciation</b>					
1 April 2019	-	-	-	-	-
Recognition	-	-	-	-	-
Reclassifications	-	-	45	-	45
Charged in year*	121	30	2,588	1,417	4,156
Disposals	-	-	(101)	-	(101)
Revaluations	-	-	(2,266)	-	(2,266)
Foreign exchange	-	-	-	9	9
<b>At 31 March 2020</b>	<b>121</b>	<b>30</b>	<b>266</b>	<b>1,426</b>	<b>1,843</b>
<b>NBV at 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NBV at 31 March 2020</b>	<b>3,583</b>	<b>157</b>	<b>25,350</b>	<b>3,809</b>	<b>32,899</b>

No prior year comparator figures are provided for RoU assets. IFRS 16 was adopted on 1 April 2019 using the cumulative catch up method in accordance with the 2019-20 FReM.

RoU assets include five of the six GLA vessels operated by GLA staff (along with one smaller vessel operated by a third party). These leases are subject to fixed term and cover the majority of the vessels estimated lives. The five vessels were previously treated as finance leases under IAS 17 and have been reclassified from PPE.

Plant & Machinery relates solely to tri-GLA helicopter leasing to the extent that the leasing costs are fixed. There is an option to extend the helicopter lease, by up to three years, beyond its initial contract period which ends in December 2022, this option has not been included in the above figures.

Land and building includes depots, remote offices, forward operating stations, pier/quay facilities and various small pieces of land required for AtoN operations. These are predominantly long term leases.

Variable lease costs are charged directly to the SOCNE see note 23 for further detail.

\*Where helicopter flying hours are separately identified as supporting capital projects, such as lighthouse modernisations, a portion of the depreciation for the year has been charged to capital additions as permitted by IAS 16 in cases where lease costs directly contribute to bringing another asset into use.

	TH £'000	NLB £'000	Irish Lights £'000	2019/20 £'000
RoU depreciation charged to SOCNI	1,695	1,916	286	3,897
RoU depreciation charged to capital additions	31	163	65	259
<b>Total</b>	<b>1,726</b>	<b>2,079</b>	<b>351</b>	<b>4,156</b>

## 12 Investment property

	TH £'000	NLB £'000	Irish Lights £'000	2019/20 £'000	2018/19 £'000
At 1 April	-	-	1,290	1,290	1,826
Additions	-	-	-	-	47
Disposals	-	-	-	-	-
Transfers	-	-	44	44	(360)
Revaluations	-	-	16	16	(200)
Foreign exchange	-	-	35	35	(23)
<b>At 31 March</b>	<b>-</b>	<b>-</b>	<b>1,385</b>	<b>1,385</b>	<b>1,290</b>

IL hold a number of non-operational properties from which commercial income is derived.

Investment properties are professionally revalued annually by the same valuers used for property, plant and equipment disclosed at **Note 10** above.

## 13 Intangible assets

### Current year

	Software £'000	Licences £'000	Assets in progress £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2019	3,675	165	-	3,840
Additions	435	-	-	435
Donations	-	-	-	-
Disposals	(9)	-	-	(9)
Transfers	16	-	-	16
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluation	-	-	-	-
Foreign exchange	10	-	-	10
<b>At 31 March 2020</b>	<b>4,127</b>	<b>165</b>	<b>-</b>	<b>4,292</b>
<b>Amortisation</b>				
At 1 April 2019	2,639	97	-	2,736
Charged in year	366	7	-	373
Disposals	(9)	-	-	(9)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluation	-	-	-	-
Foreign exchange	6	-	-	6
<b>At 31 March 2020</b>	<b>3,002</b>	<b>104</b>	<b>-</b>	<b>3,106</b>
<b>NBV at 31/3/19</b>	<b>1,036</b>	<b>68</b>	<b>-</b>	<b>1,104</b>
<b>NBV at 31/3/20</b>	<b>1,125</b>	<b>61</b>	<b>-</b>	<b>1,186</b>

## Intangible assets - Prior year

	Software £'000	Licences £'000	Assets in progress £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2018	3,288	165	-	3,453
Additions	185	-	-	185
Donations	-	-	-	-
Disposals	(11)	-	-	(11)
Transfers	219	-	-	219
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluation	-	-	-	-
Foreign exchange	(6)	-	-	(6)
<b>At 31 March 2019</b>	<b>3,675</b>	<b>165</b>	<b>-</b>	<b>3,840</b>
<b>Amortisation</b>				
At 1 April 2018	2,316	90	-	2,406
Charged in year	337	7	-	344
Disposals	(11)	-	-	(11)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluation	-	-	-	-
Foreign exchange	(3)	-	-	(3)
<b>At 31 March 2019</b>	<b>2,639</b>	<b>97</b>	<b>-</b>	<b>2,736</b>
<b>NBV at 31/3/18</b>	<b>972</b>	<b>75</b>	<b>-</b>	<b>1,047</b>
<b>NBV at 31/3/19</b>	<b>1,036</b>	<b>68</b>	<b>-</b>	<b>1,104</b>

## 14 Non-current trade and other receivables

	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
<b>Amounts falling due after one year:</b>						
Trade receivables	-	-	-	-	-	-
Deposits and advances	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Prepayments and accrued income	-	67	-	-	67	40
VAT recoverable	-	-	-	-	-	-
	-	<b>67</b>	-	-	<b>67</b>	<b>40</b>

## 15 Assets classified as held for sale

	TH	NLB	Irish Lights	2019/20	2018/19
	£'000	£'000	£'000	£'000	£'000
<b>At 1 April</b>	15	-	263	278	-
Additions	-	-	-	-	-
Disposals	(15)	-	-	(15)	-
Transfers	-	-	-	-	277
Depreciation	-	-	-	-	-
Revaluations	-	-	107	107	7
Impairment	-	-	-	-	-
Foreign exchange	-	-	8	8	(6)
<b>At 31 March</b>	-	-	<b>378</b>	<b>378</b>	<b>278</b>

## 16 Inventories

	TH	NLB	Irish Lights	2019/20	2018/19
	£'000	£'000	£'000	£'000	£'000
Marine fuel and stores	3,416	838	360	4,614	4,202

## 17 Trade receivables and other current assets

	TH	NLB	Irish Lights	GLF	2019/20	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>						
Trade receivables	400	193	129	525	1,247	1,526
Deposits and advances	-	14	-	-	14	18
Other receivables	49	-	273	1,128	1,450	1,409
Prepayments and accrued income	799	136	170	11	1,116	1,483
VAT recoverable	524	441	45	-	1,010	849
	<b>1,772</b>	<b>784</b>	<b>617</b>	<b>1,664</b>	<b>4,837</b>	<b>5,285</b>

## 18 Cash and cash equivalents

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	58,073	56,814
Net changes in cash and cash equivalent balances	(4,272)	1,259
<b>Balance at 31 March</b>	<b>53,801</b>	<b>58,073</b>
The following balances were held at:		
Government banking service	41,366	42,449
Commercial banks and cash in hand	12,435	15,624
<b>Balance at 31 March</b>	<b>53,801</b>	<b>58,073</b>

## 19 Trade payables and other current liabilities

	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
<b>Amounts falling due within one year:</b>						
Other taxation and social security	409	-	245	-	654	915
Trade payables	943	1,620	411	-	2,974	3,313
Other payables	432	-	283	111	826	643
Accruals and deferred income	2,774	836	1,587	-	5,197	5,681
Finance leases (IAS17)*	-	-	-	-	-	3,552
Leases (IFRS16)*	2,234	2,665	340	-	5,239	-
	<b>6,792</b>	<b>5,121</b>	<b>2,866</b>	<b>111</b>	<b>14,890</b>	<b>14,104</b>

\* for leases see note 23

## 20 Provisions for liabilities and charges

	Retirement £000	Litigation £000	*DGPS £000	*Royal Sov. £001	Other £000	Total £000
<b>Balance at 1 April 2019</b>	199	69	-	-	318	586
Reclassified from trade payables	-	-	-	-	-	-
Provided in the year	10	77	1,741	9,647	283	11,758
Provision written back	-	(18)	-	-	(53)	(71)
Provisions utilised	(19)	(23)	-	-	(218)	(260)
Unwinding of discount	-	-	-	-	-	-
Foreign exchange	5	2	-	-	7	14
<b>Balance at 31 March 2020</b>	<b>195</b>	<b>107</b>	<b>1,741</b>	<b>9,647</b>	<b>337</b>	<b>12,027</b>

Analysis of expected of discounted flows

In one year or less or on demand	28	69	-	-	318	415
Between one and five years	37	-	-	-	-	37
Later than five years	134	-	-	-	-	134
<b>Balance at 31 March 2019</b>	<b>199</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>318</b>	<b>586</b>
In one year or less or on demand	13	107	-	-	333	453
Between one and five years	48	-	958	9,647	4	10,657
Later than five years	134	-	783	-	-	917
<b>Balance at 31 March 2020</b>	<b>195</b>	<b>107</b>	<b>1,741</b>	<b>9,647</b>	<b>337</b>	<b>12,027</b>

\* Decommissioning projects.

The GLAs have provided for:

Retirement costs - Irish lighthouse attendants accrued earning payable on retirement.

Litigation – IL disputed claim from a contractor.

DGPS – the three GLA have given notice to withdraw their Differential GPS system from March 2022. Provision is made to dismantle and remove transmitters at seven locations.

Royal Sovereign – TH has given notice to discontinue the Royal Sovereign lighthouse. Accordingly, this offshore concrete structure, which has reached the end of its design life, will require removal by a specialist marine salvage contractor. The provision is calculated based on professional advice provided to TH by marine specialists. Key estimates include market rates for marine assets and personnel, along with the number of days estimated to

complete the project and remove the structure. TH is currently in the early stages of a formal tender progress, this provision will be updated as the project progress.

Other – IL provision to repair storm damage to Irish property and for responsible withdrawal at remote sites.  
Other – IL & NLB have provided for asbestos related works.

Provisions provided and written back during the year have been charged to staff costs or other expenditure in the SoCNI.

## 21 Financial liabilities

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

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(111,117)</b>	<b>(131,320)</b>
Principal repaid	20,000	20,000
Interest paid	2,132	2,538
Interest accrued	(1,929)	(2,335)
<b>Balance at 31 March</b>	<b>(90,914)</b>	<b>(111,117)</b>
Amount due within 12 months	(20,914)	(21,117)
Amount due after 12 months	(70,000)	(90,000)

## 22 Non-current trade payables and other liabilities

	TH £'000	NLB £'000	Irish Lights £'000	GLF £'000	2019/20 £'000	2018/19 £'000
<b>Amounts falling due after one year:</b>						
Payables, accruals and deferred income	-	-	474	-	474	456
Finance leases (IAS17)*	-	-	-	-	-	9,449
Leases (IFRS16)*	4,658	4,972	2,094	-	11,724	-
	<b>4,658</b>	<b>4,972</b>	<b>2,568</b>	-	<b>12,198</b>	<b>9,905</b>

\* for leases see **note 23**

## 23 Leases

The GLF has implemented IFRS 16 (leases) as at 1 April 2019 using the cumulative catch up method. Prior year figures remain reported using IAS 17 (leases) and follow the disclosures below.

### 23.1 First-time adoption of IFRS 16

	TH £'000	NLB £'000	Irish Lights £'000	2019/20 £'000
<b>Adjustments from IAS 17 to IFRS 16</b>				
Operating lease commitments disclosed as at 31 March 2019	4,854	2,905	3,935	11,694
(Add): finance lease liabilities	5,467	7,534	-	13,001
Impact of discounting	(750)	(108)	(1,162)	(2,020)
Less: short-term leases not recognised as a liability	(281)	(59)	-	(340)
Less: low-value leases not recognised as a liability	(45)	(15)	(8)	(68)
(Add)/less: adjustments re different treatment of extension & termination options	24	(62)	-	(38)
(Add)/less: adjustments re changes in the index or rate affecting variable payments	(57)	-	(50)	(107)
<b>IFRS 16 opening balance lease liability recognised as at 1 April 2019</b>	<b>9,212</b>	<b>10,195</b>	<b>2,715</b>	<b>22,122</b>
<b>Of which:</b>				
Current	2,179	2,574	330	5,083
Non-current	7,033	7,621	2,385	17,039
<b>Total</b>	<b>9,212</b>	<b>10,195</b>	<b>2,715</b>	<b>22,122</b>

The above table reconciles the amount of operating lease commitments as at 31 March 2019 to lease liabilities as at 1 April 2019, immediately following adoption of IFRS 16. The material reconciling items are an adjustment for the impact of assessing leases under IFRS 16 compared to IAS 17.

### 23.2 Lease liabilities (lessee)

	TH £'000	NLB £'000	Irish Lights £'000	2019/20 £'000
<b>Lease liabilities (at 31 March 2020)</b>				
Current	2,234	2,665	340	5,239
Non-current	4,658	4,972	2,094	11,724
	<b>6,892</b>	<b>7,637</b>	<b>2,434</b>	<b>16,963</b>
<b>Amounts falling due:</b>				
Not later than one year	2,234	2,665	340	5,239
Later than one year and not later	3,208	4,944	616	8,768
Later than five years	1,450	28	1,478	2,956
	<b>6,892</b>	<b>7,637</b>	<b>2,434</b>	<b>16,963</b>

	TH	NLB	Irish Lights	2019/20
	£'000	£'000	£'000	£'000
<b>Amounts recognised in expenditure</b>				
Depreciation expense	1,695	1,916	286	3,897
Interest expense	202	271	52	525
Rental on leases of low-value	5	9	6	20
Rental of leases expiring within 12 months	26	5	0	31
Variable Leasing costs	344	371	170	885
	<b>2,272</b>	<b>2,572</b>	<b>514</b>	<b>5,358</b>
<b>Cash flows</b>				
Interest	202	271	52	525
Repayment of lease liability	2,160	2,574	332	5,066
	<b>2,362</b>	<b>2,845</b>	<b>384</b>	<b>5,591</b>

### 23.3 Lease income (lessor)

The GLF has no income from subleasing right of use assets

The GLF has no income from finance leases

	TH	NLB	Irish Lights	2019/20
	£'000	£'000	£'000	£'000
<b>Lessor income from operating leases</b>				
Lease income	748	183	553	1,484
Variable income not depend on an index or rate	153	-	62	215
	<b>901</b>	<b>183</b>	<b>615</b>	<b>1,699</b>
Maturity analysis of operating lease payments receivable				
Amounts due:				
Within 1 year	668	183	567	1,418
Between 1 and 2 years	642	39	412	1,093
Between 2 and 3 years	622	17	383	1,022
Between 3 and 4 years	609	17	362	988
Between 4 and 5 years	608	8	302	918
After 5 years	2,466	44	1,783	4,293
	<b>5,615</b>	<b>308</b>	<b>3,809</b>	<b>9,732</b>



### 23.4 Prior year IAS 17 obligations under operating leases

	2019/20 £'000	2018/19 £'000
<b>Land</b>		
Not later than one year	-	214
Later than one year and not later than five years	-	756
Later than five years	-	4,636
<b>Total</b>	-	<b>5,606</b>
<b>Buildings</b>		
Not later than one year	-	39
Later than one year and not later than five years	-	149
Later than five years	-	70
<b>Total</b>	-	<b>258</b>
<b>Other</b>		
Not later than one year	-	1,755
Later than one year and not later than five years	-	4,075
Later than five years	-	-
<b>Total</b>	-	<b>5,830</b>

### 23.5 Prior year IAS 17 obligations under finance leases

Obligations under finance lease relate exclusively to five of the GLA vessels. At the completion of the primary lease period, a secondary period commences at a nominal rental. When a vessel is sold, or reaches end of life, the proceeds are apportioned between the lessor and the GLA.

	2019/20 £'000	2018/19 £'000
<b>Other</b>		
Not later than one year	-	3,953
Later than one year and not later than five years	-	9,431
Later than five years	-	586
<b>Sub - Total</b>	-	<b>13,970</b>
Less interest element	-	(969)
<b>Total</b>	-	<b>13,001</b>
Included within trade and other payables	-	3,552
Included within non-current liabilities	-	9,449

## 24 Capital Commitments

Contracted capital commitments at 31 March 2020 not otherwise included in these financial statements.

	2019/20 £'000	2018/19 £'000
Property plant and equipment	1,184	775
Intangible assets	339	94
	<b>1,523</b>	<b>869</b>

## 25 Pension Commitments

GLA employees are members of the Principal Civil Service Pension Scheme (PCSPS) or alpha - details are included in the Remuneration and Staff reports.

### Merchant Navy Officers' Pension Fund & the Ensign retirement plan

The GLAs were participating employers of the Merchant Navy Officers Pension Fund (MNOFP), a defined benefit scheme providing benefits based on final pensionable salary. The MNOFP was a funded multi-employer scheme but the GLA boards are unable to identify their share of the underlying assets and liabilities. Previously, officers who started employment with the GLAs and were members of the MNOFP were given the option of continuing MNOFP membership or joining the GLA Pension Scheme. This option is no longer available as the MNOFP closed on 31 March 2016. The assets of the scheme are held separately from the GLF, specifically in separate funds managed by trustees of the scheme. Contributions to the scheme (20.0% of pensionable salaries) were charged to the Statement of Comprehensive Net Expenditure when they were paid.

No contributions were paid to the MNOFP in the year (2018-19, £nil).

On 1 April 2016 the Ensign retirement plan was created to replace the MNOFP. During 2019-20 contributions of £12,697 (2018-19, £11,893) were made relating to one member.

The rules of the MNOFP 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 (2018-19, £nil).

Following a presentation by the trustees of the MNOFP (Ensign Pension Plan) on the 4th June 2020 it has been confirmed that the scheme has continued to progress positively. The scheme has maintained a high level of paid up employers and in insuring some of the liabilities to try to ensure the pensions are fully funded has resulted in a position as at 30 April 2020 of a funding level of 98.7% (£3,411m). Ensign have confirmed that due to their low level of held equities (c.7%) the scheme has been protected to a large extent from the current global pandemic. There are still contributions of £26.9m to be collected (c.1% of fund) which despite the impact of COVID-19 on the shipping industry it is anticipated this will still be collected. Ensign anticipate that there should be no requirement for further contributions from employers, however this cannot yet be guaranteed. Ensign plan to insure the remaining liabilities through 2024-25 and would hope that they would be in a position to wind up the scheme shortly thereafter which would allow NLB to dispense with the contingent liability.

## 26 Contingent liabilities

### Merchant Navy Officers Pension Fund

An actuarial valuation carried out as at 31 March 2018 (see **Note 25**) resulted in no further calls for employer contributions. The next valuation is due at 31 March 2021 with publication expected in 2022. It is impractical to estimate any potential financial effect.

### Lighthouse Estate

As a result of regular surveys, the GLAs recognise that there is a raised degree of risk at a number of lighthouse stations that may demand a currently unquantified level of future investment as a result of coastal erosion, subsistence and unstable ground/rock formation. Due to the uncertain nature of these events, no provision has been made in the accounts.

### Employers' Liability

Prior to February 1988, NLB was self-insured for Employers' Liability risks under a Certificate of Exemption from the then Board of Trade. Marine staff have been covered since 1965 under Protection & Indemnity insurance. Therefore, should a claim materialise (and liability/causation be established) in respect of matters arising prior to the date that Employers' liability or P&I insurance came into effect, there may be a period for which the NLB is responsible for damages and costs as part of any settlement.

Prior to February 1988, TH was self-insured for Employer's Liability risks under a Certificate of Exemption from the then Board of Trade. Marine staff have been covered since 1962 under Protection & Indemnity insurance. Therefore,

should a claim materialise (and liability/causation be established) in respect of matters arising prior to the date that Employers' Liability or P&I insurance came into effect, there may be a period for which TH is responsible for damages and costs as part of any settlement.

It is impractical to estimate any potential financial effect.

### **Royal Sovereign Light Structure**

Provision has been made, see **Note 20**, to remove the Royal Sovereign Lighthouse structure, removing the base of the structure from the seabed is considered a contingent liability.

The lease of the seabed requires removal of the base at the end of the lease, the lease has a remaining term of 113 years and there appears to be little appetite from the Landlord, Crown Estates, to enforce this removal at this stage. Since this removal of the base element could take place up to the year 2133, assuming it remains necessary over the long passage of time, there is significant uncertainty on the method and timing of its removal, as well as the effect of discounting, which means it is not possible to arrive at a reliable estimate of this element of the removal costs despite the decommissioning announcement. As a result, this is accounted for as a contingent liability rather than as a provision under IAS 37.

## **27 Related-party transactions**

The GLF is administered by DfT who sponsor the three GLAs. For governance purposes, each GLA is considered to be a Non-Departmental Public Body (NDPB).

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

### **Trinitas Services Ltd**

TH 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 13 locations, to be leased to Trinitas for 25 years (the lease expires in 2032). Trinitas has refurbished the cottages and has a contract with Rural Retreats to let 32 of these as holiday cottages.

The freehold interest in the properties remains with TH. The potential uplift in value at the end of the lease period arising from the refurbishments is uncertain. A ground rent is payable during the currency of each lease but there is no premium.

M Amos, Non-Executive Director of the Trinity House Lighthouse Service (THLS) Lighthouse Board, is appointed to the Board of TSL as a nominee of the Corporate Board responsible for Trinity House Charities. Commodore R Dorey is appointed to the Board of TSL as a nominee of the Corporate Board responsible for Trinity House charities. Both are members of the THLS Lighthouse Board. Commodore M Atherton, A Groom and M Glaister 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 THLS Lighthouse Board.

### **Corporation of Trinity House**

The Corporation of Trinity House owns Trinity House Tower Hill and provides accommodation for the use of TH. TH reimburses the Corporation for service charges in proportion to the floor area occupied. During 2019-20 THLS paid £307,791 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (2018-19, £300,294).

Conversely, the Corporation of Trinity House reimburses THLS for the provision of services during the year. The Corporation paid £73,619 to THLS in respect of these services during the year (2018-19, £71,336).

### **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, both the built and natural heritage. The Trust has six nominated members including the NLB. The former NLB Director of Finance and Administration, Douglas Gorman, is currently a Director of the Company. The NLB's liability to the Trust is limited to £1, there have been no transactions in the year and there are no outstanding balances at 31 March 2020.

### **Scotland's Lighthouse Museum Ltd**

Scotland's Lighthouse Museum (SLM) Ltd is a registered charity, whose primary purposes are 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 NLB Director of Engineering was a SLM Board Member until September 2016 and was succeeded by the Chief Executive. There have been no transactions between the Trust and NLB in the financial year and there are no outstanding balances at 31 March 2020.

#### **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. A decision was made in 2018-19 to close the Trust. There were no transactions of value between the NLB and the Trust, however, the use of an NLB room was given of nil consideration for the event celebrating the 20th Anniversary of the automation of the last lighthouse which was attended by former lighthouse keepers and their families. The remaining funds of £1,719.62 in the Trust were donated to the Civil Service Benevolent Fund in 2019-20.

#### **The Northern Lighthouse Heritage Trust - Charity number SCO40872**

The Northern Lighthouse Heritage Trust is a registered charity whose primary purpose is to support the preservation and conservation of lighthouse heritage. During the year a total of £1,652 was transferred in from the sale of books and prints sold by the Northern Lighthouse Board on behalf of the Trust (2018-19, £850).

## **28 Third Party Assets**

There are other assets held by NLB on behalf of the Commissioners. These assets are a collection of furniture, books, maps, paintings and silver and do not form part of the GLF.

	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Cash and investments	-	2
Heritage collection	228	228
	<b>228</b>	<b>230</b>

## **29 Financial Instruments**

Due to the largely non-trading nature of their activities and the method of funding from the GLF, the GLAs 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 limited powers to invest in surplus assets or funds.

Aside from trade and other receivables (**Note 17**) and trade and other payables (**Note 19**) the only financial instruments held by the GLAs are leases described in **Note 23**

The core GLF holds a loan from the DfT described in **Note 21**.

The GLF has no publicly traded derivatives or trading and available for sale securities.

All financial assets and liabilities are measured at amortised cost.

#### **Liquidity risk**

Liquidity risk for all three GLAs resides with the GLF through the operation of cash funds held with the Government Banking Service and is largely dependent on the flow of Light dues levied on ships calling at UK and IRL ports.

GLA cash requirements are managed through weekly and monthly management reporting, in addition to annual forecasts for GLA requirements. A ten-year GLF funding model is refreshed bi-annually to ensure adequate financing is available. Short-term and medium-term financing issues are addressed by holding sufficient cash reserves in the GLF, whilst longer-term GLA budgets and/or the Light dues tariff would be considered when reviewing the ten-year forecast.

#### **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 TH collectors, most of which are also members of the Institute of Chartered Shipbrokers. Collectors must pass an approval process and sign up to payment by Direct Debit. IRL Light dues are collected via Irish Revenues and Customs offices. Light Dues credit risk is considered to be very low.

## **Interest rate risk**

### **GLAs**

The GLAs have leases on vessels THV Galatea, THV Alert, THV Patricia, NLV Pole Star and NLV Pharos. It is not considered that these present any exposure to interest rate risk because the rates are fixed.

The GLAs hold working funds in a money market accounts and actively managed the balances to ensure they are at the minimum required to meet short-term cash requirements. Interest on these deposits is not material.

### **GLF**

The GLF has no liabilities that will lead to an exposure to rising interest rates. However falling or low interest rates impact on the returns the GLF earns from cash reserves held in an HSBC Liquidity Fund and GBS Deposit Account.

### **Currency Risks**

Due to the operating currency of Irish Lights 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.

Euro income from IRL Light dues and contributions from the Irish Government are retained in a Lloyds euro account until needed for Irish Lights GLF advances. The balance at 31 March 2020 was £1.92m (€1.17m).

### **Market Risk**

The GLF has no investment market risk.

### **Fair Values**

The carrying value of GLF financial assets and liabilities as at 31 March 2020 is equivalent to their Fair Value.

## **30 Events after reporting period**

There are no events after the reporting period requiring disclosure.

### **Authorised for issue**

These financial statements are laid before the Houses of Parliament by the Secretary of State for Transport. The Accounting Officer has authorised these financial statements to be issued on the same day as the Comptroller and Auditor General signs the audit certificate.

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