

GENERAL LIGHTHOUSE FUND

Report and Accounts for the Year Ended 31 March 2012



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Report and Accounts for the year ended 31 March 2012

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

Department for Transport

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Introduction to the Report and Accounts

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

Accounting for the Fund

These accounts have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury, except for the departures specifically required by the accounts direction. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the GLF for the purpose of giving a true and fair view has been selected. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

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

The accounts of the GLAs have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport in March 2003.

Statutory Background

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

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

Code of Practice for Board Members

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

Key Achievements during the Year

- The continuous maintenance of Aid to Navigation (AtoN) availability above the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) standards.
- Launched the new Marine Aids to Navigation Strategy in July 2011.
- Secured non GLF funding for a further year to continue the development of eloran.
- Generated income of £4m from commercial activities.
- Continued development of the GLA Joint Strategic Board for good administrative purpose.
- GLA Running costs agreed in principle for the next three years, achieving substantive reductions through even greater efficiencies.

Management Commentary

Nature, Objectives and Strategy of the General Lighthouse Fund

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

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

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

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

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

Future Goals

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

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

Following the understanding between UK and Irish Ministers that, Aids to Navigation in the Republic of Ireland will be funded from Irish sources from 2015/16, Officials from DfT will work with their Irish counterparts to deliver on this commitment.

Finally DfT will look for alternative ways to bring forward key proposals contained within the draft Marine Navigation Bill, that deal with issues such as the regularisation of the territorial extent of GLA operations, GLA commercial work and addressing in part the General Lighthouse Authorities pension liabilities. Two Bills currently before Parliament, the Marine Navigation (No. 2) Bill and the Public Service Pensions Bill, would deliver these objectives.

Key Performance Indicators

Availability of Differential Global Positioning System (DGPS)

Assuming overlapping coverage, the GLA DGPS Service availability was equal to or better than 99.9% in all areas for the year 2011/12. IALA recommends presentation of DGPS Service availability taken over a two year period. Again assuming overlapping coverage, the GLA DGPS Service availability was equal to or better than 99.99% in all areas for the two year period 2010/12. The availability of the GLA DGPS service is therefore 99.99% and within the target availability criteria of 99.8%.

Aids to Navigation (AtoN) Availability

Availability of AtoN is the prime factor in any measurement to demonstrate compliance with the GLAs statutory responsibilities. The standards against which the GLAs measure themselves are those recommended as the minima by IALA. The figures shown below reproduced in accordance with those standards, show three year rolling averages under the various categories of aids and against the minimum availability required for each category. It can be seen that, except for CIL's Racons in 2007/08, the GLAs service has exceeded those minima in all years covered by the review. The GLAs consider this to be a major achievement given the reductions in resources in recent years. This is a significant contribution towards the ongoing safety of all mariners.

Definition, calculation and targets

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

Category 1 Availability Target 99.8%

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

Category 2 Availability Target 99.0%

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

Category 3 Availability Target 97.0%

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

Source of data

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

Performance

See page 4.

Changes to data or calculation

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

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

General Lighthouse Authorities Aton Availability - Three Year Rolling averages												
Trinity House												
Aton Type	Cat.	IALA Min	2007/08		2008/09		2009/10		2010/11		2011/12	
			Act	Diff	Act	Diff	Act	Diff	Act	Diff	Act	Diff
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
Racons	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
Lights	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.9%	0.9%	100.0%	1.0%	100.0%	1.0%
Fog Signals	3	97.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%
Lights	3	97.0%	99.8%	2.8%	99.8%	2.8%	99.8%	2.8%	99.8%	2.8%	99.9%	2.9%
Northern Lighthouse Board												
Aton Type	Cat.	IALA Min	2007/08		2008/09		2009/10		2010/11		2011/12	
			Act	Diff	Act	Diff	Act	Diff	Act	Diff	Act	Diff
Buoys	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	100.0%	0.2%
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.8%	0.0%	99.8%	0.0%	99.8%	0.0%
Racons	1	99.8%	99.9%	0.1%	99.8%	0.0%	99.9%	0.1%	99.8%	0.0%	99.8%	0.0%
Buoys	2	99.0%	99.8%	0.8%	99.9%	0.9%	99.9%	0.9%	100.0%	1.0%	100.0%	1.0%
Lights	2	99.0%	99.8%	0.8%	99.8%	0.8%	99.8%	0.8%	99.9%	0.9%	99.8%	0.8%
Buoys	3	97.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%
Beacons	3	97.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%
Commissioners of Irish Lights												
Aton Type	Cat.	IALA Min	2007/08		2008/09		2009/10		2010/11		2011/12	
			Act	Diff	Act	Diff	Act	Diff	Act	Diff	Act	Diff
Lights	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
Racons	1	99.8%	99.6%	-0.2%	99.8%	0.0%	99.9%	0.1%	100.0%	0.2%	99.9%	0.1%
Lights	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.8%	0.8%	99.8%	0.8%	99.9%	0.9%
Fog Signals	3	97.0%	99.8%	2.8%	99.8%	2.8%	99.8%	2.8%	99.7%	2.7%		
Lights	3	97.0%	99.8%	2.8%	99.8%	2.8%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%

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

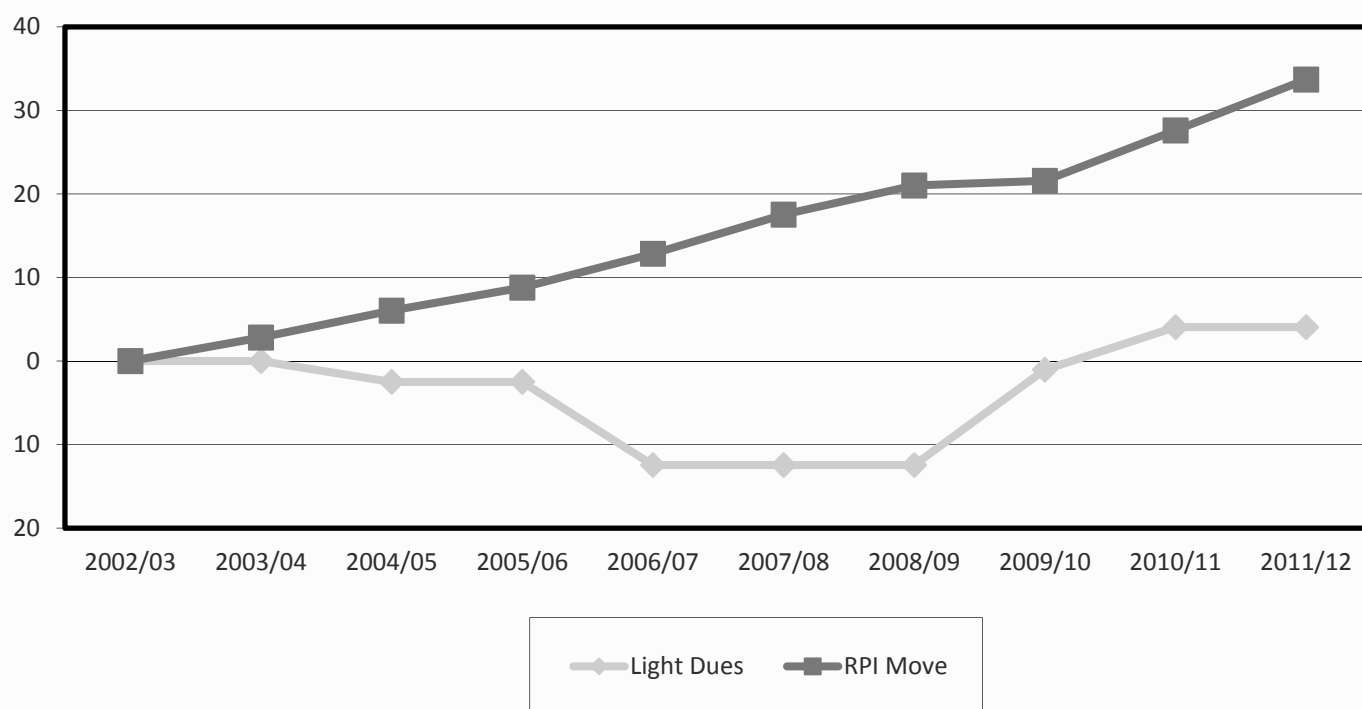
Current and Future Developments

Light Dues

The income to the GLF comes mostly from light dues, which are charged on commercial shipping calling at United Kingdom and Republic of Ireland ports. There is no provision for Exchequer funding except in the Republic of Ireland. The Secretary of State for Transport has a duty to ensure the effective management of the GLF and enable the adequate provision of AtoNs at the minimum cost.

The Government remains committed to the present system of recovering costs through light dues but is determined to minimise the cost burden on the shipping industry. Over the fifteen years to 2008/09, the GLAs consistently delivered reductions in the real cost of light dues. The rate per ton fell from its historic peak of 43p in 1993 to 35p in 2006. The general economic and financial climate in 2008 and early 2009 together with the fact that the GLF had been operating at a budgeted annual deficit in recent years resulted in the GLF falling to levels close to agreed minimum levels. As a result the light dues rate was raised to 41p per ton in a two stage increase which took place on 1 July 2009 and 1 April 2010. In addition the voyage and tonnage cap was also increased to 9 voyages and 40,000 net registered tonnes (nrt) respectively. Despite these increases, light dues remain 34% lower than they were 10 years ago. The Shipping Minister has indicated that stable light dues charges are important for the shipping industry and so has said that there should be no increase in the level of Light Dues for a further year.

Light Dues Rates compared to RPI



Joint Strategic Board

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

Aids to Navigation Review

Following publication of the Tri GLA 2010 AtoN Review on 12 May 2010 implementation of the changes recommended has started to be initiated. At Trinity House work has been completed to reduce the main light ranges at Alderney, Anvil Point, Beachy Head, Peninnis Head, Hartland Point and Skokholm with a revised light due on Godrevy lighthouse in the summer of 2012. The light range at Southwold is in the process of being upgraded. Extending the range of Southwold will enable Orfordness to be discontinued. Maryport lighthouse was handed over to Maryport Harbour Authority on 25 November 2011. Of the 66 Lighthouses that Trinity House operates, 3 retain long running diesel engines for their power. These are in the 5 year plan to modernize and use renewable energy or a hybrid system for their power. Casquets, a major light in the English Channel near the Channel Islands, is in the midst of a major modernisation programme due to complete in November 2012. This will see the station operate entirely from renewable energy sources. Bardsey and Longstone are in initial design stages to move away from 24 hour diesel power. Three Lightvessels have been converted from diesel to solar with new AtoN systems, the new design has eliminated the failure modes from the previous design and these vessels will remain at sea for 10 years between refit. AIS has started to be rolled out to selected stations with the completion of the programme in 2012/2013. Following consultation with the Navigation Examiners and users, some Lighthouses have had their hours of exhibition reduced from 24 hour to night time only with consequential savings in power and autonomy.

At the Northern Lighthouse Board in 2010/11 Lights identified for closure in Caithness and on the Isle of Man were extinguished. Seven buoy stations were discontinued, a new buoy station established and three beacons lit. In 2011/12 a number of major lights which had been identified as needing further consideration of long term future were assessed. Eleven lights were considered utilising AIS traffic analysis of which five were identified as possible closures. A consultation was carried out July to November 2011 with the Scottish Users Consultative Group and other interested parties. From this a fuller picture of user requirement for these lights was established. The navigation committee, taking the respondents views into account, decided on closure of Covesea Skerries (subject to a buoy being placed marking the off lying Skerries) and Strathy point lights. Both these lights were discontinued on 2nd March 2012.

The Commissioners of Irish Lights have continued to progress the implementation in a very satisfactory manner. New buoys have been established at Donaghadee and Portrush and a number of gated buoy lights have been synchronised bringing significant improvements. The list of stations to be disestablished has been completed and progress made on all stations listed for transfer to Local Lighthouse Authorities.

E-Navigation

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

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

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

In the e-Navigation environment the sudden reversion to traditional visual and radar navigation methods in congested and confined waters is a genuine concern which may be beyond the experience of future watch keepers and thus would potentially be unsafe.

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

The GLAs' eLoran trials have been very successful to date. The potential eLoran system performance and the vulnerability of GNSS have been clearly demonstrated. A widely publicised report by the Royal Academy of Engineering on GNSS vulnerability pointed out that developing backup systems to GNSS, such as eLoran, is vital.

The GLAs' prototype eLoran service has been operational on a trial basis for the last four years, demonstrating 100% availability over the last two years. Central government funding to support the development of eLoran was secured in the 2010/2011 year, evidenced in a GLA business case that estimated eLoran could save £25million over its life, with most of the savings coming from a reduction in the number of traditional AtoNs.

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

Triennial Risk Management Review

Trinity House led the GLAs' triennial risk management review, the recommendations of which were approved by the Lights Finance Committee on 26 November 2009 and are being implemented against an agreed programme. External consultant Willis Ltd, who was employed as part of the review to provide independent advice and to test the effectiveness and robustness of the GLAs' risk management arrangements, concluded that the GLAs had implemented structured approaches to managing risks and continue to apply robust internal controls. The next review is planned for the summer of 2012.

Draft Marine Navigation Bill

In line with the Modernisation Committee recommendation for new legislation, the DfT published a draft Marine Navigation Bill in May 2008 for pre-legislative scrutiny. The Bill would introduce new powers and duties to improve the ability of harbour and lighthouse authorities to discharge their responsibilities for safety management in UK waters. This includes measures to confirm the powers of the GLAs to work outside the 12 nautical mile territorial limit, to improve their ability to tender for commercial work where this can allow the utilisation of surplus capacity and to update the GLA pension arrangements. The Bill was unable to find Parliamentary time in 2011/12.

Reclassification of the GLF & GLAs

On 31 December 2011 the Office for National Statistics (ONS) announced that they had re-classified the GLAs as "central government bodies". This followed a request by Eurostat, following the Greek crisis, for all EU governments to scrutinise the classification of their public corporations. ONS took the decision that Light Dues were a "tax on production" and it therefore followed that the GLAs were central government bodies.

Investment Portfolio

The GLF's Investment Portfolio, managed by Baillie Gifford & Co. and Martin Currie Investment Management Limited, experienced a difficult year due to market volatility arising from the Euro zone crisis, however the value of the combined portfolio marginally increased by £0.4m (0.4%).

Investment Analysis by Investment House

		Mkt. Value	Cost	Mkt. Value	Cost
		31 March 12	31 March 12	31 March 11	31 March 11
		£m	£m	£m	£m
Martin Currie	Investments	42.3	41.1	44.6	39.1
	Cash for Investment	4.7	4.7	3.8	3.8
Baillie Gifford	Investments	43.0	31.9	41.5	30.8
	Cash for Investment	1.2	0.0	0.9	0.9
Total		91.2	77.7	90.8	74.6
HSBC Sterling Liquidity Fund		43.0	43.0	19.3	19.3
HSBC Euro Liquidity Fund		0.6	0.6	8.3	8.3
Total HSBC Liquidity Fund		43.6	43.6	27.6	27.6

Resources

People

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

TH takes responsibility for three inter GLAs functions: Research and Radio Navigation (discussed on Page 6); the collection of light dues in the UK, and from June 2011 TH took on responsibility for out-of-hours AtoN monitoring. Light dues collection is achieved using an internet based collection system, operated by light dues collectors in each port, who are all members of the Institute of Chartered Shipbrokers. Other arrangements exist in the Republic of Ireland and the Isle of Man for the collection of light dues.

Sickness Absence

Sickness absence in the three GLAs during the year was:

	2011/12	2010/11
Trinity House		
Total number of days sickness	2,418	3,001
Average number of days lost per employee	7.7	9.5
Commissioner of Irish Lights		
Total number of days sickness	897	1,502
Average number of days lost per employee	7.1	9.4
Northern Lighthouse Board		
Total number of days sickness	1,429	2,030
Average number of days lost per employee	7.5	10.4

Physical Assets

In addition to staff, the GLF has a number of physical assets, which are essential to providing its service. These are detailed in note 29 to the accounts. The mariner is becoming increasingly more reliant on GNSS for position fixing. If the Loran System in Europe can be upgraded to eLoran and adopted as the terrestrial radio navigation service as backup to GNSS for Safety of Life at Sea Convention vessels (SOLAS), then the number of physical assets required for safe navigation is likely to reduce.

Environment

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

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

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

The GLAs have placed high on the agenda the potential use of renewable energy sources such as solar power and they continue to research other sources of renewable energy such as wave and wind power and tidal flow.

Disabled Employees

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

Equal Opportunities

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

Employee Involvement

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

Relationships

Department for Transport

The General Lighthouse Fund is administered by the DfT, who sponsor the three General Lighthouse Authorities. The relationship between the GLAs and the DfT is set out in a Framework Document (Incorporating Financial Memorandum and Management Statement), drawn up in March 2003 and last updated in August 2008.

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

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

Joint Strategic Board

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

Lights Advisory Committee

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

User Consultation

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

Investment Managers

The General Lighthouse Fund employs two investment managers, Baillie Gifford & Co. and Martin Currie Investments Limited, to manage the Fund's investment portfolio and a third, HSBC Investments Limited to handle the Fund's cash arrangements that service the operational cash requirements of the GLAs.

Scottish Government

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

Isle of Man Government

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

Revenue Commissioners (Republic of Ireland)

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

Financial Position

Source of Finance

The GLAs are financed by advances made by the DfT from the Fund whose principal income is from light dues levied on shipping using ports in the United Kingdom and the Republic of Ireland. The Fund receives additional income from the Republic of Ireland Exchequer following an agreement entered into in 1985 and from sundry receipts generated by the GLAs from buoy and property rental, workshop service and the sale of assets. The fund also receives income from investments.

All three GLAs contained their running cost expenditure within levels sanctioned by Ministers in 2011/12. The level of light dues in the United Kingdom is determined by the Secretary of State for Transport under Section 205 of the Merchant Shipping Act 1995. The Minister for the Department of Transport sets light dues in the Republic of Ireland, under the Merchant Shipping (Light Dues) Act 1983.

Going Concern

These accounts have been prepared on a going concern basis, as the DfT are satisfied that the Fund's activities are sustainable for the foreseeable future. The Statement of Financial Position at 31 March 2012 reflects a pension liability of £378m (see below and Note 23). The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (see appendix 1). The letter states that in the unlikely event of insufficient money being available from the GLF to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Accounting Policies, Changes in Accounting Estimates and Errors

The Accounting Policies are reviewed each year in accordance with IAS 8, Accounting Policies. This review is carried out at the tri-GLA Accounts Format Working Group.

Pension Liability

There is a substantial deficit on the General Lighthouse Fund's pension scheme and this is reflected in the accounts. The total liability, which was recognised on the Statement of Financial Position for the first time in 2003/04, amounts to £378m as at 31 March 2012. As noted in the accounts the DfT will seek to ensure that annual revenue into the General Lighthouse Fund will be sufficient to meet pension liabilities as they fall due. The liability is also covered by a letter of comfort from the DfT. However the letter of comfort is only a fallback position and there is a clear expectation that the liability will be discharged from the General Lighthouse Fund.

The DfT has acknowledged the existence of the pension liability and, together with the three GLAs, is addressing a number of issues-

1 - Legal advice has confirmed that part of the General Lighthouse Fund, including any contributions paid by members, cannot be protected from general liabilities to provide pension benefits. At 31 March 2012 the actuaries estimate that £49.4m of members' contributions are held within the General Lighthouse Fund and are therefore unprotected. This is an undesirable situation for the Pension schemes but options are restricted due to primary legislation.

2 - The actuaries were commissioned to complete a long-term cash flow projection of pension costs. The result of this study has been used to inform the long-term cash forecasts for the General Lighthouse Fund.

3 - Reviewing areas for potential changes to primary legislation to meet the changing needs in the best interests of employees and the General Lighthouse Fund.

4 - The recent reclassification of light dues as a tax, and The Public Service Pensions Bill currently undergoing Parliamentary scrutiny may offer opportunities to address the pension liabilities of the General Lighthouse Authorities.

Operating Results

The operating results for the year are set out in the Statement of Consolidated Income and show an operating surplus of £34.1m for 2011/12 (£41.5m in 2010/11). The total surplus for the financial year of £12.9m was transferred to the General Reserve (2010/11 surplus £21.4m). For 2011/12 the GLAs' performance against the cash limits set by DfT can be summarised as follows:

Commissioners of Irish Lights	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	13,130	15,273	(2,143)
Capital Expenditure	1,503	2,265	(762)
Other Costs	10,481	10,563	(82)
Total	25,114	28,101	(2,987)

Northern Lighthouse Board	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	13,527	15,118	(1,591)
Capital Expenditure	1,839	3,652	(1,813)
Expenditure on behalf of all GLAs	85	57	28
Other Costs	6,086	5,814	272
Total	21,537	24,641	(3,104)

Trinity House	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	23,453	25,718	(2,265)
Capital Expenditure	2,566	4,699	(2,133)
Expenditure on behalf of all GLAs	2,215	2,910	(695)
Expenditure on behalf of DfT	262	342	(80)
Other Costs	8,914	9,487	(573)
Total	37,410	43,156	(5,746)

Expenditure on Non-Current Assets

During the year to 31 March 2012 the GLAs' expenditure on non-current assets was as follows:

Commissioners of Irish Lights	2011/12 £'000	2010/11 £'000
Assets in course of construction	473	279
Land	-	-
Buildings	-	-
Buoys & Beacons	121	-
Lightvessels	-	-
Tenders Ancillary Craft & Floating Aids	108	54
Information Technology	14	-
Plant & Equipment	789	775
Total	1,503	1,108

Northern Lighthouse Board	2011/12 £'000	2010/11 £'000
Assets in course of construction	1,111	1,217
Land	5	4
Buildings	190	970
Buoys & Beacons	(16)	70
Lightvessels	-	-
Tenders Ancillary Craft & Floating Aids	201	444
Information Technology	92	6
Plant & Equipment	256	371
Total	1,839	3,082

Trinity House	2011/12	2010/11
	£'000	£'000
Assets in course of construction	1,619	1,304
Land	-	-
Buildings	-	505
Buoys & Beacons	13	205
Lightvessels	-	321
Tenders Ancillary Craft & Floating Aids	184	-
Information Technology	166	141
Intangible Software	55	262
Plant & Equipment	529	392
Total	2,566	3,130

The Accounts Direction provides that fixed assets shall be stated at historic cost less depreciation. During 2011/12 the GLAs obtained independent valuations of various Headquarters and Depot Buildings. The difference between the open market value and the net book value are as follows:

Assets	GLA	Market Value	NBV	Difference
		£'000	£'000	£'000
Harwich Depot	TH	3,890	8,618	(4,728)
Swansea Depot	TH	117	358	(241)
Edinburgh Headquarters	NLB	2,945	218	2,726
Oban Depot	NLB	902	3,270	(2,368)
Dun Laoghaire Headquarters	CIL	7917	17064	(9,148)

Trinity House London is owned by the Corporation of Trinity House and is not an asset of the GLF. CIL's Dun Laoghaire headquarters was revalued on 13 May 2010.

Finance Leasing Arrangements

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

Cash Draw Downs and Liquidity

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

Commissioners of Irish Lights	£25.6m
Northern Lighthouse Board	£20.4m
Trinity House	<u>£34.9m</u>
Total	£80.9m

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

Light Dues	£90.8m
Irish Government Contribution	<u>£ 6.2m</u>
Total	£97.0m

Cash income to the fund exceeded cash drawn down by the GLAs by £16.1m in the year 2011/12, and reflects the continued improvement in the financial situation as a result of increases to the Light Dues Tariff that came into effect from 1 July 2009 and 1 April 2010.

Data-Related Incidents

The GLAs are responding proportionately to the Cabinet Office's minimum mandatory measures, having regard to their relative small size, legal status and role as General Lighthouse Authorities.

The Data Protection Officers for each of the GLAs are unaware of any data related incidents during 2011/12.

Events after the Year End

These are covered in note 31 to the accounts.

Payment of Creditors Policy

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

1. Payment within a shorter timescale where a discount may be available; and
2. Where there is a genuine dispute in respect of the invoice concerned. In all cases the supplier is immediately informed of the details of the query and that the payment will be withheld pending resolution.

Suppliers are informed of our policy via a supplementary notice within contracts and are asked to provide any comments on this issue to the Directors of Finance. The proportion of the amount owed to trade creditors at 31 March 2012 compared to the amount invoiced by the suppliers during the year equated to the following proportion of days.

Trinity House	9 days
Northern Lighthouse Board	26 days
Commissioners of Irish Lights	16 days

Audit

The accounting records of the GLAs and the consolidated General Lighthouse Fund are examined by the UK Comptroller and Auditor General. The GLAs accounts, except for the departures specifically required by the accounts direction, are prepared under the terms of the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector. The audit fee for 2011/12 was £135,000.

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

Extra Territorial Waters

The Government has come to the view that it is not clear whether the GLAs' existing powers under Section 193 of the Merchant Shipping Act 1995 extend outside the UK's territorial waters. There are respectable arguments either way. Unless or until a court rules on the issue there is no definitive answer. It is the Government's intention therefore to take an early opportunity to clarify the legislation, to put beyond doubt that the GLAs may operate outside territorial waters. Provisions contained within the draft Marine Navigation Bill, and currently being promoted in Parliament within the Marine Navigation (No. 2) Bill, will remove these doubts.

The expenditure in question is modest - accounting for less than 1% of GLAs' running costs in a typical year - but the activities are an important and valuable element of the GLAs' overall aids to navigation service. They include urgent action on safety grounds to mark wrecks, and more permanent installations, such as light vessels marking the Dover Straits Channel separation scheme, required to meet the UK's international obligations under the International Convention on the Safety of Life at Sea.

The Lights Advisory Committee, representing the payers of light dues, has made it clear that it has no intention of challenging the legitimacy of this expenditure. Furthermore, the Government believes that the activities funded by this expenditure are essential to meet the objectives of the GLAs and to protect shipping, and have been widely accepted and valued over an extended period of time. The view has been taken that the risks arising from discontinuing or modifying these activities far outweigh the remote risks of a legal challenge to the regularity of this expenditure.

Authorised For Issue

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

Philip Rutnam
Accounting Officer
30 November 2012

Remuneration Reports

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

Trinity House

Remuneration Strategy

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

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

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

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

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

Remuneration of Directors (Audited)

Name	Salary	Bonus	Benefits	Salary	Bonus	Benefits
	2011/12 £'000	2011/12 £'000	2011/12 £	2010/11 £'000	2010/11 £'000	2010/11 £
J de Halpert ¹	70-75	10-15	1,300	100-105	20-25	-
I McNaught ²	65-70	5-10	500	-	-	-
J Wedge	90-95	10-15	1,500	90-95	10-15	1,600
R Barker	75-80	10-15	800	75-80	10-15	100
J Scorer	90-95	15-20	1,500	90-95	10-15	200
M Gladwyn	15-20	-	-	15-20	-	-
N Pryke ³	15-20	-	1,200	20-25	-	1300
C Bourne	15-20	-	500	15-20	-	600
D Coltman ⁴	-	-	-	5-10	-	2,100
E Johnson ⁵	15-20	-	700	-	-	-
N Palmer ⁶	0-5	-	-	-	-	-

¹ Retired 30 November 2011. Full year equivalent salary £105k-£110K

² Executive Chairman with effect from 1 September 2011. Full year equivalent salary £110-£115K

³ Retired 31 January 2012. Full Time Equivalent salary £20k-£25k N Pryke received remuneration as a non Executive Director and an Examiner.

⁴ Resigned 22 October 2010 Full Time Equivalent salary £15k-£20k

⁵ Term commenced 1 May 2011. Full year equivalent salary £15k-£20k.

⁶ Term commenced 1 February 2012. Full year equivalent salary £20k-£25k. N Palmer receives remuneration as a non Executive Director and an Examiner.

Benefits in Kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2011-12 relate to performance in 2011-12 and the comparative bonuses reported for 2010-11 relate to performance in 2010-11.

Pay Multiples

	2011/12	2010/11
Band of Highest Paid Directors Total Remuneration (£000's)	130-135	125-130
Median Total Remuneration	£31,976	£31,405
Ratio	4.1	4.0

Trinity House is required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisations workforce. The banded remuneration of the highest paid director in Trinity House in the financial year 2011/12 was £130k-£135k (Full Time Equivalent) (2010/11 £125k-£130k). This was 4.1 (2010/11 4.0) times the median remuneration of the workforce, which was £31,976 (2010/11 £31,405). In 2011-12, no employees received remuneration in excess of the highest paid director (2010-11 Nil). Remuneration ranged from £12,051 to £110,524. Total remuneration includes salary, non consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Service Contracts

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

Non-Executive Director	Contract Start	Expiry Date
N Pryke (Contract renewed in 2011 for further 1 year)	25 January 2005	31 January 2012
M Gladwyn (Contract renewed in 2010 for further 3 years)	1 September 2007	31 August 2013
C Bourne (Contract renewed in 2010 for further 2 years)	20 July 2006	19 July 2012
E Johnson	1 May 2011	30 April 2014
N Palmer	1 February 2012	31 January 2015

Pensions (Audited)

All Executive Board Members of Trinity House (including the Executive Chairman) are ordinary members of the Trinity House Lighthouse Service Pension scheme. They are entitled to compensation for permanent loss of office under the terms of the Trinity House Lighthouse Service Compensation scheme which operates by analogy to the Civil Service compensation scheme. Their contracts are ongoing until the age of 65, subject to satisfactory performance and require a twelve month written notice period.

	(a) Real Increase in pension	(b) Real Increase in lump sum	(c) Accrued Pension	(d) Accrued lump sum	(e) CETV 31 March 11	(f) CETV 31 March 12	(g) Real Increase CETV	(h) Employer contribution Partnership Pension Acct.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
J de Halpert	0-2.5	-	15-20	-	334	351	11	-
I McNaught	0-2.5	-	0-5	-	-	17	15	-
J Wedge	0-2.5	0-2.5	25-30	85-90	493	535	-	-
J Scorer	0-2.5	-	5-10	-	122	160	25	-
R Barker	0-2.5	-	5-10	-	122	166	31	-

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Northern Lighthouse Board

Composition

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

Background

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

General

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

Pay Approach

The remuneration of Executive Directors was recalibrated in 2004 in the light of consultant advice against the following criteria:

- Job weight
- Market pay comparisons
- Performance

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

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

Remuneration of Executive Directors (Audited)

Name	Salary 2011/12 £'000	Bonus 2011/12 £'000	Benefits 2011/12 £	Salary 2010/11 £'000	Bonus 2010/11 £'000	Benefits 2010/11 £
R Lockwood	85-90	0-5	-	85-90	5-10	-
D Gorman	75-80	0-5	-	75-80	5-10	-
P Day	75-80	0-5	-	75-80	5-10	-
M Waddell	75-80	0-5	-	75-80	5-10	-

Executive Directors' Pensions (Audited)

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

The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Northern Lighthouse Board Pension Scheme, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

	(a) Real Increase in pension	(b) Real Increase in lump sum	(c) Accrued Pension	(d) Accrued lump sum	(e) CETV 31 March 12	(f) CETV 31 March 11	(g) Real Increase CETV	(h) Employer contribution Partnership Pension Acct.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R Lockwood	0-2.5	-	5-10	-	171	145	18	-
D Gorman	0-2.5	0-2.5	15-20	55-60	412	370	3	-
P Day	0-2.5	-	20-25	-	205	182	5	-
M Waddell	(2.5)-0	(2.5)-0	25-30	50-55	444	413	(6)	-

The actuarial factors used to calculate CETVs were changed in 2010/2011. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Service Agreements

Each of the Executive Directors has a Service Agreement which can be terminated either by reaching the defined retirement age or by either the Board serving twelve months notice or the Executive Director serving six months notice.

Remuneration of Commissioners (Audited)

Commissioners:

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

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

	£
Basic annual remuneration	9,804
Additional daily payment	490
Chairman's remuneration	19,608
Vice Chairman's remuneration	13,068
Total amount paid in 2011/12 including NI	59,506
Total amount paid in 2010/11 including NI	73,025

Co-opted Commissioners' remuneration is set by the Board as a whole on the advice of the Department for Transport remuneration remained unchanged in 2011/12. 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. The Chairman of the Northern Lighthouse Board in 2011/2012 was an ex-officio Commissioner and was therefore not paid. However, the Vice-Chairman was a co-opted Commissioner and was remunerated. Commissioners are not members of the Northern Lighthouse Pension Scheme and are not entitled to receive compensation for loss of office. Commissioners are entitled to reclaim travel and subsistence costs at the same rates and under the same regulations that apply to employees.

The remuneration of the Commissioners is analysed as follows:

	2011/12 £	2010/11 £
M Close	11,979	9,804
J Ross	8,987	9,804
R Quayle	8,987	9,804
A Whyte	8,987	9,804
Sir A Cubie	8,987	19,608
A Mackenzie	8,987	9,804

The Commissioners voluntarily agreed to forego one month's remuneration in May 2011 in recognition of the pay restraint measures imposed on the Board's staff.

Pay Multiples

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

	2011/12	2010/11
Band of Highest Paid Directors Total Remuneration (£000's)	105-110	105-110
Median Total Remuneration	£29,152	£28,524
Ratio	3.7	3.8

The annualised remuneration of the highest-paid director in the Board in the financial year 2011/2012 was £107,599 (2010/2011 £107,599). This represents the full time equivalent salary of a Commissioner (£9,804 per annum for 20 days) and was 3.7 times (2010/2011, 3.8 times) the median remuneration of the workforce, which was £29,152 (2010/2011 £28,524).

In 2011/2012, no (2010-2011 nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £14,574 to £94,210 (2010/2011 £15,204-£97,779).

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

Commissioners of Irish Lights

Remuneration Committee

The Remuneration Committee, which is made up of the Office Bearers, the Chief Executive and one other Commissioner to be nominated by the Chairman and elected annually, is responsible for determining the salaries of the Senior Management team. The Remuneration Committee, without the Chief Executive in attendance, is responsible for determining the salary of the Chief Executive.

Background

The Commissioners, including the Chairman, receive no remuneration. The remuneration of senior management is based on conditions pertaining in the Republic of Ireland. These can differ from those in the United Kingdom in terms of inflationary trends, income tax and social security rates, National Pay Agreements and general employment market forces. CIL management and employee pay and conditions were historically based on those in the Irish Civil Service. During 2010/11 the salaries of the Chief Executive and Heads of Department were reduced to reflect current market conditions. Pay determination is reserved to the UK Department for Transport in consultation with the Irish Department of Transport, Tourism and Sport. The Chief Executive and Heads of Departments are members of the Commissioners of Irish Lights Pension Scheme. The CIL Pension Scheme is analogous to the Principal Civil Service Pension Scheme (PCSPS). The Chief Executive and Heads of Departments do not receive performance related payments or benefits.

Remuneration of Chief Executive and Heads of Departments (Audited)

Name	Salary 2011/12 £'000	Bonus 2011/12 £'000	Benefits 2011/12 £	Salary 2010/11 £'000	Bonus 2010/11 £'000	Benefits 2010/11 £
Y Shields ¹	75-80	-	-	-	-	-
R McCabe ²	60-65	-	-	-	-	-
B Coyne ³	50-55	-	-	-	-	-
J Burke	105-110	-	-	100-105	-	-
S Ruttle ⁴	50-55	-	-	155-160	-	-
S Doyle ⁵	110-115	-	-	115-120	-	-
K O'Higgins ⁶	45-50	-	-	110-115	-	-
M Dyas ⁷	35-40	-	-	80-85	-	-

¹ Full Time Equivalent salary £125k-£130k commenced employment 22 August 2011.

² Full Time Equivalent salary £95k-£100k, appointed Acting Head of Marine 29 August 2011.

³ Full Time Equivalent salary £95k-£100k, appointed Acting Head of Corporate Services 5 September 2011.

⁴ Full Time Equivalent salary £155k-£160k, retired on 29 July 2011.

⁵ Full Time Equivalent salary £120k-£125k, retired on 29 February 2012.

⁶ Full Time Equivalent salary £115k-£120k, retired on 26 August 2011.

⁷ Full Time Equivalent salary £80k-£85k, retired on 2 September 2011, following partial retirement.

Pay Multiples

	2011/12	2010/11
Band of Highest Paid Directors Total Remuneration (£000's)	125-130	155-160
Median Total Remuneration	£44,521	£43,853
Ratio	2.9	3.6

Commissioners of Irish Lights are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisations workforce. The banded remuneration of the highest paid director in Commissioners of Irish Lights in the financial year 2011/12 was £125k-£130k. This was 2.9 times the median remuneration of the workforce, which was £44,521. In 2011/12, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £8,846 to £121,477. Total remuneration includes salary, non consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

These figures are converted to sterling from euros at an average exchange rate for the years reported of 1.1597 for 2011/12 and 1.1774 for 2010/11.

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

The UK Civil Service Disclosure Calculator (PC 350: Departmental Resource Accounts: Disclosure of Salary, Pension and Compensation information 2011212) was used to calculate this year's information.

	(a) Real Increase in pension	(b) Real Increase in lump sum	(c) Accrued Pension	(d) Accrued lump sum	(e) CETV 31 March 11 ¹	(f) CETV 31 March 12	(g) Real Increase CETV	(h) Employer contribution Partnership Pension Acct. £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Y Shields	0-2.5	-	0-5	-	-	18	15	-
R McCabe	0-2.5	2.5-5	35.4	105-110	669 ²	720	26	-
B Coyne	2.5-5	-	15-20	-	190 ³	221	11	-
J Burke	0-2.5	-	25-30	-	291	320	11	-
S Ruttle ⁵	0-2.5	0-2.5	85-90	245-250	1,876	1,860 ⁴	16	-
S Doyle ⁶	0-2.5	2.5-5	45-50	135-140	999	1,063 ⁴	32	-
K O'Higgins ⁷	0-2.5	2.5-5	50-55	150-155	1,167	1,173 ⁴	25	-
M Dyas ⁸	0-2.5	0-2.5	5-10	15-20	104	115 ⁴	10	-

¹ The actuarial factors used to calculate the Cash Equivalent Transfer Values (CETVs) were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

² CETV at 28 August 2011

³ CETV at 4 September 2011

⁴ As these employees retired during the year these amounts reflect the total CETV of their pension benefits on retirement.

⁵ Retired on 29 July 2011

⁶ Retired 29 February 2012

⁷ Retired 26 August 2011

⁸ Retired 2 September 2011 following partial retirement

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in Cash Equivalent Transfer Values (CETV)

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

Philip Rutnam
Accounting Officer
30 November 2012

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

General Lighthouse Fund

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

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

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

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

Philip Rutnam
Accounting Officer
30 November 2012

General Lighthouse Fund Governance Statement

Accounting Officer's introduction

I am pleased to introduce the Governance Statement for 2011–12, which explains the approach to corporate governance in the bodies whose activities are financed by the General Lighthouse Fund (GLF) and certain functions of the Department for Transport. Good governance is vital to effective financial and risk management.

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

Trinity House
Northern Lighthouse Board
Commissioner of Irish Lights

The Governance Statements of these Authorities are set out in Appendix 2 on pages 59 to 84 and form an integral part of the GLF's Governance Statement, describing the Governance arrangements operating within the three GLAs.

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

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

Accounting Officer's scope of responsibilities

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

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

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

For 2011-12 the GLF and the GLAs fall outside of the DfT's accounting boundary and are not consolidated into the Departmental account, however they still contribute to the DfT's objectives. Following a decision by the Office of National Statistics to reclassify the GLF and GLAs as Central Government Bodies, it is expected that they will fall within the DfT's Clear Line of Sight Accounting boundary in 2012-13.

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

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

Governance

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

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

Information concerning the Board structures, committees, meetings and effectiveness can be found in Appendix 2.

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

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

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

Light Finance Committee

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

Joint Strategic Board of the GLAs

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

Investment Committee

The GLF Investment Committee, consisting of GLA Executive and Non Executive representatives with relevant experience and an Investment Advisor, meets on a quarterly basis to review the performance of the GLF Investment Portfolio and make recommendations regarding future management of the portfolio. During 2011-12 the Committee oversaw the Search and Selection process for the recruitment of two new investment managers to management a Diversified Growth Portfolio as part of the DfT's review of its investment policy.

DfT Group Audit Committee

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

Risk Assessment

A triennial Risk Management Review was undertaken in October 2009 by external risk management consultants on behalf of the three GLAs. This contains the risk management policy and strategy for the GLAs. It was approved by the Lights Finance Committee in November 2009. This review includes the analysis of all main risks facing the GLAs supported by third party assurance from a firm of independent risk consultants and draws on best practice guidance from the UK Risk Management Standard, prepared by the Institute of Risk Management, Association of Insurance and Risk by the Institute of Risk Management, Association of Insurance and Risk Managers and the National Forum for Risk Management in the Public Sector. A further triennial review will be carried out in 2012.

As part of the joint GLA risk management review each of the individual GLA risk registers have been analysed having regard to current best practice to produce 12 risks, which are considered to pose the greatest threat to the GLAs and their stakeholders including the GLF. In compiling the document it was noted that certain other risks would have a significant impact on the General Lighthouse Authorities but posed a lesser threat to the General Lighthouse Fund – for example a change in Government policy regarding responsibility for the operation of the three lighthouse services. It was considered that the GLAs had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. It was also noted that in the event that the GLF were wound up,

there would be a pension liability estimated by independent actuarial valuation to be £378m as at 31 March 2012 on an accrued benefit valuation cash equivalent basis, comprising prospective benefits due to active members, deferred pensioners and pensioners. However, the GLAs have received a letter of comfort from the UK Secretary of State to the effect that in the event of there being insufficient money available in the GLF to meet the GLAs' pension liabilities, the UK Parliament would be asked to meet any shortfall. Pension contributions, which total £49.4m, have however not been formally ring-fenced from operating costs and as such there is a danger that they could be used to meet any large unforeseen expenditure.

Although not fully satisfactory, a declaration of contingent pension liabilities is made to Parliament each year and a note acknowledging the liabilities added to the GLF Accounts. On this basis it was considered that pension liabilities, whilst substantial, did not at present represent a significant risk but that the matter should be kept under review, particularly as new GLA employees were now required to pay a pension contribution of 3.5% of their salary. The risks were grouped in accordance with the UK Risk Management Standard under the four headings of 'Strategic', 'Financial', 'Operational' and 'Hazard', together with the control measures in place to mitigate their effects, following also HM Treasury document 'Management of Risk – A Strategic Overview' known as the 'Orange Book'. More general risk protections and controls are summarised at Annex II of the 'Orange Book'.

DfT officials also maintain a Risk Register for specific GLF risks. The Register describes Risks to the GLF such as Investment market risk, currency fluctuations, legislative risks, Light Dues, Wreck Removal and uninsured loss risk and political risk, together with action in place to manage these risks.

Officials review the Risk Register on a regular basis. The review of risks includes an evaluation of the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place. Officials will determine whether the risks have altered from the very high, high, medium, low, or very low probability and impact categories that they have previously been allocated. They also consider whether additional controls should be applied to reduce the residual risk further.

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 acting as Accounting Officers within their respective organisations, and are responsible for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

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

Monthly and Quarterly reports from the two investment managers, detailing activity and performance of the GLF investment portfolios, as well as assessments of future prospects and investment strategy. In addition a Quarterly Investment report is produced summarising investment performance for the GLF as a whole, including cash holdings.

Regular Investment Committee meetings to review the performance of the investment managers, the overall investment policy and make recommendations accordingly.

Daily GLF valuation reports to monitor fluctuations in the component elements of the GLF as well as the GLF as a whole.

Monthly Financial Reports which includes data on Light Dues income, trends and projections. A Twelve week cash forecast projections for the GLF cash holdings, monitoring of GLA delegated budgets as well as monitoring of GLA cash funding.

Five-year forecasts of GLA income and expenditure revised annually including progress toward agreed expenditure reduction targets, such as RPI-X targets set by the Minister.

An annual actuarial report on the GLA pension schemes highlighting the annual costs and long term liabilities of both the individual and the combined GLA schemes. Currently this work is carried out by Hymans Robertson LLP;

An annual report to Ministers and the Lights Advisory Committee, the industry representative on light dues and Aids to Navigation, covering the operation of the GLF over the last year and forecasts for medium term GLF levels in support of the required level of light dues.

Key elements of the ongoing review of controls at the GLAs include:

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

Extra Territorial Waters

In order to meet their responsibilities with regard to AtoNs and Wreck Marking, the GLAs are required to operate outside of Territorial Waters. I have taken the view that no significant weaknesses in internal control were identified. The Government intends to clarify the statutory powers of the GLAs through legislation; the Marine Navigation (No. 2) Bill currently before Parliament would achieve this goal.

Internal Audit

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

Summary of Audit Internal Reports

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

"Overall, the control environments within each of the GLAs are sound. There is a clear commitment of managers in all three GLAs to good internal control is recognised, although we note that there is further work to be done in some areas and work is progressing. Management responses to our findings continue to be positive and action to strengthen controls is agreed across all three GLAs, although at times this has been a lengthy process to ensure management actions are proportionate and timely given the reduction in resources available at the local level. Prompt action is often taken by GLAs in implementing our recommendations and in some cases actions are completed before our work is completed. I can therefore report that control weaknesses identified are addressed promptly and effectively across the three GLAs.

Our work during 2011-12 identified a need to strengthen controls in some areas to reduce exposure to particular risks and to reinforce the control framework, but there is nothing which I would deem significant or material which warrants mention in this report."

Conclusion

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

Having reviewed the evidence provided to me by GLF management, compliance functions, the HIA's opinion and the external audit of the GLF, I am satisfied that the GLF has maintained a sound system of internal control during the financial year 2011–12.

Philip Rutnam
Accounting Officer
30 November 2012

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of The General Lighthouse Fund for the year ended 31 March 2012 under the Merchant Shipping Act 1995. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the General Lighthouse Fund's affairs as at 31 March 2012 and of the net surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Merchant Shipping Act 1995 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
11 December 2012

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

General Lighthouse Fund
Statement of Comprehensive Net Income
For the Year Ended 31 March 2012

	Notes	2011/12 £'000	Restated 2010/11 £'000
Income			
Light Dues	3	91,248	87,077
Other income	4	14,636	12,937
		<u>105,884</u>	<u>100,014</u>
Expenditure			
Staff costs	5	(28,461)	(33,914)
Amortisation	6	(260)	(335)
Depreciation	6	(10,738)	(10,779)
Pension Cost - Current Service	6	(7,242)	(7,298)
Pension Cost - Past Service	6	(281)	19,557
Other Expenditure	6a	(24,783)	(25,733)
		<u>(71,765)</u>	<u>(58,502)</u>
Net Income		34,119	41,512
Interest receivable	7	216	102
Interest payable	8	(1,872)	(2,151)
Interest on Pension Scheme Liability	8	(19,430)	(18,035)
Revaluation of Investment Property	11	(78)	(18)
Surplus for the financial year		<u>12,955</u>	<u>21,410</u>

Statement of Other Comprehensive Income
For the Year Ended 31 March 2012

		2011/12 £'000	2010/11 £'000
Net gain/(loss) on revaluation of Property, Plant and Equipment	10	-	(80)
Net gain/(loss) on revaluation of available for sale financial assets	17	(297)	6,465
Total Other Comprehensive Income		<u>(297)</u>	<u>6,385</u>

Statement of Financial Position
As at 31 March 2012

			Restated	Restated
	Notes	2011/12	2010/11	2009/10
		£'000	£'000	£'000
Assets				
Non-Current assets				
Property, Plant and Equipment	10	137,473	146,490	152,515
Investment Property	11	1,292	1,619	1,032
Intangible Assets	12	815	750	787
Trade and Other Receivables	13	20	2	100
		<u>139,600</u>	<u>148,861</u>	<u>154,434</u>
Current Assets				
Assets Classified as Held for Sale	14	2	409	-
Inventories	15	3,522	3,250	3,329
Trade and Other Receivables	16	6,588	6,195	10,630
Investments	17	88,999	86,118	79,209
Cash & Cash Equivalents	18	53,683	36,577	19,367
		<u>152,794</u>	<u>132,549</u>	<u>112,535</u>
Total assets		<u>292,394</u>	<u>281,410</u>	<u>266,969</u>
Liabilities				
Current Liabilities				
Trade and Other Payables	19	(11,830)	(13,393)	(13,798)
Other Liabilities	20	(952)	(1,974)	(697)
		<u>(12,782)</u>	<u>(15,367)</u>	<u>(14,495)</u>
Non-Current liabilities				
Provisions	20	(3,971)	(4,572)	(2,685)
Pension Liabilities	23	(377,966)	(361,513)	(408,465)
Financial Liabilities	19	(34,745)	(39,009)	(42,897)
		<u>(416,682)</u>	<u>(405,094)</u>	<u>(454,047)</u>
Total Assets less Total Liabilities		<u>(137,070)</u>	<u>(139,051)</u>	<u>(201,573)</u>
Reserves				
General Reserve		(153,441)	(156,366)	(212,633)
Revaluation Reserve		16,371	17,315	11,060
Total Reserves		<u>(137,070)</u>	<u>(139,051)</u>	<u>(201,573)</u>

Philip Rutnam
Accounting Officer
30 November 2012

Statement of Cash Flows
For the Year Ended 31 March 2012

	Notes	2011/12 £'000	Restated 2010/11 £'000
Cash flows from operating activities			
Net Surplus after Interest		12,955	21,410
Loss/(Profit) on Sale of Investments	6a	(2,099)	432
Loss/(Profit) on Disposal of Property Plant and Equipment	6a	597	139
Loss/(Profit) on Disposal of Investment Assets	6a	(93)	-
Loss/(Profit) on Disposal of Assets Held for Sale	6a	21	-
Loss on Disposal of Intangible Assets	6a	1	-
Pension Benefits Outflow	23	(19,106)	(17,299)
Current Service Cost	23	7,242	7,298
Past Service Cost	23	281	(19,557)
Depreciation	10	10,738	10,779
Amortisation	12	260	335
Impairments	9	690	535
(Increase)/Decrease in Trade and Other Receivables	16	(411)	4,433
(Increase)/Decrease in Inventories	15	(272)	79
Increase/(Decrease) in Trade Payables	19	(1,567)	(608)
Use of Provisions	20	(1,623)	3,164
Revaluation of Investment Properties	11	78	18
Foreign Exchange Translation		270	(10)
Net cash outflow from operating activities		<u>7,962</u>	<u>11,148</u>
Cash flow from investing activities			
Purchase of Property, Plant and Equipment	10	(5,940)	(7,079)
Purchase of Intangible assets	12	(69)	(291)
Purchase of Investments	17	(12,779)	(14,213)
Proceeds of Disposal of Property, Plant and Equipment		731	63
Proceeds of Investments		11,700	13,337
Loans to Other Bodies	26	-	100
Net cash outflow from investing activities		<u>(6,357)</u>	<u>(8,083)</u>
Cash flows from financing activities			
Pension Financing Cost	23	19,430	18,035
Capital element of Payments in Respect of Finance Leases		(3,929)	(3,890)
Net cash flow from financing activities		<u>15,501</u>	<u>14,145</u>
Net cash flow from all activities		<u>17,106</u>	<u>17,210</u>
Net increase in cash and cash equivalents in the period	18	17,106	17,210
Cash and cash equivalents at the beginning of the period	18	36,577	19,367
Cash and cash equivalents at the end of the period	18	53,683	36,577

**Statement of Changes in Equity
For the Year Ended 31 March 2012**

	Restated General Reserve £'000	Revaluation Reserve £'000	Government Grant Reserve £'000	Restated Total Reserves £'000
Original Balance at 31 March 2010	(216,267)	11,060	4,771	(200,436)
Retrospective Change to Accounting Policy (See Note 24)	3,634	-	(4,771)	(1,137)
Restated Balance at 31 March 2010	(212,633)	11,060	-	(201,573)
Comprehensive Net Income	21,639	-	-	21,639
Retrospective Change to Accounting Policy	(229)	-	-	(229)
Net Gain on Revaluation of Investments	-	6,465	-	6,465
Net Loss on Revaluation of Property Plant and Equipment	-	(80)	-	(80)
Release of Reserves to the Statement of Comprehensive Income	130	(130)	-	-
Foreign Translation of Euro Reserves	(702)	-	-	(702)
Actuarial Gain	35,429	-	-	35,429
Balance at 31 March 2011	(156,366)	17,315	-	(139,051)

	Restated General Reserve £'000	Revaluation Reserve £'000	Restated Total Reserves £'000
Balance at 31 March 2011	(156,366)	17,315	(139,051)
Comprehensive Net Income	12,955	-	12,955
Net Loss on Revaluation of Investments	-	(297)	(297)
Net Gain on Revaluation of Property Plant and Equipment	-	-	-
Release of Reserves to the Statement of Comprehensive Income	647	(647)	-
Foreign Translation of Euro Reserves	(2,071)	-	(2,071)
Actuarial Loss	(8,606)	-	(8,606)
Balance at 31 March 2012	(153,441)	16,371	(137,070)

General Reserve

The General Reserve represents the accumulated deficit of the General Lighthouse Fund. This reflects the inclusion of £377,966,000 falling due in future years. See note 1b and Appendix 1.

Revaluation Reserve

This represents any increase in an assets carrying value as a result of revaluation. If the assets carrying value is decreased as a result of a later revaluation, any previous revaluation gain is released back to the asset to the extent that it covers the decrease in valuation. Any decrease in valuation in excess of the previous gain is recognised in the Statement of Comprehensive Net Income. When an asset is derecognised any gain held in respect of that asset is transferred directly to the General Reserve.

Notes to the Accounts for the Year Ended 31 March 2012

1. Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2011/2012 Government Financial Reporting Manual (FReM) issued by HM Treasury, except for the departures specifically required by the accounts direction. The accounting policies contained in the FReM follow International Accounting Standards as adopted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the GLF for the purpose of giving a true and fair view has been selected. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. In addition, the GLAs' accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport.

b) Going Concern

The Statement of Financial Position at 31 March 2012 shows net liabilities of £137,070,000. This reflects the inclusion of pension liabilities falling due in future years. The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (see appendix 1). The letter states that in the unlikely event of insufficient money being available from the GLF to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

On 31 December 2011 the Office for National Statistic reclassified the GLF and the GLAs as part of the Central Government Sector for National Accounts purposes. The Department does not believe this development has Going Concern consequences for the GLF.

c) Intangible Assets

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

d) Pension Benefits

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

e) Property, Plant and Equipment

Property, Plant and Equipment are shown at depreciated historic cost in line with the Accounts Direction. Book values have been retained and revaluations have only been undertaken on assets that are surplus to requirements, restating them to open market value. Depreciation 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 sale. Assets in the course of construction are not depreciated. Depreciation is charged on a straight line basis having regard to the estimated operating lives as follows:

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

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

** Depending on Dry Docking Schedule.

f) Inventories

As per the Accounts Direction, Inventories should be valued by using the Average Cost method. Due to the implementation of a new Stock and Procurement system, Trinity House now value their Inventories on a First in-First Out basis. This change does not have a material effect on the Inventory Values reported.

g) Research and Development

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

h) Leasing Commitments

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

i) Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date (€1/£1.20). Transactions in foreign currencies are recorded at an average rate ruling during the period in which the transaction occurred. All differences are taken to the Statement of Consolidated Income.

j) Taxation

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

k) Provisions

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

l) Government Grants

The GLAs follow the guidance in the government Financial Reporting Manual 2011/2012 issued by Treasury for the treatment of Government Grants. The FReM restricts the reporting options within IAS 20 Accounting for Government Grants and Disclosure of Government Assistance by restricting the option to defer grant income relating to an asset. Government Grants are therefore recognised in full in the Statement of Comprehensive Net Income in the year in which they are received.

In previous years the grant would have been included in a Capital Grant reserve and released to the Statement of Comprehensive Net Income by instalments over the depreciation life of the related assets. Prior year comparatives have been restated to take account of this change in policy. See Note 24.

m) Investment Properties

The Northern Lighthouse Board has nine former light keepers' cottages that are considered surplus to requirements and are currently operated as holiday cottages. It has been agreed that this alternative use is in the best interests of the Northern Lighthouse Board and the General Lighthouse Fund through the generation of rental income. These properties are treated in accordance with IAS 40: Accounting for Investment Properties and are accordingly revalued to open market value each year. Open market valuations have been completed in March 2012 at each of these properties by Graham & Sibbald, Chartered Surveyors. These properties are included in the Statement of Financial Position at the open market valuation.

Trinity House holds two non-operational properties that are available to let until such time as they are disposed of. It is considered that these properties fall within the definition of "Investment Properties" under IAS40 in that they could be disposed of without affecting the operation of the Lighthouse service and they are not retained to fulfil the Board's statutory responsibilities. Open market valuations have been completed in March 2012 at each of these properties by Morely Riches and Abelwhite Chartered surveyors. These properties are included in the Statement of Financial Position at the open market valuation.

n) Investments

Investments are stated at market value at the reporting date.

o) Financial Assets and Liabilities

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

Financial Assets

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

Financial Liabilities

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

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is split out and reported at fair value with gains and losses being recognised in the Income and Expenditure Account. A review of all GLA contracts has determined that, as at 31 March 2012, no contracts contained embedded derivatives.

Determining Fair Value

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

p) New Standards and Interpretations Adopted Early

The GLF has chosen not to adopt early any new standards or interpretations.

q) New Standards and Interpretations not yet adopted

The standard listed below is not yet effective for the year ended 31 March 2012 and has not been applied in preparing these financial statements but will be adopted in subsequent periods:

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

r) Income

In accordance with the Merchant Shipping Act 1995, the GLAs are permitted to sell surplus capacity. Income from these activities is recognised in the period to which it relates. Income received in advance of provision of services in respect of contracts is deferred to match the related expenditure.

2 Analysis of Net Income by Segment

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2011/12 £'000	2010/11 £'000
Light Dues Income	-	-	-	91,248	91,248	87,077
GLA Drawdowns	34,900	20,370	25,627	(80,897)	-	-
Other Income	2,573	1,035	1,552	9,476	14,636	13,166
Total Income	37,473	21,405	27,179	19,827	105,884	100,243
Gross Expenditure	(29,754)	(19,622)	(21,228)	(1,161)	(71,765)	(58,502)
Net Expenditure	7,719	1,783	5,951	18,666	34,119	41,741
Total Assets	52,215	51,969	42,099	146,111	292,394	281,410

3 Light Dues

	2011/12 £'000	2010/11 £'000
Light Dues collected in United Kingdom	87,391	83,289
Light Dues collected in Republic of Ireland	3,857	3,788
	91,248	87,077

4 Other Income

	Tri GLA £'000	TH £'000	NLB £'000	CIL £'000	GLF £'000	2011/12 £'000	Restated 2010/11 £'000
Buoy Rental	-	602	249	176	-	1,027	956
Property Rental	-	254	93	269	-	616	660
Other Commercial Income	-	-	44	-	-	44	121
Tender Hire	-	1,092	557	377	-	2,026	1,571
Republic of Ireland Contribution	-	-	-	-	6,776	6,776	6,627
Income from listed Investments	-	-	-	-	2,675	2,675	2,275
Release of Deferred Income	-	-	-	672	-	672	-
Grant Income	-	200	3	-	-	203	140
Sundry Receipts	(13)	438	89	58	25	597	587
	(13)	2,586	1,035	1,552	9,476	14,636	12,937

5 Staff Numbers and Related Costs

Staff Costs comprise

	TH Permanent £'000	TH Others £'000	NLB Permanent £'000	NLB Others £'000	CIL Permanent £'000	CIL Others £'000	Total 2011/12 £'000	Total 2010/11 £'000
Wages & Salaries	11,362	84	7,076	190	7,765	238	26,715	27,776
Social Security Costs	969	-	608	-	634	26	2,237	2,242
	12,331	84	7,684	190	8,399	264	28,952	30,018
Other Pension Costs	-	-	-	-	-	-	-	-
Redundancy Costs	(33)	-	(39)	-	100	-	28	2,186
Annual Compensation Pay *	-	-	-	22	(8)	-	14	2,228
Sub Total	12,298	84	7,645	212	8,491	264	28,994	34,432
Capitalised Costs	(194)	-	-	-	(339)	-	(533)	(518)
Total Net Costs	12,104	84	7,645	212	8,152	264	28,461	33,914

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

Average number of Persons Employed

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

	2011/12 Permanent	2011/12 Others	2011/12 Total	2010/11 Permanent	2010/11 Others	2010/11 Total
Directly Employed	646	6	652	681	3	684
Other	-	12	12	-	14	14
Staff engaged on Capital Projects	11	-	11	12	-	12
	657	18	675	693	17	710

Reporting of Compensation Scheme Exit Packages	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Exit Package Cost Band						
Less than £10,000	-	40	-	2	-	42
£10,000-£25,000	-	-	4	5	4	5
£25,000-£50,000	1	1	7	3	8	4
£50,000-£100,000	3	1	4	-	7	1
£100,000-£150,000	-	-	3	3	3	3
£150,000-£200,000	-	-	2	3	2	3
Greater than £200,000	-	1	8	3	8	4
Total Number of Exit Packages	4	43	28	19	32	62
Total Cost (£)	211,000	499,011	3,451,304	1,688,340	3,662,304	2,187,351

6 Total Expenditure

	TH	NLB	CIL	GLF	2011/12	Restated 2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Running Costs	10,574	5,577	3,595	1,867	21,613	21,199
Rentals under Operating Leases	1,127	583	1,177	-	2,887	2,515
Pension Costs	2,221	1,610	3,692	-	7,523	(12,259)
Finance Lease Interest	687	955	230	-	1,872	2,151
Pension Interest	7,399	4,327	7,704	-	19,430	18,035
Auditors Remuneration	-	-	-	135	135	135
Research and Development	-	-	-	999	999	1,167
Depreciation	3,968	3,728	3,042	-	10,738	10,779
Amortisation	112	94	54	-	260	335
Impairments	-	-	690	-	690	146
Loss/(Profit) on Disposal of Assets	(47)	173	400	-	526	6
Loss on Disposal of Property, Plant & Equipment	-	-	-	-	-	133
Loss/(Profit) on Disposal of Investments	-	-	-	(2,099)	(2,099)	432
Revaluation of Investment Property	38	40	-	-	78	18
Provision Provided in the Year	32	-	-	-	32	-
	26,111	17,087	20,584	902	64,684	44,792

6a Other Expenditure

	TH	NLB	CIL	GLF	2011/12	Restated 2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Running Costs	10,574	5,577	3,595	1,867	21,613	21,199
Rentals under Operating Leases	1,127	583	1,177	-	2,887	2,515
Auditors Remuneration	-	-	-	135	135	135
Research and Development	-	-	-	999	999	1,167
Non Cash Items						
Impairments	-	-	690	-	690	146
Profit on Disposal of Assets	(47)	173	400	-	526	6
Loss on Disposal of Property, Plant & Equipment	-	-	-	-	-	133
Provision Provided in the Year	32	-	-	-	32	-
Loss/(Profit) on Disposal of Investments	-	-	-	(2,099)	(2,099)	432
	11,686	6,333	5,862	902	24,783	25,733

7 Interest Receivable

	TH	NLB	CIL	GLF	2011/12	2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Bank Interest Receivable	2	-	-	214	216	102

8 Interest Payable

	TH	NLB	CIL	GLF	2011/12	2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Interest on Finance Leases	687	955	230	-	1,872	2,151
Interest on Pension Liability	7,399	4,327	7,704	-	19,430	18,035
	8,086	5,282	7,934	-	21,302	20,186

9 Impairments

2011-12

The Commissioners of Irish Lights have over many years been working with the Irish Government to develop Loran C service. These works were wholly financed from a grant received from the Irish Government. Because of delays regarding planning issues the project was never completed and has now been terminated. Following agreement with the RoI DTTAS the value of these assets have been written down by €779K (£690K) to their net realisable value of €460K (£383K), which solely relates to land at Loop Head, County Clare specifically purchased for the project. Because of this impairment it was also necessary to release €779K (£690K) of the deferred grant which at the start of the year was included in Accruals and Deferred Income.

2010-11

The Impairment of Assets under Construction of £444,000 relates to a project to deploy Automatic Identification System (AIS) units on Aids to Navigation. Unfortunately the contract ran into difficulties and was subsequently cancelled. As a result the GLA's are due payments from the contractor for the refund of the value of contract payments made, liquidated damages, and compensation.

10 Property Plant and Equipment

Current Year

	Land £000	Buildings £000	Surplus Land £000	Surplus Buildings £000	Vessels £000	Light- Vessels £000	Buoys £000	IT Equip. £000	Plant & Mach. £000	AUC * £000	Total £000
Cost or Valuation											
At 1 April 2011	1,406	73,503	-	-	84,500	4,409	15,608	3,412	79,429	6,408	268,675
Additions	5	190	-	-	490	-	128	260	1,546	3,188	5,807
Donations	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(33)	-	-	(162)	-	(41)	(338)	(1,925)	(52)	(2,551)
Impairments	-	-	-	-	-	-	-	-	-	(690)	(690)
Reclassifications	-	-	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Transfers	417	113	-	-	-	-	442	6	1,265	(2,516)	(273)
Foreign Exchange	(40)	(1,384)	-	-	(1,167)	-	(310)	(48)	(1,408)	(27)	(4,384)
At 31 March 2012	1,788	72,389	-	-	83,661	4,409	15,827	3,292	78,907	6,311	266,584
Depreciation											
At 1 April 2011	76	22,035	-	-	32,791	3,353	8,599	2,828	52,503	-	122,185
Charged in Year	11	1,906	-	-	3,528	184	974	327	3,808	-	10,738
Disposals	-	(18)	-	-	(161)	-	(38)	(325)	(1,411)	-	(1,953)
Impairments	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	(8)	-	-	-	-	-	-	-	-	(8)
Foreign Exchange	-	(218)	-	-	(557)	-	(207)	(42)	(827)	-	(1,851)
At 31 March 2012	87	23,697	-	-	35,601	3,537	9,328	2,788	54,073	-	129,111
NBV at 31/3/11	1,330	51,468	-	-	51,709	1,056	7,009	584	26,926	6,408	146,490
NBV at 31/3/12	1,701	48,692	-	-	48,060	872	6,499	504	24,834	6,311	137,473
Asset Financing											
Owned	1,701	48,692	-	-	1,567	872	6,499	504	24,834	6,311	90,980
Finance Leased	-	-	-	-	46,493	-	-	-	-	-	46,493
On Balance Sheet	-	-	-	-	-	-	-	-	-	-	-
PFI	-	-	-	-	-	-	-	-	-	-	-
	1,701	48,692	-	-	48,060	872	6,499	504	24,834	6,311	137,473

*Assets under Construction and Payments on Account

Prior Year

	Land £'000	Buildings £'000	Surplus Land £'000	Surplus Buildings £'000	Vessels £'000	Light- Vessels £'000	Buoys £'000	IT Equip. £'000	Plant & Mach. £'000	AUC* £'000	Total £'000
Cost or Valuation											
At 1 April 2010	1,398	72,161	325	779	84,514	5,434	14,787	3,231	78,887	6,193	267,709
Additions	4	1,475	-	-	500	321	276	147	1,571	2,813	7,107
Donations	-	-	-	-	-	-	-	-	-	-	-
Disposals	(4)	(255)	-	-	(415)	(1,346)	(27)	-	(1,622)	-	(3,669)
Impairments	-	(2)	-	-	-	-	-	-	(305)	(444)	(751)
Reclassifications	10	313	(314)	(711)	51	-	5	6	729	(1,131)	(1,042)
Revaluations	-	-	(12)	(68)	-	-	-	-	-	-	(80)
Transfers	-	-	1	-	8	-	608	35	359	(1,011)	-
Foreign Exchange	(2)	(189)	-	-	(158)	-	(41)	(7)	(190)	(12)	(599)
At 31 March 2011	1,406	73,503	-	-	84,500	4,409	15,608	3,412	79,429	6,408	268,675
Depreciation											
At 1 April 2010	67	20,378	-	-	29,741	4,568	7,748	2,358	50,334	-	115,194
Charged in Year	11	1,908	-	-	3,477	131	885	471	3,896	-	10,779
Disposals	(2)	(247)	-	-	(408)	(1,346)	(20)	-	(1,451)	-	(3,474)
Impairments	-	-	-	-	-	-	-	-	(227)	-	(227)
Reclassifications	-	-	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Foreign Exchange	-	(4)	-	-	(19)	-	(14)	(1)	(49)	-	(87)
At 31 March 2011	76	22,035	-	-	32,791	3,353	8,599	2,828	52,503	-	122,185
NBV at 31/3/10	1,331	51,783	325	779	54,773	866	7,039	873	28,553	6,193	152,515
NBV at 31/3/11	1,330	51,468	-	-	51,709	1,056	7,009	584	26,926	6,408	146,490
Asset Financing											
Owned	1,330	51,468	-	-	3,137	1,056	7,009	584	26,926	6,408	97,918
Finance Leased	-	-	-	-	48,572	-	-	-	-	-	48,572
On Balance Sheet											
PFI	-	-	-	-	-	-	-	-	-	-	-
	1,330	51,468	-	-	51,709	1,056	7,009	584	26,926	6,408	146,490

*Assets under Construction and Payments on Account.

11 Investment Assets

	2011/12 £'000	2010/11 £'000
At 1 April	1,619	1,032
Additions	-	-
Disposals	(249)	-
Transfers	-	605
Depreciation	-	-
Revaluations	(78)	(18)
Impairments	-	-
At 31 March	1,292	1,619

Investment Assets include the Northern Lighthouse Board's Holiday Cottages and Interpretation Centre and Trinity House's Miranda Building, 35/36 West Street and 7 Church Street, all in Harwich. The Miranda building was sold on 7 October 2011 realising a profit of £23,268. The Miranda building had previously been re-valued and £227,526 was subsequently released from the Revaluation Reserve to General Reserves.

12 Intangible Assets

Current Year

	Software £'000	Licences £'000	Assets in Progress £'000	Total £'000
Cost or Valuation				
At 1 April 2011	2,785	150	-	2,935
Additions	69	-	-	69
Donations	-	-	-	-
Disposals	(246)	-	-	(246)
Impairments	-	-	-	-
Revaluations	-	-	-	-
Transfers	263	-	-	263
Foreign Exchange	(25)	-	-	(25)
At 31 March 2012	2,846	150	-	2,996
Amortisation				
At 1 April 2011	2,150	35	-	2,185
Charged in Year	252	8	-	260
Disposals	(245)	-	-	(245)
Impairments	-	-	-	-
Revaluations	-	-	-	-
Foreign Exchange	(19)	-	-	(19)
At 31 March 2012	2,138	43	-	2,181
NBV at 31/3/11	635	115	-	750
NBV at 31/3/12	708	107	-	815

Intangible Assets - Prior Year

	Software £'000	Licences £'000	Assets in Progress £'000	Total £'000
Cost or Valuation				
At 1 April 2010	2,487	150	-	2,637
Additions	291	-	-	291
Donations	-	-	-	-
Disposals	-	-	-	-
Impairments	-	-	-	-
Revaluations	-	-	-	-
Transfers	10	-	-	10
Foreign Exchange	(3)	-	-	(3)
At 31 March 2011	2,785	150	-	2,935
Amortisation				
At 1 April 2010	1,822	28	-	1,850
Charged in Year	328	7	-	335
Disposals	-	-	-	-
Impairments	-	-	-	-
Revaluations	-	-	-	-
Foreign Exchange	-	-	-	-
At 31 March 2011	2,150	35	-	2,185
Net Book Value at 31/3/10	665	122	-	787
Net Book Value at 31/3/11	635	115	-	750

13 Non Current Trade and Other Receivables

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2011/12 £'000	2010/11 £'000
Amounts falling due after one year:						
Trade Receivables	-	-	-	-	-	-
Deposits and Advances	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Prepayments and Accrued Income	-	20	-	-	20	2
VAT Recoverable	-	-	-	-	-	-
	-	20	-	-	20	2

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

Central Government	-	-	-	-	-	-
Local Authorities	-	-	-	-	-	-
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	-	-	-	-	-
Intra Government Balance	-	-	-	-	-	-
Bodies External to Government	-	20	-	-	20	2

14 Assets Classified as Held for Sale

	2011/12 £'000	2010/11 £'000
At 1 April	409	-
Additions	-	-
Disposals	(409)	-
Transfers	2	420
Depreciation	-	-
Revaluations	-	-
Impairment	-	(11)
At 31 March	2	409

Transfers into assets classified as held for sale are from property, plant and equipment reclassifications regarding Skokholm lighthouse (2010-11 was in respect of the old Trinity House depot at Penzance).

Assets held for sale are:

- Beachy Head Lighthouse valued at £1. The light at Beachy Head has been downgraded and surplus equipment removed from the site. This work was completed on 19th February 2011 and the Lighthouse is to be sold with reserved rights to continue exhibiting an 8nm LED solar powered beacon from the gallery.
- Skokholm lighthouse valued at £1,575 being the lower of carrying value and fair value less cost of sale. The light at Skokholm was changed to an LED beacon, the work was completed on 29 February 2012 and the lighthouse is to be let on a long lease (999 years) to the Wildlife Trust of South and West Wales.

These properties are all expected to be disposed of within 2012/13 and are considered to fall within the IFRS5 definition of an Asset Held for Sale.

The Penzance depot and Blacknore lighthouse, classified as assets held for sale in 2010/11 were both disposed of in the year realising a loss of £19k and £2k respectively. This loss is included within profit/loss on disposal of property, plant and equipment at note 6a.

The Penzance depot had previously been revalued and £418,999 was subsequently released from the Revaluation Reserve to the General Reserves.

15 Inventories

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2011/12 £'000	2010/11 £'000
Inventories	2,317	677	528	-	3,522	3,250

16 Trade Receivables and Other Current Assets

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2011/12 £'000	2010/11 £'000
Amounts falling due within one year:						
Trade Receivables	346	33	121	1,175	1,675	1,367
Deposits and Advances	-	26	-	-	26	23
Other Receivables	272	-	288	2,678	3,238	3,055
Prepayments and Accrued Income	635	139	194	184	1,152	1,117
VAT Recoverable	267	156	74	-	497	633
	1,520	354	677	4,037	6,588	6,195

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

Central Government	267	161	-	-	428	442
Local Authorities	17	1	-	-	18	16
NHS Trusts	-	-	-	-	-	-
Public Corporations	18	5	-	-	23	13
Intra Government Balance	302	167	-	-	469	471
Bodies External to Government	1,218	187	677	4,037	6,119	5,724
	1,520	354	677	4,037	6,588	6,195

17 Investments

	Baillie Gifford £'000	Martin Currie £'000	Total £'000
Brought Forward 1 April 2011	41,573	44,545	86,118
Additions	3,746	9,033	12,779
Disposals	(2,634)	(6,967)	(9,601)
Gain/(Loss) on revaluation	327	(624)	(297)
Carried Forward 31 March 2012	43,012	45,987	88,999

18 Cash and Cash Equivalents

	2011/12 £'000	2010/11 £'000
Balance at 1 April	36,577	19,367
Net Changes in Cash and Cash Equivalent Balances	17,106	17,210
Balance at 31 March	53,683	36,577
The following Balances were held at:		
Commercial Banks and Cash in Hand	53,683	36,577
Short Term Investments	-	-
Balance at 31 March	53,683	36,577

19 Trade Payables and Other Current Liabilities

	TH £'000	NLB £'000	CIL £'000	GLF £'000	2011/12 £'000	Restated 2010/11 £'000
Amounts falling due within one year:						
VAT Payable	-	-	-	-	-	-
Other Taxation and Social Security	374	208	301	-	883	968
Trade Payables	426	872	419	-	1,717	2,196
Other Payables	108	15	52	324	499	375
Accrued and Deferred Income	2,477	640	1,511	109	4,737	6,000
Current Part of Finance Leases	1,267	1,354	1,355	-	3,976	3,840
Bank Overdraft	-	-	-	18	18	14
	4,652	3,089	3,638	451	11,830	13,393

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

Central Government	374	226	14	-	614	631
Local Authorities	-	6	-	-	6	-
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	74	-	-	74	-
Intra Government Balance	374	306	14	-	694	631
Bodies External to Government	4,278	2,783	3,624	451	11,136	12,762
	4,652	3,089	3,638	451	11,830	13,393

Amounts falling due after one year:

Other Payables, Accruals and Deferred Income	-	-	9	-	9	10
Finance Lease	14,422	17,413	2,901	-	34,736	38,999
	14,422	17,413	2,910	-	34,745	39,009

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

Central Government	-	-	-	-	-	-
Local Authorities	-	-	-	-	-	-
NHS Trusts	-	-	-	-	-	-
Public Corporations	-	-	-	-	-	-
Intra Government Balance	-	-	-	-	-	-
Bodies External to Government	14,422	17,413	2,910	-	34,745	39,009
	14,422	17,413	2,910	-	34,745	39,009

20 Provisions for Liabilities and Charges

	Redundancy Costs £'000	Restructure Costs £'000	Orfordness £'000	Litigation £'000	ACPs £'000	MNOFP £'000	Total £'000
Balance at 1 April 2011	1,675	9	100	46	2,602	2,114	6,546
Provided in the Year	17	-	32	-	50	-	99
Provision Written Back	(103)	-	-	-	(39)	-	(142)
Provisions Utilised	(1,087)	(9)	-	-	(363)	-	(1,459)
Unwinding of Discount	-	-	-	-	-	-	-
Foreign Exchange	-	-	-	-	(120)	(1)	(121)
Balance at 31 March 2012	502	-	132	46	2,130	2,113	4,923
Analysis of expected of discounted flows							
In one year or less or on demand	265	-	132	46	509	-	952
Between one and five years	237	-	-	-	1,621	13	1,871
Later than five years	-	-	-	-	-	2,100	2,100
Balance at 31 March 2012	502	-	132	46	2,130	2,113	4,923

The GLAs have provided for:

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

Restructuring Costs - the estimated costs as a result of restructuring within Trinity House and Northern Lighthouse Board. The residual balance brought forward was fully utilised during the year.

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

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

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

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

21 Capital Commitments

Contracted capital commitments at 31 March 2012 not otherwise included in these financial statements

	2011/12 £'000	2010/11 £'000
Property Plant and Equipment	2,969	2,157
Intangible Assets	173	-
	3,142	2,157

22 Commitments under Leases

Obligations under Operating Leases comprise:

	2011/12 £'000	2010/11 £'000
Land		
Not Later than One Year	51	62
Later Than One Year and Not Later Than Five Years	177	180
Later Than Five Years	2,749	2,943
Total	2,977	3,185
Buildings		
Not Later than One Year	18	9
Later Than One Year and Not Later Than Five Years	9	16
Later Than Five Years	10	1
Total	37	26
Other		
Not Later than One Year	2,010	2,168
Later Than One Year and Not Later Than Five Years	6,158	7,032
Later Than Five Years	-	-
Total	8,168	9,200

Obligations under Finance Leases comprise:

	2011/12 £'000	2010/11 £'000
Other		
Not Later than One Year	5,705	5,861
Later Than One Year and Not Later Than Five Years	19,746	21,813
Later Than Five Years	23,097	27,672
Sub - Total	48,548	55,346
Less Interest Element	(9,835)	(12,506)
Total	38,713	42,840

23 Pension Commitments

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

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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 his pensionable earnings during their period of scheme membership. 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 up rated in line with Pensions Increase legislation. 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.

Employees joining after 1 October 2002 could opt instead to open a partnership pension account. A stakeholder pension arrangement with employer contributions of £25,825 (2010/11 £23,239) were paid to a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from between 3% and 12.5% of pensionable pay. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

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

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

Reduced by:

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

The GLAs obtain professional actuarial valuations at 3 yearly intervals and are updated each year for IAS 19 purposes. The last valuation was completed in 2012, valued as at 31 March 2012. The accumulated liability for the GLAs in respect of all current employees was in the order of £91m. The estimated liability for pensions in payment and deferred pensions of former employees of the GLAs was £287m.

The valuation assumed the following return / investment rates:-

	NLB	TH	CIL
Real Discount Rate	2.80%	2.80%	2.80%
Inflation Rate	2.00%	2.00%	3.50%
Discount Rate	4.85%	4.85%	4.85%
Salary Growth Rate	4.00%	4.00%	4.00%
Rate of Increase to pensions in payment & deferment	2.00%	2.00%	3.50%

The actuary's updated estimate of the liability of ACP's at 31 March 2012 is £2,111,000

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

	31 Mar 12 £'000	31 Mar 11 £'000
Active Members	91,195	102,988
Deferred Pensioners	45,918	44,291
Pensioners	240,853	214,234
Total Liability at Projected Unit Method	377,966	361,513
	£'000	£'000
Scheme Liability at 31 March 2011		361,513
Current service cost	5,083	
Past service cost	281	
Interest on pension scheme liability	19,430	
Losses on Curtailments and Settlements	2,159	26,953
Benefits Payable		
Pensions or Annuities to Retired Employees and Dependents	(15,979)	
Commutations or Lump Sums:		
- On Retirement	(2,934)	
- Redundancy	(292)	
- From Preserved	(319)	
- On Early Retirement	(361)	
- On Death	-	
- Injury Benefits	(16)	
- Medical Retirement	(23)	(19,924)
Payments to and on Account of Leavers		
Refunds to Members Leaving Service	(120)	
Individual Transfers to Other Schemes	(26)	(146)
		(20,070)
Incomes Received in Respect of Enhancements		
Employees:		
Purchase of added Years	232	
WPS Contributions	665	897
Pensions Transfers In		
Individual transfers in from other schemes		67
		964
Actuarial Gains and Losses		
Loss on experience arising on scheme liabilities	15,806	
Loss on changes in assumptions underlying the present value of Scheme liabilities	1,544	
Gain on Foreign Exchange Translation	(8,749)	
Club Transfers In	44	
Club Transfers Out	(39)	8,606
Scheme Liability at 31 March 2012		<u>377,966</u>
		£'000
Opening balance		361,513
Closing balance		<u>377,966</u>
		16,453
		£'000
Operating cost		7,523
Financing cost		19,430
Net Benefit Outgoing		(19,106)
Statement of Changes in Reserves		<u>8,606</u>
		16,453

	31 Mar 12	31 Mar 11	31 Mar 10	31 Mar 09	31 Mar 08
Experience Gains and (Losses) on Scheme Liabilities					
Amount	15,806	(11,665)	50,118	1,302	1,115
Percentage of the Present Value of Scheme Liabilities	4.2%	(3.2%)	12.3%	0.4%	0.3%
Total Amount Recognised in Statement Changes in Equity					
Amount	(8,606)	35,429	(70,892)	19,748	19,750
Percentage of the Present Value of Scheme Liabilities	(2.3%)	(9.8%)	(17.0%)	5.9%	5.8%
Total Scheme Liability	377,966	361,513	408,465	330,558	337,665

The Department for Transport has reported the contingent liability for the General Lighthouse Authorities' pensions for inclusion in the Resource Accounts for 2011/12 and a liability of £378m has been disclosed.

On 17 December 2001 the then Department of Transport, Local Government and the regions, gave the General Lighthouse Authorities a "Letter of Comfort" (see appendix 1) in respect of contingent pension liabilities. The letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments. In November 1998 it was agreed together with the GLAs and the Lights Advisory Committee that a full actuarial valuation would be completed at three yearly intervals. Hymans Robertson LLP has been engaged to provide actuarial support.

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

Merchant Navy Officers' Pension Fund

The GLAs are Participating Employers of the Merchant Navy Officers' Pension Fund (MNOF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOF has a deficit of £557,000,000 identified in an actuarial valuation as at 31 March 2009. The rules of the MNOF state that Participating Employers may be called to make lump sum payments to make up deficits. With effect from 8 June 2000 the rules were amended to 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. The MNOF has made an application to the Court to obtain confirmation that the position that applies from 8 June 2000 also applied before. As Participating Employers, the GLAs can be required to contribute to the deficit. The hearing of this matter took place between 8 and 11 March 2005 and the judgement was handed down by Mr Justice Patten on 22 March 2005. In general terms the judgement stated that the Trustees of the MNOF are entitled to demand a contribution to meet the deficit in the Post 1978 section from all employers who ever participated in the Fund. This means that the burden will be spread over a large number of companies. It also means that the Trustees have the option of demanding contributions from employers who have only ever participated in the Pre 1978 Section to meet the deficit in the Post 1978 Section. Although the Trustees have yet to make a decision, our legal advice is that the Trustees are unlikely to demand a contribution from this group of employers. The Trustees have also not decided whether these additional contributions will be payable as a single payment or spread over several years.

During 2011/12 the GLAs paid £15,000 in employers contributions and deficit funding payments (2010/11 £436,141), to the MNOF. In addition the GLAs have made provisions totalling £2.1m for the liability arising under section 75 of the Pensions Act 1995 when the last active member ceases employment with the GLAs.

24 Government Grants

The treatment of Government Grants has changed in 2011/2012 due to changes in guidance in the government Financial Reporting Manual 2011/2012 issued by Treasury. The FReM restricts the reporting options within IAS 20 Accounting for Government Grants and Disclosure of Government Assistance by restricting the option to defer grant income relating to an asset. Government Grants have therefore been released in full to the Statement of Comprehensive Net Income.

This is a change to the accounting policy; the accounts have been restated accordingly as follows:

	Original Balance 2009-10 £'000s	Adjustment Required 2009-10 £'000s	Restated Balance 2009-10 £'000s	Original Balance 2010-11 £'000s	Adjustment Required 2010-11 £'000s	Restated Balance 2010-11 £'000s
Statement of Comprehensive Net Income						
Grant Income per accounts	468	(53)	415	369	(229)	140
net surplus/(deficit) for year	(5,238)	(53)	(5,291)	21,639	(229)	21,410
Statement of Financial Position						
General Reserve	(216,267)	3,635	(212,633)	(159,758)	3,392	(156,366)
Capital Grant Reserve	4,771	(4,771)	-	4,524	(4,524)	-
Accruals & Deferred Income	4,885	1,136	6,021	4,868	1,132	6,000
Statement of Cash flows						
Net Surplus/Deficit after Interest	(5,238)	(53)	(5,291)	21,639	(229)	21,410
Movement in Government Grant Reserve	(134)	134	-	(226)	226	-
Foreign Exchange Translation	233	(81)	152	(13)	3	(10)
Statement of Changes in Equity						
General Reserve - Retained Surplus for the Year	(5,238)	(53)	(5,291)	21,639	(229)	21,410

25 Contingent Liabilities disclosed under IAS 37

Protection and Indemnity

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

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

The mutual method of insuring these risks includes a re-insurance programme and the pooling arrangements of the International Group. However, in common with all members of International Group Clubs, the GLA's could be liable for additional premium payments (Supplementary Calls) to cover any claims which cannot be met from funds available. The Standard Club has closed the years up to and including 2009/2010 and there will be no Supplementary Calls for these years. The Club have advised the GLA's that it does not anticipate Supplementary Calls for the years 2010/11 and 2011/2012. As a result the GLA's have made no provision in the Accounts.

Litigation

The Northern Lighthouse Board has one outstanding dispute arising out of its normal activities. The Legal Opinion obtained by the Board indicates that in the event of litigation the Board is likely to succeed. Therefore no provision has been made in the accounts.

eLoran Babcock (formerly VT) Contract

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

The contract covers a period from 31 May 2007 to 1 October 2022. The GLAs had reserved the right to terminate the contract, at their sole discretion at the end of the first phase, on or about 1 October 2010. A contract variation effective from 30 September 2010 determines that phase one could run until the expiry date of the contract but that the contract can be terminated earlier or as otherwise agreed between the parties. Should the GLAs choose to terminate the contract a termination cost will be liable of between £965,402 and £22,525 depending on when the termination was to take place. The GLAs are continuing within the first phase of the contract and if a new transmitter is installed a revised schedule will be required.

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

Merchant Navy Officers Pension Fund

A new actuarial valuation was carried out as at 31 March 2009 which has resulted in further deficits upon which members have been called upon to contribute. The GLAs have paid the deficit contributions which were due for payment on 30 September 2010 in respect of the 2009 valuation. Any further liability will be restricted to the additional contributions sought in September 2010 due to the deficit

reported as at 31 March 2009 that cannot be recovered from other employers (e.g. liquidated companies etc.) who are unable to pay their share in September 2010 and needs to be recovered from those remaining.

Additional liability may arise as a result of new actuarial valuations which result in further deficits. The next valuation is due as at 31 March 2012, the results of which have not yet been made available to members.

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

Lighthouse Estate

As a result of regular surveys the Directors of Trinity House recognise that there is a raised degree of risk at a number of stations that may demand a currently unquantified level of future investment. These stations are Nab Tower, Orfordness, St. Catherine's, Flamborough Head, Beachy Head, Royal Sovereign and Wormleighton. The total cost is estimated at between £8.7m and £11.7m, however, due to the uncertain nature of these events, no provision has been made in the accounts.

Dun Laoghaire Redevelopment Contract

A sub-contractor on the Dun Laoghaire redevelopment project entered liquidation in August 2007. The administrators of this company have notified CIL and the project design team of its claim that money is owing in relation to this sub-contract. CIL totally refute this claim and is confident that it will not have to pay out any further amounts in respect of this sub-contract.

Differential Global Positioning System covering the UK and Ireland

The contract for recapitalisation of the GLA DGPS system was formally signed on 7th October 2008. Following delays in development of software by the sub-contractor, the contract was amended to extend the completion date from 31st March 2010 to 29th October 2010. Amendment of the contract was signed by the Chief Executives on 16th December 2009.

The contract value is £4,303,753. To date the GLAs have paid approx £1.3m to the contractor under the contract for completion of the first 3 milestones. Ownership of some of the plant/equipment for the project currently held at the contractors' premises has already transferred to the GLAs, to the value of approximately £645,562 at milestone payment 2. In addition infrastructure such as generators and antennas has already been installed at some stations.

Programme of Work

The Programme of Work was updated to Issue 5.0 in accordance with the contract extension dated 16th December 2009. The revised contract completion date is 29th October 2010.

The working Programme of Work was successively amended up to Issue 5.8 on 16th April 2010 retaining the contract completion date. The next version of the Programme of Work (POW) was received on 24th September 2010 and showed completion date of 19th October 2011 with 90% confidence. A further version of the POW received on 24th December 2010 shows completion date of 3rd November 2011. Further updates of the POW have been received. At a meeting between the GLAs and the contractor on 16th March 2011, a completion date for Factory Acceptance Testing (FAT) of 31st May 2011 was agreed based on POW V6_3 dated 17th February 2011. POW update V6_13 dated 6th May 2011 shows dates as follows. The failures resolution period of 45 days gives rise to slippage of completion of Project Milestone (PM) 4 to 15th July. A further meeting on 10th June 2011 agreed the failures resolution period of 45+14 additional day's giving FAT completion of 30th July 2011. The GLA project team declared that the FAT failed and the Project Board notified Babcock's that the contract was terminated. Under the terms of the contract the parties entered into mediation and this took place on 8 March 2012.

Liquidated Damages

Due to the delay in completion, the GLAs have claimed the maximum liquidated damages available under the contract of £215,178.65 and was received on 1st June 2011. The GLAs have retained these liquidated damages in the work in progress account.

Mediation Process

This took place on 8 March 2012 and ended with both parties agreeing to a series of "without prejudice meetings", following which a revised FAT has been set for September 2012. Should the FAT testing be unsuccessful the value of work held within Tangible non-current assets as work in progress of £1,297,995 will need to be written off as an impairment and there may also be additional legal costs, as yet unknown. The GLAs have made no provisions in the accounts for this and declare this as a contingent liability.

Wreck Removal

In December 2011 a vessel, the CREBE, sunk south of Mersea Island and was subsequently marked as a wreck pending removal by the owner. In the event that the owner does not remove the wreck, Trinity House will exercise its powers under sections 252 and 253 of the Merchant Shipping Act 1995 to remove the wreck. On 3 April 2012 a letter was sent to the owner requesting that he or his insurers contact Trinity House by 10 April 2012 to advise if they wished to take steps for the salvage of the vessel/cargo. To date Trinity House has not had a reply to this letter. In April 2012, quotations for the removal of the vessel, on a no cure, no pay basis were requested and a bid of £52k has been accepted, subject to contract and the production of a satisfactory method statement and risk assessment by the contractor for its removal, receipt of which Trinity House is awaiting. Subject thereto, Trinity House will take possession of the vessel and arrange its removal. Due to the timing of these events and the awaited outcome, Trinity House has not made any provision in the accounts but declare it as a contingent liability.

Davits on THV Patricia

During the year Trinity House has been working with the Maritime and Coastguard Agency (MCA) to agree the interpretation of their rule relating to the lowering of boats from ships to the water. If the MCA's interpretation is agreed, then due to the age of the davit sets aboard THV Patricia, Trinity House would need to renew a single davit set aboard the vessel to enable workboats to be operated in the operationally required fully manned state. Should this happen costs in the region of £200,000 could be incurred for purchase and installation of a single davit set. Because the outcome is unknown at this time the Board have made no provision for this work and are declaring as a contingent liability.

26 Related-party transactions

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

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

Trinitas Services Ltd

Trinity House has entered into two agreements to lease 37 lighthouse cottages to Trinitas Services Limited, a wholly owned subsidiary of the Corporation of Trinity House. The first agreement provides for some 34 lighthouse cottages at 14 locations to be leased to Trinitas for 25 years. Trinitas has refurbished the cottages and has a contract with Rural Retreats to let them as holiday cottages. At present 30 cottages are let under this agreement.

During 2006/07 Trinity House refurbished a further 7 lighthouse cottages at the Lizard, and entered into a second agreement to lease them to Trinitas Service Ltd for 20 years commencing February 2002, with an effective possession date of 14th December 2006. Trinitas rents one of the cottages under an assured short hold tenancy agreements and has entered into a contract with Cornish Cottages to let 6 of them as holiday cottages. The investment in bringing the original cottages and the Lizard cottages to material state together with the legal costs of the agreement was in the order of £990,000. 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. In order to finance the refurbishments TH has made a loan facility available to Trinitas Services Ltd up to £1,000,000. The maximum amount which had been drawn down was £600,000. The loan has a fixed interest rate of 5% payable after three years.

	2011/12	2010/11
	£'000	£'000
Opening Balance	-	100
Repaid During the Year	-	(100)
Closing Balance	-	-

The loan was repaid in full during 2010-11. Commodore J S Scorer, Director of the TH Lighthouse Board and E D Johnson (appointed 27 March 2012), Non-Executive Director of the TH Lighthouse Board, are appointed to the Board of Trinitas Services Ltd as nominees of the Corporate Board responsible for Trinity House Charities. Captain T Bailey, Viscount Cobham and Commander G Hockley are appointed to the Board of TSL as nominees of the Corporate Board responsible for Trinity House Charities, none of whom are members of the TH Lighthouse Board. Mr F C Bourne retired from the TSL Board on 17 November 2011.

Rear Admiral Sir J M de Halpert, on behalf of the Corporation of Trinity House, became a shareholder of Trinitas Services Ltd on 28 March 2006.

Corporation of Trinity House

The Corporation of Trinity House owns Trinity House Tower Hill and provides rent free accommodation for the use of TH. TH reimburses the Corporation for service charges in proportion to the floor area occupied. During 2011/12 TH paid £267,360 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£258,027 in 2010/11).

Conversely, the Corporation of Trinity House reimburses TH for the provision of services during the year. The Corporation paid £59,367 to TH in respect of these services during the year (£56,058 in 2010/11).

The North Ronaldsay Trust

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

Scotland's Lighthouse Museum Ltd

Scotland's Lighthouse Museum (SLM) Ltd is a registered charity whose primary purpose is to advance and promote the education of the general public, to establish and preserve a Museum of the history and operation of the lighthouses in Scotland and to aid their physical preservation. The Director of Engineering of the Northern Lighthouse Board is an SLM Board Member.

James Coats, Junior, "Ferguslie" Paisley Memorial Fund (formerly referred to as the Black Bequest)

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

The Commissioners of Northern Lighthouses 2000 Trust

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

The Northern Lighthouse Heritage Trust

The Northern Lighthouse Heritage Trust is a registered charity whose primary purpose is to support the preservation and conservation of lighthouse heritage. The Northern Lighthouse Board and the Trust entered into an Asset Transfer Agreement to transfer the Silver collection (insurance value £96,960) in March 2011 to the Trust.

Scottish Shipping Benevolent Association

Scottish Shipping Benevolent Association is a registered charity whose primary purpose is to give assistance to people in the Scottish Shipping Industry. Roger Lockwood is a Director since 31 April 2009. A charitable donation of £100 was made on 14 July 2010.

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

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

27 Third Party Assets

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

	2011/12	2010/11
	£'000	£'000
Cash and Investments	45	51
Heritage Collection	277	277
	<u>322</u>	<u>328</u>

28 Financial Instruments

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

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

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

Liquidity Risk

Liquidity Risk for all three GLAs resides with the GLF through the operation of cash Funds held with HSBC and largely dependent on the flow of Light Dues levied on Ships calling at UK and Irish ports. Cash positions are managed through daily and monthly management reporting in addition annual long term forecasts seek to ensure adequate financing is available. Short term financing issues would be addressed by transfers from the investment portfolio, while longer term GLA budgets and or the Light Dues tariff would be considered.

Interest Rate Risk

Trinity House

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

THV Patricia has expired its primary term and is now on a fixed peppercorn rent.

The interest rate for the finance lease for the THV Alert was fixed on 9 August 2006 and therefore exposes no risk.

The interest rate for the finance lease for the THV Galatea was fixed on 24 December 2008 and therefore exposes no risk.

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

Northern Lighthouse Board

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

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

Commissioners of Irish Lights

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

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

GLF

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

Currency Risks

The introduction of the Euro account in London where Euro income is retained for CIL General Lighthouse Fund advances has reduced the level of currency exposure. The balance held as at 31 March 2012 £0.6m

Market Risk

The GLF has an Investment Portfolio valued at £88.9m at the reporting date. This portfolio is comprised of investments in equities, both UK and overseas and Corporate Bonds. This portfolio is exposed to movements, both up and down, in International Investment markets, which will have a direct impact upon the value of the portfolio and the GLF has a whole.

The market risk of the Investment portfolio is managed by a combination of daily valuation reporting and well as monthly and quarterly performance reports. In addition meetings with the Investment Managers are held on a regular basis.

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

Fair Values

Set out below is a comparison by category of the carrying values and fair values of the Fund's financial assets and liabilities as at 31 March 2012.

	Carrying Value £'000	Fair Value £'000
Financial Assets		
Investments	88,999	88,999
Cash at Bank and in Hand	53,683	53,683
Bank Guarantees	640	640
Financial Liabilities		
Finance Lease Obligations	38,713	38,713

29 Further Information

Number of non-current assets.

	TH	NLB	CIL	2011/12	2010/11
Lighthouses	66	214	76	356	359
Lightvessels	12	-	-	12	12
Lightfloats	2	-	-	2	2
Lanby Buoys	-	-	-	-	-
Buoys & Beacons	742	234	224	1,200	1,207
Tenders & Ancillary Craft	12	2	1	15	16
Lighthouses Abroad	1	-	-	1	1

Number of Non Current Assets Deployed

	TH	NLB	CIL	2011/12	2010/11
Lighthouses	67	207	73	347	351
Lightvessels	8	-	-	8	8
Lightfloats	2	-	-	2	2
Lanby Buoys	-	-	-	-	-
Buoys & Beacons	558	193	176	927	922
Tenders & Ancillary Craft	12	2	1	15	16
Lighthouses Abroad	1	-	-	1	1

30 Losses

Obsolete Inventory, write off of property, plant and equipment, and losses amounting to £394,000 (2010/11 £22,000) was written off during the year. The main factor for the losses figure in 2011/12 is the write off of the net book value of the assets at Little Samphire Island and Chaine Tower lighthouse respectively these amounted to €464,000 (£387,000). These were transferred to LLAs as part of the on-going programme of transferring local aids to navigation identified in the 2010-2015 AtoN Review. UK DfT approval for both of these transfers was granted.

31 Events after Reporting Date

Following the decision to reclassify the GLF and GLAs as Central Government Bodies, uncertainty has existed regarding the future of the GLF Investment Policy. As a result of this, the GLF was unable to invest in the new Diversified Growth Fund managers that had been identified following a European Tender process that took place during 2011 and early 2012. An earlier decision to terminate the contract of Martin Currie Investment Management Limited (MCIM) in preparation for transition to the new managers meant that the investments held with MCIM were liquidated on 28 May 2012. The proceeds are currently held in cash at HSBC until the future of GLF investment and pension's policy is clarified.

Five Year Summary

	2011/12 £'000	Restated 2010/11 £'000	Restated 2009/10 £'000	Restated 2008/09 £'000	Restated 2007/08 £'000
Light Dues and Irish Income	91,248	87,077	76,223	69,581	67,452
Investment Income	2,675	2,275	2,306	2,589	2,253
Other Income	11,961	10,662	12,186	10,058	8,527
Total Income	105,884	100,014	90,715	82,228	78,232
Staff Costs	(28,461)	(33,914)	(29,959)	(29,708)	(27,789)
Pensions	(7,523)	12,259	(5,319)	(7,859)	(7,135)
Amortisation	(260)	(335)	(504)	(418)	(579)
Depreciation	(10,738)	(10,779)	(10,670)	(9,953)	(9,156)
Loss on Revaluation	-	-	(115)	(113)	-
Other Expenditure	(24,783)	(25,733)	(27,857)	(33,924)	(22,615)
Total Operating Costs	(71,765)	(58,502)	(74,424)	(81,975)	(67,274)
Net Income	34,119	41,512	16,291	253	10,958
Exceptional Items	-	-	-	-	18,382
Interest on Pension Scheme Liability	(19,430)	(18,035)	(19,288)	(21,952)	(17,430)
Other Interest Receivable	216	102	51	923	1,370
Interest Payable	(1,872)	(2,151)	(2,345)	(2,560)	(1,965)
Revaluation of Investment Property	(78)	(18)	-	-	-
Surplus/(Deficit) for the Financial Year	12,955	21,410	(5,291)	(23,336)	11,315
Property, Plant and Equipment	137,473	146,490	152,515	157,711	153,089
Net current Assets	139,950	117,182	98,040	75,387	101,903
Long Term Creditors, Capital & Reserves	(171,877)	(178,060)	(244,470)	(191,801)	(181,318)
Pension Liability & Other Provisions	(381,937)	(368,059)	(411,847)	(333,319)	(340,382)
Property Plant & Equipment Purchased	5,544	7,107	7,804	10,486	34,380
Average Number of Permanent Employees	675	693	719	714	854

Appendix 1

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

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

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

Signed By:

David Jamieson

On behalf of the Secretary of State for Transport, Local Government and the Regions

Date 17.12.2001

Appendix 2 General Lighthouse Authorities Governance Statements

Trinity House Governance Statement

New corporate governance code

The Board reviewed its approach to corporate governance on publication of the new HM Treasury Code on Corporate Governance in July 2011. A report to the January 2012 Board meeting about this concluded that Trinity House complied with the majority of the best practice principles set out in the new code. In accordance with the Code, the Board agreed that the review of its effectiveness should include independent input every three years. It decided against formally appointing a lead Non-Executive Director on the basis inter alia that communication between the Chairman and the Non-Executive Directors and arrangements between the Non-Executive Directors and with the Department for Transport were already effective.

The Board has in place specific arrangements to comply with the best practice contained in the new Code. This includes a full analysis of the significant business risks to produce and continually up-date the Risk Schedule. This Schedule identifies the means by which these risks are controlled and who is accountable for managing each significant risk. Internal Audit include a full review of that risk analysis and the internal control function in their Annual Report. Internal Audit now base their programme of audit work on the Risk Schedule and the set of Directorate/Departmental Risk Registers, which sit beneath it.

Based on these processes and the confirmation in successive Annual Internal Audit Reports that 'work to date has not identified any significant weaknesses in risk management, control and governance frameworks', the Board considers it has complied with the new corporate governance code for the whole of the accounting period.

In February 2012 Treasury issued an instruction that requires all central government organisations to produce a Governance Statement in their Annual Report and Accounts. The Governance Statement replaces the Statement on Internal Control in this Report and Accounts. This Statement has been signed by the Executive Chairman and is set out in accordance with the corporate governance guidance issued by Treasury.

One area where Trinity House does not comply with the guidance is that the Trinity House Executive Chairman combines the role of Chairman and Chief Executive. The Board considers this provides the most efficient and effective use of resources without compromising the basic principles of good governance. Although the guidance advocates separation of these two roles, there are further checks and balances, not available to listed companies, provided inter alia by the trustee actions of the Secretary of State for Transport, as exercised by the Navigation Safety Branch of DfT and through the Secretary of State's nominees on the Lighthouse Board.

The Lighthouse Board

The Corporation established a constitution and terms of reference for a Lighthouse Board on 4 June 1984 and this has since been reviewed, updated and amended, the last amendment being on 23 November 2009. This constitution sets out the makeup of the Board and its proceedings. The Board generally meets on eight occasions each year. It reviews and updates its policies, receives reports from Executive Directors, Committees and the GLAs' Joint Strategic Board. It monitors aids to navigation availability and performance against sanctioned expenditure and against previous trends. The Board formally reviews and approves the Strategic Plan, Corporate Plan and the Annual Report and Accounts.

The Board works to a 'Code of Best Practice', which was updated in September 2007 to ensure it, continues to follow best practice. It sets out the responsibilities of Directors, the observance of public service values and the Board's relationship with the DfT. The Code is underpinned by the seven principles as set out in the report on Standards in Public Life (The Nolan Report).

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

The Trinity House Board continues to maintain the highest standards of corporate governance. It receives reports on the latest developments in this area. For example, the September 2011 Board meeting considered a report on the performance of the Board. This report concluded that the Board had complied with best practice guidance. The report noted that it had been 'a challenging but successful year'.

Membership of the Board is:

*Captain I McNaught	(Appointed Chairman & Member 22 November 2011)
*Rear Admiral Sir Jeremy de Halpert	(Retired as Chairman & Member 22 November 2011)
*Captain N R Pryke	(Retired as Deputy Chairman and Member 31 January 2012)
*Captain N Palmer	(Appointed Deputy Chairman and Member 1 February 2012)
*Commodore S J Scorer	(Director of Operations)
*Captain R H Barker	(Director of Navigational Requirements)

Mr J S Wedge	(Director of Finance and Support Services)
Mr F C Bourne	(Non Executive Director)
Mr M J Gladwyn	(Non Executive Director)
Mrs E D Johnson	(Non Executive Director, appointed 1 May 2011)
Mr J D Price	(Secretary)

* These Board Members are 'Mariner Assistants' of the Corporation of Trinity House. They form the majority on the Board with the casting vote of the Executive Chairman.

The Board met on 8 occasions in 2011/12. Captain McNaught and Sir Jeremy de Halpert attended all meetings for which they were Members. Commodore Scorer and Captain Barker attended 7 meetings. Other Members attended all meetings.

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

a) Executive Committee

The Board delegates the management of its day-to-day activities to the Executive Directors, each of whom has responsibility for a specific area. The Executive Directors meet on a regular basis (usually monthly) to exchange views and information on the activities within each of their directorates. They collectively review policies and procedures prior to their submission to the Board in order to maintain a consistent approach across the Service. They also action and monitor policies, once the Board has approved them. The Executive Committee in turn delegates the operational execution of many of its policies to its managers, and meets quarterly with all the Senior Managers to review policies and plans.

Highlights of the year included the detailed scrutiny and approval of Corporate and Strategic Plans; driving the implementation of the Atkins Review recommendations and determining the approach to Parliamentary debates and legislation affecting Trinity House.

Membership of the Executive Committee is as follows:

Captain I McNaught	(Appointed Chairman & Member 22 November 2011)
Rear Admiral Sir Jeremy de Halpert	(Retired as Chairman & Member 22 November 2011)
J S Wedge	(Deputy Chairman)
Captain R H Barker	
Commodore S J Scorer	
R P Dunham	(Secretary)

The Committee met 11 times during the year. Captain McNaught and Sir Jeremy de Halpert attended all meetings for which they were Members. Captain Barker attended all meetings. Mr Wedge attended 9 meetings and Commodore Scorer 8. Both sent deputies when they were unable to attend.

b) Audit Committee

The Audit Committee is established to monitor and review management controls, the financial stewardship of the funds at the Board's disposal, risk and corporate governance issues including the Public Interest Disclosure Act (whistle-blowing) matters and the systems of internal control. It does this by reviewing various sources of data including individual Internal Audit Reports, National Audit Office (NAO) reports and other information about the organisation. The Committee meets with the Head of Internal Audit to review their Annual Report and discuss any aspects of their commentary regarding the Service's internal control system. The Committee also meets with the NAO to review the Annual Accounts and to discuss any observations raised by the Auditors in their Management Letter.

The membership and operation of the Audit Committee, is in line with the Audit Committee Handbook originally issued by HM Treasury in March 2007 and updated in 2009. The Audit Committee approved revised Terms of Reference, based on this guidance, in March 2012. The Board approved these Terms of Reference in May 2012. The Committee reviews its terms of reference annually. The distinction between 'Members' and 'Attendees' operates in accordance with the Handbook. Consequently, the membership of the Committee consists of non-executive directors only. The Secretary to the Board attends meetings and takes the minutes, in accordance with the Handbook's advice.

Highlights of the year included approving the Annual Report and Accounts; reviewing risk registers and ensuring that the internal audit programme was completed effectively. The Audit Committee also received reports about the Management Assurance Statement and an Organisational Capability Assessment that helped strengthen corporate governance and mitigate against financial loss.

Membership of the Audit Committee is:-

M J Gladwyn	(Chairman)
E D Johnson	(Deputy Chairman and Member from 1 May 2011)
Captain N Pryke	(retired 31 January 2012)
Captain N Palmer	(appointed 1 February 2012)

The following also attend meetings:

Rear Admiral Sir Jeremy de Halpert	(retired 22 November 2011)
Captain I McNaught	(appointed 22 November 2011)
J S Wedge	(Finance & Support Services Director)
J D Price	(Secretary)

NAO and Internal Audit

The Committee met on 4 occasions in 2011/12. The Chairman and Deputy Chairman attended all meetings. Captains Pryke and Palmer attended all meetings for which they were members.

c) Remuneration Committee

This Committee assesses Directors' remuneration and comprises three non-executive Directors, who have no personal financial interest other than as non-executive Directors in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the Service. The Committee operates under Terms of Reference drawn from the Code of Best Practice prepared by the Study Group on Directors' Remuneration (The Greenbury Code). The Committee consults the Executive Chairman about its proposals other than in relation to the Executive Chairman's own remuneration and has access to professional advice from inside and outside sources. The Committee consults the DfT in relation to the performance of the Executive Chairman as regards his responsibilities acting as Accounting Officer.

Highlights of the year were the review of corporate and executive director performance.

Membership of the Remuneration Committee is:-

F C Bourne	(Chairman)
M J Gladwyn	
Captain N R Pryke	(retired 31 January 2012))
E D Johnson	(appointed 1 February 2012)

The following also attend meetings:

Rear Admiral Sir Jeremy de Halpert	(retired 22 November 2011)
Captain I McNaught	(appointed 22 November 2011)
L Firmin	(Secretary)

The Committee met once in March 2012. All members attended.

d) Executive Remuneration Committee

In February 2004 the Board established an Executive Remuneration Committee to determine fair remuneration for staff below Director level and ensure that staff of the right quality are attracted, retained and motivated, within budgetary constraints and public sector pay guidance policy. The Committee operates under Terms of Reference that directly support the Executive Committee. The Committee consults the DfT and other GLAs as and when appropriate and beneficial to ensure decisions are consistent and reflect best practice. This Committee also oversees any changes to proposed organizational structures. Members continually review manpower requirements at a departmental and service wide level in order to identify improvements in efficiency as and when possible and appropriate.

Highlights of the year included consideration of reviews of the Procurement, Engineering and Navigation departments which fed into the manpower plan; approval of the annual Pay Remit proposal plus individual and team performance awards.

Membership of the Executive Remuneration Committee is:

J S Wedge	(Chairman)
Captain I McNaught	(Appointed 22 November 2011)
Rear Admiral Sir Jeremy de Halpert	(Retired 22 November 2011)
Captain R H Barker	
Commodore S J Scorer	
L Firmin	(Secretary)

The Committee met five times in 2011/12. The Chairman, Captain Barker and the Executive Chairman attended all meetings. Commodore Scorer attended two.

e) Examiners' Committee

The Examiners' Committee is appointed to review all requirements for the Service's provision of AtoN and in particular to review any proposed changes, establishment of new Aids and discontinuance of others. The Committee is comprised of all the Elder Brethren who are 'Mariner Assistants' of the Corporation so some members are not otherwise employed directly by the Lighthouse Service. They can bring the relevant independent view and experience necessary for the deliberations of this Committee. An Examiner is always on call to

give decisions regarding casualties at sea and the investigation and marking of wrecks.

Highlights of the year included the discontinuance of fog signals at Tater Du and Trevoze Head lighthouses, after a full user consultation process. Consultation is now underway on the requirements for fog signals at two further lighthouses. The Committee also considered the changing needs of the Mariner, recognising the sometimes over reliance on Electronic Aids to Navigation and vulnerabilities of systems, form a key area of investigation when assessing the ongoing requirements for physical AtoN. Another highlight was the discussions about the increasing danger presented to all Mariners by offshore renewable energy developments. This is requiring a high level of assessment to ensure any risks presented can be mitigated, including the needs for additional Aids to Navigation. The Examiners Committee is represented at all key regulator and stakeholder meetings regarding these developments.

Membership of the Examiners' Committee is: -

Captain R Barker	(Chairman)
Rear Admiral Sir Jeremy de Halpert	(retired 22 November 2011)
Captain I McNaught	
Commodore S J Scorer	
Captain N R Pryke	
Captain D Glass	
Commodore N D Squire	
Captain R M Woodman	(Member until 22 November 2011, thereafter Advisory Member)
Captain N Palmer	(appointed 22 November 2011)
Commodore P J Melson	(Advisory Member)
Captain D P Richards	(Advisory Member - retired 31 May 2011)
Captain J Manson	(Advisory Member – appointed 19 April 2011)
Captain Nick Dodson	(Navigation Examiner Manager)
A J Porter	(Secretary)

The Committee met 7 times in 2011/12. Members attended as follows: Captains Barker, Glass and Pryke all meetings; Sir Jeremy de Halpert and Captains Woodman and Palmer all meeting for which they were Members; Captain McNaught 4 meetings; Commodore Scorer 6 meetings and Commodore Squire 5 meetings.

f) Nominations Committee

The Nominations Committee is responsible for proposing executive appointments to the Lighthouse Board. These appointments are made by the Court of Trinity House. The Committee meets as and when required.

The Committee dealt with the nomination of the new Executive Chairman.

The Nominations Committee is chaired by Mr F C Bourne.

Risk Management

Accounting officer responsibility for risk management

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

The details of the operating arrangements the DfT has agreed with Trinity House are contained in the "Framework Document" (incorporating the Financial Memorandum and Management Statement) dated 1 August 2008.

In practice the DfT work closely with Trinity House to manage risk. There is a regular flow of reporting information from Trinity House to the DfT, including management accounts, Board reports and business cases. The DfT are involved at an early stage in key decisions and attended the Nominations.

Internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trinity House policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Trinity House for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Accounts.

Risk categories

The Board first approved a Risk Schedule in July 2003, and has in the past year been regularly updated. It is in line with the ICAEW publication "Implementing Turnbull: A Boardroom Briefing". The Trinity House Risk Schedule divides the significant risks into four main categories:

- Strategic Risks
- Financial Risks
- Operational Risks
- Hazard Risks

The Schedule cross-references the risks identified to existing organisational controls and policies e.g. Business Continuity policy.

Culture

The culture is one of the close management and control of risks. A Director is responsible for managing each risk. The process of embedding the risk management approach into the organisation has included:

- Development and regular review of Directorate/Departmental risk registers with the involvement of managers and staff including discussion about significant risks faced by the organisation at senior management team meetings.
- Internal Audit deriving their Audit Plan from the Risk Schedule and registers.
- Seminars with National Audit Office/Internal Audit and Trinity House managers to discuss risk management.
- Workshops with other staff to reinforce awareness of risk management and fraud.
- Publication of the Risk Schedule and Directorate/Departmental risk registers to all staff.
- Putting risk management in job descriptions and as part of the induction process.
- Including risk registers on team meeting agendas.

Trinity House also leads the GLAs' Triennial Risk Management Review, the most recent of which was completed in October 2009. This contains the risk management policy and strategy for the GLAs. It was approved by the Trinity House Board and the Lights Finance Committee in November 2009. This review includes the analysis of all main risks facing the GLAs supported by third party assurance from a firm of independent risk consultants and draws on best practice guidance from the UK Risk Management Standard, prepared by the Institute of Risk Management, Association of Insurance and Risk Managers and the National Forum for Risk Management in the Public Sector. A further triennial review will be carried out in 2012.

Risk Monitoring

The Board and Audit Committee review the Risk Schedule at least every six months. Prior to submission to these meetings each accountable Director in conjunction with his senior management undertakes a review of the risks that they are responsible for managing. This includes the information risks. The review of risks includes an evaluation of the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place. Directors will determine whether the risks have altered from the very high, high, medium, low, or very low probability and impact categories that they have previously been allocated. They also consider whether additional controls should be applied to reduce the residual risk further. Management of risk is an ongoing feature of work at Trinity House. It is embedded into working practices through key policies and procedures such as the:

- Utilisation of a robust project management methodology based on PRINCE 2;
- Project Risk Registers for key service projects; and
- Information Risk Policy and associated security procedures.

Information Risk

Trinity House maintains an Information Asset Register, with each asset assigned an Information Asset Owner. The Information Asset Owners carry out an annual review of information security risks using the Cabinet Office guidance. The outcome of this review is reported to the Board by the Senior Information Risk Owner (SIRO). The Information Asset Register and Information Asset Owner (IAO) annual reporting mechanism is now well embedded and has resulted in improvements to data handling and quality. Consequently, IAOs are now challenging the way that they store, handle and share data. The IT Department staff have undertaken training about IAO responsibilities and shared this learning with IAOs. We have also evaluated the National School of Government online training for security and decided that it is suitable for use within TH. It was made available to all staff and promoted via the IT Road Shows in 2011.

Participation

External stakeholders are involved in managing risks through the joint users consultative groups; navigation user consultation procedures; meetings with industry representatives and the Lights Finance Committee. These provide stakeholders with the opportunity to comment on the Corporate Plan, budget and AtoNs that Trinity House provides. Stakeholders comment on the full range of risks including Strategic, Financial, Operational and Hazard Risks.

Changes to risk profile

The key changes to the risk profile of Trinity House during the year ended 31 March 2012 were:

- A levelling trend in respect of the risk of a lack of resources, following the Shipping Minister's acceptance of Trinity House's programme of efficiencies and his approval of the Corporate Plan for the period ahead.
- A similar trend in respect of a change in Government policy with regard to Trinity House's undertaking as a GLA.
- A temporary increase in risk to operational effectiveness during the move to centralised out of hours monitoring of AtoNs.
- An increase in risk to tri-GLA projects caused by the issue of a notice to terminate the DGPS contract which has led to a dispute with the supplier.

A great deal of work has been done on pensions with a report submitted to DfT that recommends the creation of a funded pension scheme. The Secretary of State issued a letter of comfort on 17 December 2001 to the effect that, in the unlikely event of insufficient money being available in the GLF to meet the liabilities, DfT will request funds from Parliament to make the necessary payments.

No new significant risks were identified during the year.

Review of systems of internal control

Acting in the role of Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and governance. My review of the effectiveness of the systems of internal control and governance is informed by the work of the internal auditors, Executive Directors and Senior Managers within Trinity House who have responsibility for the development and maintenance of the internal control and governance framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control and governance by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

- The Trinity House Lighthouse Board which meets eight times a year to decide policy, provide strategic direction and review progress. The Board receives Audit Committee minutes and reports covering areas such as risk management. The Board also formally reviews its own effectiveness and that of the Audit Committee on an annual basis.
- An Executive Directors' meeting each month which leads to the implementation of plans and reviews progress and performance. Risk management is formally reviewed by Directors and Senior Managers on a six-monthly basis but in practice is considered as part of the control of all key projects and activities.
- The Audit Committee which operates in line with the "Audit Committee Handbook". The Chairman of the Audit Committee regularly reports to the Board at each meeting.
- Internal Audit, who provide regular reports that give an independent opinion on the adequacy and effectiveness of the system of internal control. The Head of Internal Audit produces an Annual Report, which gives their opinion on the effectiveness of internal control.
- External Audit who independently audit Trinity House accounts and summarise their findings in the management letter.
- The monthly analysis of the management accounts and work plans by the Executive Directors and Senior Managers.

Head of Internal Audit opinion

On the basis of the evidence obtained during 2011/2012, I am able to provide an overall 'Substantial' assurance rating on the adequacy and effectiveness of Trinity House's arrangements for corporate governance, risk management, and internal control. Systems of corporate governance, risk management and internal control arrangements are well established and working effectively. Very minor control weaknesses have been identified in a maximum of one or two discrete areas. In my opinion, there are no significant weaknesses or matters that fall within the scope of issues that should be reported in the Governance Statement.

There have been no significant internal control or governance problems in the year ended 31 March 2011/12.

Therefore I can report that corporate governance and risk management within Trinity House remains robust and effective, and complies with the best practice principles set out in HM Treasury's July 2011 Code of Good Practice for Corporate Governance in Central Government Departments as far as is appropriate.

Northern Lighthouse Board Governance Statement

Statutory background

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

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

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

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

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

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

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

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

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

The Commissioners are defined as an "Executive Non-Departmental Public Body" by the Department for Transport. On 30th December 2011 The Office for National Statistics announced that the Commissioners, along with the other General Lighthouse Authorities were re-classified for National Accounts purposes from a "Public Corporation" to a "Central Government Body".

Responsibilities

General

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

Safety of Life at Sea Convention

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

- observe and record developments at the International Maritime Organisation (IMO);

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

Marking of works below High Water

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

Wreck removal powers

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

Local Lighthouse Authorities

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

Management

Board membership

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

- (a) The Lord Advocate and the Solicitor-General for Scotland;
- (b) The Lords Provosts of Edinburgh, Glasgow and Aberdeen and the Conveners of Highland and of Argyll & Bute Councils;
- (c) The Sheriffs Principal of all the Sheriffdoms in Scotland;
- (d) A person nominated by the Lieutenant Governor of the Isle of Man and appointed by the Secretary of State;

In addition, the Commissioners may elect;

- (e) not more than five other persons elected by the Commissioners under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Act;
- (f) The convener of any council whose area includes any part of the coast of Scotland.

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

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

The membership of the Northern Lighthouse Board in 2011/2012 was as follows:-

Law Officers for Scotland

The Rt Hon Elish Angiolini QC WS, The Lord Advocate
Commissioner from 5 December 2001 until 5 May 2011

The Rt Hon Frank Mulholland QC, appointed as Solicitor General for Scotland and currently the Lord Advocate
Commissioner since 30 May 2007

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

Sheriffs Principal of the Sheriffdoms in Scotland

Sheriff Principal Edward F Bowen CBE TD QC, Sheriff Principal of Lothian and Borders

Commissioner from 17 November 1997 until 6 May 2011

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

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

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

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

Sheriff Principal James A Taylor, Sheriff Principal of Glasgow and Strathkelvin
Commissioner from 1 November 2005 until 29 April 2011

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

Sheriff Principal Sir Stephen Young Bt QC, Sheriff Principal of Grampian, Highland and Islands
Commissioner since 10 September 2001

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

Robert Quayle
Commissioner since 26 May 2004 and appointed until 25 May 2013

Elected by the Commissioners

Alistair Whyte
Commissioner since 28 February 2004 and co-opted until 27 February 2013

Captain Mike Close
Commissioner since 1 July 2008 and co-opted until 30 June 2014. Vice Chairman since 1 April 2011

John Ross CBE
Commissioner since 1 October 2008 and co-opted until 30 September 2014

Alistair Mackenzie
Commissioner since 1 August 2009 and co-opted until 31 July 2012
Nominated by the Secretary of State and elected by the Commissioners

Sir Andrew Cubie CBE
Commissioner since 14 January 2003 and co-opted until 31 March 2012

Lord Provosts

Councillor Robert Winter, The Rt Hon Lord Provost of Glasgow
Commissioner since 17 May 2007

Councillor Reverend Dr George Grubb, The Rt Hon Lord Provost of
Edinburgh
Commissioner since 17 May 2007

Councillor Peter Stephens, Lord Provost of Aberdeen
Commissioner since 16 May 2007

Convener of Highland Council

Councillor Sandy Park
Commissioner since 17 May 2007

Convener of Argyll & Bute Council

Councillor William Petrie OBE JP DL
Commissioner since 1 April 2001

The average number of years service for Commissioners in post on 31 March 2012 was 6.1 years.

Patron

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

Senior management in 2011/2012

Roger Lockwood CB Chief Executive

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

Captain Phillip Day AFNI Director of Marine Operations

Douglas Gorman ACMA CGMA CFIIA Director of Finance and Administration

Corporate Governance

Organisation structure

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

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

At its meeting on 22nd February 2010 the Board of Commissioners approved the following proposal:

- that the Board of Commissioners reduce from four to three meetings a year from April 2011, with the caveat that the timings of the meetings should be adjusted in line with business process requirements, reporting Committees and the new strategic Joint Strategic Board meetings.

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

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

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

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

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

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

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

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

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

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

Board performance and activity

Board of Commissioners

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

Number of Meetings held in 2011/2012 3

Committee Members Attendance

Commissioners

Sheriff Principal R Alastair Dunlop (Chairman)	3/3
Sir Andrew Cubie	3/3
The Rt Hon Elish Angiolini	0/0 (ceased being a Commissioner 5 May 2011)
Frank Mulholland	1/3
Sheriff Principal Edward F Bowen	0/0 (ceased being a Commissioner 6 May 2011)
Sheriff Principal Mhairi Stephen	3/3 (commenced as Commissioner 7 May 2011)
Sheriff Principal Bruce A Kerr	1/3
Sheriff Principal Sir Stephen Young	2/3
Sheriff Principal James A Taylor	0/0 (ceased being a Commissioner 29 April 2011)
Sherriff Principal Craig Scott	2/3 (commenced as Commissioner on 1 May 2011)
Sheriff Principal Brian Lockhart	3/3
Councillor Robert Winter	0/3
Councillor The Rev Dr George Grubb	0/3
Councillor William Petrie	1/3
Councillor Peter Stephen	1/3
Councillor Sandy Park	0/3
Robert Quayle	3/3
Alistair Whyte	3/3
Captain Mike Close	3/3
John Ross	3/3
Alistair Mackenzie	3/3

Information provided

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

Key issues in the year

Annual Report & Accounts for the year ended 31st March 2011 approved

Corporate Plan 2012-2017 approved

Managing Board

The Managing Board meeting has a standing agenda which includes:

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

Number of Meetings held in 2011/2012 6

Committee Members and Attendance

Commissioners

Sheriff Principal R Alastair Dunlop (Chairman)	6/6
Sir Andrew Cubie	5/6
Sheriff Principal Bruce Kerr	6/6
Alistair Mackenzie	1/1
Robert Quayle	6/6
Alistair Whyte	5/5
Mike Close	5/6

Information provided

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

Key issues in the year

Agreement of the Objectives and Business Plan for Financial Year 2012/13
Annual Report & Accounts for the year ended 31st March 2011
Aids to Navigation review
Corporate Plan 2012-2017
Staff Plan 2012-2017
Pay Remit 2011
Bribery Act 2010
Pensions
Estate Issues

Audit and Risk Committee

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

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

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

The Audit & Risk Committee reports directly to the Board.

Number of Meetings held in 2011/2012	4
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Committee Members Attendance

John Ross (Chairman)	4/4
Sheriff Principal Sir Stephen Young	4/4
Frank Mulholland	4/4
Alistair Whyte	0/1
Alistair Mackenzie	2/3

Information provided

Internal Audits
Audit Plan
Business Risk cards
Report and Accounts
Bribery Act 2010
GLA Framework Document
GLA Triennial Risk Management Review
Information Assurance

Key issues in the year

During the year the Committee reviewed the findings of internal audits carried out covering Atkins and Governance, R&RNav, PAN GLA Atkins and Project Management. The Committee also considered the going concern statement. The National Audit Office joined the Committee four meetings in 2011/2012. All meetings include a private session between the Committee Members and the Head of Internal Audit and National Audit Office representative. During the year work was completed on the interpretation of the Working Time Directive and the Bribery Act 2010.

Navigation Committee

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

Information provided

AtoN Review
Notice to Mariners

Key issues in the year

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

The Committee reports directly to the Managing Board.

Number of Meetings held in 2011/2012 3

Committee Members Attendance

Alistair Whyte (Chairman)	2/3
Sheriff Principal R Alastair Dunlop	3/3
Captain Mike Close	3/3
Alistair Mackenzie	3/3

Nomination Committee

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

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

Information provided

CV's of potential Commissioners
Commissioners Handbook

Key issues in the year

Recommendation to the Board of Commissioners of the Secretary of State's nominated Commissioner.

Number of Meetings held in 2010/2011 3

Committee Members Attendance

Sheriff Principal Bruce Kerr (Chairman)	3/3
Sheriff Principal R Alastair Dunlop	3/3
Alistair Mackenzie	2/3
Robert Quayle	3/3
Sheriff Principal Brian Lockhart	1/3
The Rt Hon Frank Mulholland	2/2

Remuneration Committee

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

The Committee reports directly to the Board of Commissioners.

Information provided

Executive personal Reports and Objectives

Key issues in the year

During the year the Committee completed the Directors' Salary Review that took effect from 1 August 2011.

Number of Meetings held in 2010/2011 1

Committee Members Attendance

Sheriff Principal R Alastair Dunlop	1/1
Captain Mike Close	1/1
Sheriff Principal Sir Stephen Young	1/1
John Ross	1/1

Risk assessment

Principal risks and uncertainties

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

- the mariner and ship-owner
- their staff
- suppliers and customers
- Government / GLF
- society as a whole
- the environment

In compiling the document it was noted that certain other risks would have a significant impact on the General Lighthouse Authorities but posed a lesser threat to the General Lighthouse Fund – for example a change in Government policy regarding responsibility for the operation of the three lighthouse services. It was considered that the GLAs had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. It was also noted that in the event that the GLF were wound up, there would be a pension liability estimated by independent actuarial valuation to be £362M as at 31 March 2011 on an accrued benefit valuation cash equivalent basis, comprising prospective benefits due to active members, deferred pensioners and pensioners. However, the GLAs have received a letter of comfort from the UK Secretary of State to the effect that in the event of there being insufficient money available in the GLF to meet the GLAs' pension liabilities, the UK Parliament would be asked to meet any shortfall. Pension contributions, which total £44M, have however not been formally ring-fenced from operating costs and as such there is a danger that they could be used to meet any large unforeseen expenditure.

Although not fully satisfactory, a declaration of contingent pension liabilities is made to Parliament each year and a note acknowledging the liabilities added to the GLF Accounts. On this basis it was considered that pension liabilities, whilst substantial, did not at present represent a significant risk but that the matter should be kept under review, particularly as new GLA employees were now required to pay a pension contribution of 3.5% of their salary. The risks were grouped in accordance with the UK Risk Management Standard under the four headings of 'Strategic', 'Financial', 'Operational' and 'Hazard', together with the control measures in place to mitigate their effects, following also HM Treasury document 'Management of Risk – A Strategic Overview' known as the 'Orange Book'. More general risk protections and controls are summarised at Annex II of the 'Orange Book'.

Strategic Risks

Pension Funding

Long Term Funding of "pay-as-you-go" pension arrangements.

Financial Risks

Resourcing

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

Operational Risks

AtoN Provision

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

Operational Staffing

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

Information Technology

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

Corporate Governance & Financial Control

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

Legislation

Non-compliance with legislation or public policy.

Exploitation of Spare Capacity

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

Technological Change

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

Hazard Risks

Natural Events

Natural Events leading to wide scale disruption.

Health, Safety & the Environment

Failure to secure the health and safety of employees and third parties. Accidental damage to the environment, lighthouse or contract helicopter (Temporarily or permanently).

Wreck Marking

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

Scope of Responsibilities

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

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Lighthouse Board for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

Capacity to handle risk

Leadership

Risk management policy

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

The GLAs' policy is to transfer, where possible, risks which are assessed as medium to large through insurance where it is economic to do so, having regard to the amount of indemnity offered and previous losses. Risks are tolerated where the cost of transfer is disproportionate to the benefit gained or they cannot be transferred, such as in the case of fines and punitive damages. Risks are

treated through internal control where possible to contain them to acceptable levels. Internal control mechanisms include the adoption of sound codes of corporate governance, an ongoing awareness of public affairs, accreditation to internationally recognised quality standards, staff training and robust business continuity and emergency response plans. Occasionally, the risk response may be to terminate an activity.

Description of responsibilities

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

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

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

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

Staff training

Senior management accountability

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

Risk management training

The following training has been implemented that impacts on risk management:

Bribery Act 2010

Information risks

Managing Risk of Financial Loss Toolkit

Others

Independent review

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

Risk management maturity

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

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

The risk and control framework

Risk management framework

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

Risk identification, evaluation and control

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

- to identify significant risks against key organisational aims and objectives within a defined process so that each element or level of risk identification fits within an overall framework;
- to assign ownership of organisational risks at a strategic level;

- to evaluate the significance of those risks using recognised standards;
- to respond effectively to risk through the use of controls, risk transfer and risk financing mechanisms;
- to review and report on those risks against the GLAs' unique nature and funding regime and where appropriate put in place additional measures to further mitigate the impact of any residual risk;
- to ensure that their risk management strategy is operating effectively;
- to embed risk management as an intrinsic part of the GLAs' organisational processes.

Risk tolerance/ "risk appetite"

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

The risk appetite for hazard risks, such as health & safety and the environment is generally protective in line with that of the public sector in recognition of the far-reaching stakeholder impact arising from a failure in these critical areas. Conversely, where there is an economic benefit in, for example, the exploitation of a commercial opportunity a more pragmatic stance is adopted leading to a somewhat greater risk appetite but always remaining within a robust framework of loss control.

As a minimum the GLAs seek to ensure:-

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

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

Embedding risk management

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

Evidence of effectiveness

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

Changes

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

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

Review of effectiveness

The Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive managers within the Northern Lighthouse Board. They have responsibility for the development and maintenance of the internal control framework. The Chief Executive also benefits from comments made by the external auditors in their management letter and other reports. The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Board of Commissioners, the Managing Board and the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. In her annual report the Head of Internal Audit was able to provide an overall "Reasonable" assurance rating. She said "Systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified".

The key processes in place are:

- the Board decides policy and provides the strategic direction for the Northern Lighthouse Board;
- a Managing Board to review progress on the achievement of aims and objectives and to maintain operational efficiency;
- periodic reports from the Chairman of the Audit and Risk Committee to the Board of Commissioners concerning internal control;

- regular reports by the Head of Internal Audit, to standards defined in the Government Internal Audit Standards, giving independent opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement;
- regular reviews of compliance with the Framework Document for the General Lighthouse Authorities - last revised July 2008 - that governs the relationship between the Department for Transport and the General Lighthouse Authorities. The results of these reviews are reported to the Audit & Risk Committee;
- a separate statement within the Head of Internal Audit's annual report giving her opinion on the effectiveness of the internal control process; this report, which is reviewed by the Audit and Risk Committee, then forms the basis for a review of Internal Control by the Board of Commissioners;
- regular reviews of the 12 Business Risks at the Directors' Group meetings;
- compliance with the applicable best practice principles set out in HM Treasury's July 2011 Code of Good Practice for Corporate Governance.

Data Handling

Data handling training continuing to be rolled out and targeted to those handling personal data where information is most sensitive and shared most often. Opportunities to improve controls are being identified through the training process and in the creation of individual Risk Registers. Work continuing to further embed the principles of good data handling within the day to day business of NLB and the role/responsibilities of the Information Asset Owner. The IAO role is about providing assurance and making sure that action is taken. Although that does not mean they have to do everything themselves, it is now more of a defined 'responsibility' and this is a change for some people. Work continuing to manage the risks related to the use, processing, storage and transmission of information and data and the systems and processes used for those purposes. Regular assurance returns to DfT. A number of good security controls have been implemented i.e. encrypted laptops being issued. Working to the requirements of the HMG IA Standard No. 6

Significant internal control problems

There have been no significant internal control problems in the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

Commissioners of Irish Lights Governance Statement

The CIL Board maintains the highest standards of corporate governance. The Board has in place specific arrangements to comply with the best practice contained in Managing Public Money (HM Treasury 2007) and the requirements set out by the UK DfT Framework Document for the GLA's (incorporating the Financial Memorandum and Management Statement), dated 1 August 2008. This Framework Document sets out the relationship between the Secretary of State for Transport (via the UK DfT) and the GLA in matters of business and finance and aims to provide a clear understanding of their respective duties and responsibilities according to Part VIII & IX of the Merchant Shipping Act 1995 (MSA 1995), as amended by the Merchant Shipping and Marine Security Act 1997, and any other relevant acts for CIL for Northern Ireland and Part XI of the Merchant Shipping Act 1894 (MSA 1894) as amended by the Merchant Shipping (CIL) Act, 1997 and any other relevant acts in the case of CIL, and Chapter V Regulation 14 of the Safety of Life at Sea Convention 1974 (SOLAS 1974).

CIL has also reviewed the new UK Code on Corporate Governance in Central Government Departments (July 2011) and arrangements are in place to ensure that governance structures and internal controls encompass the main principles of the code and where relevant specific guidelines are adapted for implementation.

CIL operate according to recognised precepts of good corporate governance namely that of:

- Leadership - articulating a clear vision for the organisation and giving clarity about how the organisations objectives and plans contribute to achieving this vision, including setting risk appetite and managing risk.
- Effectiveness - bringing a wide range of relevant experience to bear, including through offering rigorous challenge and scrutinising performance.
- Accountability - promoting the government's and stakeholder's goal of transparency through clear and fair reporting.
- Sustainability - taking a sensible view about what the organisation is trying to achieve and its plans for getting there.

The Board endorses and complies with the principle of separation of the roles of Chairman and Chief Executive. The Board has appointed a Chief Executive and Management Team to run the day to day activities of the organisation.

As part of its corporate governance arrangements, CIL undertakes an analysis of the significant business risks to produce and continually update its risk register. This register identifies the means by which risks are controlled within CIL and who is accountable for managing each significant risk. Internal Audit include a review of that risk analysis and the internal control function in their Annual Report. Internal Audit base and link their programme of audit work to the risk register.

In February 2012, HM Treasury issued an instruction that requires all central government organisations (to the inclusion of the GLAs) to produce a Governance Statement in their Annual Report and Accounts. The Governance Statement replaces the Statement on Internal Control in this Report and Accounts. This Statement has been signed by the Chief Executive and is set out in accordance with the corporate governance guidance issued by Treasury.

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

The Board of CIL

CIL is a statutory body of up to 21 members, with perpetual succession, to provide and maintain Aids to Navigation (AtoNs) around the coast of Ireland. The original number of Commissioners was 22. The constitution of the Board being the Lord Mayor and the High Sheriff of Dublin, 3 Aldermen elected by the Municipal Corporation of Dublin annually and 17 co-opted members with vacancies being filled by the Board as they occur. The office of High Sheriff of Dublin having been abolished, the maximum number of Commissioners is now 21. It was agreed by the Board in November 1992, that the number of co-opted members be reduced from 17 to 12.

The Board has due regard for the benefits of diversity, experience and expertise and strives to achieve the right balance. Board vacancies are advertised in the national media. The selection process for new members includes interview by the Board Nominations Sub-Committee which includes representatives from the UK DfT and the RoI DTTAS.

The Board meets on eight occasions each year. Certain matters are considered at all meetings including the Chief Executive's operational report, finance report, where applicable reports from Board sub-committees and the GLA Joint Strategic Board, performance reports and requests for statutory sanctions. Board activities are structured to assist the Board in achieving its goal to support and advise the Chief Executive and management on the development and delivery of CIL strategy. In addition to regular items, during the year the Board spent considerable discussion time on the organisational review, capital projects, pensions and the options for separation of the current unified UK-Ireland light dues system. The Board also formally reviewed and agreed the overall direction and strategy for achieving post 2015-16 RoI funding, the Corporate Plan 2012-17 and the Annual Report and Accounts.

CIL considers all Commissioners to be non-executive, independent Directors. A Register of Interests that includes details of company directorships or other significant interests held by Board members and senior managers is maintained. The Board is satisfied that these do not conflict with their duties and responsibilities as Commissioners of CIL.

Membership of the Board during 2011/12 was as follows:

Co-opted Commissioners

Sheila Tyrrell	(Chairman & Office Bearer)
David Delamer	(Vice-Chairman & Office Bearer)
John Coyle	(Deputy Vice-Chairman & Office Bearer)
John Gore-Grimes	
Terence Johnson	
John Kidney	
Michael Maclaran	
Michael O' Neill	
Elizabeth Shanks	
Mary Gallagher	

Ex-officio Commissioners (Representatives of Dublin City Council)

The Lord Mayor Councillor Gerry Breen	(until 27 June 2011)
The Lord Mayor Councillor Andrew Montague	(took his seat on the Board 23 September 2011)
Councillor Dermot Lacey	
Councillor Edie Wynne	
Councillor Paddy Bourke	

Executive Members

Yvonne Shields	(Appointed Chief Executive 22 August 2011)
Dr Stuart Ruttle	(Retired as Chief Executive 29 July 2011)
Seamus Doyle	(Retired as Head of Engineering 29 February 2012)
Capt. Kieran O'Higgins	(Retired as Head of Marine 26 August 2011)
Capt. Robert McCabe	(Appointed Acting Head of Marine 29 August 2011)
Martin Dyas	(Retired as Head of Corporate Services 2 September 2011)
Brendan Coyne	(Appointed Acting Head of Corporate Services 5 September 2011)
John Burke (Head of ICT)	

The Board met on eight occasions in 2011/12. Stuart Ruttle attended three and Yvonne Shields attended five meetings in their capacity as Chief Executive.

The Board and Committee Structures

Attendance at scheduled meetings of the Board and its committees in the financial year ended 31 March 2012

Name	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
<u>Commissioners:</u>				
Sheila Tyrrell (Chairman)	8/8	-	1/1	-
David Delamer	6/8	1/2	1/1	-
John Coyle	7/8	-	1/1	-
John Gore-Grimes	7/8	1/2	-	-
Terence Johnson	8/8	0/2	-	-
John Kidney	8/8	2/2	1/1	-
Michael Maclaran	6/8	-	-	-
Michael O'Neill	8/8	2/2	-	-
Elizabeth Shanks	8/8	2/2	-	-
Mary Gallagher	8/8	-	-	-
The Lord Mayor Councillor Gerry Breen	0/1	-	-	-
The Lord Mayor Councillor Andrew Montague	1/5	-	-	-
Councillor Dermot Lacey	6/8	-	-	-

Councillor Edie Wynne	3/8	-	-	-
Councillor Paddy Bourke	5/8	-	-	-

Executive Board Members:

Yvonne Shields	5/5	-	1/1	-
Dr Stuart Ruttle	3/3	-	-	-
Seamus Doyle	6/6	-	-	-
Capt. Kieran O'Higgins	2/2	-	-	-
Capt. Robert McCabe	5/5	-	-	-
Martin Dyas	3/3	-	-	-
Brendan Coyne	5/5	-	-	-
John Burke	8/8	-	-	-

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

a) Audit and Risk Committee

The Audit and Risk Committee is established to monitor and review management controls, the financial stewardship of the funds at the Board's disposal, risk, compliance and corporate governance issues and the systems of internal control. It does this by reviewing various sources of data including individual Internal Audit Reports and Northern Ireland Audit Office (NIAO) reports. The Committee meets with the UK DfT Audit and Risk Assurance (ARA) Head of Internal Audit to review their Annual Report and discuss any aspects of their commentary regarding CIL's internal control system. The Committee also meets with the NIAO to review the Annual Accounts and to discuss any observations raised by the Auditors in their Report to those Charged with Governance.

The membership and operation of the Audit and Risk Committee is broadly in line with the Audit Committee Handbook issued by HM Treasury in March 2007. The Audit Committee approved revised Terms of Reference, based on this guidance, in September 2010. The CIL Board also approved these Terms of Reference. The Committee reviews its terms of reference annually. In line with best practice membership of the Committee consists of Commissioners only. The Chief Executive, the Head of Corporate Services and other Heads of Departments attend by invitation as required. The CIL Audit and Risk Committee is scheduled to meet on three occasions in the year, however it only met on two occasions in the year ended 31 March 2012. The Audit Committee handbook recommends that the Committee meet at least four times a year.

Membership of the Audit and Risk Committee during 2011/12 was:-

David Delamer	(Chairman until 31 December 2011)
John Coyle	(Chairman from 1 January 2012)
John Gore Grimes	
Terence Johnson	
John Kidney	
Michael O'Neill	
Elizabeth Shanks	

The main activities for the year included the review of the 2010/11 Annual Report and Accounts and the recommendation that they be formally approved by the Board; reviewing the CIL risk register and ensuring that the internal audit programme was completed effectively. In addition the Committee reviewed and considered the reports provided by both the Internal and External Auditors.

b) Remuneration Committee

This Committee advises on the remuneration and associated matters of the Chief Executive, Heads of Departments and pay and superannuation issues. The Committee consists of CIL Office Bearers and one other Commissioner along with the Chief Executive. The Committee consults the Chief Executive about its proposals other than in relation to the Chief Executive's own remuneration and may obtain independent professional advice subject to Board and Accounting Officer approval. The Committee consults the UK DfT in relation to the performance of the Chief Executive as regards her responsibilities acting as Accounting Officer.

Membership of the Remuneration Committee during 2011/12 was:-

Sheila Tyrrell	(Chairman)
David Delamer	
John Coyle	
John Kidney	
Yvonne Shields	(Appointed Chief Executive 22 August 2011)
Dr Stuart Ruttle	(Retired as Chief Executive 29 July 2011)

The Committee met once in March 2012.

In 2004 the Board took the decision to make the Heads of Department Executive Members of the Board. This decision was reviewed by the Remuneration Committee in March 2012 in the context of the organisation change project, the impending appointment of a new

senior management team and best practice corporate governance. A decision was taken that executive posts will not be Board positions. The Executives will attend the Board meetings and report as appropriate.

Other highlights of the year include the revision of pay scales in line with current market conditions for all Executive posts including that of Chief Executive.

c) Nominations Committee

The Nominations Committee is responsible for the appointment of elected members to the Board of CIL. The Committee meets as and when required.

Membership of the Nominations Committee during 2011/12 was:-

Sheila Tyrrell (Chairman)

David Delamer

John Coyle

One other Commissioner

Representative of UK DfT

Representative of RoI DTTAS

Yvonne Shields (Appointed Chief Executive 22 August 2011)

Dr Stuart Ruttle (Retired as Chief Executive 29 July 2011)

As there were no new Commissioners appointed during the year under review, the Committee did not meet.

Other CIL Committees

In addition to the aforementioned Committees CIL has in place the following:-

The Inspecting Committee is in situ to review all requirements for the organisation's provision of Aids to Navigation (AtoN) and in particular to review and ensure that quantity and mix of AtoN provided are commensurate with the traffic and degree of risk. The Committee is comprised of all Commissioners together with the Chief Executive and Heads of Department. The Inspecting Committee is an advisory committee to the Board with responsibility for inspection of Aids to Navigation. The Board reviewed inspection practice in 2011/12. Two short working inspections are completed each year with generally three Commissioners and two officials inspecting priority stations selected on the basis of planned/completed expenditure or policy proposals. The Inspecting Committee verify on behalf of the Board that AtoN requirements are being achieved in an economic manner and that workplace Health and Safety responsibilities are being met.

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

The CIL Light Dues Committee was established in 2010 as a special sub-committee of the Board to:-

- i) Identify anomalies that exist in the current charging system of collecting lights dues in the RoI.
- ii) To identify alternative charging options to replace/enhance/supplement the current system.

The committee issued its final report in June 2011 at which time it was decided to establish a JSB Light Dues Committee to build on the work already done and to develop a series of options for growing light dues in the RoI to be put to the individual GLA Boards, the JSB and ultimately to both Governments for consideration. The JSB Light Dues Committee issued its final paper in November 2011. In April 2012 CIL established a steering group to manage the process of independently evaluating the economic impacts of the various options identified for reforming light dues. This steering group consists of the Chairman of CIL, representative of the RoI DTTAS, representative of the UK DfT, independent representative of the Irish Maritime Development Office (IMDO), CIL Chief Executive and the CIL Director of Operations and Navigational Services. A report on the economic impact of the various options regarding light dues reforms is anticipated by the end of the summer.

The Marine & Navigation Requirements Committee* reviews aids to navigation issues and the progress of recommendations contained in AtoN reviews.

The Engineering & Property Committee* is tasked with reviewing engineering design, maintenance and operations policies and procedures within CIL. It also advises on policies and asset management issues relating to property and heritage estate.

* Both of these committees were dis-established during 2011/12 on the basis that new management arrangements were introduced to ensure that operational issues are sufficiently dealt with by the management team on a monthly basis and that all relevant strategic and policy matters pertaining to these areas are brought to the main Board.

Board Effectiveness

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

As the organisation is going through a period of change and transition, the Board has received frequent briefing from Departmental representatives attending Board meetings (UK DfT and RoI DTTAS) and presentations on matters of importance from the Chief Executive and senior managers during the past year. These related to the organisation changes required to achieve 2015/16 funding and in particular the arrangements for addressing the GLF legacy pension deficit and the reform of the current integrated UK-RoI light dues system.

In February 2012, the Board held an off-site strategy session to consider the future of the organisation with respect to the achievement of post 2015/16 objectives and beyond. At the subsequent Board meeting the Board approved a high level strategy and requested its further development by the Chief Executive and management team.

Performance Evaluation

Performance Evaluation of the Board takes place on an annual basis. In 2012 the Chairman reviewed and refreshed the approach that was in place. Board members were asked to consider and comment on the characteristics of good Board practice and the degree to which the Board complies with these. In addition Board members were asked to complete a self-assessment. The change in approach resulted in a slight delay with the deadline set for June 2012. All returns have been received and the output will be discussed by the Board and incorporated into an update of the Board Handbook to be completed in September 2012. The Chairman has requested that an external evaluation process is undertaken on a periodic basis and this will be considered in 2013.

CIL Executive

The Board delegates the management of its day-to-day activities to the Chief Executive and Management Team, each of whom has responsibility for a specific area. The Chief Executive and Management Team meet twice a month. One meeting each month is dedicated to monthly operational and management reporting, reviewing and approving material for the Board and forward planning. The alternate monthly meeting handles work in progress and ad hoc management issues. Key activities in 2011-12 included the:

- Preparation of the Corporate Plan 2012-17 which was approved by the Board and the UK DfT in March 2012.
- Development of a high level strategic plan CIL 2015 and Beyond – Navigating the Future and the design of an aligned organisation change and re-structuring plan to deliver on the new strategy. This included consultation with all employees, Board, UK DfT and the RoI DTTAS. Detailed implementation plans are being developed.
- Implementation of the Atkins Review recommendations including progress with standardising buoy refurbishment processes, centralising “out of hours” monitoring of AtoN in TH, Harwich and the introduction of 5 year running cost reduction targets within the Corporate Plan.
- Delivery on the AtoN 2010 review with 15 Aids transferred to LLAs during 2011/12.
- Continued reduction in costs and increased operational efficiencies through system modernisation and station consolidation under the capital works programme.

Risk Management

Accounting Officer Responsibility for Risk Management

Acting in the role of Accounting Officer, the Chief Executive has the responsibility for ensuring that there is a high standard of financial management including a sound system of internal control that promotes the efficient and economical conduct of CIL business and safeguards financial propriety and regularity. The Chief Executive, as accounting officer is responsible for safeguarding the GLA funds and assets for which she is personally responsible, in accordance with the principles set out in HM Treasury’s Managing Public Money. These responsibilities were formally set out in a letter dated 25 August 2011 to the Chief Executive from Lin Homer, the then Principal Accounting Officer of the UK DfT.

The details of the operating arrangements the UK DfT has agreed with CIL are contained in the "GLA Framework Document" (incorporating the Financial Memorandum and Management Statement) dated 1 August 2008.

In practice the UK DfT work closely with CIL to manage risk. There is a regular flow of reporting information from CIL to the UK DfT, including monthly management accounts, Board reports and business cases. The UK DfT is involved at an early stage in key decisions and a representative sits on the CIL Nominations Committee.

Internal Control

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

system of internal control has been in place in CIL for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Accounts.

Risk Management Culture

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

- development and regular review of the risk register with the involvement of managers and staff including discussion about significant risks faced by the organisation at senior management team meetings.
- internal audit deriving their audit plan from risks listed on the register.
- access to the risk register via CIL intranet site.

CIL, NLB and TH (lead authority) carry out a GLA Triennial Risk Management Review, the most recent of which was completed in October 2009. This contains the risk management policy and strategy for the GLAs. It was approved by all three GLA Boards and by the Lights Finance Committee in November 2009. This review includes the analysis of all main risks facing the GLAs supported by third party assurance from a firm of independent risk consultants and draws on best practice guidance from the UK Risk Management Standard, prepared by the Institute of Risk Management, Association of Insurance and Risk Managers and the National Forum for Risk Management in the Public Sector. The next triennial review will be carried out in 2012.

Risk Monitoring

CIL maintains a comprehensive Risk Register which has evolved and grown over time and is now tabled for review and updating by the Management Team twice a year, in October and March. The risk register is a living document with the latest version retained on the CIL intranet and updated following recommendations from the Board, management and/or UK DfT Internal Audit.

The risk register currently contains 84 risks and these risks are divided into seven main categories:

- Strategic Risks
- Financial Risks
- Operational Risks
- External Risks
- Health & Safety
- Human Resources
- ICT

For each risk the following is outlined in detail within the risk register:-

- (i) the consequences for the organisation if the risk materialises,
- (ii) the actions that CIL will take to reduce the likelihood of the event occurring,
- (iii) the actions that will be taken to mitigate the impact were the event to occur.

The review of risks includes an evaluation of the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place. Heads of Department determine whether the risks have altered from the very high, high, medium, low, or very low probability and impact categories that they have previously been allocated. They also consider whether additional controls should be applied to reduce the residual risk further. Management of risk is an on-going feature of work at CIL. It is embedded into working practices through key policies and procedures such as the:

- Risk Assessments
- Management Assurance Return
- Information Risk Policy and associated security procedures

The Audit and Risk Committee reviews the risk register each year concentrating on the top risks that would have a greater impact on CIL operations should they occur. A sub-committee of the Board has been formed to further examine and challenge the risks identified on the current register. Prior to submission each Head of Department in conjunction with his senior management undertakes a review of the risks that they are responsible for managing. This includes the information risks.

Management Assurance Return (MAR)

The executive Management team within CIL complete a Management Assurance Return twice during the year, the purpose of which is threefold, namely:-

- (i) to make Management fully aware of what roles and responsibilities they have in respect of corporate governance,
- (ii) to give assurance to the Chief Executive that internal controls within CIL are operating effectively and

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

Information Risk

CIL maintains an Information Asset Register, with each asset assigned an Information Asset Owner (IAO). The Information Asset Owners carry out an annual review of information security risks using the Cabinet Office guidance. The outcome of this review is reported to the Board by the Senior Information Risk Owner (SIRO). The Information Asset Register and IAO annual reporting mechanism is now well embedded and has resulted in improvements to data handling and quality. Consequently, IAOs are now challenging the way that they store, handle and share data.

Some key processes in place are:-

- best practice technologies and/or solutions dealing with information security are in place and are regularly reviewed/updated.
- data archiving policies and solutions are in place.
- full data backups are taken and stored in an external third party disaster recovery and business continuity facility.
- penetration tests and vulnerability assessments are carried out.

CIL has reviewed its information and data handling processes and procedures during the year. No major weaknesses were noted.

External Participation in Risk Management

External stakeholders are involved in managing risks through the Joint Users Consultative Group, User Committees, general consultation with marine sector representatives and the Lights Advisory Committee. CIL have reviewed their user committee structure and now hold separate annual meetings with AtoN User and AtoN Provider groups. Initial indications are that this approach is improving the extent and quality of user engagement.

Changes to Risk Profile

The key changes to the risk profile of CIL during the year ended 31 March 2012 were:

- *Staff Reductions – Impact on Internal Controls and Service Delivery.* Arising from the implementation of the VER, CIL has reduced employee numbers by 26% in the past 2 years. With reducing numbers of staff there is an increased risk to internal controls and segregation of duties and service provision and delivery. However, these reductions were all planned well in advance with an 18 month lead in period. This timeframe allowed CIL to formulate succession plans together with a structure to reallocate and monitor work to remaining staff without compromise to the organisation. An example of which are the figures produced for AtoN availability which compare favourably with IALA standards. There was one exception to this. The Chief Executive advised the Board that the scale of the roles of Director of Corporate Services and Finance Manager are such that it is not possible for one person to discharge both of them satisfactorily. This assessment was made against the backdrop of the major organisational change that is taking place and the significant additional financial and administrative tasks that will be required as CIL goes forward. The Board agreed with this recommendation and in April 2012 the UK DfT approved a replacement post for the position of Director of Corporate Services.
- *Self-Financing – CIL transitioning to RoI funding by 2015/16.* Following agreement reached by the Irish and UK governments to 'enable' CIL to be funded by RoI sources by April 2015, CIL will have to continue to reduce costs, generate additional income, and gain agreement on funding of its pension liabilities. On-going discussions continue between the UK DfT and the RoI DTTAS to enable CIL to meet the objectives of the two governments with CIL being closely involved.
- *New Management Structure - risks associated with implementation and bedding in of the new structure within CIL.* The proposed structures have been carefully considered and have been produced in a project like fashion taking cognisance of all issues that may arise. Adaptability and flexibility in terms of roles and responsibilities will ameliorate the chances of service delivery difficulties. As the changes are implemented consultation with all stakeholders and engagement with employees and employee representatives should reduce the risks involved from the employee relations perspective.
- *Office of National Statistics (ONS) reclassification of three GLAs as Central Government Bodies.* This reclassification of the GLAs will have significant implications for CIL as a GLA for budgeting and accounting processes. A working group has been set up of the GLAs and the UK DfT to gain an understanding and embrace this reclassification within timescales agreed with HM Treasury.

A great deal of work has been done on pensions with a report submitted to the UK DfT that recommends the creation of a funded pension scheme. At the time of writing it is unclear whether these proposals can be implemented pending clarification from UK DfT on the implications of the reclassification. The Secretary of State has issued a letter of comfort to the effect that, in the unlikely event of insufficient money being available in the GLF to meet the liabilities, the UK DfT will request funds from Parliament to make the necessary payments.

Head of Internal Audit Opinion

On the basis of the evidence obtained during 2011/12, I am able to provide an overall 'Reasonable' assurance rating on the adequacy and effectiveness of the CIL's arrangements for corporate governance, risk management, and internal control.

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

This overall opinion is supported by my view on each of the following areas:

CIL's corporate governance arrangements meet the need of the organisation in accordance with Board objectives. CIL continues to demonstrate a strong commitment to complying with best public sector practice and corporate governance principles. There is on-going work on the constitution and operating procedures of the Audit Committee to ensure it continues to meet the good practice contained in HM Treasury's revised Audit Committee Handbook.

The organisations risk management arrangements are established at corporate level and were generally found to be working effectively. However, there is on-going work at the lower levels to clarify arrangements and ensure processes and practices are firmly embedded at all levels within the organisation.

The organisation's internal control processes in the areas reviewed during the year were generally found to be effective, though there were areas where control weaknesses and areas for improvement were identified. Corrective action plans have been agreed with management to address the control weaknesses identified.

Review of Systems of Internal Control

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

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

- The CIL Board which meets eight times a year to decide policy, provide strategic direction and review operational progress. The Board receives Audit Committee minutes and reports covering areas such as risk management. The Board also formally reviews its own effectiveness on an annual basis.
- The management team meet on a regular basis to review progress on the achievement of aims and objectives and to maintain operational efficiency. Risk management is formally reviewed by Heads of Department and Senior Managers on a six-monthly basis but in practice is considered as part of the control of all key projects and activities.
- The Audit and Risk Committee which operates in line with the "Audit Committee Handbook". The Chairman of the Audit and Risk Committee periodically reports to the Board on matters concerning internal control.
- Internal Audit, who provide regular reports that give an independent opinion on the adequacy and effectiveness of the system of internal control. The Head of Internal Audit produces an Annual Report, which gives his/her opinion on the effectiveness of internal control.
- External Audit who independently audit CIL accounts and summarise their findings in the RTTCWG.
- Internal Audit Report findings are reviewed and monitored by the Executive team on a quarterly basis and summary findings and opinions are reported to the Board following publication.
- There is a monthly analysis of the management accounts and management reports by the Chief Executive, Heads of Department and Senior Managers.
- A triennial risk review is undertaken by external risk management consultants on behalf of the three GLAs, which is submitted to the Lights Finance Committee. An immediate review would be undertaken if there was any perceived change in risk.
- An annual risk management and insurance scrutiny was undertaken by the GLA for the UK and RoI in the autumn of 2011.

Significant Internal Control Issues

There have been no significant internal control or governance problems in the year ended 31 March 2012.

Therefore I can report that corporate governance and risk management within CIL remains robust and effective, and complies with Managing Public Money (HM Treasury 2007), the Framework Document for the GLA's (August 2008) and the general principles set out in HM Treasury's Code of Good Practice for Corporate Governance in Central Government Departments (July 2011), as far as is appropriate.



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