# Trinity House

TRINITY500
SERVING THE MARINER
1514 – 2014

Report and Accounts
for the year ended 31 March 2013

Front cover photo: Whitby Lighthouse. Image used with kind permission of David Johnson

# Contents


# Directors of the Lighthouse Board

| | |
|---|---|
| Captain I McNaught* | Executive Chairman |
| Captain R H Barker* | Director of Navigational Requirements |
| Commodore S J Scorer* FCMI | Director of Operations |
| Captain N. Palmer* OBE | Deputy Chairman & Non Executive |
| J S Wedge** CIPFA MBA BA (Econ) Hons | Director of Finance & Support Services |
| F C Bourne *** | Non Executive (retired 19 July 2012) |
| E D Johnson*** | Non Executive |
| M Gladwyn*** | Non Executive |
| P Matthews*** | Non Executive (appointed 20 July 2012) |
| J D Price | Secretary |

* - Member of the Corporation of Trinity House

** - Associate Member of the Corporation of Trinity House

*** - Nominee of the Secretary of State for Transport (DfT) and Associate Member of the Corporation of Trinity House

# Officers and Advisors

| | |
|---|---|
| Principal Office | Corporation of Trinity House<br><br>Trinity House<br>Tower Hill<br>London<br>EC3N 4DH |
| Auditors of the General Lighthouse Fund | Comptroller & Auditor General<br>National Audit Office<br>157 -197 Buckingham Palace Road<br>Victoria<br>London<br>SW1W 9SP |
| Bankers | Lloyds TSB<br>PO Box 72<br>Bailey Drive<br>Gillingham Business Park<br>Kent<br>ME8 005 |
| Solicitors | Norton Rose<br>3 More London Riverside,<br>London<br>SE1 2AQ |
| Actuaries | Hymans Robertson LLP<br>30 Waterloo Street<br>Glasgow<br>G2 6DB |

The 2012/2013 year has seen Trinity House continue to provide an excellent service to the mariner. The Trinity House mission is:

***'To deliver a reliable, efficient and cost effective AtoN service for the benefit and safety of all mariners'.***

This remains as important today as it has been throughout the 500 years that Trinity House has provided Aids to Navigation (AtoN) for the mariner. The requirement for appropriate AtoN to ensure that all mariners are able to pursue their voyage in safety underpins the core reasons for the Lighthouse Service. The risk cannot be underestimated. For example, in a single week in Summer 2011 3,686 vessels made transit through the Dover strait, some 15% of which were large vessels over 9 metres draught. That was an average of 527 vessels a day or one vessel every 2¾ minutes, more than the movements of aircraft at Heathrow Airport in a day. These ship traffic volumes are reflected in the 519 million tonnes of freight and 22.6million passengers transported to and from UK Ports during 2011.

To mitigate the risk presented by the high traffic density together with relatively shallow waters in the area under Trinity House jurisdiction a complicated tapestry of appropriate AtoN are deployed and maintained, ensuring the on-going safety of the mariner. The AtoN deployed by Trinity House accord with the General Lighthouse Authority (GLA) marine AtoN strategy to 2025 which is summarised as follows:

- to continue to provide an appropriate mix of AtoN for general navigation;
- to continue to provide a timely and effective response to wrecks and AtoN failures;
- to continue to undertake superintendence and management of all AtoNs 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.

Trinity House remain committed to this tri-GLA marine AtoN strategy and this is our primary focus.

Within this overall GLA strategic tapestry Trinity House has continued to achieve its objectives in 2012/2013, with the highlights being as follows:

- Continuing to maintain the availability of our AtoNs above the international standards;
- Gaining approval from the Secretary of State for a new Trinity House Strategic Plan;
- Retaining ISO9001:2008 and ISO 14001:2004 quality and environmental standards;
- Securing funding to carry on with the development of eLoran;
- Completing engineering projects at Southwold, Needles, Godrevy and three Lightvessel upgrades;
- Successfully taking over the project management of the upgrade of the GLAs' Differential Global Positioning System (DGPS);
- Achieving the highest RoSPA Health and Safety standard, diamond level;
- Beginning the disposal of a number of properties at St. Ann's Head, Hartland Point and Beachy Head.
- Implementing the recommendations from the latest staff survey that demonstrated high levels of staff motivation, loyalty and engagement;
- Generating income of over £2million from commercial activities;
- Maintaining high standards of corporate governance and strong financial controls as evidenced by reports from our auditors;
- Generating value for money savings of £325,000; and
- Meeting all financial targets, including containing running costs below target.

Trinity House has continued to exceed cost reduction targets, set in accordance with a RPI-X% formula. The main contributors to the outstanding financial performance have been the generation of higher than target commercial income, exceeding the value for money target, reductions in 'front line' running costs and significant savings in manpower costs achieved by the continuous improvement review programme. At Trinity House we are always seeking to find the most cost effective way of providing a high quality service to the mariner.

Trinity House's strong financial performance has contributed to maintaining light dues significantly below inflation. Despite the increase in light dues in 2009/2010, the first increase for 16 years, light dues remain 34% lower in real terms than they were 10 years ago. Light dues collection has remained stable despite the poor economic climate . In 2010, the Shipping Minister stated that stable light dues charges were important for the shipping industry so there should be no increase in light dues rates for 3 years.

Trinity House has also made a substantial contribution to the Joint Strategic Board (JSB) of the GLAs which has focused on two high level strategic activities during the year: the implications of the decision by the ONS to reclassify light dues as a tax and the GLAs' pension liability. Trinity House staff have provided support and expert advice on these matters throughout the year. In addition, we are working closely with DfT to agree a new Framework Document and supported the passage through Parliament of the Marine Navigation Act 2013, which gained Royal assent in April 2013, giving the GLAs valuable new powers.

Trinity House has come through a difficult and challenging year with its reputation for working effectively in partnership with key stakeholders enhanced. This is of great credit to all of our staff who have worked so diligently at Trinity House to ensure we continue to provide a high class service to the mariner and so maintain our world-wide reputation for excellence. We are well placed to take the organisation forward and build on the outstanding work of the last twelve months.

Ian McNaught.

**Captain Ian McNaught**
**Executive Chairman of the Lighthouse Board**

# Nature, Objectives and Strategy of The Business



## Statutory Background

Under Section 193 of the Merchant Shipping Act 1995 the Corporation of Trinity House is appointed as the GLA for England and Wales, the Channel Islands and the adjacent seas and islands, and under Section 195 is vested with the responsibility for the superintendence and management of all lighthouses, buoys and beacons within its area. Trinity House has various powers and responsibilities in connection with the provision, maintenance, alteration, inspection and control of lighthouses, buoys and beacons under Section 198 and Section 199 of the 1995 Act. Trinity House also has responsibilities within its area for the marking and removal of wrecks under Sections 252 and 253 of the 1995 Act, where such area does not lie within or near an approach to a harbour or conservancy authority. Trinity House is currently responsible under Section 193(5) of the Merchant Shipping Act 1995 for Europa Point lighthouse in Gibraltar and also discharges responsibilities of the DfT at Sombrero lighthouse (Anguilla). Trinity House meets residual pension liabilities in respect of former employees of the Imperial Lighthouse Service in the West Indies, Sri Lanka and the Falkland Islands.

The Merchant Shipping and Maritime Security Act 1997 gives Trinity House the powers to establish contracts to exploit spare capacity in its assets. The GLA (Beacons: Maritime Differential Correction Systems) Order 1997 came into force on 12 January 1998 and states that the definition of 'Beacon' in the Merchant Shipping Act includes equipment for a Differential Global Positioning System. The GLA (Beacons: Automatic Identification System) Order 2006 came into force on 20 July 2006 and states that the definition of 'Beacon' in the Merchant Shipping Act includes equipment provided for broadcasts in the frequency range 156.025 - 162.025 MHz where such equipment forms part of a system for providing information:-

(a) to ships about the type, position and functioning of aids to the navigation of ships; or

(b) to assist the GLAs in the efficient provision of aids to navigation of ships.

The Marine Navigation Act 2013 clarified the GLAs' power to operate outside territorial waters and increased the scope for commercial activities.

These accounts are prepared by Trinity House in respect of its function as the GLA for England and Wales in accordance with a directive made by the DfT under the powers of the Secretary of State contained in Section 218 of the Merchant Shipping Act 1995. The accounts are subsequently consolidated to form part of the General Lighthouse Fund (GLF) Accounts, which are prepared pursuant to Section 211 of the Merchant Shipping Act 1995.

## Vision Statement

Trinity House's vision is:

***"To be a trusted, world class organisation and regarded as such by our stakeholders".***

The recent history of Trinity House has been one of considerable change. Trinity House has changed from a very labour intensive, traditional organisation to a multi-skilled and highly automated service, well-equipped for the challenges of the 21st century.
This change has involved some major initiatives:

- Solarisation and automation of most marine AtoN;
- A reduction in the number of AtoN;
- A reduction in the tender fleet;
- A major re-organisation following a comprehensive Business Process Review resulting in 31% fewer staff;
- A reduction from five depots to one main depot at Harwich with outstations at Swansea and St Just;
- The development of multi-skilled technicians;
- Creation of a state of the art central control and monitoring centre at Harwich, which now provides out of hours monitoring of Northern Lighthouse Board (NLB) and Commissioners of Irish Lights (CIL) AtoN;
- Increasing use of modern business systems and communications;
- The implementation of differential GPS;
- The establishment on behalf of the three GLAs of trial eLoran transmissions from Anthorn in Cumbria;
- The creation of a commercial business arm to exploit spare capacity in our assets.
- The development of a culture that seeks continuous improvement.

These changes have meant a reduction in the Trinity House workforce from around 1500 staff at the start of the automation programme to 296 staff by the end of this year. These considerable efficiencies have made a significant contribution to reducing Light Dues in real terms by 34% in the last ten years.

## Strategic Objectives

The following are our main strategic objectives:

- To review the impact of the risk response criteria for marine incidents;
- To undertake the next major AtoN review in 2015 and establish a clear action plan based on the results;
- To plan and implement appropriate plans to deliver agreed efficiencies, and develop a set of appropriate performance measures;
- To develop an improved, clear and appropriate set of engineering and project management standards for the service, in collaboration with and common to the other GLAs;
- To maintain and develop influence at an international level, including International Association of Marine Aids to Navigation & Lighthouse Authorities (IALA);
- To identify our priorities in technology development and the requisite level of assets needed for support and

deliver against an agreed tri-GLA plan;

- To share responsibility for and pro-actively deliver the Public Relations and Corporate Communications Strategy;
- To maximise our income within the constraints of the various legal and corporate governance frameworks that apply.

These objectives are contained within our new 2013/18 Strategic Plan, which was developed this year. This plan includes a new set of organisational values which are:

- **Trust** - We trust each other and are trusted by others.
- **Flexibility** - We look at what's needed and embrace change.
- **Teamwork** - We support each other to succeed.
- **Pride** - We take pride in what we do and what we strive to achieve in our organisation.
- **Creativity** - We encourage innovation and creativity.
- **Fairness** - We treat everyone fairly and celebrate achievement.



# Current Developments and Performance

## Aids to Navigation

The 2009/2010 AtoN Review provided a solid basis for delivering a streamlined service during the next five years. The range of the light at Southwold has been extended and the station upgraded. This will enable Orfordness to be discontinued in 2013/14. The upgrade of Godrevy and Needles was also completed in 2012. A major project to upgrade Nab Tower commenced in 2012 and is due to be completed in 2013. This is planned to provide a very low cost minimum maintenance regime for the next 50 years. 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 2013. This will see the station operate entirely from low maintenance renewable energy sources.

Of the 66 Lighthouses that Trinity House operate, only two retain long running diesel engines for their power. These are in the five year plan to be modernized and so use renewable energy or a hybrid system for their power. Additionally, the last diesel-powered lightvessel was withdrawn from service in 2012.

Assessment of traffic patterns using historical Automatic Identification System (AIS) data now forms an essential element when considering the requirements for the marking of new dangers including wrecks together with the confirmation of requirements of new and existing AtoN for general navigation. As such the most appropriate solution is delivered, whilst not being driven by, but being mindful of, the costs of those solutions. AIS as an AtoN is being rolled out to selected AtoN stations with the completion of the programme due in 2013. The benefits of this enhancement in conspicuity is clearly recognised for key stations but over proliferation of AIS in general and limitations on which vessels can see the AIS symbol on an appropriate display are carefully assessed during considerations of where to use the technology.

During 2012 Trinity House took over the project management lead of the DGPS project when there was a risk that the GLAs may end up with a legal dispute with the supplier. Subsequently, this project commenced its 'roll-out' phase in late 2012 and is now on course to be completely installed in 2013.

## e-Navigation

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 a resurgent Russian Global Navigation Satellite System (GLONASS). These systems will be joined, in the future, by other satellite systems such as Beidou and Galileo. Due to the vulnerabilities of the signal, the International Maritime Organisation (IMO) accept the need for a ground-based backup to these Global Navigation Satellite Systems (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 GNSS for its positioning, navigation and timing (PNT) inputs and would therefore not be resilient enough.

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

The GLAs' eLoran trials have been very successful to date and the 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.

Our prototype eLoran service has been operational on a trial basis, demonstrating 100% availability over the last three years. Central government funding to support the development of eLoran has been secured from the Home Office. While the overarching requirements for eLoran are to address the very real dangers presented by GNSS vulnerability, with the robust integrity of PNT provided by eLoran, complementing GNSS systems, the requirements for long range physical AtoN may reduce realising significant cost savings.

Most of the GLA work to develop e-Navigation is carried out by the tri-GLA Research and Radio Navigation (R&RNAV) department based at the Trinity House depot in Harwich. It 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 e-Navigation, including eLoran and vitual AtoNs.

## IALA

The GLAs are (in accordance with the SOLAS convention) required to adhere to the international recommendations and guidelines developed and managed by IALA. The principle that the mariner receives the same 'signal' from AtoN wherever he goes in the world, is upheld and promoted by the membership of IALA, made up from the majority of maritime nations together with industrial and institutional maritime interests.

The membership of IALA participates in committees that are tasked with the preparation of recommendations and guidelines for AtoN authorities and service providers across the globe.

Trinity House continues to play a major role in IALA, providing papers and leading key committees. Major areas of work include the development of e-Navigation, AIS, enhanced lights, the global sharing of maritime data, developing a new racon guideline and the updating and maintenance of IALA recommendations, guidelines and manuals.

### Racons

Detailed testing of racons has been carried out. Together with R&RNAV and the other GLAs trials are being carried out to ascertain how the deployment of racons will be affected by so-called 'new technology' radar which is being rolled out by several manufacturers. This testing has enabled a revised technical specification and 3-year GLA collaborative contract to be awarded to Tideland racons. These new racons have been successfully deployed around the service and are proving to be reliable and robust as well as significantly cheaper than those previously available.

### Buoy Yards

During the year, some 97 (Type 2 equivalent) buoys were refurbished in the buoy yards at Harwich and Swansea for statutory and commercial contracts. A number of efficiencies in processes were identified and implemented resulting in a reduction of buoy refurbishment costs and an improvement in quality control. The focus for the future is to extend the buoy life at sea to reduce buoy operating costs even further. Since 2008 buoy operating costs have been reduced by 25%.

### Lighthouse Estate

The review of all non operational property carried out in 2010/2011, is being implemented with the sale or disposal of a number of sites. Properties at Skokholm, Hartland Point, Beachy Head and St. Ann's Head, have either been sold or are being sold or transferred to different owners. Sales of such assets have generated £100,000 in 2012/2013. These sales also result in lower maintenance costs in the future and have helped to reduce planned manpower levels.

### Risk Response Criteria

A draft report on a new risk response criteria was considered by the October Lighthouse Board. Finalisation of this will be a key piece of work for 2013 and will have important strategic implications.

### Business Continuity

The new Business Continuity Plan, was tested in 2012 by 'Exercise Plimsoll', which focused on the temporary relocation of the Operations and Planning Centre (OPC). This provided a challenging test of the new Plan. Overall the new Plan proved to be robust and effective.

### Ships

The five renewal audits for the Document of Compliance and the five year renewal audits for the Safety Management Certificates for THVs *Galatea* and *Patricia*, under the ISM/ISPS Code were carried out in 2012 with the MCA auditor commenting favourably on our commitment to safety. A new memorandum of understanding covering inter-GLA ship support came into effect on 01 January 2011. This has further strengthened the coordinated management of the GLA's Fleet. A reduction in SVS headcount of 4 was implemented in 2012. THV *Galatea* and *Patricia* undertook their routine major docking and repair periods during the year. Issues raised by MCA in relation to boat davits were successfully resolved during the year. In addition *THV Alert* and the contract vessel *Mair* continued to perform satisfactorily.

### Quality and Environment

During 2012 the Trinity House Management System was again subject to certification renewal audits against both the ISO9001 (Management) and ISO14001 (Environmental) standards. The audit was undertaken by an external Certification Body. They visited all parts of the Trinity House system and included detailed assessments in Trinity House London, Harwich, at lighthouses and in TH vessels. Trinity House's own Internal Audit system was scrutinised to verify that Trinity House continues to evaluate its own performance. The audit was navigated successfully and the Trinity House Management System was re-certified.

### Health and Safety

Following a verification audit by RoSPA, it was confirmed that Trinity House had again achieved RoSPA QSA Award Level 5 (Diamond Level), the highest level obtainable. RoSPA commented that the evidence provided during the audit demonstrated the continuing very high standard of health and safety management achieved by the organisation. The Board considers Health and Safety to be a top priority and receives a report on this subject as the first item on each Board meeting Agenda. Accident statistics, reportable accidents, key matters arising from inspections and any other significant Health and Safety matters are assiduously reviewed by the Board.

### Finance

The decision by the Office for National Statistics (ONS) to re-classify light dues as a tax, which meant that the GLAs would in future be designated as central government bodies for National Accounts purposes, has involved considerable work for the Finance Department. Trinity House led on important parts of this work, such as developing a new GLA asset revaluation policy.

### Commercial

Commercial has had another successful year. Income for 2012/2013 exceeded £2.5million which is a significant achievement in a difficult economic market. New contracts continue to be won against serious competition but the pleasing evidence is the ability of Trinity House to retain customers. This is testament to the quality and efficiency of Trinity House resources in delivering customer requirements, whilst fulfiling our statutory duties.

Current Developments

## Procurement

Trinity House has enabled the implementation of several tri-GLA contracts or framework agreements during the year. These include the procurement of hosting arrangements for the light dues collection system, a GLA standardised buoy paint system, dLoran reference stations, and year two of the moorings framework. These joint GLA procurement exercises will yield future savings through commonality of technical standards, extended contract periods, and bulk buying. In addition, there have been a number of significant Trinity House procurement exercises during the year covering catering, three ship DD&Rs and maintenance support frameworks, steel buoy body framework, satellite communications, and support to major lighthouse modernisation projects at Nab Tower, Casquets, Southwold and Godrevy. Procurement has also led on ensuring that Trinity House monitors and wherever practicable adheres to the Government's spending controls which were initiated from June 2010 onwards. These included restrictions on purchasing ICT, consultancy, advertising and marketing services. Procurement also led on providing considerable quantities of data requested under the Government's transparency agenda.

## Information Technology (IT)

A new IT Strategy was approved by the Board early in March 2011, covering the period 2011-14. It emphasizes the quality, reliability and availability of IT systems along with the importance of ensuring business benefits and value for money. There has been a focus on information security with initiatives to encrypt laptops; maintain and update an Information Asset Register and embed the cycle of Information Asset Owners reporting on the information assets under their control. Other projects have included upgrading the document management system, improving ship satellite communication and completing the upgrade of the finance and procurement system. A new strategy will be developed during 2013 to cover the forthcoming three year period. Online system availability during 2012/2013 averaged 99.49%, well above the target of 97%. The target for resolving 90% of IT Support Calls within agreed SLAs was also exceeded with a 93.18% success rate.

Projects to review the PANAR system for reporting of local AtoN availability and a review of the maintenance management system will be significant pieces of work in the next operating period.

## Human Resources (HR)

Internal reviews of Procurement and the Operations and Planning Centre have been carried out during the year. These reviews have resulted in performance improvement, cost savings through revised staff structures and improved ways of working. These reviews are part of a planned programme designed to ensure that Trinity House remains as productive and efficient as possible. Trinity House considers it best practice to continually review manpower and ways of working in order to ensure the continuation of high performance delivery in a cost efficient manner.

The annual pay remit was approved by DfT and successfully negotiated with the unions. This complied with the central guidance on pay remits and the current pay freeze.

Trinity House continues to invest in the training and development of its staff, with a focus on management and leadership development. The implementation of a management development strategy aims to continuously develop our leadership and management skills and encourage innovative management practices. HR has developed a comprehensive succession plan. This will become increasingly important during the next few years when a number of key individuals are due to retire.

Trinity House's HR team have provided considerable support for DfT's work to allow the GLAs' entry to the Principal Civil Service Pension Scheme (PCSPS). This is a significant goal for the future and will require much effort to achieve it effectively.

## Triennial Risk Management Review

Trinity House led the GLAs' Triennial Risk Management Review, the recommendations of which were approved by the Board in January 2012. External risk managers were employed as part of the Review to provide independent advice and to test the effectiveness and robustness of the GLAs' risk management arrangements. They concluded that the GLAs had established and embedded robust and well-considered processes for risk management and loss control throughout the organisation. The next review is planned for the summer of 2015.

## Public Relations (PR)

This year saw the implementation of the new Trinity House PR Strategy. The purpose of the Strategy is to clearly identify Trinity House's current priorities for internal and external communications and PR activity. The Strategy sets out how Trinity House wishes to maintain and enhance its key relationships with stakeholders, through a planned, pro-active approach.

## Key Performance Indicators (KPIs)

2012/2013 saw the continued development of KPIs on an inter-GLA basis. Following an interative process an agreed schedule of inter-GLA KPIs was published. These KPIs will establish a series of benchmarks against which the GLAs can determine targets and evaluate performance in the coming years. The very nature of KPIs is that they provide a picture over time of real performance smoothing out peaks and troughs created by short term exigencies.

Within Trinity House performance indicators are used at a number of levels to advise and influence management. The new KPI software package is now maturing and providing graphical evidence for Directors and Senior Management of performance against given targets.

The core business of Trinity House is: "To deliver a reliable, efficient and cost effective AtoN service for the benefit and safety of all mariners". The Board measures its performance against this objective by the use of different indicators, which together show both the effectiveness and the economic cost of the service provided. The Board continues to refine its Key Performance Indicators (KPIs) so that they remain consistently reflective of the delivery of the statutory requirements placed on Trinity House and of our own objectives to improve the way we do our business driving down costs whilst maintaining the quality of service to the mariner and other stakeholders.

**Availability of Differential Global Positioning System (DGPS)**

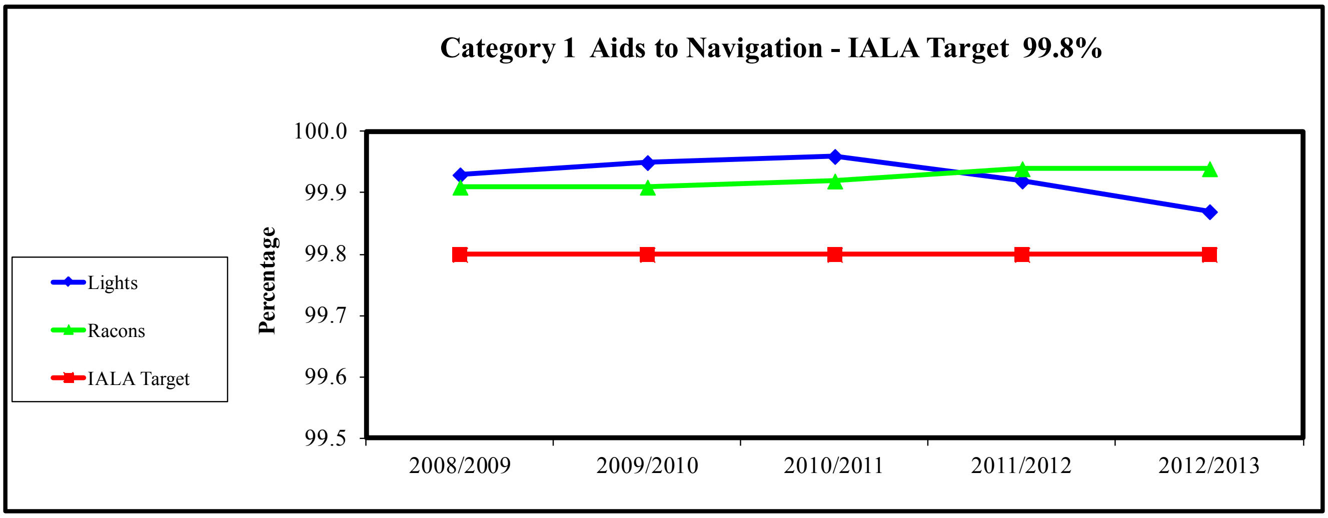
Assuming overlapping coverage, the GLA Beacon DGPS Service availability was equal to or better than 99.99% in all areas for the year 2012/2013. IALA recommends presentation of DGPS Service availability taken over a two year period. Again assuming overlapping coverage, the GLA DGPS Service availability was equal to or better than 99.99% in all areas for the two year period 2011/2013. The availability of the GLA DGPS Service is therefore 99.99% and within the target availability criteria of 99.8%.

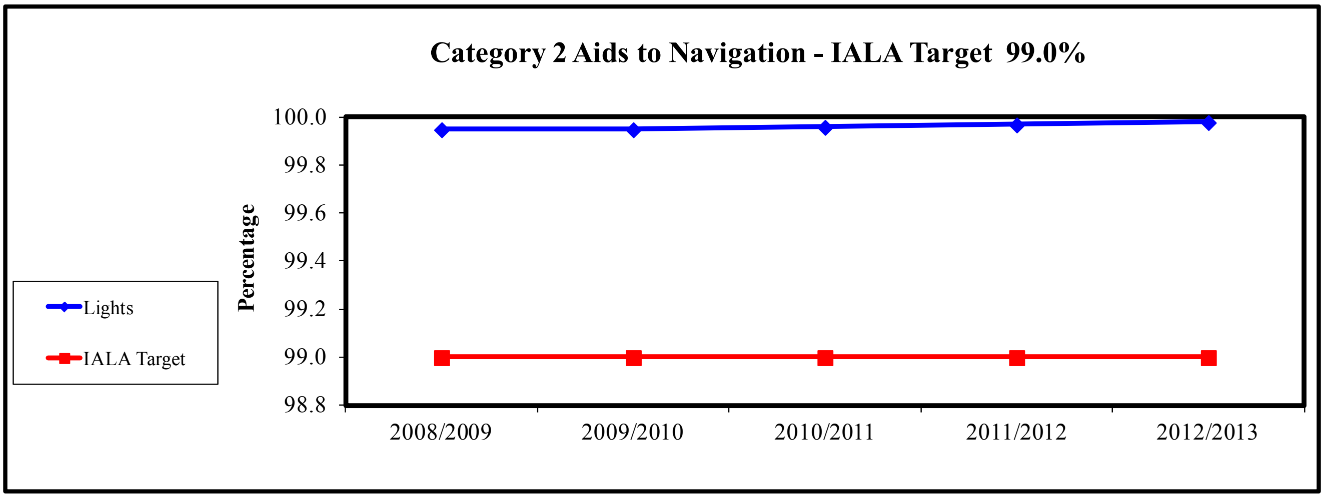
**Aids to Navigation (AtoN) Availability**

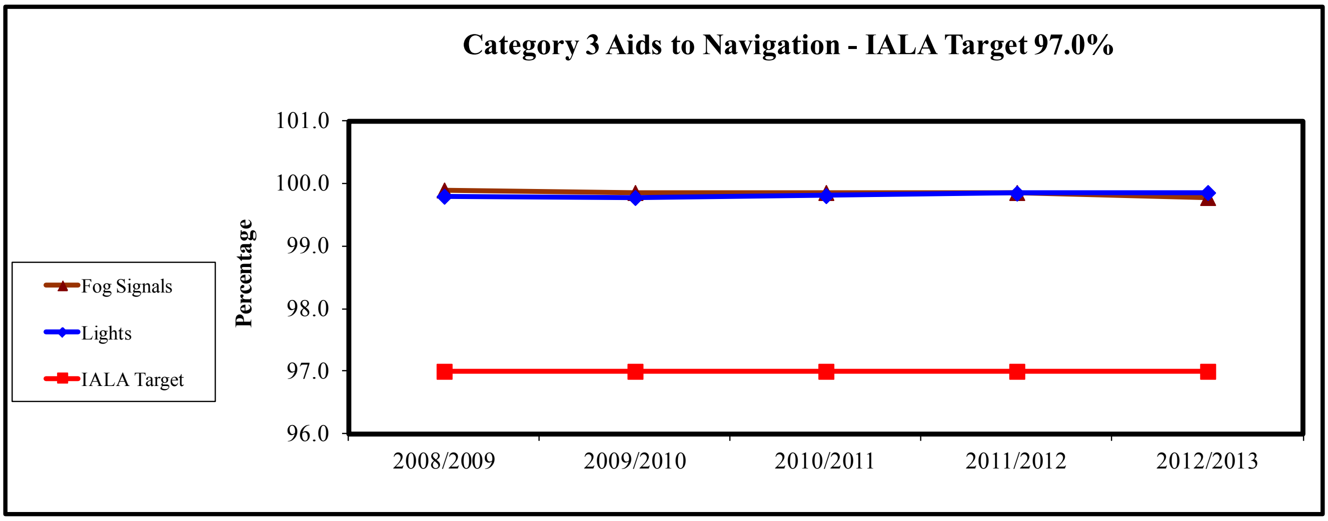
Availability of AtoN is the prime factor in any measurement to demonstrate compliance with our statutory responsibilities. The standards against which we measure are those recommended as the minima by IALA. The figures shown overleaf reproduced in accordance with those standards, show three year rolling averages under the various categories of aids and against the minimum availability required for each category. It can be seen that in all three categories our service has exceeded those minima in all years covered by the review. We consider this to be a major achievement and indeed a significant contribution towards the ongoing safety of all mariners.

# Aids to Navigation Availability - Three year rolling averages for financial years

| AtoN Type | Category | IALA Min | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 |
|---|---|---|---|---|---|---|---|
| Lights | 1 | 99.8% | 99.93 | 99.95 | 99.96 | 99.92 | 99.87 |
| Racons | 1 | 99.8% | 99.91 | 99.91 | 99.92 | 99.94 | 99.94 |
| Lights | 2 | 99.0% | 99.95 | 99.95 | 99.96 | 99.97 | 99.98 |
| Fog Signals | 3 | 97.0% | 99.90 | 99.86 | 99.86 | 99.86 | 99.78 |
| Lights | 3 | 97.0% | 99.80 | 99.78 | 99.81 | 99.85 | 99.86 |



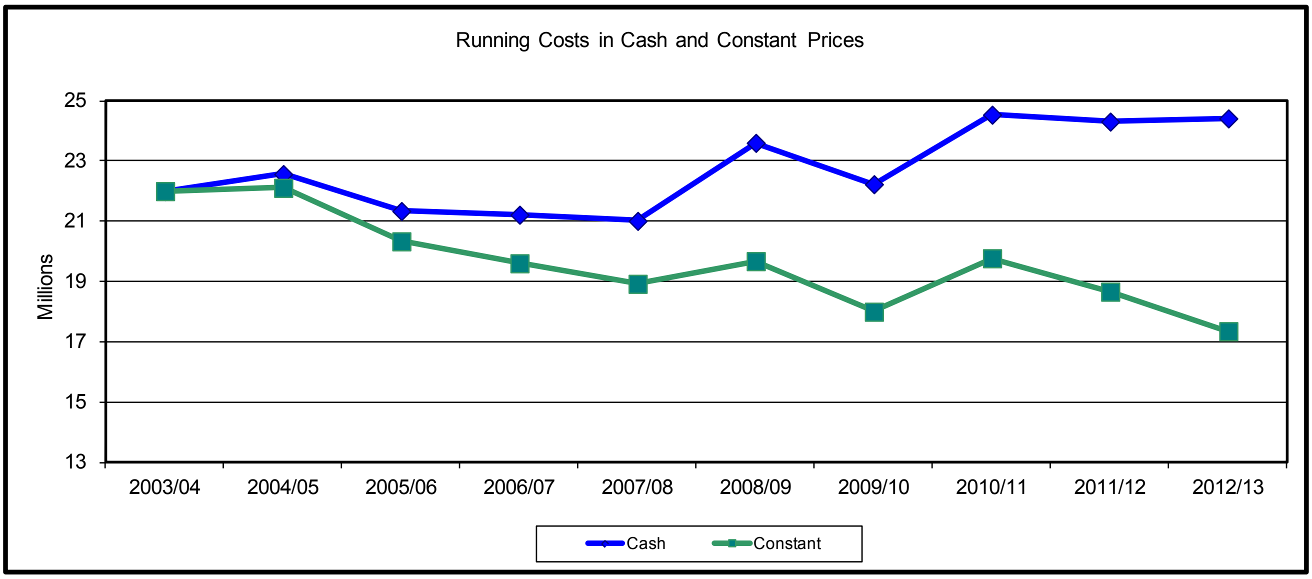

Key Performance Indicators

## Running Costs

Set out below is an analysis of our operating costs over the last 10 years showing the trend of costs both in cash terms and on the basis of constant prices, having taken account of inflation. Running costs have fallen in constant price terms from £20,002k in 2003/2004 to £17,353k in 2012/2013 a reduction of 21%.

## Operating Costs in Cash and Constant Prices

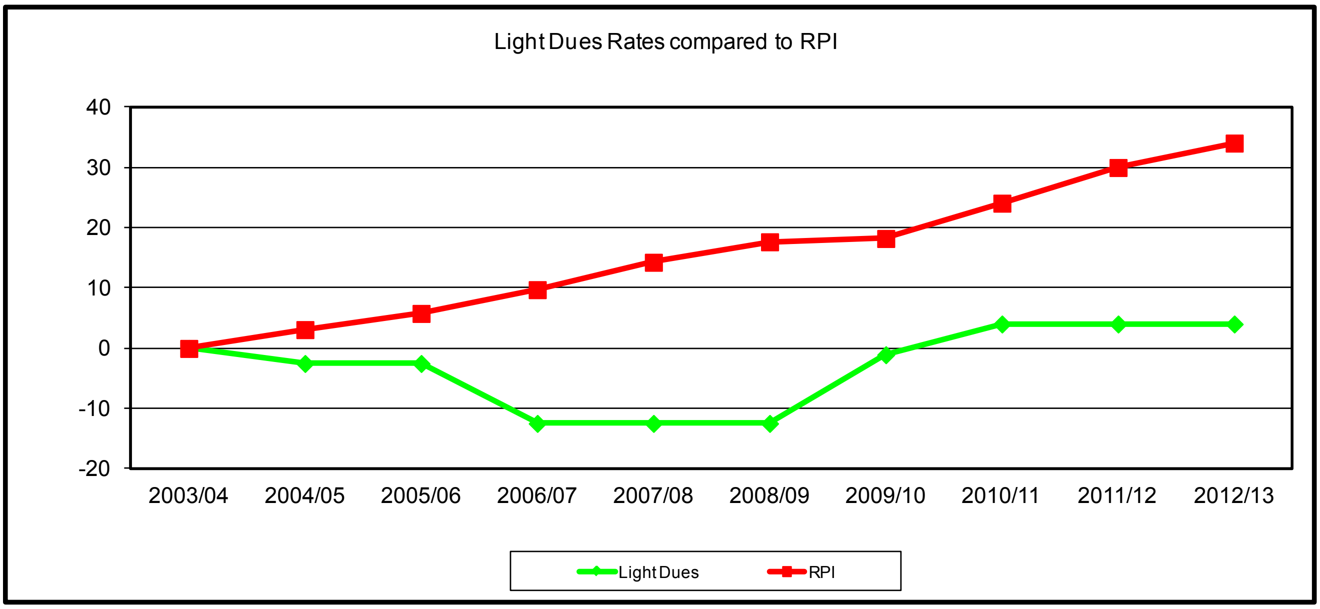
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|
| **Running Costs** | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Cash | 22,002 | 22,568 | 21,341 | 21,219 | 23,604 | 22,232 | 24,538 | 24,309 | 24,415 |
| Variance % | | 2.6% | -5.4% | -0.6% | 12.3% | -5.8% | 10.4% | -0.9% | 0.4% |
| Constant Prices | 22,002 | 22,110 | 20,335 | 19,607 | 19,678 | 17,999 | 19,774 | 18,664 | 17,353 |
| Variance % | | 0.5% | -8.0% | -3.6% | 4.0% | -8.5% | 9.9% | -5.6% | -7.0% |
| Average RPI | 173.9 | 177.5 | 182.5 | 188.2 | 208.6 | 214.8 | 215.8 | 226.5 | 244.7 |




Governance

## Light Dues

Following a consultation exercise in early 2009 light dues were increased on 1 July 2009 from 35p per Net Registered Tonnage (NRT) to 39p per NRT with an increased voyage cap from 7 per year to 9 on a rolling month basis. The rate was further increased from 1 April 2010 to 41p per NRT and the tonnage cap to 40,000 NRT (from 35,000 NRT). The increase on 1 July 2009 was the first increase since 1 April 1993, retail price inflation having increased over that period by 52%. All rates and caps remain unchanged throughout 2012/2013 with no plans to change in 2013/2014.



# Resources

## Staff

The most important resource that Trinity House has at its disposal is people. There is a comprehensive Staff Training Plan that aims to give staff the skills and knowledge required to perform well. Staff are encouraged to develop through the performance review system, whereby personal development plans are produced on an annual basis for every member of staff. In addition, skills gaps are identified through careful strategic analysis and organisation-wide development initiatives introduced as a result. For example, Trinity House has invested in developing leadership and team working skills over the last three years following a training needs analysis exercise.

The structure of the organisation is based around three main directorates: Operations, Finance & Support Services and Navigation. There is also a Secretariat supporting the Executive Chairman. Trinity House is responsible for two inter-GLA Functions: Research & Radio Navigation and Light Dues collection. Responsibility for out-of-hours AtoN monitoring is also managed centrally by Trinity House.

Research and Development is undertaken on behalf of the three GLAs by the Research and Radio Navigation department based at Trinity House. Among its remit, this department carries out work developing systems, assessing and tracking advances in technology and market testing new products which have the possibility of providing more efficient and cost effective methods of providing Lighthouse Service requirements. It also participates in international forums such as IALA. Trinity House is also responsible for the collection of Light Dues on behalf of the three GLAs. This is achieved using an internet-based collection system, developed by Trinity House. Light dues collectors in each port, who are all members of the Institute of Chartered Shipbrokers, use the system to collect light dues from ships entering UK ports. In the Repubilc of Ireland light dues are collected by the Revenue Commissioners.

The budgeted distribution of staff numbers is shown in the table below.

| | 2012/2013 | 2011/2012 |
|---|---|---|
| Operations | 206 | 209 |
| *Finance and Support Services | 48 | 47 |
| Navigation | 8 | 8 |
| Secretariat | 17 | 17 |
| Total Trinity House | 279 | 281 |
| Inter GLA Research and Radio Navigation | 11 | 14 |
| Light Dues | 6 | 6 |
| **Total** | **296** | **301** |

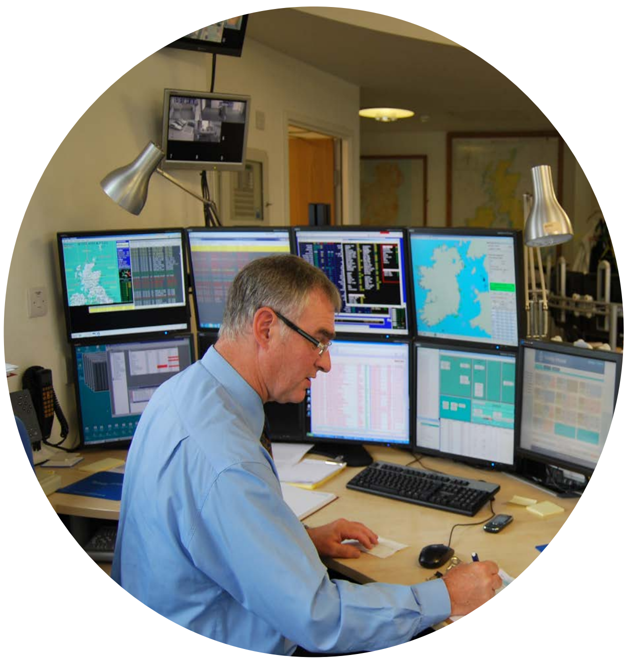
* Due to the recognition of the GLF Accountant post.

## Sickness Absence

Sickness absence during the last two years was:

| | 2012/2013 | 2011/2012 |
|---|---|---|
| Total number of days lost due to sickness | 2,141 | 2,418 |
| Average number of days lost per employee | 6.91 | 7.68 |

This compares favourably with both the public sector average of 9.6 days lost per employee, and the tri GLA target of 9.1 days lost per employee.



Governance

## Equal Opportunities

Trinity House is an equal opportunity employer. We comply fully with the Equality Act 2010 and do not discriminate directly or indirectly in recruitment, employment or provision of services on grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. These are known as "protected characteristics".

## Disabled Employees

It is recognised by Trinity House that ensuring equal opportunities for disabled people may involve adjustments needing to be made to the working environment. Adjustments will be made wherever reasonably practical. The nature of the duties at lighthouses imposes some limitations on the employment of disabled staff. A Genuine Occupational Qualification covers these posts.

## Employee Involvement

The provision of information to and in consultation with employees is effected using a variety of communication mechanisms including joint committees covering all staff groups. Employees are informed of matters of concern to them; they are consulted frequently and regularly so that account may be taken of their interests. Directors and Senior Managers make presentations to all staff on important matters. Emerging action points are discussed at departmental meetings so that staff have a clear understanding of and input to how Trinity House is continually developing the working environment.

## Physical Assets

In addition to staff, Trinity House has a number of physical assets, which are essential to providing its service. These are detailed in note 27 to the accounts. However, if the Loran System in Europe can be upgraded to eLoran and be adopted as the terrestrial radio navigation service backup to Global Navigation Satellite System (GNSS) for safety of life at sea (SOLAS) convention vessels, then the number of physical assets required for safe navigation is likely to reduce.

## Branding

Trinity House continues to develop its brand and ensure key audiences have a clear knowledge and understanding of the service. Specific branding has been developed as part of the 500 year anniversary celebrations and will be introduced in all corporate communications in 2013/2014.

## Licences, Patents and Trademarks

Trinity House did not hold any registered patents or trademarks in 2012/2013. The Service did not exploit any of its intellectual property rights, including copyright, commercially during the year other than granting a licence to a third party to use its intellectual property in a LED light source. Trinity House grants licences to a number of third parties to open some of its lighthouses to the public, from which it derives an income based on a percentage of revenue from ticket sales. Such arrangements are in place at Alderney, Flamborough Head, Lizard, Longstone, Nash Point, Portland Bill, St Catherines, South Stack, Southwold and Start Point lighthouses.

## Environment

Trinity House is totally committed to the protection of a sustainable environment and is fully attuned to the Government's initiatives for a more proactive approach to this matter. Trinity House is continually reviewing all environmental issues affecting the coastline in which Trinity House operates. Trinity House has placed high on the agenda the potential use of renewable energy sources, such as solar power, and continues to research other sources, such as wave, wind and tidal flow. As part of the commitment to this important issue, environmental objectives are included in operational plans. Trinity House has gained accreditation to the internationally recognised Environmental Standard ISO 14001 in 2000 and achieved re-certification in 2003, 2006, 2009 and 2012. Trinity House produces an environmental plan containing key environmental targets and objectives, including targets aimed at minimising our carbon footprint.
Examples of Trinity House's commitment to improving the environment are:

- The conversion of major lighthouses and three lightvessels to renewable energy sources;
- Investment in more efficient solar charging systems to gain more power per square metre and
- Investment in new paint spraying equipment delivering significant reductions in paint waste, paint purchased and VOC (Volatile Organic Compounds) emissions.

Trinity House has also received approval from Government to its climate change adaptation plan.

# Risks and Uncertainties

Trinity House's approach to risk takes account of its unique ring-fenced funding regime and the limited resources therefore available to finance loss. Its overall risk management strategy, which aims to ensure effective internal control, is to:

- Identify significant risks against key organisational aims and objectives and to assign ownership of those risks in a schedule of significant business risks;
- Evaluate the significance of the risks in terms of probability and impact using recognised methods;
- Respond to those risks through risk management controls;
- Review and report to the Board and Audit Committee regularly on those risks;
- Embed risk management as an intrinsic part of its organisational processes by adopting a structured, hierarchical approach to risk management at all levels within the organisation.

The Governance Statement (page 26) emphasises the importance that Trinity House attaches to risk management and the regular review of risks.

# Relationships

The marine community is consulted formally each year at the Trinity House Users Consultative Committee (THUCC) and the tri GLA Joint User Consultative Group (JUCG). These are organised to inform the plans that are developed to aid the navigation of mariners. It also provides users with the opportunity to raise any relevant issues. Trinity House is also influential in relation to international marine navigation with its close links to IALA. Strong connections have been formed between the radio and research group and international marine authorities particularly in relation to the development of eLoran and radio navigation services worldwide. Trinity House has strong links with the other GLAs. There is a well-established inter-GLA consultation framework. At the top level the Chairmen, Chief Executives and some Non-Executive Directors meet at least twice per annum at the Joint Strategic Board (JSB). Senior Managers and Directors form the GLAs' inter-GLA Committees (IGCs), which are based around professional specialisms such as Finance and Operations. There is an enduring relationship amongst the Marine Departments where a Memorandum of Understanding for Inter-GLA Ship Support ensures adequate coverage for response to wrecks and casualties around all coasts.

Relationships with the DfT and ship-owners are managed through formal and informal meetings and a joint DfT/GLA Framework Document. The formal meetings include an annual meeting between the GLAs, DfT and ship owners representatives to debate the GLAs' Corporate Plans and an annual Lights Finance Committee (LFC) with all three GLAs, DfT and ship owners' representatives which discusses the future level of light dues.

Trinity House is a member of the key national committees underpinning maritime safety. These are the UK Safety of Navigation Committee (UKSON), the Port Marine Safety Steering Group (PMSG), Marine Safety Information Committee (MSI), UK Communications Committee, (UKCOM) plus other smaller groups. Trinity House is also a founder member of the Nautical Offshore Renewable Energy Liaison Committee (NOREL), which leads on all maritime safety issues in the offshore field.

Apart from these set piece meetings, DfT officials and ship owners have regular contact with Trinity House. Their representatives are involved in large scale projects, such as the building of new ships, from the beginning of each project.

# Financial Position

## Source of Finance

Trinity House is financed by advances made by the DfT from the GLF whose principal income is from Light Dues levied on shipping using ports in the United Kingdom and the Republic of Ireland. These advances, based on annual cash requirements of Trinity House, finance both the revenue and capital expenditure and are credited in the Statement of Comprehensive Net Income. In addition, Trinity House has sundry receipts in the form of buoy rentals, property rents, contractual services, a grant, European Union funding and the proceeds from the sale of assets becoming surplus to requirements. All proceeds are transferred to the GLF.

## Operating Results

The operating results for the year are set out in the Statement of Comprehensive Net Income shows a surplus of £636k for 2012/2013 (£7,719k 2011/2012). A net deficit of £9,949k was transferred to the General Reserve (£2,880k 2011/2012).

For 2012/2013 Trinity House's performance against the cash limits set by DfT can be summarised as follows:

| | Actual Expenditure | Cash Limits | Variance |
|---|---|---|---|
| | £000's | £000's | £000's |
| Running costs | 24,415 | 25,199 | (784) |
| Expenditure on behalf of all GLAs | 2,498 | 2,673 | (175) |
| Other cost i.e. pensions and ship lease | 8,920 | 10,420 | (1,500) |
| Capital expenditure | 5,373 | 9,140 | (3,767) |
| Wreck removal | 53 | 50 | 3 |
| Other costs (on behalf of DfT) | 240 | 333 | (93) |
| Sombrero (on behalf of DfT) | 3 | 29 | (26) |
| **Total** | **41,502** | **47,844** | **(6,342)** |

## Actuals v Budget Analysis

Overall, there is a budget under spend of £6.3m (13%). Running costs are under spent by £0.8m (3%) which is mainly attributable to:

- Pay was 2% under spent due to vacancies and posts funded at the top of the competancy framework and;
- Non pay was 4% under spent. In order to achieve the savings necessary to meet the RPI-X target Trinity House has maintained tight control on all expenditure and sought value for money savings wherever possible.

## Cash drawdowns, Cash flow and Liquidity

The cash drawdown was below budget for the reasons provided in the Actual v Budget commentary above, and accruals for 2012/2013 do not draw cash until 2013/2014. Funds not drawn down remain in the GLF. Funds are only drawn down based on the profile of cash required for the following week, thus liquidity is all handled within the GLF and not within the Trinity House accounts.

## Main Financial Events

The main financial events during the year were:

- Achieved cost saving targets with running cost expenditure under budget by £0.8m;
- Maintained a clean year end external audit report from NAO;
- Achieved a "substantial" assurance rating from DfT internal audit and
- Following the 2012 decision by the Office for National Statistics (ONS) to reclassify Light Dues as a tax and consequently Trinity House as a Central Government Body for National Accounts purposes, significant work was undertaken during 2012-13 to align financial policies and procedures with those of central Government. A new Accounts Direction was issued by the Secretary of State in February 2013, requiring full compliance with Government Financial Reporting Manual (FReM). The main impact of this was the requirement to value all non- current assets at fair value rather than historic cost as was the case previously. A major exercise was undertaken by the Finance, Estates and Engineering Departments together with professional advice and assistance from Valuation Office Agency and others to deliver a complete revaluation of the entire Trinity House asset base in a very short timeframe. This exercise has resulted in the value of non-current assets rising from £47.3m in 2011-12 to £135.1m in 2012-13.

## Expenditure on Tangible and Intangible Non-Current Assets

During the year to 31 March 2013 expenditure on non-current assets was:

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Work in progress | 2,757 | 1,619 |
| Land | - | - |
| Buildings | - | - |
| Tenders and craft | 1,296 | 184 |
| Lightvessels | - | - |
| Buoys and beacons | 391 | 13 |
| Plant and machinery | 671 | 529 |
| Computer equipment | 165 | 166 |
| Intangible software | 93 | 55 |
| **Total** | **5,373** | **2,566** |

The new Accounts Direction provides that non-current assets shall be valued in line with the FReM. Trinity House has obtained independent valuations for the majority of its assets. Certain sites are deemed obsolete for operational use, and are therefore surplus to requirements. Further details can be found at notes 8, 10 and 11.

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

## Going Concern

The Statement of Financial Position at 31 March 2013 shows net liabilities of £45.9m. This reflects the inclusion of pension liabilities falling due in future years that may only be met by advances from the GLF. The Secretary of State issued a letter of comfort in 2001 to the effect that in the unlikely event of insufficient money being available from the GLF to pay pension liabilities the Department would request funds from Parliament to make the necessary payments. This letter is shown in Appendix 1.

Advances for 2012/2013, taking into account the amounts required to meet the Board's liabilities falling due in that year, have already been included in the GLF forecasts for that year. DfT have officially sanctioned the 2013/2014 budget in a letter dated 18 March 2013. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

## Accounting Policies

The Accounting Policies are reviewed each year in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This review is carried out at the tri-GLA Accounts Format Working Group each year and at internal meetings, chaired by the Director of Finance and Support Services. As a result of the new Accounts Direction issued in February 2013 the non current asset policy has changed and is now in line with the 2012/2013 FReM. No other Accounting Policies have altered since last year.

## Payment of Creditors Policy

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

1. Payment within a shorter timescale where a discount may be available; and
2. Where there is a genuine dispute in respect of the invoice concerned. In all cases the suppliers are 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 Director of Finance and Support Services. The average credit taken from Trade Payables during the year was nine days.

## Pension Liability

There is a substantial deficit on the Trinity House pension scheme and this is reflected in the accounts. The total liability, amounts to £167m as at 31 March 2013. As noted in the accounts of the General Lighthouse Fund, Department for Transport (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.

Trinity House, together with the other GLAs and the DfT, is seeking to address this issue on a long term basis, and collectively have formed a project board to consider and progress alternative options.

## Events after the Year End

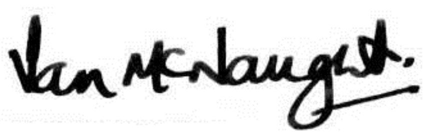
On 28th June 2013 Orfordness Lighthouse was decommissioned as an aid to navigation.

On 25th April 2013 the Marine Navigation Act 2013 gained Royal Assent.

## Audit

The accounting records of the Trinity House are examined by the UK Comptroller and Auditor General prior to consolidation in the Accounts of the GLF. The GLF Accounts are formally certified by the UK Comptroller and Auditor General under the terms of Section 211 of the Merchant Shipping Act 1995. There is no provision for a separate audit certificate to be appended to these Accounts.

So far as the Executive Chairman acting in the role of the Accounting Officer is aware, there is no relevant audit information of which Trinity House auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of the relevant audit information and to establish that the Trinity House auditors are aware of that information.



**Executive Chairman Captain Ian McNaught**

# 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 us to benchmark with external comparators to ensure our salary rates remain competitive. We aim 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, skill levels and performance. 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 fair and 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 and 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 Trinity House 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 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:

| | 2012/2013 | | | 2011/2012 | | |
|---|---|---|---|---|---|---|
| | Salary £000's | Bonus Payments £000's | Benefits in Kind Nearest £100 | Salary £000's | Bonus Payments £000's | Benefits in Kind Nearest £100 |
| I McNaught* | 110-115 | 20-25 | 800 | 65-70 | 5-10 | 500 |
| JM de Halpert** | - | - | - | 70-75 | 10-15 | 1,300 |
| R Barker | 75-80 | 10-15 | 900 | 75-80 | 10-15 | 800 |
| JS Scorer | 90-95 | 15-20 | 1,500 | 90-95 | 15-20 | 1,500 |
| JS Wedge | 90-95 | 15-20 | 1,000 | 90-95 | 10-15 | 1,500 |
| FC Bourne *** | 5-10 | - | 100 | 15-20 | - | 500 |
| MJ Gladwyn | 15-20 | - | - | 15-20 | - | - |
| ED Johnson | 15-20 | - | 900 | 15-20 | - | 700 |
| P Matthews **** | 10-15 | - | 400 | - | - | - |
| N Palmer***** | 15-20 | - | 1600 | 0-5 | - | - |
| NR Pryke****** | - | - | - | 15-20 | - | 1,200 |

* Appointed 1 September 2011. Full year equivalent salary £110k-£115k.

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

*** Retired 19 July 2012. Full year equivalent salary £15k-£20k.

**** Appointed 20 July 2012. Full year equivalent salary £15k-£20k.

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

****** Retired 31 January 2012. Full year equivalent salary £20k-£25k. N R Pryke received remuneration as a Non Executive Director and an Examiner.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by Trinity House and treated by HM Revenue and Customs as a taxable emolument. Included as benefits in kind above are relocation expenses, gym membership, private outpatient medical care, taxable travel and subsistence and reimbursement of subscriptions to professional bodies.

## 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 2012/2013 relate to performance in 2012/2013 and the comparative bonuses reported for 2011/2012 relate to the performance in 2011/2012.

## Pay Multiples

| | 2012/2013 | 2011/2012 |
|---|---|---|
| Band of highest paid directors total remuneration (£000's) | 135-140 | 130-135 |
| Median total remuneration | £30,574 | £31,976 |
| Ratio | 4.5 | 4.1 |

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 2012/2013 was £135-£140k (full time equivalent) (2011/2012 £130-£135k). This was 4.5 times (2011/2012 4.1) the median remuneration of the workforce, which was £30,574 (2011/2012, £31,976).

In 2012/2013, no (2011/2012, Nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £12,736 to £138,575 (2011/2012 £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 once where appropriate.

| Non-Executive Director | Contract Start | Expiry Date |
|---|---|---|
| M Gladwyn | | |
| (Contract renewed in 2010 for a further 3 years) | 1 September 2007 | 31 August 2013 |
| E D Johnson | 1 May 2011 | 30 April 2014 |
| N Palmer | 1 February 2012 | 31 January 2015 |
| P Matthews | 20 July 2012 | 19 July 2015 |

## Pension Benefits

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 age 65, subject to satisfactory performance and require a twelve month written notice period.

| | Real increase in pension | Real increase in lump sum | Accrued pension | Accrued lump sum | Cash equivalent transfer value at 31 March 2012 | Cash equivalent transfer value at 31 March 2013 | Real increase in cash equivalent transfer value | Employer contribution to partnership pension account |
|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| I McNaught | 2.5-5 | - | 0-5 | - | 22 | 64 | 34 | - |
| J Wedge | 0-2.5 | 2.5-5 | 30-35 | 90-95 | 535 | 582 | 15 | - |
| S J Scorer | 0-2.5 | - | 10-15 | - | 160 | 206 | 31 | - |
| R Barker | 0-2.5 | - | 10-15 | - | 166 | 205 | 25 | - |

## 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.

Note 21 contains further information on pensions for all staff.

# Statement of Accounting Officer's Responsibilities

Under section 218(1) of the Merchant Shipping Act 1995 the Secretary of State for Transport, with the consent of HM Treasury, has directed Trinity House to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Trinity House and of income and expenditure, cash flows and changes in equity for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Transport including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Transport has designated the Executive Chairman as Accounting Officer of Trinity House. The responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the funds allocated to Trinity House in its capacity as a General Lighthouse Authority and keeping proper records and for safeguarding the assets of Trinity House, in its capacity as a General Lighthouse Authority. These responsibilities are set out in the Framework Document which is the contractual agreement between the Department for Transport and the General Lighthouse Authorities.

# Governance Statement



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 report recommended that the review of its effectiveness should include independent input every three years and a lead Non Executive Director should be appointed, which the Board has done.

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 corporate 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 corporate Risk Schedule and the set of Directorate/Departmental Risk Registers, which sit beneath it.

Based on these processes, the external validation by a firm of risk managers of the GLAs' risk management arrangements as part of their Triennial Risk Management Review 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 the 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 make up 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; performance against sanctioned expenditure and against previous trends; and other key elements of the organisation's performance. 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 is periodically updated 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). It is currently being reviewed to ensure it remains in keeping with the GLA Framework Document.

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 2012 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 (Executive Chairman)
*Captain N Palmer (Deputy Chairman)
*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)
Professor P Matthews (Non Executive Director, appointed 20 July, 2012)
Mr F C Bourne (Non Executive Director, retired 19 July, 2012)
Mr M J Gladwyn (Non Executive Director)
Mrs E D Johnson (Non Executive Director)

* 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 eight occasions in 2012/2013. Attendance by members was 95%.

The table below shows the Board sub-committee structure, member attendance, remit of each committee and highlights of 2012/13:

| Board Sub-Committee Structure | | | |
|---|---|---|---|
| | | | |
| Board Sub-Committee | Member Attendance % | Remit | Highlights |
| Executive | 93 | Operational management of the organisation. | Review of a new Strategic Plan and agreeing the approach to matters arising from the ONS reclassification decision. |
| Audit | 100 | Review of organisational controls, risk, finances and systems. | Scrutiny of the Annual Report & Accounts; reviewing risk registers and the review of the DfT Internal Audit Service. |
| Remuneration | 100 | Assessment of Executive Directors' performance, remuneration, bonuses and corporate performance. | Assessment of director and corporate performance. |
| Executive Remuneration | 100 | Assessment of staff remuneration, manpower requirements and organisational structure. | Consideration of reviews of Procurement and the Operations Planning Centre. |
| Examiners | 87 | All requirements for the Service's provision of AtoNs. | Agreed requirements for marking offshore renewable energy sites; new requirements for fog signals; risk response criteria and revised AtoN requirements for several lighthouses. |
| Nominations | N/A | Proposing Executive appointments to the Lighthouse Board. | The committee did not meet in 2012/13. |

## Remuneration Committee

During 2012-13 the membership of the committee was:
MJ Gladwyn (Chairman)
Captain N Palmer
Professor P Matthews

## Executive Remuneration Committee

During 2012-13 the membership of the committee was:
JS Wedge (Chairman)
Captain I McNaught
Captain R Barker
Commodore SJ Scorer
L Firmin

## Audit Committee

During 2012-13 the membership of the committee was:
ED Johnson (Chair)
Captain N Palmer
Professor P Matthews

## Risk Management

Acting in the role of Accounting Officer, the Executive Chairman has the overall responsibility for maintaining a sound system of internal control that supports the achievement of Trinity House's policies, aims and objectives, whilst safeguarding the 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 4 February 2010 to the Executive Chairman from Robert Devereux, the then Principal Accounting Officer of the Department for Transport.

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

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.

## 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 2013 and up to the date of approval of the Annual Report and Accounts.

## Risk Categories

The Board's Risk Schedule, has in the past year been regularly updated and enhanced to include potential risk causes. The Trinity House Risk Schedule divides the significant risks into four main categories:

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

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

## Risk Culture

The culture is one of the close management and control of risks. Risk appetite is generally averse. 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 Audit professionals 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; and
- 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 December 2012. This contains the risk management policy and strategy for the GLAs. It was approved by the Trinity House Board in early 2013. 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 review concluded that there has been no major shift in the GLAs' risk profile since 2009. Policy and Resourcing Risks have continued to remain the key factors generally in terms of potential changes to the risk profiles of the organisations, with the transition of CIL to self funding likely to be the most significant during the next three years. The issues arising from reclassification may also have an impact. Although technological risks, such as those arising in respect of the DGPS recapitalisation project, have challenged the GLAs, these have been effectively addressed by the authorities to ensure that any adverse consequences have been appropriately mitigated. The recommendations arising from the 2012 Risk Review are considered proportionate to the statutory remit of the authorities, within the scope of their significant business risks, and appropriate to their risk appetite.

## 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;
- Asset Risk Registers for each asset which guide asset management plans;
- 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 Trinity House. It was made available to all staff and promoted via the IT Road Shows in 2012.

During 2012-13 no data-related incidents were reported to the Information Asset Officer.

## Stakeholders and Risk

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 2013 were:

- The risk relating to a change in Government policy in respect of Trinity House's undertaking as a GLA, encompassing the reclassification issue, is stabilising in terms of probability and impact, after mitigation, reflecting Trinity House's effective engagement with key stakeholders in relation to the issue including recent discussions with the DfT on the new Framework Document.
- The 'Resourcing' Risk remains high before mitigation and medium but largely stable after mitigation in respect of probability, reflecting inter alia the potential issues arising from the change in status of Trinity House by the ONS and the Government's austerity measures generally. The scope to join the Principal Civil Service Pension Scheme is a potential upside to the reclassification risk.
- The AtoN Provision Risk shows a small upward trend reflecting the possibility of the failure to meet risk response criteria due to insufficient ship resources as a result of the greater focus by CIL on commercial work. The risk is being monitored in terms of the availability of GLA fleet resources to respond to wrecks and priority casualties.
- Moderation of the Technological Change and Obsolescence Risk before and after mitigation, consequent upon the signing and implementation of the Continuation and Variation Agreement with Babcock in respect of the GLAs' DGPS recapitalisation project.

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, external auditors, directors and senior managers within Trinity House who have responsibility for the development and maintenance of the internal control and governance framework. I have been advised on the effectiveness of the systems of internal control and governance by the Board and the Audit Committee. Plans to address any weaknesses and ensure continuous improvement of systems are in place.

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

- The Trinity House Lighthouse Board which meets eight times a year to decide policy, provide strategic direction and review progress. The Board receives Audit 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 after each Audit Committee 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; and
- The monthly analysis of the management accounts and work plans by the Executive Directors and Senior Managers.

## Ministerial Directions

During 2012-13 Trinity House received no ministerial directions.

## Head of Internal Audit opinion

On the basis of the evidence obtained during 2012/2013, 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.

## Executive Chairman opinion

There have been no significant internal control or governance problems in the year ended 31 March 2013. Therefore I can report that corporate governance and risk management within Trinity House remain robust and effective, and comply with the best practice principles set out in HM Treasury's July 2011 Code of Good Practice for Corporate Governance in Central Government Departments as far as is appropriate.

**Captain Ian McNaught**
**Executive Chairman**

# Statement of Comprehensive Net Income for the year ended 31 March 2013

| | Note | 2012/2013 £000's | 2011/2012 £000's |
|---|---|---|---|
| **Income:** | | | |
| Advances from the GLF | | 36,900 | 34,900 |
| Other income | 3a | 2,558 | 2,386 |
| Income on behalf of all GLAs | 3b | 7 | (13) |
| Grant income | | 200 | 200 |
| | | **39,665** | **37,473** |
| **Expenditure:** | | | |
| Staff costs | 4 | 11,925 | 11,459 |
| Depreciation | 8 | 3,915 | 3,968 |
| Amortisation | 9 | 153 | 112 |
| Loss on revaluation | | 8,210 | - |
| Pension current cost | 21 | 2,247 | 2,178 |
| Pension past service cost | 21 | 36 | 43 |
| Other expenditure | 5 | 12,543 | 11,994 |
| | | **39,029** | **29,754** |
| **Net income** | | **636** | **7,719** |
| Interest payable/receivable | 6 | 7,829 | 8,084 |
| Revaluation of investment properties | 10 | 15 | 38 |
| **Net income after interest** | | **(7,208)** | **(403)** |
| Net expenditure on behalf of DfT | | | |
| Sombrero | 5b | 3 | 3 |
| Other costs | 5b | 240 | 259 |
| **Total** | | **243** | **262** |
| Net expenditure on behalf of all GLAs | | | |
| Staff costs | 5c | 834 | 729 |
| Other costs | 5c | 1,664 | 1,486 |
| **Total** | | **2,498** | **2,215** |
| **Deficit for the year** | | **(9,949)** | **(2,880)** |

# Statement of Financial Position as at 31 March 2013

| | Note | 2012/2013 £000's | 2011/2012 £000's |
|---|---|---|---|
| **Non-current asset** | | | |
| Property, plant & equipment | 8 | 135,090 | 47,301 |
| Intangible assets | 9 | 708 | 635 |
| Investment assets | 10 | 285 | 300 |
| Trade and other receivables | 13 | - | - |
| **Total non-current assets** | | **136,083** | **48,236** |
| **Current assets** | | | |
| Assets classified as held for sale | 11 | 27 | 2 |
| Inventories | 12 | 2,451 | 2,317 |
| Trade and other receivables | 13 | 1,817 | 1,520 |
| Cash and cash equivalents | 14 | 205 | 140 |
| **Total current assets** | | **4,500** | **3,979** |
| **Total Assets** | | **140,583** | **52,215** |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | 6,097 | 4,652 |
| Provisions: current element | 17 | 396 | 548 |
| **Total current liabilities** | | **6,493** | **5,200** |
| **Non current assets plus/less net current assets/liabilities** | | **134,090** | **47,015** |
| **Non-current liabilities** | | | |
| Provisions | 17 | 490 | 319 |
| Pension liabilities | 21 | 167,258 | 151,814 |
| Other payables | 16 | 13,073 | 14,422 |
| Financial liabilities | | - | - |
| **Total non-current liabilities** | | **180,821** | **166,555** |
| **Assets less liabilities** | | **(46,731)** | **(119,540)** |
| **Reserves** | | | |
| General reserve | | (142,889) | (119,983) |
| Revaluation reserve | | 96,158 | 443 |
| **Total** | | **(46,731)** | **(119,540)** |

The financial statements on pages 31 to 34 and related notes were approved by the Lighthouse Board on 5 September 2013, and signed on its behalf by:

**Captain Ian McNaught** Ian McNaught **Executive Chairman**

**J Wedge** J S Wedge **Director of Finance**

# Statement of Cashflows
# for the year ended 31 March 2013

| | Note | 2012/2013<br>£000's | 2011/2012<br>£000's |
|---|---|---|---|
| **Cashflows from operating activities** | | | |
| Net deficit after interest | | (9,949) | (2,880) |
| Pension benefits outflow | 21 | (7,028) | (6,994) |
| Pension scheme operating cost | 21 | 2,245 | 2,217 |
| Depreciation | 8 | 3,915 | 3,968 |
| Amortisation | 9 | 153 | 112 |
| Impairments | 7 | 530 | - |
| Loss on revaluation of land and buildings | 8 | 8,210 | - |
| Revaluation of investments | 10 | 15 | 38 |
| Loss/(profit) on disposal property, plant and equipment | 5a | 390 | 24 |
| Loss/(profit) on disposal of intangibles | 5a | - | 1 |
| Loss/(profit) on disposal of investment assets | 5a | - | (93) |
| Profit on disposal of assets held for sale | 5a | (89) | 21 |
| (Increase)/decrease in trade and other receivables | 13 | (297) | 224 |
| (Increase)/decrease in Inventories | 12 | (134) | (109) |
| increase(Decrease) in trade payables | 16 | 1,269 | (805) |
| Use of provisions | 17 | 19 | (392) |
| **Net cash outflow from operating activities** | | **(751)** | **(4,668)** |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | 8 | (5,174) | (2,427) |
| Purchase of intangible assets | 9 | (93) | (55) |
| Proceeds of disposal of property plant and equipment | | 24 | 27 |
| Proceeds of disposal of intangibles | | - | - |
| Proceeds of disposal of investment assets | | - | 342 |
| Proceeds of disposal of assets held for sale | | 91 | 388 |
| Repayments from other bodies | | - | - |
| **Net cash outflow from investing activities** | | **(5,152)** | **(1,725)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Pension financing cost | 21 | 7,247 | 7,399 |
| Capital element of payments in respect of finance leases | | (1,279) | (1,207) |
| **Net cash flow from financing activities** | | **5,968** | **6,192** |
| | | | |
| **Net cash flow all activities** | | **65** | **(201)** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents in the period | | 65 | (201) |
| Cash and cash equivalents at the beginning of the period | | 140 | 341 |
| Cash and cash equivalents at the end of the period | | 205 | 140 |

# Statement of Changes in Equity for the year ended 31 March 2013

| | General Reserve £000's | Revaluation Reserve £000's | Total Reserves £000's |
|---|---|---|---|
| **Balance as at 31 March 2011** | **(102,696)** | **1,090** | **(101,606)** |
| Changes in equity for 2011-2012 | | | |
| Release of reserves to statement of comprehensive net income (pensions) | **(15,054)** | | **(15,054)** |
| Release of reserves to statement of comprehensive net income (other) | **647** | **(647)** | **-** |
| Retained deficit | **(2,880)** | **-** | **(2,880)** |
| **Total recognised income and expense for 2011/2012** | **(17,287)** | **443** | **(17,934)** |
| **Balance as at 31 March 2012** | **(119,983)** | **443** | **(119,540)** |
| | | | |
| **Changes in equity for 2012-2013** | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | - | 95,738 | 95,738 |
| Release of reserves to statement of comprehensive net income (pensions) | (12,980) | - | (12,980) |
| Release of reserves to statement of comprehensive net income (other) | 23 | (23) | - |
| Retained deficit | (9,949) | - | (9,949) |
| **Total recognised income and expense for 2012/2013** | **(22,906)** | **95,715** | **72,809** |
| **Balance at 31 March 2013** | **(142,889)** | **96,158** | **(46,731)** |

**General reserve:**

The General reserve represents the accumulated deficit of the organisation. This reflects the inclusion of pension liabilities of £167,258k falling due in future years. See note 1a and Appendix 1

**Revaluation reserve:**

This represents any increase in an assets carrying amount as a result of revaluation. If the assets carrying amount 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 a 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 31 March 2013

## 1 Statement of Accounting Policies

### a) Accounting convention

These accounts have been prepared in accordance with the 2012/2013 government *Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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 GLA for the purposes of giving a true and fair view has been selected. The particular policies adopted by Trinity House are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition, these accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Transport on 27 February 2013.

Trinity House has chosen not to adopt early any new standards or interpretations.

### b) Going concern

The statement of Financial Position at 31 March 2013 discloses net liabilities of £46,731,000. 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 on December 2001 (appendix 1). The letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department for Transport 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.

### c) Pension benefits

Pension benefits are accounted for in line with the requirements of IAS19 Employee Benefits. All pension assumptions are set out in note 21.

### d) Intangible assets and amortisation

Computer software has been capitalised and is amortised on a straight line basis over the estimated useful economic life of between three to five years dependant on the expected operating life of the asset as determined by the Trinity House IT Support Manager.

Intangible licences have been capitalised and are amortised over the life of the licence.

Intangible Assets are shown at cost less amortisation. 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.

## e) Non-current assets and depreciation

Following the re-classification of the GLAs as Central Government Bodies per National Accounts purposes and the subsequent issuing of a new Accounts Direction in February 2013, Property plant and equipment are carried in the Statement of Financial Position at fair value in accordance with IAS 16 and the current FReM. The comparative figures for 2011-12 are valued at historic cost in accordance with IAS 8.

| Asset Class | Valuation Method | Valued by |
|---|---|---|
| Non Specialised Land and buildings | Fair Value, using Existing Use Value principles | RICS Valuation Statement (UKVS) 1.1 Professional valuation every 5 years, Value plus indices in intervening years |
| Specialised Property | Fair Value | RICS Valuation Statement (UKVS) 1.1 Professional valuation every 5 years. Value plus indices in Intervening years. |
| Non Operational* Property | Market Value | (Specified as Obsolete, Assets Held for Sale or Investment Assets.) Professional valuation annually |
| Tenders, Ancillary Craft & Lightvessels | Fair Value | Professional valuation annually |
| Buoys | Fair Value | Internally on an annual basis using Market Value of recent purchases. |
| Beacons | Fair Value | RICS Valuation Statement (UKVS) 1.1 Professional valuation every 5 years. Value plus indices in Intervening years. |
| Plant & Machinery and Information Technology Equipment low value/short life | Depreciated Historic Cost | No additional valuation required |
| Plant & Machinery and Information Technology Equipment not included above | Fair Value | Professional valuation as at 31/03/12 used as base cost. Base Cost plus indices annually thereafter |

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

Where assets are re-valued through the use of indices, gross book values and accumulated depreciation balances are adjusted, and upwards movements are taken to the Revaluation Reserve. Downwards movements are recognised under Other Expenditure in the Statement of Comprehensive Net Income. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount held in the revaluation reserve in respect of that asset.

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

### Depreciation

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 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:

| Category | Depreciation Live |
|---|---|
| **Land and Buildings** | |
| Land | Not depreciated |
| Lighthouses | 50 years |
| Other buildings | 50 years |
| **Tenders and ancillary craft** | |
| Tenders | 25 years |
| **Tenders dry dock & repair:** | |
| THV Patricia & RIV Alert | 2.5 years |
| THV Galatea | 5 years |
| Workboats | 10 years |
| Workboat dry dock and repair | 4 years |
| **Lightvessels** | |
| Lightvessel (hulls) | 50 years |
| Lightvessel (hull conversions) | 15 years |
| Lightvessel (dry dock and repair) | 7 years |
| **Buoys and beacons** | |
| Steel buoys and beacons | 50 years |
| Plastic buoys | 10 years |
| Beacons | 25-100 years |
| **Plant and Machinery** | |
| Lighthouses and lightvessels | 15 years |
| Automation equipment | 15 years |
| Racons | 15 years |
| Depots and workshops | 10 years |
| Office equipment | 10 years |
| AIS equipment | 7 years |
| Vehicles | 5 years |
| Computers – major systems | 5 years |
| Computers - other | 3 years |
| Assets leased under Finance Lease | 25 years being the expected useful life. (The primary lease period is less that this but a secondary period sufficient to cover the balance is available). |

## f) Inventories

Inventories of consumable stores at depots and fuel stocks are valued on a First in First out (FIFO) basis.

## g) Research and development

The Board co-operates with the other Lighthouse Authorities through the Research and Radio Navigation (R&RNav) Policy Committee for major research and development. Other direct expenditure on trial projects of a minor nature is charged to revenue as it is incurred. Work carried out by Trinity House on behalf of the General Lighthouse Authorities is not included in the net expenditure of Trinity House but charged to the Statement of Comprehensive Net Income as expenditure on behalf of all GLA's.

## 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 Net Expenditure Account 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 Comprehensive Net Income as incurred.

Rentals received under operating leases are credited to income.

## i) Foreign currency

All transactions in a foreign currency have been converted to sterling immediately on receipt and are therefore translated at the exchange rate ruling at the date of the transaction.

Any monetary assets or liabilities existing as at 31 March 2013 are translated at the rate ruling at the Statement of Financial Position date.

## j) Taxation

The fund is exempt from Corporation Tax under the provisions 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) Transactions on behalf of other General Lighthouse Authorities

The General Lighthouse Authorities generally account for all aspects of their responsibilities as statutory authorities. However, as a result of close co-operation, the GLAs agree that it is either more economic or practical for one GLA to be responsible and account for the costs of particular areas of work. The costs incurred by Trinity House on behalf of other GLAs (which are shown separately on the Statement of Comprehensive Net Income) are detailed at note 5c.

## l) Government grants

Trinity House follows the guidance in the government Financial Reporting Manual 2012/2013 issued by HM 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.

## m) Investment properties

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 2013 at each of these properties by the Valuation Office Agency. These properties are included in the Statement of Financial Position at the open market valuation.

## n) Provisions

Trinity House makes provisions for liabilities and charges in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets where, at the Statement of Financial Position 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.

## o) Financial instruments

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**
Trinity House classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for sale. Such assets are initially recognised at fair value. Where material, they are subsequently measured at amortised cost using the effective interest method.

**Financial liabilities**
Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost. 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 Statement of Comprehensive Net Income. Trinity House has carried out a review of its contracts and has determined that, as at 31 March 2013, 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 arms 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 cashflows.

### p) Income

In accordance with the Merchant Shipping Act Trinity House 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 expenditure by segment

The Trinity House Board considers the provision of Aids to Navigation to be its one and only business segment.

## 3a Income

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Buoy rental | 589 | 602 |
| Property rental | 250 | 254 |
| Tender hire | 1,238 | 1,092 |
| Sundry receipts | 481 | 438 |
| **Total** | **2,558** | **2,386** |

## 3b Income on behalf of all GLAs

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Contributions towards Radio Navigation projects * | 7 | -13 |
| **Total** | **7** | **-13** |

* The credit of £13,000 in 2011-2012 relates to of a refund paid to the Technology Strategy Board in respect of the GAARDIAN Project.

Notes to the Accounts

# 4 Staff numbers and related costs

Staff costs comprise:

| | 2012/2013 Total £000's | 2012/2013 Permanently employed staff £000's | 2012/2013 Others £000's | 2011/2012 Total £000's |
|---|---|---|---|---|
| Wages and salaries | 11,522 | 11,456 | 66 | 11,446 |
| Social security costs | 993 | 993 | - | 969 |
| | 12,515 | 12,449 | 66 | 12,415 |
| Other pension costs | - | - | - | - |
| Redundancy costs | 438 | 438 | - | (33) |
| Sub total | 12,953 | 12,887 | 66 | 12,382 |
| Less recoveries in respect of outward secondments | - | - | - | - |
| **Total net costs** | **12,953** | **12,887** | **66** | **12,382** |

Included in the above are:

| | | | | |
|---|---|---|---|---|
| Research and Development salaries | 628 | 628 | - | 509 |
| Light Dues salaries | 206 | 206 | - | 220 |
| Staff costs capitalised in fixed assets | 194 | 194 | - | 194 |
| **Staff costs shown under expenditure of Trinity House** | **11,925** | **11,859** | **66** | **11,459** |

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

| | 2012/2013 Total | 2012/2013 Permanent Staff | 2012/2013 Others | 2011/2012 Total |
|---|---|---|---|---|
| Directly employed | 298.5 | 298.5 | 0.0 | 303.0 |
| Other | 3.3 | 0.0 | 3.3 | 9.0 |
| Staff engaged on capital projects | 6.9 | 6.9 | 0.0 | 6.9 |
| **Total** | **308.7** | **305.4** | **3.3** | **318.9** |

Reporting of Civil Service and other compensation schemes - exit packages

| Exit package cost band | Number of Compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | |
|---|---|---|---|---|---|---|
| | 2012/2013 | 2011/2012 | 2012/2013 | 2011/2012 | 2012/2013 | 2011/2012 |
| < £10,000 | 1- | - | 2 | - | 3 | - |
| £10,000 - £25,000 | - | - | 2 | 2 | 2 | 2 |
| £25,000 - £50,000 | - | - | 1 | 2 | 1 | 2 |
| £50,000 - £100,000 | - | - | 2 | 3 | 2 | 3 |
| £100,000- £150,000 | - | - | - | - | - | - |
| £150,000 - £200,000 | - | - | - | - | - | - |
| £200,000 - £350,000 | - | - | - | - | - | - |
| Total number of exit Packages | 1 | - | 7 | 7 | 8 | 7 |
| Total resource cost (£'s) | 7,926 | - | 213,402 | 370,335 | 221,328 | 370,335 |

## 5a Other expenditure

| | Note | 2012/2013<br>£000's | 2011/2012<br>£000's |
|---|---|---|---|
| Running costs | | 10,070 | 10,837 |
| Rentals under operating leases | | 1,141 | 1,127 |
| Interest charges | 6 | 7,831 | 8,086 |
| PFI service charges | | - | - |
| Research and Development expenditure | | - | - |
| Non-cash items | | - | - |
| Depreciation | 8 | 3,915 | 3,968 |
| Amortisation | 9 | 153 | 112 |
| Impairments | 7 | 530 | - |
| Loss on revaluation of assets | | 8,210 | - |
| (Profit)/Loss on disposal of property, plant and equipment | | 301 | (47) |
| Provisions provided for in year | 17 | 501 | 77 |
| Unwinding of discount on provisions | 17 | - | - |
| **Total** | | **32,652** | **24,160** |

During the year Trinity House did not purchase any non-audit services from its auditor.

## 5b Net expenditure on behalf of DfT

| | 2012/2013 | 2011/2012 |
|---|---|---|
| Use of DfT resources: | £000's | £000's |
| Staff and accomodation | 89 | 99 |
| Audit | 135 | 135 |
| Professional services | 16 | 25 |
| Sombrero | 3 | 3 |
| **Total** | **243** | **262** |

## 5c Net expenditure on behalf of all General Lighthouse Authorities

| | 2012/2013<br>£000's | 2011/2012<br>£000's |
|---|---|---|
| VAT refund re: GLF investment | (54) | (61) |
| Light Dues collection costs | 698 | 725 |
| Imperial Lighthouse Service pensions | 41 | 43 |
| Research and Development | 1,260 | 855 |
| Special sanction R&D including eLoran | 500 | 653 |
| Wreck removal | 53 | - |
| **Total** | **2,498** | **2,215** |

Salary Costs included in the above:

| | | |
|---|---|---|
| Research and Development | 628 | 509 |
| Light Dues | 206 | 220 |
| **Total** | **834** | **729** |

## 6 Interest payable/receivable

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Loan interest receivable | - | - |
| Deposit interest receivable | (2) | (2) |
| Pension interest payable | 7,247 | 7,399 |
| Interest payable on lease of THV *Alert* | 96 | 117 |
| Interest payable on lease of THV *Galatea* | 488 | 570 |
| **Total** | **7,829** | **8,084** |

## 7 Impairments

Trinity House are currently undertaking a project to re-engineer its Differential Global Position System (DGPS) network. This is expected to be completed by the end of September 2013, as a result the assets remaining on the asset register relating to the existing DGPS network have been impaired and a value of £54,464 transferred to the Statement of Comprehensive Net Income.

Over the last two years a project was undertaken to re-engineer the Casquets Lighthouse off of Alderney in the Channel Islands. The Casquets Aids to Navigation systems were over 20 years old since its last upgrade and the lighthouse was becoming unreliable and onerous to maintain. The station was powered by continuously-running diesel engines requiring regular deliveries of fuel and regular maintenance visits. Taking advantage of new technology and the southern latitude of Casquets, the station has been modernised and the new Aids to Navigation run entirely on renewable energy from solar and wind power. This has resulted in a station that is cheaper to run into the future and one that is designed to operate for at least the next 20 years without further major investment. However as of 31 March 2013 the costs of the project have exceeded the Depreciated Replacement Cost valuation by £475,373, and in line with the requirements of the FReM this has been treated as an impairment and transferred to the Statement of Comprehensive Net Income.

In 2011/2012 no assets were impaired.

# 8 Property, plant and equipment

| | Land | Buildings | Lightvessels | Tenders & Craft | Buoys & Beacons | Information Technology | Plant & Machinery | Payments on Account & Assets under Construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Cost or valuation** | | | | | | | | | |
| At 1 April 2012 | 1,026 | 19,277 | 4,409 | 36,259 | 7,052 | 1,977 | 32,018 | 2,069 | 104,087 |
| Additions | - | - | - | 1,296 | 391 | 290 | 546 | 2,757 | 5,280 |
| Donations | - | - | - | - | - | - | - | - | - |
| Disposals | - | (29) | (192) | (569) | (1,101) | (148) | (10,307) | - | (12,346) |
| Impairments | - | (182) | - | - | - | - | (341) | - | (523) |
| Reclassifications | (166) | (204) | 3,436 | 852 | - | 66 | (4,239) | - | (255) |
| Revaluations | 4,780 | 54,806 | 1,967 | (12,213) | (434) | (1,091) | (7,575) | - | 40,240 |
| Transfers | - | 465 | 228 | - | - | 12 | 1,548 | (2,384) | (131) |
| **At 31 March 2013** | **5,640** | **74,133** | **9,848** | **25,625** | **5,908** | **1,106** | **11,650** | **2,442** | **136.352** |
| | | | | | | | | | |
| **Depreciation** | | | | | | | | | |
| At 1 April 2012 | 77 | 5,216 | 3,537 | 17,998 | 3,236 | 1,698 | 25,024 | - | 56,786 |
| Charged in year | 11 | 523 | 163 | 1,086 | 660 | 180 | 1,292 | - | 3,915 |
| Disposals | - | (4) | (192) | (569) | (829) | (148) | (10,190) | - | (11,932) |
| Impairments | - | (47) | - | - | - | - | 54 | - | (7) |
| Reclassifications | (88) | (142) | 1,985 | 203 | - | (94) | (2,089) | - | (225) |
| Revaluations | - | (5,545) | (5,493) | (18,718) | (3,067) | (1,279) | (13,186) | - | (47,289) |
| Transfers | - | - | - | - | - | - | - | - | - |
| **At 31 March 2013** | **-** | **-** | **-** | **-** | **-** | **357** | **905** | **-** | **1,262** |
| | | | | | | | | | |
| **Net book value at 31 March 2012** | **949** | **14,061** | **872** | **18,261** | **3,816** | **279** | **6,994** | **2,069** | **47,301** |
| **Net book value at 31 March 2013** | **5,640** | **74.133** | **9,848** | **25,625** | **5,908** | **749** | **10,745** | **2,442** | **135,090** |
| | | | | | | | | | |
| **Asset financing:** | | | | | | | | | |
| Owned | 5,640 | 74,133 | 9,848 | 1,375 | 5,908 | 749 | 10,745 | 2,442 | 110,840 |
| Finance leased | - | - | - | 24,250 | - | - | - | - | 24,250 |
| On-balance sheet PFI contracts | - | - | - | - | - | - | - | - | - |
| **Net book value at 31 March 2013** | **5,640** | **74,133** | **9,848** | **25,625** | **5,908** | **749** | **10,745** | **2,442** | **135,090** |

Notes to the Accounts

# 8 Property, plant and equipment- prior year

| | Land | Buildings | L'vessels | Tenders & Craft | Buoys & Beacons | Information Technology | Plant & Machinery | Payments on accounts & assets under construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Cost or valuation** | | | | | | | | | |
| At 1 April 2011 | 1,026 | 19,288 | 4,409 | 36,232 | 6,847 | 1,992 | 31,394 | 1,645 | 102,833 |
| Additions | - | - | - | 184 | 13 | 166 | 529 | 1,619 | 2,511 |
| Donations | - | - | - | - | - | - | - | - | - |
| Disposals | - | (1) | - | (157) | - | (187) | (639) | - | (984) |
| Impairments | - | - | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - | - | - |
| Transfers | - | (10) | - | - | 192 | 6 | 734 | (1,195) | (273) |
| **At 31 March 2012** | **1,026** | **19,277** | **4,409** | **36,259** | **7,052** | **1,977** | **32,018** | **2,069** | **104,087** |
| | | | | | | | | | |
| **Depreciation** | | | | | | | | | |
| At 1 April 2011 | 66 | 4,699 | 3,353 | 16,961 | 2,663 | 1,707 | 24,310 | - | 53,759 |
| Charged in year | 11 | 525 | 184 | 1,194 | 573 | 166 | 1,315 | - | 3,968 |
| Disposals | - | - | - | (157) | - | (175) | (601) | - | (933) |
| Impairments | - | - | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - | - | - |
| Transfers | - | (8) | - | - | - | - | - | - | (8) |
| **At 31 March 2012** | **77** | **5,216** | **3,537** | **17,998** | **3,236** | **1,698** | **25,024** | **-** | **56,786** |
| | | | | | | | | | |
| **Net book value at 31 March 2011** | **960** | **14,589** | **1,056** | **19,271** | **4,184** | **285** | **7,084** | **1,645** | **49,074** |
| **Net book value at 31 March 2012** | **949** | **14,061** | **872** | **18,261** | **3,816** | **279** | **6,994** | **2,069** | **47,301** |
| | | | | | | | | | |
| **Asset financing:** | | | | | | | | | |
| Owned | 949 | 14,061 | 872 | 1,084 | 3,816 | 279 | 6,994 | 2,069 | 30,124 |
| Finance leased | - | - | - | 17,177 | - | - | - | - | 17,177 |
| On-balance sheet PFI contracts | - | - | - | - | - | - | - | - | - |
| **Net book value at 31 March 2012** | **949** | **14,061** | **872** | **18,261** | **3,816** | **279** | **6,994** | **2,069** | **47,301** |

Following the reclassification of Trinity House as a Central Government Body for National Accounts purposes, the Department for Transport issued a new Accounts Direction in February 2013, requiring that Property Plant and Equipment is valued at Fair Value as per IAS16 and the Government Financial Reporting Manual (FReM). As a result Trinity House has carried out an extensive exercise to obtain valuations for all items of Property Plant and Equipment on the basis outlined in note 1 (e). As part of this exercise professional valuations as at 31 March 2013, were obtained from the following.

| Asset | Valuer | Organisation |
|---|---|---|
| Land & Buildings in England & Wales | Mr John Southern MRICS | DVS Property Specialists* |
| Land & Buildings in Gibralter | Mr Matthieu Le Poidevin MRICS | Brittain Hadley Partnership (CI) Limited |
| Land & Buildings in the Channel Islands | Mr Terence Richardson MRICS | Richardsons Chartered Surveyors |
| Beacons | Mr Richard Bryan MRICS | DVS Property Specialists* |
| Plant and Machinery | Mr Charles Waters MRICS | DVS Property Specialists* |
| Ships | | Braemar Seascope Valuations Limited |
| Light vessels | Mr Andrew Lloyd MRICS | DVS Property Specialists* |

*DVS Property Specialists are the commercial arm of the Valuation Office Agency.

These valuations have been undertaken for capital accounting purposes in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by current HM Treasury guidance to the United Kingdom public sector. The valuations accord with the requirements of the Royal Institution of Charted Surveyors (RICS) – Professional Standards 8th Edition (known as the Red Book) insofar as these are consistent with IFRS and Treasury guidance.

Navigation Buoys were valued internally by Trinity House staff based on evidence of recent purchases, and taking into account the age of the asset.

In accordance with IAS 8 prior year figures are not restated and are shown at historic cost.

### Lighthouse Cottages included in Land and Buildings, leased to Trinitas Services Ltd

Trinity House has entered into two agreements to lease 37 lighthouse cottages to Trinitas Services Ltd. With the automation of the lighthouses, Trinity House disposed of all stand-alone cottages, but retained cottages which were attached to or formed part of a lighthouse complex. It is considered that these cottages which have been retained are 'day markers' or are necessary to retain for future operational requirements of the site i.e. to guarantee future access, and as such are considered to continue to be an operational requirement of the service and have been valued externally in accordance with the table above and note 1(e).

### Sale of Fixed Assets

The main assets disposed of in the year were:

- Skokholm Lighthouse; and
- Four vehicles

## 9 Intangible assets

| | Intangible software £000's | Intangible Licences £000's | Total £000's |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2012 | 1,718 | 150 | 1,868 |
| Additions | 93 | - | 93 |
| Donations | - | - | - |
| Disposals | - | - | - |
| Impairments | - | - | - |
| Reclassifications | 2 | - | 2 |
| Revaluation | - | - | - |
| Transfers* | 131 | - | 131 |
| **At 31 March 2013** | **1,944** | **150** | **2,094** |
| | | | |
| **Amortisation** | | | |
| At 1 April 2012 | 1,190 | 43 | 1,233 |
| Charged in year | 145 | 8 | 153 |
| Disposals | - | - | - |
| Impairments | - | - | - |
| Reclassifications | - | | - |
| Revaluation | - | - | - |
| **At 31 March 2013** | **1,335** | **51** | **1,386** |
| | | | |
| **Net book value at 31 March 2012** | **528** | **107** | **635** |
| **Net book value at 31 March 2013** | **609** | **99** | **708** |

## 9 Intangible assets-prior year

| | Intangible software | Intangible Licences | Total |
|---|---|---|---|
| | £000's | £000's | £000's |
| **Cost or valuation** | | | |
| At 1 April 2011 | 1,646 | 150 | 1,796 |
| Additions | 55 | - | 55 |
| Donations | - | - | - |
| Disposals | (246) | - | (246) |
| Impairments | - | - | - |
| Revaluation | - | - | - |
| Transfers* | 263 | - | 263 |
| **At 31 March 2012** | **1,718** | **150** | **1,868** |
| | | | |
| Amortisation | | | |
| At 1 April 2012 | 1,331 | 35 | 1,366 |
| Charged in year | 104 | 8 | 112 |
| Disposals | (245) | - | (245) |
| Impairments | - | - | - |
| Revaluation | - | - | - |
| **At 31 March 2012** | **1,190** | **43** | **1,233** |
| | | | |
| **Net book value at 31 March 2011** | **315** | **115** | **430** |
| **Net book value at 31 March 2012** | **528** | **107** | **635** |

## 10 Investment assets

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Old Harwich Offices | | |
| As at April 2012 | 300 | 587 |
| Additions | - | - |
| Disposals | - | (249) |
| Transfers* | - | - |
| Depreciation | - | - |
| Revaluations | (15) | (38) |
| **As at 31 March 2013** | **285** | **300** |

Assets included as Investment Assets are the houses at 35/36 West Street and 7 Church Street Harwich. These are valued at Fair Value in accordance with International Accounting Standard (IAS) 40 with gains or losses arising from changes in Fair Value recognised in the Statement of Comprehensive Net Income. The valuations were carried out by the Valuation Office Agency.

## 11 Assets classified as held for sale

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| As at April 2012 | 2 | 409 |
| Additions | - | - |
| Disposals | (2) | (409) |
| Transfers* | 252 | 10 |
| Depreciation | - | - |
| Transfers ( Depreciation) * | (225) | (8) |
| Impairments | | - |
| **As at 31 March 2013** | **27** | **2** |

*Transfers into assets classified as held for sale are from property, plant and equipment reclassifications regarding Hartland Point Lighthouse (2011/12 was in respect of Skokholm Lighthouse).

Assets held for sale are:

a. 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 19 February 2011 and the Lighthouse is to be sold with reserved rights to continue exhibiting an 8nm LED solar powered beacon from the gallery;
b. Hartland Point Lighthouse valued at £26,790 being the lower of Carrying Value and Fair Value less Cost of Sale; and
c. St. Ann's Cottages valued at £nil being the lower of Carrying Value and Fair Value less Costs of Sale.

These properties are all expected to be disposed of within 2013/2014 and are considered to fall within the IFRS 5 definition of an asset held for sale.

Skokholm Lighthouse was classified as an asset held for sale in 2011-12 and was disposed of in the year realising a gain of £90,381. This gain is included within the Statement of Comprehensive Net Income under (Profit)/Loss on disposal of Property Plant and Equipment in Note 5a

## 12 Inventories

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Consumable stores | 2,132 | 1,958 |
| Fuel Oil | 319 | 359 |
| **Total** | **2,451** | **2,317** |

Inventories are valued using the First in First out (FIFO) method.

## 13 Trade receivables and other current assets

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Amounts falling due within one year: | | |
| Trade receivables | 507 | 346 |
| Other receivables | 338 | 271 |
| Inter GLA debtors | 149 | 1 |
| Prepayments and accrued income | 525 | 635 |
| VAT recoverable | 298 | 267 |
| **Total** | **1,817** | **1,520** |

| Amounts included above that fall within the Whole of Government Accounting boundary are: | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Central Government | 448 | 268 |
| Local Authorities | 16 | 17 |
| NHS Trusts | - | - |
| Public Corporations | 123 | 17 |
| Bodies external to Government | 1,230 | 1,218 |
| **Total** | **1,817** | **1,520** |

## 14 Cash and cash equivalents

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Balance at 1 April | 140 | 341 |
| Net change in cash and cash equivalent balances | 65 | (201) |
| **Balance at 31 March** | **205** | **140** |
| | | |
| The following balances at 31 March were held at: | | |
| Commercial banks and cash in hand | 205 | 140 |
| Short term investments | - | - |
| **Balance at 31 March** | **205** | **140** |

# 15 Financial instruments

International Financial Reporting Standard 7 - Financial Instruments: Disclosures (IFRS 7) requires disclosure of the role which Financial Instruments have had during the year in creating or changing the risks the Authority faces in undertaking its activities. Because of the largely non trading nature of the activities of Trinity House and the method of funding from the General Lighthouse Fund, the Authority is not exposed to the degree of financial risk faced by other business entities. The Authority does have borrowing powers under the Merchant Shipping Act 1995 but very limited powers to invest in surplus assets.

As permitted by IFRS 7 (para. 29), debtors and creditors which mature or become payable within 12 months of the Statement of Financial Position date have been omitted from the profile.

### Liquidity Risk

The Authority relies primarily on advances from the General Lighthouse Fund for its cash requirements and is therefore not exposed to significant liquidity risks, although it is of course dependant indirectly on the liquidity of the General Lighthouse Fund.

### Interest Rate Risk

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

The Authority 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.

### Currency Risks

The Authority has no significant foreign currency transactions and is not therefore exposed to any significant risk in terms of currency fluctuations.

### Fair Values

Set out below is a comparison by category of the book values and fair values of the Authority's financial assets and liabilities as at 31 March 2013

| | Book Value £000's | Fair Value £000's |
|---|---|---|
| **Financial Assets** | | |
| Cash at bank and in Hand | 205 | 205 |
| **Financial Liabilities** | | |
| Finance Lease Obligations | | |
| (THV *Galatea*/THV *Alert*) | 14,411 | 14,411 |

The fair value of the finance lease obligation for the THV *Galatea* and the THV *Alert* is calculated as the net present value of future lease payments.

### Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Trinity House's customers or counterparties fail to fulfil their contractual obligations to the Authority. Some of the Authority's customers and counterparties are other public sector organisations. There is no credit risk from these organisations.

For those customers and counterparties that are not public sector organisations, the Authority has policies and procedures in place to ensure credit risk is kept to a minimum.

# 16 Trade payables and other current liabilities

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Amounts falling due within one year | | |
| Other taxation and social security | 375 | 374 |
| Trade payables | 826 | 426 |
| Other payables | 109 | 108 |
| Inter GLA payables | 140 | - |
| Accruals and deferred Income | 3,309 | 2,477 |
| Current part of finance leases | 1,338 | 1,267 |
| **Total** | **6,097** | **4,652** |

| Amounts included above that fall within the Whole of Government Accounting boundary are: | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Central Government | 541 | 374 |
| Local Authorities | - | - |
| NHS Trusts | - | - |
| Public Corporations | - | - |
| Bodies external to Government | 5,556 | 4,278 |
| **Total** | **6,097** | **4,652** |

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Amounts falling due after more than one year: | | |
| Other payables, accruals and deferred Income | - | - |
| Finance leases | 13,073 | 14,422 |
| Imputed finance lease element of on-balance sheet PFI contracts | - | - |
| NLF loans | - | - |
| **Total** | **13,073** | **14,422** |

## 17 Provisions for liabilities and charges

| | Annual Compensation Payments | Redundancies | Orfordness | Litigation | MNOPF | Total |
|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| | (i) | (ii) | (iii) | (iv) | (v) | |
| Balance at 1 April 2012 | 187 | 502 | 132 | 46 | - | 867 |
| Provided in the year | 350 | 116 | - | 5 | 30 | 501 |
| Provisions not required written back | - | (242) | (82) | (46) | - | (370) |
| Provisions utilised in the year | (90) | (22) | - | - | - | (112) |
| **Balance at 31 March 2013** | **447** | **354** | **50** | **5** | **30** | **886** |

Analysis of expected timing of discounted flows:

| | Annual Compensation Payments | Redundancies | Orfordness | Litigation | MNOPF | Total |
|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| In one year or less, or on demand | 67 | 244 | 50 | 5 | 30 | 396 |
| Later than one year and not later than five years | 380 | 110 | - | - | - | 490 |
| Later than five years | - | - | - | - | - | - |
| **Balance at 31 March 2013** | **447** | **354** | **50** | **5** | **30** | **886** |

The Board has provided for:
Annual Compensation Payments - the actuarially calculated estimate for the future liabilities for ACPs that are

i. Annual Compensation Payments - the actuarially calculated estimate for the future liabilities for ACPs that are compensation payments until Age 60 and receipt of normal pension benefits;
ii. Redundancies - the estimated redundancy costs as a result of re-organisation within the service. It is expected that £244k will be utilised during 2013/2014, £4k in 2014/2015, £17k in 2015/2016 and the remaining balance of £17k in 2016/2017;
iii. Cost of removal of optic and mercury from Orfordness lighthouse which is required no matter what the eventual outcome is for this site;
iv. Potential litigation in respect of asbestos claim, which was withdrawn by claimant, however a second asbestos claim has been received and the net amount of the claim has been provided for; and
v. Additional contributions to the Merchant Navy Officers Pension Fund - provision for actuarially calculated estimate of additional contribution due to help meet the deficit in the Fund.

# 18 Capital commitments

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Contracted capital commitments at 31 March 2013 not otherwise included in these financial statements: | | |
| Property, plant and equipment | 1,962 | 1,796 |
| Intangible assets | - | - |

# 19 Commitments under leases

## 19.1 Operating leases

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Obligations under operating leases comprise: | | |
| **Land** | | |
| Not later than one year | 1 | - |
| Later than one year and not later than five years | 5 | 1 |
| Later than five years | 89 | 91 |
| **Buildings** | | |
| Not later than one year | 10 | 9 |
| Later than one year and not later than five years | - | - |
| Later than five years | 2 | 1 |
| **Other:** | | |
| Not later than one year | 204 | - |
| Later than one year and not later than five years | 631 | 1,066 |
| Later than five years | - | - |

## 19.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods.

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £000's | £000's |
| Obligations under finance leases comprise: | | |
| **Buildings** | | |
| Not later than one year | - | - |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | - | - |
| Less interest element | - | - |
| | - | - |
| **Other** | | |
| Not later than one year | 1,873 | 1,904 |
| Later than one year and not later than five years | 7,491 | 7,615 |
| Later than five years | 7,860 | 9,894 |
| | 17,224 | 19,413 |
| Less interest element | (2,813) | (3,724) |
| **Total** | **14,411** | **15,689** |

## 20 Other financial commitments

Trinity House has entered into no non-cancellable contracts (which are not leases or PFI contracts), during the year (2011/2012 Nil).

## 21 Pension commitments

### Trinity House Lighthouse Service Pension Scheme and Trinity House Lighthouse Service Compensation Scheme

The pension entitlement of the employees of Trinity House Lighthouse Service arises under an internally defined benefit pension scheme. The pension benefits of the Scheme 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 on a by analogy basis. Compensation for premature loss of office is determined by the terms of the Trinity House Lighthouse Service Compensation Scheme, operated by direct analogy with the Civil Service Compensation Scheme.

The Pension Scheme falls within the definition of a "Public Service Pension Scheme" in Section 1 of the Pension Schemes Act 1993 and is not required to be separately funded. Since 30 July 2007, eligible employees may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a career average scheme (nuvos). Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Employees joining from October 2002 may opt instead for a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions increased on 1 April 2012 and range from 1.5% - 3.9% for classic and 3.5% and 5.9% for premium, classic plus and nuvos, depending on pensionable earnings. 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 the period of scheme membership. At the end of each scheme year (31 March) the member's pension account is credited with 2.3% of 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 at retirement 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 of which an employer contribution has been made of:

| | 2012/2013 | 2011/2012 |
|---|---|---|
| | £ | £ |
| Partnership Pension Accounts | 3,411 | 2,825 |

The above amounts were paid to one or more of a panel of three 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 age related contribution).

Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Contributions of £411.07 (2011/2012 Nil) were due to the partnership pension providers at the end of the reporting period. There were no contributions that had been prepaid at that date.

The pension liabilities of Trinity House Lighthouse Service, along with other 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; and

vi. Refunds of pension contributions at leaving and/or age 60.

Reduced by:

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

The General Lighthouse Authorities obtain professional actuarial valuations on an annual basis for IAS19 purposes. The last valuation was completed in 2013, valued as at 31 March 2013. The accumulated liability for the Trinity House Lighthouse Services Board in respect of all current employees was in the order of £37,468,000. The estimated liability for pensions in payment and deferred pensions of former employees of the Trinity Lighthouse Service was £129,790,000.

The actuary's updated estimate of the liability of ACPs at 31 March 2013 is £447,000.

The following information has been provided in accordance with International Accounting Standard 19 – Employee Benefits:

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| | £000's | £000's |
| Active members | 37,468 | 32,720 |
| Deferred pensioners | 28,775 | 26,458 |
| Pensioners | 101,015 | 92,636 |
| | 167,258 | 151,814 |

| | | |
|---|---|---|
| Real discount rate | 2.35% | 2.80% |
| Inflation rate | 1.70% | 2.00% |
| Discount rate | 4.10% | 4.85% |
| Salary growth rate | 3.70% | 4.00% |
| Pensions in payment and deferred pensioners growth rate | 1.70% | 2.00% |

| | £000's | £000's | £000's |
|---|---|---|---|
| **Scheme liability at 31 March 2012** | | | **151,814** |
| Current service cost | | 2,157 | |
| Curtailment losses/(gains) | | 52 | |
| Past service costs | | 36 | |
| Interest on pension scheme liability | | 7,247 | |
| | | | 9,492 |
| **Benefits payable** | | | |
| Pensions or annuities to retired employees and dependants | (6,916) | | |
| Commutations and lump sum benefits: | | | |
| On retirement | (110) | | |
| From preserved | (297) | | |
| On early retirement | (134) | | |
| On death | (11) | | |
| Injury benefits | (20) | | |
| Medical retirements | (27) | | |
| | | (7,515) | |
| **Pension payments to and on account of leavers** | | | |
| Refunds to members leaving service | (54) | | |
| Group transfers to other schemes | - | | |
| Individual transfers to other schemes | - | | |
| | | (54) | |
| | | | (7,569) |
| **Income received in respect of enhancements** | | | |
| Employees: | - | | |
| Purchase of added years | - | | |
| Widows/widowers pension scheme (WPS) contributions | 459 | | |
| Employers: | | | |
| Bringing forward the payment of accrued lump sums | - | | |
| Enhancement to pensions on departure | - | | |
| Enhancement to pensions on retirement | - | | |
| | | 459 | |
| Pension transfers in: | | | |
| Group transfers in from other schemes | - | | |
| Individual transfers in from other schemes | 82 | | |
| | | 82 | |
| | | | 541 |
| **Actuarial gains and losses** | | | |
| Experience gains and losses arising on scheme liabilities | 1,693 | | |
| Changes in assumptions underlying the present value of scheme liabilities | 11,287 | | |
| | | 12,980 | |
| Club transfers in | | - | |
| Club transfers out | | - | |
| | | | 12,980 |
| **Scheme liability at 31 March 2013** | | | **167,258** |

The "Experience Gains and Losses arising on the scheme liabilities" of £1,693,000 and the total "Actuarial Losses" of £12,980,000 represent 1.01% and 8.55% respectively of the total scheme liability at 31 March 2013.

| | 2012/2013 £000's |
|---|---|
| Opening balance | 151,814 |
| Closing balance | 167,258 |
| | 15,444 |
| | |
| Operating cost | 2,245 |
| Financing costs | 7,247 |
| Pension payments | (7,028) |
| Statement of changes in reserves | 12,980 |
| | **15,444** |

| | 31 March 2013 | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 |
|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's |
| Scheme Liability | 167,258 | 151,814 | 134,138 | 151,627 | 127,489 |
| Experience gains and losses on scheme liability amount | 1,693 | 16,262 | 2,030 | (24,917) | - |
| Percentage of the present value of scheme liabilities | 1.01% | 10.70% | 1.51% | 0.0% | 0.0% |
| Total amount recognised in the Statement of changes in reserves | (12,980) | (15,054) | 6,896 | (21,215) | 13,155 |
| Percentage of the present value of scheme liabilities | 8.55% | 9.90% | 5.14% | 14.0% | -10.3% |

The DfT has reported the contingent liability for the GLAs' pensions for inclusion in the Resource Account for 2012/2013 and a liability of £410m (the estimated liability calculated at 31 March 2013) has been disclosed.

On 17 December 2001 the then DfT, Local Government and the Regions gave the GLAs 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 GLF to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments.

Hymans Robertson LLP has been engaged to provide actuarial support and have completed the 2012/2013 valuation.

The principal revenue of the Fund is light dues which are fixed by the Secretary of State (Minister for the Marine for the Republic of Ireland) by orders under Section 205 of the Merchant Shipping Act 1995 (which are subject to negative resolution of Parliament). Subject to Parliament 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 Schemes liabilities.

**Merchant Navy Officers' Pension Fund**

The Board is a Participating Employer of the Merchant Navy Officers' Pension Fund (MNOPF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOPF has a deficit of £120m identified in an actuarial valuation as at 31 March 2012. The rules of the MNOPF 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 MNOPF has made an application to the Court to obtain confirmation that the position that applies from 8 June 2000 also applied before. As a Participating Employer, the Board 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 MNOPF 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.

Trinity House made no contribution during 2012/2013 (2011/2012 Nil) towards the deficit identified by MNOPF, however the Board have made a provision in these accounts of £31,003 in respect of the deficit arising from the 31 March 2012 Actuarial Valuation

## 22 Contingent liabilities disclosed under IAS 37

Trinity House has the following contingent liabilities:

### Protection and Indemnity

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

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

The mutual method of insuring these risks includes a re-insurance programme and the pooling arrangements of the International Group. However, in common with all members of International Group Clubs, the Authority 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 2010/2011 and there will be no Supplementary Calls for these years. The Club has advised the Board that it does not anticipate Supplementary Calls for the years 2011/2012 and 2012/2013. As a result the Board has made no provision in the Accounts.

### Merchant Navy Officers' Pension Fund (MNOPF)

A new actuarial valuation was carried out as at 31 March 2012 which resulted in further deficits upon which members were called upon to contribute. The Board has paid the deficit contributions which were due for payment on 30 June 2013 in respect of the 31 March 2012 valuation. Any further liability will be restricted to the additional deficit contributions sought in June 2013 due to the deficit reported as at 31 March 2012 that cannot be recovered from other employers (e.g. liquidated companies, etc), who are unable to pay their share in June 2013 and needs to be recovered from those remaining. The Board does not have reliable estimates of this liability and have therefore made no provision, but declare it as a contingent liability.

### 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 GLA's 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 GLA's chose to terminate the contract a termination cost will be liable of between £865,665 and £22,525 depending on when the termination were to take place. The GLA's 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 Board does not envisage terminating the contract and so have made no provision in the Accounts.

### Lighthouse estate

As a result of regular surveys the Board recognises that there is a raised degree of risk at a number of stations that may demand a currently unquantified level of future investment. These stations are:

**Beachy Head Lighthouse**

It is well recognised that the cliff at Beachy Head is only currently stable and at some time in the future the cliff will fall again, this may cause the loss of mains supply, the boat landing and make access over the rocks untenable.

During 2011 the lighthouse was solarised and is no longer dependant on the mains electricity supply mitigating any loss of mains supply.

The cost to attend to the remaining access risk i.e. to recover the boat landing or access to the tower after a rock fall will vary and are likely to be between £50k - £250k.

**Orfordness Lighthouse**

Beach erosion at Orfordness has raised concern that the lighthouse, which is of brick construction, will become unstable within 2-5 years. The 2010 AtoN review identified that Orfordness Lighthouse would not be required if the range of nearby Southwold Lighthouse was increased to 24 nautical miles. The development of the Southwold range increase is in hand which will enable Orfordness to be de-commissioned in June 2013.

In the unlikely event of a severe storm, the lighthouse may require rapid de-commissioning and temporary arrangements made. Extra costs will be incurred should this need to be brought forward. £50k has been provided in the accounts for the removal of the hazardous materials. No further provisions have been made until the outcome is known and the Board therefore declare it as a contingent liability.

**St Catherine's Lighthouse**
This lighthouse is built on an unstable cliff on the southern side of the Isle of Wight. The risks to this station fall into the following headings:

- Risk of structural damage due to ground faults;
- Risk of collapse due to cliff erosion;
- Risk of collapse of the approach road due to ground faults; and
- Risk of movement to the lighthouse sufficient to seize the rotation of the optic.

The condition of the station is subject to continuous monitoring and surveys, however it is likely that a new lighthouse would need to be established on land that would need to be acquired and the cost is expected to be between £2m - £3m depending on the clearance requirements of the original site. A review of the available data including tilt and crack data shows little sign of movement since 2001, indicating a quiet period of movement, however it does not allow for large scale rapid movements that might occur given the right climatic conditions. Monitoring therefore remains ongoing.

**Flamborough Head Fog Signal building & DGPS Tower**
The tip of the promontory that is Flamborough Head has a substantial cave underneath it. The cave roof has a known fault and should the roof collapse, it is likely that the end of the promontory would also collapse taking with it the DGPS mast and the ex Fog Signal station which houses the DGPS equipment and diesel alternator equipment. Further to this there is a loss of material from the top of the cliff on the North and South sides which is now adjacent to the Trinity House boundary. The cave is subject to annual condition surveys which monitor the roof condition. An R&RNav study in 2011 concluded that a relocation to neighbouring land already owned by the GLAs is a suitable alternative. The cost is likely to be between £1.5m to £2.5m depending on the clearance requirements of the original site.

**Royal Sovereign**
The inspection works carried out in 2010 allayed concerns about the immediate future integrity of the structure due to the post tensioned tendons that hold the tower together. There is now a high level of confidence that the tower is sound for the next 4 years at least when it will be inspected again.

In the event of Royal Sovereign being unstable in the future, the lighthouse may need to be demolished at a cost of between £4m - £6m and the cost of a replacement AtoN which has yet to be specified.

**Wormleighton DGPS Mast**

The mast at Wormleighton dates from 1946. It is over 300 feet high and of steel lattice construction. It is surveyed every 2 years and whilst currently in sound condition it has some distortion in some of the structural members that are monitored. Should such distortions exacerbate such that it is structurally unstable, its demolition would cost £0.4m plus a replacement cost of. £0.5m to £1m.

## Wreck removal

In January 2013 the vessel *Emsstrom* sank off the coast of Torbay in Devon and was subsequently marked by Trinity House as a significant danger to navigation. The wreck is currently under the legal jurisdiction of the Secretary of State's Representative for Maritime Salvage and Intervention (SOSREP). SOSREP has issued a Statutory Direction on the owners of the wreck but as yet no response has been received. It is believed that the vessel was not insured and was due to be scrapped. To date the owners have not co-operated with SOSREP.

The enforcement division of the Marine and Coastguard Agency are pursuing various lines of enquiry as to the legal ownership, insured status of the vessel and whether any pollutants were onboard; these enquiries may lead to formal enforcement action against the vessel's interests.

In the event that the owner does not remove the wreck, Trinity House may have to exercise its powers under section 252 and 253 of the Merchant Shipping Act 1995 to remove the wreck. Currently due to a number of unknown factors the Board is not able to make a provision for the cost of removing this wreck, but declare it as a contingent liability.

## St. Just Airfield

Trinity House currently occupy a Forward Operating Base, on land leased from the Isles of Scilly Steamship Co. Ltd. at St. Just Airport in Cornwall. The Isles of Scilly Steamship Co. Ltd. have indicated that they may require the land in question in the future, for expansion resulting from a potential increase in flights to the Scilly Isles. The current lease is due to expire on 23 March 2014. The terms of the lease require Trinity House to restore the site to its original condition if requested by the Landlord, the cost of which is estimated to be around £56k. Due to current uncertainties regarding the future of the lease beyond 23 March 2014 it is inappropriate to make a provision for these costs, and the Board declare it as a Contingent Liability.

## Beacons

Trinity House are responsible for a number of beacons around England and Wales that are no longer required for the purposes of providing Aids to Navigation. No decision has been made regarding the long term future of these beacons. However if it was decided that because of potential safety or environmental reasons these beacons should be removed then costs of up to £145,000 could be incurred. Due to uncertainties regarding the future of these beacons the Board declare this as a Contingent Liability.

# 23 Related-party transactions

## General Lighthouse Fund

The Fund is administered by the Department for Transport who sponsor the three General Lighthouse Authorities (GLAs). For administrative purposes each is considered to be a Non Departmental Public Body (NDPB). For National Accounts purposes they are considered to be Central Government bodies, following the ONS decision to reclassify light dues as a tax.

The Authorities are regarded to be related parties. During the year there have been various material transactions between the Fund and the Authorities. The Board has received advances of £36,900,000 (2011/2012 £34,900,000) from the General Lighthouse Fund and incurred expenditure of £2,498,000 (2011/2012 £2,216,000) on behalf of all three Authorities.

At the 31 March 2013 the balances outstanding with the GLAs were as follows:

| | Balance due to TH | | Balance due to GLA | |
|---|---|---|---|---|
| GLA | 2012/2013 | 2011/2012 | 2012/2013 | 2011/2012 |
| | £000's | £000's | £000's | £000's |
| Commissioners of Irish Lights (CIL) | 56 | - | - | - |
| Northern Lighthouse Board (NLB) | 93 | 1 | 140 | - |

Neither the Secretary of State for Transport, any key officials with responsibilities for the Fund or any of Trinity Lighthouse Service 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 an agreement to lease lighthouse cottages to Trinitas Services Limited, a wholly owned subsidiary of the Corporation. The 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 2006/2007 Trinity House refurbished a further 7 lighthouse cottages at the Lizard, and entered into an agreement to lease them to Trinitas Service Ltd for 20 years commencing February 2002, with an effective possession date of 14 December 2006. Trinitas 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 Trinity House. 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 Trinity House 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.

In the event of a default on the loan Trinity House would have a claim against the assets of Trinitas Services Ltd. The loan was repaid in full in 2010/2011.

Commodore J S Scorer, Director and E D Johnson, Non-Executive Director, are appointed to the Board of TSL 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 Trinity House Lighthouse Board.

### Corporation of Trinity House

The Corporation of Trinity House owns Trinity House Tower Hill and provides rent free accommodation for the use of Trinity House. Trinity House reimburses the Corporation for service charges in proportion to the floor area occupied. During 2012/2013 Trinity House paid £276,006 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£267,360 in 2011/2012).

Conversely, the Corporation of Trinity House reimburses Trinity House for the provision of services during the year. The Corporation paid £63,465 to Trinity House in respect of these services during the year (£59,367 in 2011/2012).

## 24 Inter-GLA transactions

### Ships agreement

The Commissioners of Northern Lighthouses (NLB) provided the services of NLV *Pharos* to Trinity House for 19.5 days under the terms of the Inter GLA Ship Agreement dated 17 November 2010. No services were provided by Trinity House to The Commissioners of Irish Lights (CIL) or NLB. CIL provided no services to Trinity House during the year. There was no transfer of funds between the GLAs in respect of these services but the transactions gave rise to notional income of £nil (2011/2012 - Nil) and notional expenditure of £154,947 (2011/2012 - £74,296).

## 25 Losses

Obsolete inventory amounting to £17,243 (£6,000 2011/2012) was written off during the year. In addition impairment losses of £529,837 were incurred, note 7 on page 42 gives full details.

## 26 Post balance sheet events

On 28th June 2013 Orfordness Lighthouse was decommissioned as an aid to navigation.

On 25th April 2013 the Marine Navigation Act 2013 gained Royal Assent.

# 27 Further information

| | 2012/2013 | 2011/2012 |
|---|---|---|
| **Number of non-current assets:** | | |
| Lighthouses*** | 65 | 66 |
| Lightvessels | 12 | 12 |
| Lightfloats | 2 | 2 |
| Buoys ** | 699 | 724 |
| Beacons | 18 | 18 |
| Tenders | 3 | 3 |
| Ancillary Craft | 9 | 9 |
| Lighthouse abroad* | 1 | 1 |
| **Total** | **809** | **835** |

| | | |
|---|---|---|
| **Number of Non-current assets deployed:** | | |
| Lighthouses*** | 66 | 67 |
| Lightvessels | 8 | 8 |
| Lightfloats | 2 | 2 |
| Buoys ** | 528 | 537 |
| Beacons | 18 | 21 |
| Tenders | 3 | 3 |
| Ancillary Craft | 9 | 9 |
| Lighthouses abroad* | 1 | 1 |
| **Total** | **635** | **648** |

*Trinity House owns and has full responsibility for Europa Point (Gibraltar).

**The number of buoys deployed will always be less than owned due to the diversity of buoy range, buoys undergoing repairs and refurbishments, others being held on tenders awaiting deployment and emergency wreck marking buoys held at various depots and forward storeage areas.

***The difference between lighthouses owned and lighthouses deployed arises due to Instow Front and Rear lighthouse treated as one lighthouse on the asset register and two lighthouses on the operation and planning system.

# Five Year Summary

| | 2013 | 2012 | (Restated) 2011 | (Restated) 2010 | (Restated) 2009 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Income** | | | | | |
| Advances from the General Lighthouse Fund | 36,900 | 34,900 | 36,200 | 36,050 | 36,550 |
| Other income | 2,558 | 2,386 | 2,070 | 1,723 | 1,414 |
| Income on behalf of all GLA's | 7 | (13) | 529 | 326 | 397 |
| Grant Income | 200 | 200 | 140 | 415 | 74 |
| Total | 39,665 | 37,473 | 38,939 | 38,514 | 38,435 |
| **Expenditure** | | | | | |
| Staff costs | 11,925 | 11,459 | 12,383 | 11,001 | 11,238 |
| Depreciation | 3,915 | 3,968 | 4,037 | 3,902 | 3,631 |
| Amortisation | 152 | 112 | 171 | 348 | 316 |
| Loss on revaluation | 8,210 | - | - | 195 | - |
| Pension cost | 2,283 | 2,221 | (10,554) | 1,960 | 2,651 |
| Other expenditure (including profit/loss on sale of fixed assets) | 12,543 | 11,994 | 12,081 | 11,762 | 12,549 |
| Total | 39,029 | 29,754 | 18,118 | 29,168 | 30,385 |
| Net Income | 636 | 7,719 | 20,821 | 9,346 | 8,050 |
| Interest payable/receivable | 7,829 | 8,084 | 7,373 | 8,398 | 9,268 |
| Revaluation of investment properties | 15 | 38 | 18 | | |
| Net income after revaluation of investments and interest | (7,208) | (403) | 13,430 | 948 | (1,218) |
| Net expenditure on behalf of DfT | 243 | 262 | 320 | 334 | 362 |
| Net expenditure on behalf of all General Lighthouse Authorities | 2,498 | 2,215 | 2,596 | 2,605 | 3,864 |
| Net income after interest | (9,949) | (2,880) | 10,514 | (1,991) | (5,444) |
| Property plant and Equipment | 135,090 | 47,031 | 49,074 | 51,696 | 51,861 |
| Intangible assets | 708 | 635 | 430 | 339 | 650 |
| Investment assets | 285 | 300 | 587 | - | - |
| Trade and other receivables becoming due after more than one year | - | - | - | 100 | 100 |
| Non current assets plus / less net current aseets /liabilities | 134,090 | 47,015 | 48,604 | 49,798 | 50,083 |
| Assets less liabilities | (46,731) | (119,540) | (101,606) | (118,936) | (95,920) |
| Purchase of property plant & equipment | 5,280 | 2,511 | 2,868 | 3,878 | 4,246 |
| Average No. of employees | 309 | 319 | 326 | 319 | 320 |
| (Including Part Time) | 13 | 16 | 16 | 11 | 11 |

Figures for 2008/09 to 2009/10 have been restated to remove the cost of capital which is not applicable for 2010/11 onwards. Figures for 2009/10 to 2010/11 have been restated to take account of the change to treatement of Government Grants.

## 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 pension's liability of the General Lighthouse Fund (GLF) is reported to Parliament annually as a contingent liability of the Department for Transport, Local Government and the Regions (DTLR). This is a form of early warning 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 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 Pension Schemes of the GLAs. The pensions of the GLAs are therefore assured by this Letter of Comfort.

Signed By:

17.12.2001

**On behalf of the Secretary of State for Transport, Local Government and the Regions**
**Date 17.12.2001**