



TRINITY HOUSE
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2017



Trinity House

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Directors of the Lighthouse Board

Captain I McNaught ¹	Executive Chairman
Captain R H Barker ¹	Director of Navigational Requirements
Commodore R W Dorey ¹	Director of Operations
A Damen RA ^{2 4}	Director of Business Services
Captain N Palmer OBE ¹	Deputy Chairman and Non Executive
E D Johnson ^{3 5}	Non Executive
Professor P Matthews CBE OBE ³	Non Executive
D Ring ³	Non Executive
M Amos ⁶	Non Executive

Secretary to the Board

J D Price⁷

T Arculus⁸

¹Member of the Corporation of Trinity House

²Associate Member of the Corporation of Trinity House

³Nominees of the Secretary of State for Transport (DfT) and Associate Member of the Corporation of Trinity House

⁴Appointed 17 May 2016

⁵Resigned 30 April 2017

⁶Appointed 16 May 2017

⁷Resigned 26 April 2017

⁸Appointed 26 April 2017

Officers and Advisors

Principal Office

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Trinity House
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Auditors of the General Lighthouse Fund

Comptroller & Auditor General
National Audit Office
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Victoria
London
SW1W 9SP

Bankers

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PO Box 72
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Solicitors

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London
SE1 2AQ

Executive Chairman's Review

Looking back at the last year I can say with absolute confidence that Trinity House—whether working at sea or on shore—has delivered an aids to navigation service that is reliable, efficient and cost-effective and that we have worked as one for the benefit and safety of all mariners in our waters. We exceeded all recognised international aids to navigation availability standards, operated well within our sanctioned budgets and delivered all of our key in-year objectives.

The ongoing need for efficiencies—properly balanced against the need for reliability—means that our work as a General Lighthouse Authority demands a high familiarity with new technology. Having recently modernised Europa Point Lighthouse in Gibraltar, the project is testament to how well new and proven technologies can be integrated seamlessly into our wider service and estate in a cost effective way, using a mix of skilled staff and contractor support.

To support and improve on the effective and efficient delivery of our services we launched and embedded a new Maintenance Management Information System ('Maximo') into our organisation. This is already reaping dividends in streamlining and standardising processes, while the system's extensive capability creates the potential opportunity for broader enterprise-wide applications which will be explored further in the coming years.

In the early hours of 14 January 2017 the general cargo vessel *Fluvius Tamar* sank 36nm northeast of Ramsgate on the edge of the Dover Strait, reminding us all that incidents at sea are as common now as they ever were; fortunately there was no loss of life. Our support vessel teams were dispatched to the incident to locate and mark the wreck, which presented a significant danger to navigation, thereby securing the safety of the mariner and reducing the risk of a subsequent incident on this high density shipping route. In close partnership with wider government and other maritime organisations we continue to provide a well-recognised and important safety role in all weather conditions until this wreck is salvaged and the danger to navigation and the environment is removed.

We continue apace with the Fleet Review's second phase—driven by the three General Lighthouse Authorities—exploring deeper integration and improved planning practices while also ensuring the right level of strategic assets for our sea areas of responsibility. It is essential that Trinity House remains adequately resourced and in control of our strategic assets to meet our statutory responsibilities now and in the future.

Finally I am pleased to report that we continue to achieve positive assurances on our risk management, control and governance frameworks.

Ian McNaught 20th July 2017

Captain Ian McNaught
Executive Chairman of the Lighthouse Board

Performance Report

Overview

Aims, Objectives and Regulation

Under the Merchant Shipping Act 1995, as amended, the Corporation of Trinity House is appointed as the General Lighthouse Authority (GLA) for England and Wales, the Channel Islands and waters to the outer limit of the Exclusive Economic Zone, with the responsibility for the superintendence and management of all lighthouses, buoys and beacons within its area which can be outside territorial waters in certain circumstances. Trinity House has various powers and responsibilities in connection with:

- the provision, maintenance, alteration, inspection and control of lighthouses, buoys and beacons;
- within its area the marking and removal of wrecks where such area does not lie within or near an approach to a harbour or conservancy authority;
- Commercial activities;
- Europa Point Lighthouse in Gibraltar and also discharges responsibilities of the Department for Transport (DfT) at Sombrero Lighthouse (Anguilla);
- residual pension liabilities in respect of former employees of the Imperial Lighthouse Service in the West Indies, Sri Lanka and the Falkland Islands.

Trinity House is a multi-skilled organisation providing a highly technical and specialised professional service. The primary aim of Trinity House per our mission statement is:

“To deliver a reliable, efficient and cost effective aids to navigation service for the benefit and safety of all mariners.”

Our mission and objectives are further explained in the Trinity House Strategy appended on page 11 of this report.

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. The accounts are subsequently consolidated to form part of the General Lighthouse Fund (GLF) Accounts.

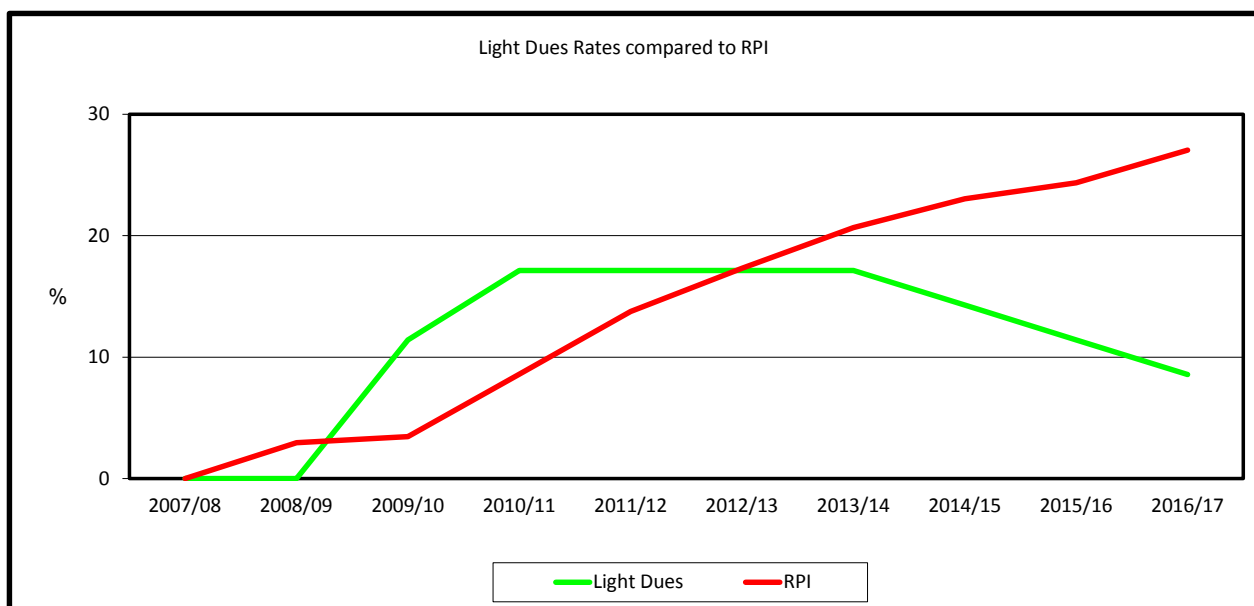
Performance and Progress

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 such disposal proceeds are transferred to the GLF.

Light Dues

Trinity House, the other GLAs and the Department for Transport have worked together to minimise costs and the real terms levels of light dues. The level of light dues per tonne has fallen from its historic peak of 43p in 1993 to 38p today and is some 18.5% lower in real terms than they were 10 years ago. A further reduction in light dues has been made for 2017-18 reducing the rate from 38p to 37.5p effective 1st May

2017.



These accounts have been prepared on a going concern basis, as Trinity House are satisfied that its activities are sustainable for the foreseeable future. The Statement of Financial Position at 31 March 2017 shows net assets of £121,732k. Advances for 2017-18, 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 and DfT have officially sanctioned the 2017-18 budget in a letter dated 30 March 2017.

Performance Analysis

Financial Performance

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 Business Services. There have been no changes to the Accounting Policies since last year.

The financial results for the year, set out in the Statement of Comprehensive Net Income, show a surplus of £908k for 2016-17 (deficit £2,572k 2015-16). Operating income and expenditure for the year was within management expectations and DfT sanction.

Including Other Comprehensive Income, the Statement of Comprehensive Net Income (SoCNI) reports a net surplus for the year of £3,337k; this takes account of unrealised gains and losses on Property Plant and Equipment which have been adjusted in line with market indices. The valuation of the tenders was significantly lower for 2016-17 due to the continued downturn of the global shipping market. These falls have been offset by significant increases in the value of our operational lighthouse estate during 2016-17. A net deficit of £2,023k was transferred to the General Reserve (net deficit £5,784k 2015-16).

Gains reported in the SoCNI increase the net worth of Trinity House as shown on the Statement of Financial Position (SoFP) to £121,732, (£118,395k 2015-16) Most of the Trinity House assets are held at Fair Value and re-assessed annually showing significant strength in Trinity House's financial position.

The Net Cashflow from all activities (page 41) shows a deficit of £196k. The cash drawdown was below budget for the reasons provided in the Actual v Sanction Analysis commentary below, and accruals for 2016-17 do not draw cash until 2017-2018. Funds not drawn down remain in the GLF. Funds are only drawn down based on the profile of cash required for the following period, thus liquidity is all handled within the GLF and not within the Trinity House accounts. 2017-18 sanction obtained approval on 30 March 2017, therefore management believe adequate funds are available to meet future obligations.

The performance of Trinity House against the annual budget limit set by the Secretary of State for Transport can be seen below:

	Actual Expenditure	Cash Limits	Variance
	£000s	£000s	£000s
Running costs	23,630	25,489	(1,859)
Expenditure on behalf of all GLAs	2,476	3,098	(622)
Other costs	4,168	4,783	(615)
Capital expenditure	3,632	4,147	(515)
Other costs (on behalf of DfT)	187	201	(14)
Sombrero (on behalf of DfT)	4	20	(16)
Total	34,097	37,738	(3,641)

Running Costs in Current and Constant Prices

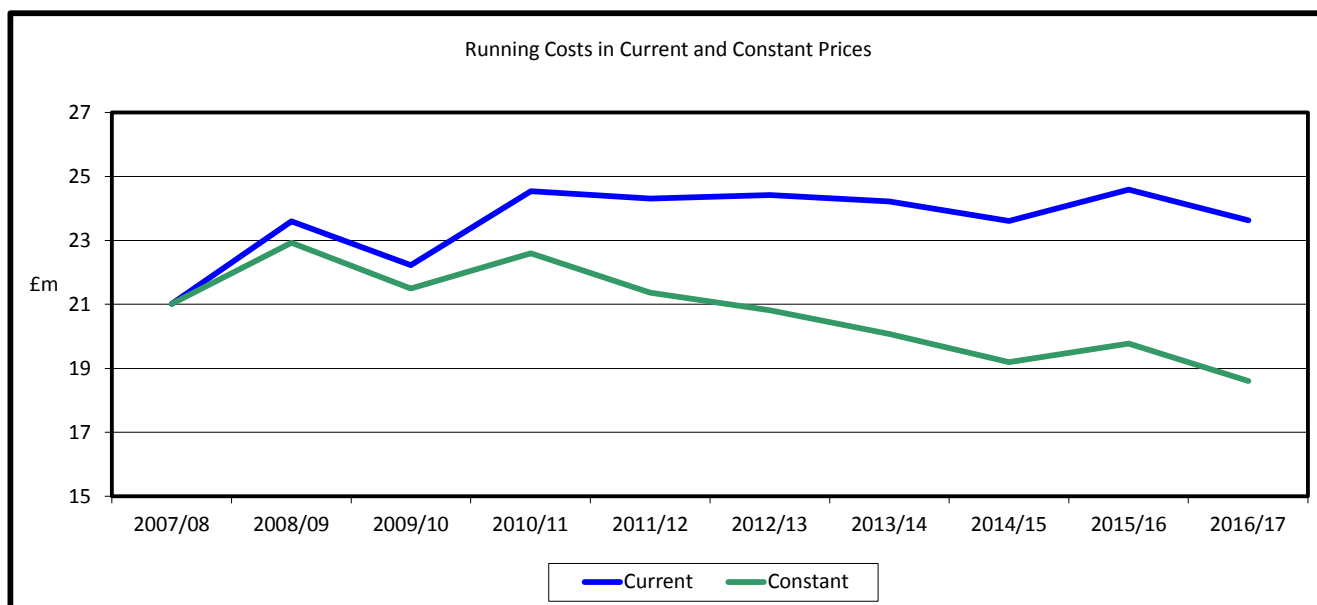
Set out below is an analysis of our running costs over the last 10 years, showing the trend of costs both in current terms and on the basis of constant prices, having taken account of inflation. Running costs have fallen in constant price terms from £21,014k in 2007-08 to £18,601k in 2016-17 a reduction of 11.5%.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Running costs	21,014	23,604	22,232	24,538	24,309	24,415	24,221	23,608	24,592	23,630
Variance %		12.3%	-5.8%	10.4%	-0.9%	0.4%	-0.8%	-2.5%	4.2%	-3.9%
Running costs (constant prices)	21,014	22,924	21,493	22,600	21,364	20,814	20,070	19,186	19,773	18,601
Variance %		9.1%	-6.2%	5.2%	-5.5%	-2.6%	-3.6%	-4.4%	3.1%	-5.9%
Average RPI	208.6	214.8	215.8	226.5	237.3	244.7	251.7	256.7	259.4	265.0

Actuals v Sanction Analysis

Overall there is a sanction underspend of £3,641k (9.6%). Running Costs are underspent by £1,859k (7.3%), this is mainly attributable to staff costs which are underspent as a result of vacancies from a high staff turnover and delays in agreement and implementation of the SVS business case. Expenditure on behalf of all GLAs is under spent by £622k as a result of the Eloran project being stopped and forecasted R&R Nav expenditure not taking place during 2016-17. Other Costs were underspent by £615k, mainly as a result of pensions¹ not being due for vacancies in the manpower remit. Capital was under spent by £515k due to savings made on several projects plus risk budgets on capital projects not materialising.

¹Under the current RPI-X regime, pensions are included in running costs. However, with the historic data above it is not possible to provide comparable data going to back 2007-08. Therefore pension costs are kept out of running costs. When 2014-15 is the first year in the table above, running costs will be restated.



Main Financial Events

The main financial events during the year were:

- Achieved cost saving targets with running cost expenditure under sanction by £1,859k;
- Maintained a satisfactory year end audit report from NAO;
- Generated £392k of value for money savings;
- Achieved a substantial assurance rating from DfT internal audit; and
- Exceeded our running costs target under the RPI-X model, and forecast to deliver within the RPI-X regime agreement for the period up to 2020-21.

Expenditure on Tangible and Intangible Non-Current Assets

During the year to 31 March 2017 expenditure on non-current assets was:

	2016-17	2015-16
	£000s	£000s
Work in progress	1,557	1,181
Buildings	-	39
Tenders	481	88
Lightvessels	-	254
Buoys and beacons	81	80
Plant and machinery	1,164	780
Computer equipment	283	645
Intangible software	66	132
Total	3,632	3,199

Major capital spend during the year took place on the following projects; Eddystone, Monkstone, Europa Point Lighthouses, and Lightvessel 07.

The Accounts Direction that came into force on 27 February 2013 states that the non-current assets shall be valued in line with the Government financial reporting manual (FReM). Trinity House obtained independent valuations for the majority of its assets as at 31 March 2013. The carrying values are now reviewed annually using a combination of appropriate index or independent valuations in accordance with our asset policy. Further details can be found at note 8 (page 56).

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

Key Performance Indicators (KPI's)

The three GLAs continue to evaluate their performance against the agreed schedule of inter-GLA KPI's which was published in 2012-13.

Within Trinity House, performance indicators are used at a number of levels to advise management and influence behaviour. The KPI software is now embedded within the monthly reporting process and provides graphical evidence for Directors and Senior Management of performance against given targets.

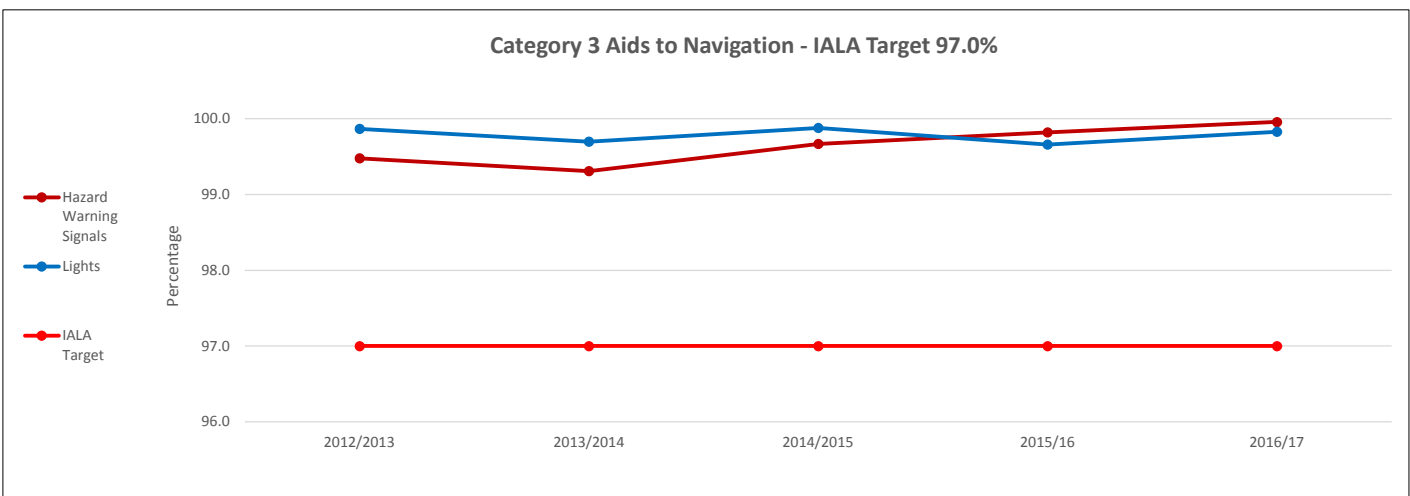
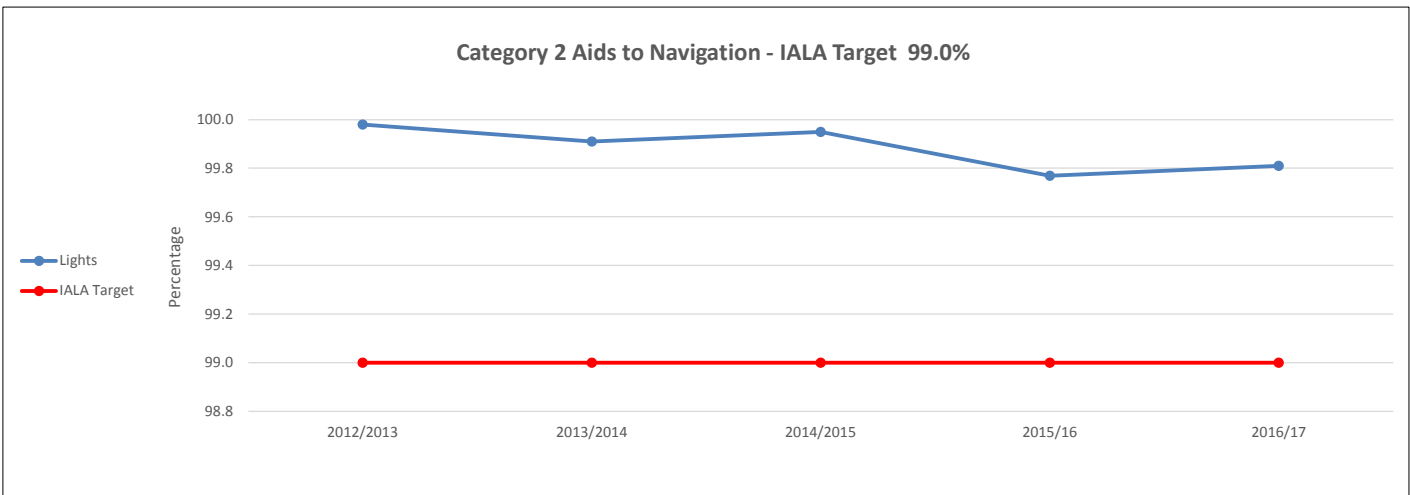
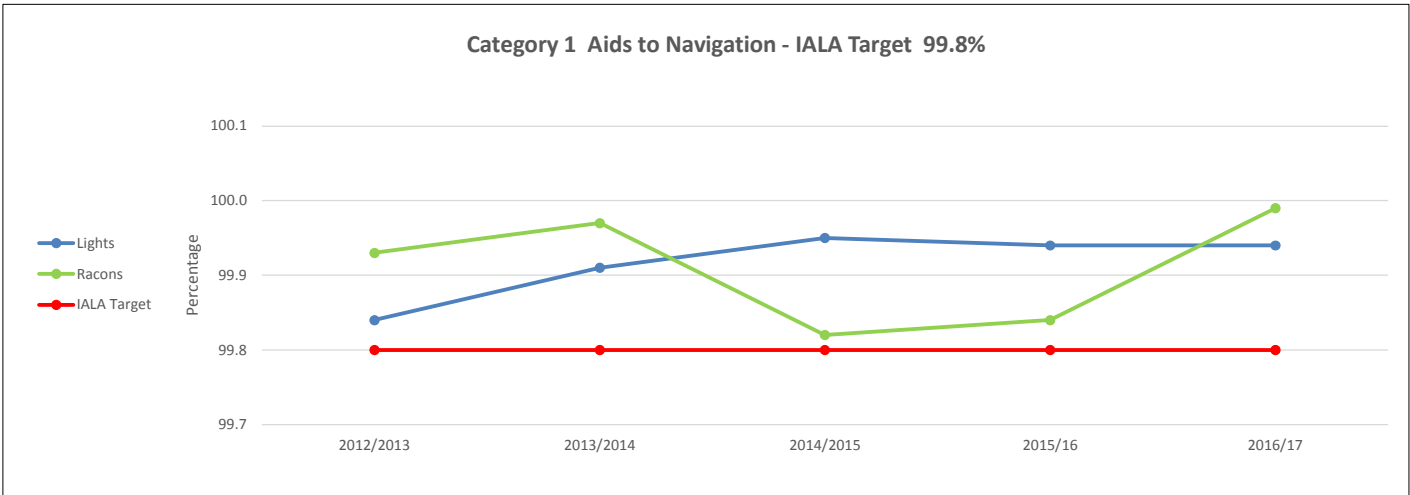
The core business of Trinity House is reflected in its Mission Statement: "To deliver a reliable, efficient and cost effective AtoN service for the benefit and safety of all mariners". The Board measures its performance against this Mission by the use of different indicators, which together show both the effectiveness and the economic cost of the service provided. The Board continues to refine its KPIs so that they remain consistently reflective of the statutory requirements placed on Trinity House and of our own 'Priorities' to improve the way in which business is conducted with the aim of decreasing costs, whilst maintaining the quality of service to the mariner and other stakeholders.

Aids to Navigation (AtoN) Availability

Availability of AtoN is the prime factor in any measurement to demonstrate compliance with our statutory responsibilities. The standards which we measure against are those recommended as the minima by IALA. The figures shown below are produced in accordance with those standards, and show three year rolling averages under the various categories of AtoN 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	2012-13	2013-14	2014-15	2015-16	2016-17
		%	%	%	%	%	%
Lights	1	99.80	99.84	99.91	99.95	99.94	99.94
Racons	1	99.80	99.93	99.97	99.82	99.84	99.99
Lights	2	99.00	99.98	99.91	99.95	99.77	99.81
Hazard Warning Signals	3	97.00	99.48	99.31	99.67	99.82	99.96
Lights	3	97.00	99.87	99.70	99.88	99.66	99.83



Trinity House’s Strategy



The Trinity House Strategy identifies in broad terms what we aim to achieve and how we’re going to achieve it. It also explains why our goals are what they are and how we intend to work together within Trinity House and across the GLAs in order to achieve them.

Mission Statement

Trinity House’s mission is:

“To deliver a reliable, efficient and cost effective Aids to Navigation service for the benefit and safety of all mariners.”

Vision

Our vision is:

“To be a trusted, world class organisation and regarded as such by our stakeholders. Our Strategy elaborates on what our key priorities are in order to achieve this vision.”

Values

Our success is characterised by our values which are widely shared and reflected in our everyday actions.

These standards govern our behaviour and define our culture. Our values are:

- Trust - We trust each other and are trusted by others.
- Flexibility - We look at what is 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.

What it Means to be a Trusted, World Class Organisation

Trinity House defines “World Class” as follows:

“Our provision of Aids to Navigation, related services and processes are rated by our stakeholders to be the best of the best by excellence in terms of design, performance, quality, stakeholder satisfaction and value.”

Our Stakeholders

In order to achieve our vision, it is imperative that we clearly identify our stakeholders and involve them in our future development plans. These stakeholders include the Mariner, the Ship owner, Central Government and Parliament, IALA, commercial customers, Port Authorities and our Staff.

In order to monitor and evaluate our progress, stakeholder feedback will be gathered and used to identify priorities and actions moving forward.

Trinity House’s Priorities

In order to achieve our Vision, Trinity House needs to grow and develop as a business. Six key priorities have been identified that will enable us to continue to improve and be the best we can be.

- Priority One - Operational Delivery - Continuous Improvement
- Priority Two - Reputation Development
- Priority Three - New Business
- Priority Four - Internal Communications and Staff Engagement
- Priority Five - Cultural Change
- Priority Six - Improving Working Practices

During 2017-18 the Board, through engagement with its stakeholders, will be reviewing its strategy to ensure it remains valid and continues to set out our future objectives on a general high level.

Implementation and Delivery

In order to progress and achieve our goals in terms of these priorities, an operational plan has been developed that identifies actions for the coming years. The implementation of this plan translates our Strategy into operational level actions that are measurable and can be evaluated in terms of their impact and success.

Current Developments and Performance

Detailed below are a few of the key achievements during the year against each of the key priorities:

Priority One - Operational Delivery – Continuous Improvement Operations

- Introduction of the Maximo Asset Management software which has greatly improved maintenance planning and efficiency, reporting and provided additional functionality and management formation across the service;
- Delivery of the 2016-17 Health and Safety Plan, which included maintenance of our certification to the OHSAS 18001 Health and Safety Standard and reviewing and improving our risk assessment process;
- Standards of Training, Certification and Watchkeeping for Seafarers (STCW) training delivered in order to meet compliance deadline of 1 January 2017;
- Improved AtoN performance with high Category 1 Availability to support safe Navigation;
- Successful modernisation of Eddystone, Monkstone, and Europa Point Lighthouses and Light Vessel 07;
- Installed ability to deploy and monitor Virtual AtoN from the Monitoring Centre at Harwich;
- 98.56% Buoy Service List (BSL) completed 2016-17 and 100% Local light Inspections completed 2016;
- THV Patricia propulsion drive upgrade completed and THV Galatea 10 year special survey docking completed;

Priority Two - Reputation Development

- Ongoing meetings and development of stakeholder engagement with MCA (Maritime and Coastguard Agency)/MMO (Marine Management Organisation)/UKHO (UK Hydrographic Office)/NRW (National Resources Wales);
- A review of our Public Relations and Corporate Communications Strategy so as to strengthen our relationships with our stakeholders;
- Continued attendance at Precious Alliance SEG meetings and contribution to surveys;
- Sound participation at IALA with representation on the Policy Advisory Panel as well as the five main committees, two of which are Chaired by TH staff members. This enables Trinity House to keep up to date with what is happening worldwide in the field of AtoN provision and the ability to influence forthcoming policies; this is of greater importance now as IALA makes its transition from a Non-Governmental Organisation to an Inter-Governmental Organisation with a significantly greater influence on the regulatory framework of worldwide AtoN provision;
- Participation in international maritime events, committees and other fora ensuring that Trinity House continues to be viewed and recognised as a world-class organisation in aids to navigation matters;

Priority Three - New Business

- Despite the constraints on the Reserve Capacity of vessels during 2016-17, the Commercial income target was exceeded primarily from continuing contracts for maintaining navigational buoys for third parties and buoy hire. £2.3m gross was earned making an important contribution to the General Lighthouse Fund and offsetting costs to the Light Dues Payer;
- Deployed two buoys with co-existence of AtoN and data gathering for the UK Metrological Office;
- Positive affiliations with buoy suppliers and scientific agencies have seen a large volume of repeat business utilising Trinity House Vessels for buoy deployment and recovery;

- 93% occupancy was achieved on Patricia Voyages generating income of £338k;
- Longstone Lighthouse Visitor Centre opened a new exhibition in April 2016 telling the story of Grace Darling through a range of informative and interactive displays allowing visitors to engage with Grace's story and the history of Trinity House.

Priority Four – Internal Communications and Staff Engagement

- Addition of digital signage to add a new communications channel;
- Investigation of communication and collaboration tools such as @Workplace;
- Communications Skills training carried out internally for all levels of staff during 2016-17;
- Communications plan completed and implemented;
- Focus groups with Technicians to gain input and feedback and inform approach to recruitment, retention and engagement;
- Commenced a Staff Engagement programme with skilled Out-Station staff to understand their needs and aspirations, this will continue into the new year;
- Engaged two new technical apprentices to support future skills needs as identified in the demographics of the Succession Plan.

Priority Five – Cultural Change

- Implementation of the communications plan and focus groups will support and inform cultural change going forward;
- Trinity House have embraced the IALA World Wide Academy training courses for AtoN Managers and Technicians;
- Development of Tri GLA Coordinated Planning structure;

Priority Six – Improving Working Practices

- Restructure of IT Department to enable IT to capitalise on the Maximo roll-out, increased focus on network resilience and Cyber Security and ensure succession planning across all work streams;
- Strengthening and further integration of the Planning and Commercial departments to facilitate and deliver the tri-GLA co-ordinated planning function and streamline commercial delivery.
- Working to ISO standards, a review of processes and instructions streamlining and rationalising them where appropriate, having regard to the requirements of the new ISO 9001:2015 and 14001:2015 Standards. An independent readiness review against the new Standards concluded that our documentation was sufficient to meet the requirements of the new Standards. A formal audit against the Standards will be carried out in 2017-18;
- Continuing to embed continuous improvement in our core business with cross-departmental working facilitated by regular liaison meetings between teams looking at co-ordinating work and better ways of working. Collaborative projects include the move to the new Maximo software system which replaced the previous Q4 maintenance system;
- Working with the Department for Transport and the other GLAs reviewing and updating the DfT/GLA Framework Document to ensure it remains fit for purpose and meets best practice in terms of corporate governance;
- Delivery of the 2016-17 Environmental Plan to support the maintenance of our certification against the ISO 14001 Environmental Standard. Achievements in 2016-17 included the reduction in the use of energy at Harwich Depot following the installation of LED lighting;

Research & RadioNavigation (R&RNAV)

Over the last 12 months, the GLA R&RNAV Directorate has continued to innovate and help drive the businesses of all the GLA forward. It has developed several new light sources which have been employed in scores of lighthouses all over the British Isles and in dozens of others around the globe. Quality assurance of GLA lights continues to be secured through both light range and in-situ measurements.

R&RNAV continues to lead the World in many aspects of Radionavigation and is seen as such by our international and domestic partners. Due to this, R&RNAV has been able to start to exploit its intellectual property and has further increased this modest revenue stream over the last 12 months, bringing in circa £50k to the GLF.

The R&RNAV led eLoran initial operational capability came to an end when transmissions were ceased in France and Norway at the end of 2015: this meant that the transmissions from Anthorn (the GLA station in Cumbria) could no longer be used for maritime positioning. A drawdown of the project and infrastructure commenced in late 2015 and has concluded in 2017, as further explained in note 24 of these accounts. R&RNAV will continue to seek sources of resilient positioning to support the introduction of the IMO's e-Navigation concept; however, it is expected that none will be available on an operational basis for the next 10-15 years.

R&RNAV has led and supported user community understanding and potential uptake of the European Geostationary Navigational Overlay Service (EGNOS) for maritime use. This is a Space Based GPS Augmentation system originally built for aviation use, but latterly the operators have developed potential services for maritime use. R&RNAV has continued to be at the forefront of EGNOS maritime user consultation in Europe.

For reputational development, innovation and learning, R&RNAV represents the GLA at many international fora, including setting standards globally in such bodies as the International Telecommunications Union, the International Electro-technical Commission, the Radio Technical Commission for Maritime Services and the International Association of Marine Aids to Navigation and Lighthouse Authorities, as well as providing input to, and working with, the International Maritime Organisation on multi-system receivers.

Licences, Patents and Trademarks

Trinity House did not hold any registered patents or trademarks in 2016-17. The Service did not exploit any of its intellectual property rights, including copyright, commercially during the year other than continuing 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 and other 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 the prevention of pollution. It 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 high consideration of 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 gained accreditation to the internationally recognised Environmental Standard ISO 14001 in 2000, achieved re-certification during 2015 and is working towards certification against the new ISO 14001: 2015 Standard. Trinity House produces an annual 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 lighthouses and all major floating aids to renewable energy sources;
- Investment in more efficient solar charging and LED lighting;
- Investment in new paint spraying equipment delivering significant reductions in paint waste, paint purchased and VOC (Volatile Organic Compounds) emissions;
- Permanent removal of liquid mercury from lighthouses upon re-engineering; and
- Obtaining 'Green Passports' approved by Lloyds Register for its vessels THVs Galatea and Alert; and
- Enhancing its arrangements for energy management.

Trinity House has also received approval from Government to its climate change adaptation plan, which was updated during 2016-17.

Ian McNaught 20th July 2017

Captain Ian McNaught
Executive Chairman of the Lighthouse Board

Accountability Report

Directors Report

Membership of the Board

The Trinity House Board and Governance structure is described in the Governance Statement (page 19). In addition representatives from, the Trinity House Board sit on a Joint Strategic Board (JSB), consisting of representatives from all three General Lighthouse Authorities. The JSB is set up to foster tri-GLA cooperation and coordination, to maximise efficiencies and realise savings.

Conflicts of Interest

The register of interests is maintained by the Secretary to the Board. Further details of how executive and non-executive board members' conflicts of interests are handled are on page 29. No conflicts of interest were identified during 2016-17 that required management intervention.

Finance Leasing Arrangements

There is exposure on the finance leases for the ships to a change in the main rate of Corporation tax. During the creation of the ships finance leases, Trinity House evaluated the option of eliminating this exposure, however, it was found that the financial risks were not significant. A 1% upward/downward change in Corporation Tax would result in a charge or benefit of £20,400 respectively per annum.

Payment of Creditors Policy

Trinity House will at all times seek to adopt best practise in respect to the settlement of creditor payments. All payments will be made in accordance with the Public Contract Regulations 2015 (Chapter 9, Section 113-2a). 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 the organisation's generic standard terms and conditions of trade (available via the Trinity House website), unless alternative bespoke contractual arrangements have been made.

The average credit taken from Trade Payables during the year was thirteen days.

Personal Data Related Incidents

During 2016-17 Trinity House continued to comply with the Cabinet Office guidance on information risk management to the extent that is relevant and with its own Policy on Information Risk. Information Risk is covered in more detail on page 29.

Events After The Year End

These are covered in Note 25 to the accounts.

Risks and Uncertainties

Trinity House's approach to risk takes account of its statutory safety of navigation remit, 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 and define significant risks which could affect the achievement of key organisational aims and objectives;
- Assign ownership of those risks;
- Assess and evaluate the significance of the risks in terms of probability and impact before and after mitigation using recognised standards;
- Respond to those risks and uncertainties through risk management controls, seeking to contain them to acceptable levels having regard to risk appetite;
- Consider potential opportunities arising;
- Review and report to the Executive and Audit & Risk Assurance Committees and the Board regularly on those risks and opportunities;
- 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 emphasises the importance that Trinity House attaches to risk management and the regular review of risks.

Losses

The early termination of the eLoran contract and the transfer of all remaining residual obligations have now been completed and an early termination fee of £110,000 was agreed during the year. Further details can be found in Note 24.

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 of 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 property and regularity of the funds allocated to Trinity House in its capacity as a General Lighthouse Authority and keeping proper records and 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.

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. The Accounting Officer also confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

Introduction

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

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

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

The Trinity House Head of Internal Audit in his Annual Report for 2016-17 was of the opinion that 'there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement'. The audit work performed during the year consistently resulted in substantial opinions with no high or medium priority findings.

Trinity House acknowledges one departure from the Code is that the Trinity House Executive Chairman combines the role of Chairman and Chief Executive. The Board considers that this provides the most efficient and effective use of resources without compromising the basic principles of good governance. There is a balance of Executive and Non-Executive Directors on the Board, a Non-Executive Deputy Chairman and a Board Committee structure with only one of its six Committees chaired by the Executive Chairman. There is also a Framework Document with the Department for Transport (see below), Together they ensure an appropriate balance of power is maintained.

Trinity House Lighthouse Board and its Committees

Lighthouse Board

The Corporation established articles of constitution and terms of reference for a Lighthouse Board on 4 June 1984. This has since been reviewed and updated with the latest amendment on 26 November 2015.

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

The Board met formally on 8 occasions during 2016-17, which included one special session to review its performance and effectiveness. Having regard to its main responsibility of providing a reliable and efficient aids to navigation service for the benefit and safety of all mariners, the coverage of its work included:

- Review and approval of Trinity House Strategy and implementation of associated action plan;
- Review and approval of the Corporate Plan for 2017-22 and Annual Report and Accounts for 2015-16;
- Considering matters of health and safety;
- Receipt of regular reports from Executive Directors on inter alia requirements and performance; operational matters; expenditure against budget; income from Light Dues against previous trends and other business performance matters including KPIs;
- Considering items to be discussed at the Joint Strategic Board; advising accordingly; and receiving feedback on meetings of the Chief Executives' Committee and Joint Strategic Board;
- Providing advice and guidance to the Executive in respect of the Fleet Review;
- Monitoring of implementation of new RPI-x regime from 1 April 2016;
- Review and approval of organisational Policies;
- Consideration of potential future initiatives for Trinity House;
- Reviews of the nature and extent of the corporate and organisational risks faced by the organisation in the implementation of its Strategy.

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

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

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

The Board met in special session in July 2016 to review its performance and effectiveness having individually considered this against the Board Evaluation questionnaire 'Unlocking your board's full potential'. The Board considered its Articles of Association and Terms of Reference and concluded that it met them and discharged its statutory role effectively having regard inter alia to its performance against IALA and other recommendations. In terms of the questionnaire, the Board agreed that it was fully or very largely compliant across all headings. It noted, however, it did not set itself objectives, which were independent of those for the organisation, and agreed that it would do so as part of the objective setting process from 2017-18. Whilst development formed an integral part of the performance management process for the Executive Members of the Board, and the Non-Executives Members undertook some development, formal development programmes as such were not in place for the Non-Executives. It was agreed that this would be incorporated within the overall performance management process.

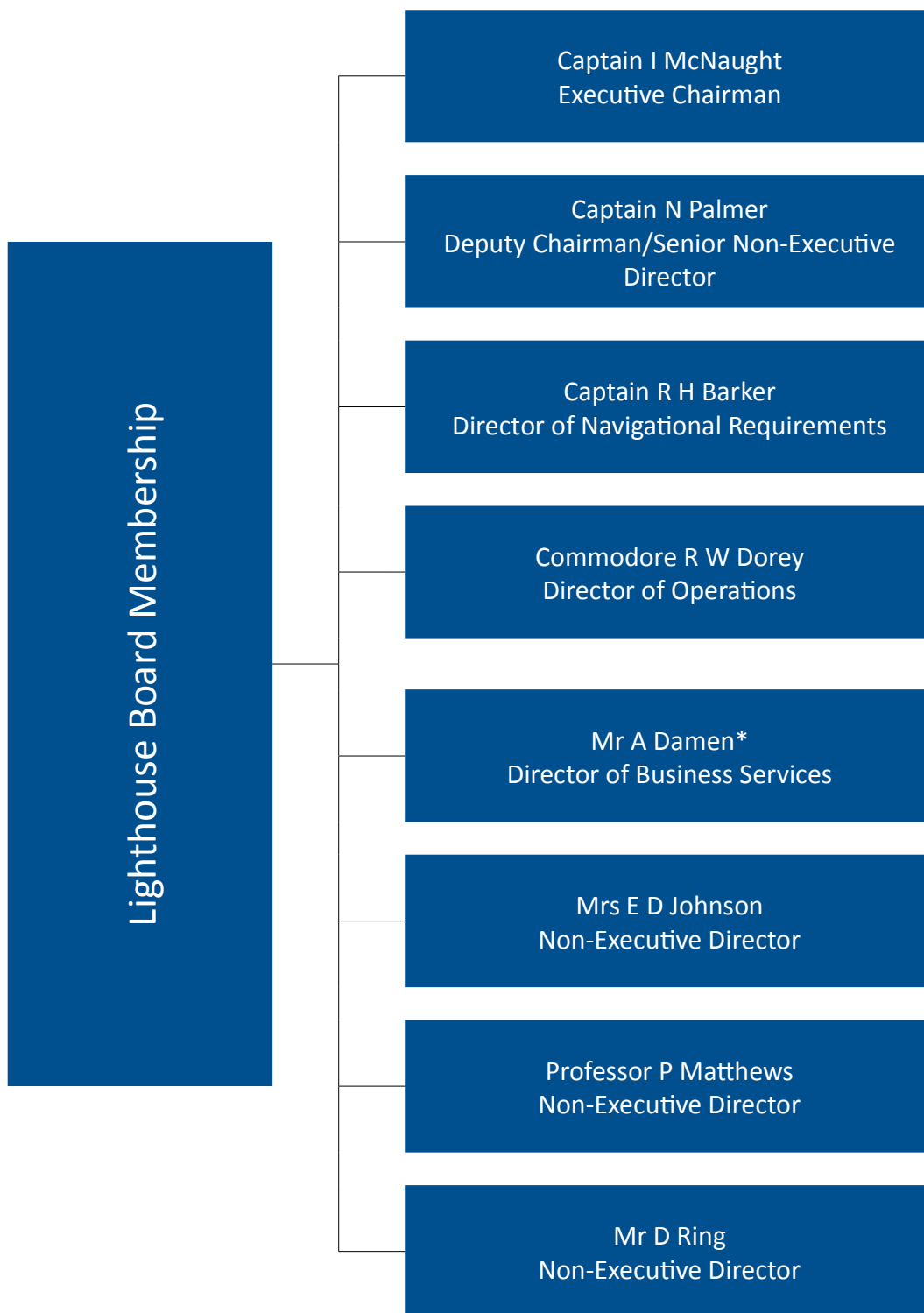
Information Provided to the Board

The Board is generally satisfied with the quality of data it receives. Information is provided in plenty of time ahead of the meetings. In response to a former self-assessment, there is now effort to ensure the information provided to the Board is concise and appropriate for consideration at Board level. It was acknowledged in the latest self-assessment that the board receives regular, insightful reports on the

organisation’s risk management and internal control systems that provide assurance over their operational effectiveness.

The Lighthouse Board comprises a balance of:

- 4 Voting Executive Members (Three Elder Brethren and the Director of Business Services);
- 4 Voting Non Executive Members (one Elder Brother and 3 nominated by the Secretary of State for Transport).



*Mr A Damen appointed on 18 April 2016 as Director of Business Services. Appointed as an Associate Member of the Corporation and Member of the LHB at the meeting of the Court on 17 May 2016

Committees

The Board delegates certain of its responsibilities to committees. This provides for greater independence with regard to audit, appointments and remuneration. All Committees, other than the Executive Committee, are chaired by a Board Member, other than the Executive Chairman.

Board Committee	Remit	Highlights
Executive Chair: Captain I McNaught	Operational management of the organisation.	<ul style="list-style-type: none"> • Full involvement in the Fleet Review; • Promoting inter-GLA co-operation such as the new tri-GLA lighthouse and lightvessel battery purchasing framework contract; • Overview and scrutiny of the Corporate Plan 2017-22; • Monitoring progress against the Operational Action Plan arising from the 2016-21 Strategy; • Review of Trinity House policies; • Approval of various new and revised Project Initiation Documents, project briefs and mandates; and • Ongoing scrutiny of KPIs and other key finance and operational matters and risk registers to contribute to effective internal control.

<p>Audit & Risk Assurance</p> <p>Chair: Mrs E D Johnson</p>	<p>Review of organisational controls, risk, governance, finances and systems.</p>	<ul style="list-style-type: none"> • Scrutiny of the Annual Report & Accounts; • Review of Risk Registers; • Implementation of a fully integrated internal audit plan incorporating both Trinity House resourced internal audits and Government Internal Audit Agency resourced internal audits; • Review of progress against the internal audit plan; • Review of internal audit reports and findings including the Head of Internal Audit's annual report and opinion; • Review of the Register of Members' Interests and Hospitality Register; • Consideration of other risk management issues e.g. any cases of fraud or bribery; • Review of its work and effectiveness in accordance with the recommendations of the HM Treasury's Audit & Risk Assurance Committee Handbook; and • Review of the new Annex H (whistle blowing guidance) and Annex I (cyber security guidance) to the HM Treasury's Audit & Risk Assurance Committee Handbook in respect of compliance by Trinity House.
<p>Directors' Remuneration</p> <p>Chair: Professor P Matthews</p>	<p>Assessment of Executive Directors' performance, remuneration, bonuses and corporate performance.</p>	<ul style="list-style-type: none"> • Assessment of Executive Director and Corporate performance; and • Executive Director Succession planning.
<p>Executive Remuneration</p> <p>Chair: Mr A Damen</p>	<p>Assessment of staff remuneration, manpower requirements and organisational structure.</p>	<ul style="list-style-type: none"> • Consideration of the pay remit business case, approach and progress reports; • Structure changes and post revisions; • Review of manpower planning; • Succession planning; and • Organisational development e.g. specific project in relation to Lighthouse Technicians demographic.

<p>Examiners</p> <p>Chair: Captain R H Barker</p>	<p>All requirements for the service's provision of Aids to Navigation.</p>	<ul style="list-style-type: none"> • Navigational Requirements for Start Point/Lundy North/Portland Bill Lighthouses when re-engineered; • Future requirements for Royal Sovereign Lighthouse; • Additional Aids to Navigation (buoy) at Hjordis Wreck due to change in the navigable channel; • Woolpack Beacon – change from South Cardinal to Starboard Lateral; • Use of Main Light Flashing LED's at Light Vessels to replace rotating optics; • Under Keel Clearance Requirements at renewable energy devices; • IALA Category Requirements & casualty priority Schedules; • Offshore wind farms – corridor widths; and • Monitoring positions of Floating Aids to Navigation (buoys).
<p>Nominations</p> <p>Chair: Professor P Matthews</p>	<p>Proposing Executive appointments to the Lighthouse Board.</p>	<p>There was no requirement for any meetings to be held during 2016-17.</p>

Attendance by Lighthouse Service members at Board and Committee meetings during 2016-17 was as follows:

Members	LHB	Executive Committee	Audit & Risk Assurance Committee	Directors' Remuneration Committee	Executive Remuneration Committee	Examiners	Nominations Committee
Captain I McNaught ²	8 (of 8)	10 (of 10)	5 (of 5)	*	3 (of 3)	7 (of 7)	0 (of 0)
Captain N Palmer ¹	7 (of 8)	*	*	1 (of 1)	*	4 (of 7)	0 (of 0)
Commodore R Dorey	7 (of 8)	10 (of 10)	*	*	1 (of 1)	7 (of 7)	*
Captain R H Barker	7 (of 8)	10 (of 10)	*	*	3 (of 3)	7 (of 7)	*
Mr A Damen ²³	6 (of 6)	10 (of 10)	4 (of 4)	*	3 (of 3)	*	*
Mrs E D Johnson ¹	8 (of 8)	*	5 (of 5)	*	*	*	0 (of 0)
Professor P Matthews ¹	7 (of 8)	*	5 (of 5)	1 (of 1)	*	*	0 (of 0)
Mr D Ring ¹	8 (of 8)	*	5 (of 5)	1 (of 1)	*	*	0 (of 0)

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

[†]Not members of the Committee

¹NE - Non Executive

²Captain I McNaught and Mr A Damen are not members but are invited to attend the Audit & Risk Assurance Committee

³Appointed on 18 April 2016 as Director of Business Services. Attended LHB meeting on 12 May 2016 as an observer only. Appointed as an Associate Member of the Corporation and Member of the LHB at the meeting of the Court on 17 May 2016

Risk Management

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

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

There is regular contact between Board members and the Department for Transport officials, including their attendance at meetings and the Department for Transport officials are consulted as required in key decisions.

Internal Control

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

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

The system of internal control has been in place in Trinity House for the year ended 31 March 2017 and up to the date of the approval of the Annual Report and Accounts.

Risk Categories

During 2016-17 the Board's Corporate and Organisational Risk Schedules have been regularly updated.

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

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

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

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

Risk Culture

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

In 2014-15 the Board, using the Treasury's five point classification scale of risk appetite, reviewed and approved the organisation's risk appetite. Having regard to the Trinity House Strategy, the view was that the risk appetite should remain averse or minimalist in terms of regulatory compliance and reputation and no more than cautious in terms of financial/value for money matters with a move to a more open approach as regards operational and policy delivery in respect inter alia of commercial and other new areas of work. Trinity House's risk appetite was reviewed in 2016-17 through work undertaken in connection with the GLAs' Annual Risk Management & Insurance Scrutiny and the Integrated Internal Audit Plan 2016-17; the output of both of these aspects concluded/illustrated that no major shift had occurred in Trinity House's risk appetite. Neither was any change in Trinity House's risk appetite recommended having regard to the context of the organisation and its statutory safety of navigation remit.

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

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

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

Trinity House leads the General Lighthouse Authorities' Triennial Risk Management Review, the last review was completed in October 2015. The review includes the analysis of all main risks facing the General Lighthouse Authorities supported by third party assurance from a firm of independent risk consultants and draws on best practice guidance from the UK Risk Management Standard, prepared by the Institute of Risk Management, Association of Insurance and Risk Managers and the National Forum for Risk Management in the Public Sector. The third party assurance in October 2015 reported that the GLAs continued to be risk aware organisations who had implemented structured risk management systems which had evolved to respond to internal needs and developments in relevant standards or recommended good practice. They also commented favourably on Trinity House's arrangements for addressing new and emerging threats concluding that Trinity House was in their view well prepared to handle current risk exposures and any such risks that might appear in medium term. They concluded that the individual GLA (and directorate) risk registers that we have seen appear to be completed to a high standard, with generally clear definition of risks, identification of current controls, additional planned controls etc. This is indicative of an effective risk management approach not just at strategic level, but extending down into the operational level.

Risk Monitoring

Directorate/Departmental risk registers were formally reviewed by the responsible Director and Senior

Manager at quarterly intervals during 2016-17, although amendments are made in the intervening time in the light of changes in the risk profile.

Risks are reviewed, the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place is evaluated and whether there is a change in the probability and impact categories is determined. Application of any additional controls to reduce the residual risk further is also considered.

The Executive and Audit & Risk Assurance Committees and the Board formally review the Corporate Risk Schedule quarterly.

Management of risk is an ongoing aspect of work within Trinity House. It is embedded into working practices through key policies and procedures such as:

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

Stakeholders and Risk

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

There exists a Trinity House Public Relations and Corporate Communications Strategy 2015-20, which was reviewed and updated in 2016-17. The aim of which is to identify Trinity House's priorities for communication with its external stakeholders having regard to the Trinity House Strategy. It is a tool by which Trinity House seeks to strengthen relationships with its stakeholders so that they work with and support Trinity House in the delivery of its mission and the pursuance of its vision. In so doing it will help Trinity House minimise the risk that it fails to achieve its objectives and goals.

Trinity House pro-actively seeks feedback internally and externally by means of surveys every three years. The next formal stakeholder surveys will be conducted during 2017-18.

Improvement circles, where cross departmental teams are brought together as and when appropriate to work on and resolve day to day issues or to improve working practices, are used productively and effectively.

Changes to Risk Profile

The key changes to the risk profile of Trinity House during the year ended 31 March 2017 were the risks, uncertainties and opportunities introduced as a result of:

- The potential for the Fleet Review process to result in Trinity House having insufficient ship

resources under its control;

- The potential for Trinity House to have insufficient ship resources impacting on the delivery of Trinity House's statutory duties and the performance of extraneous services (outwith the Fleet Review process);
- Global Navigation Satellite System (GNSS) vulnerability in terms of its use as an aid to navigation;
- The outcome of the EU referendum and aspects reflecting Brexit, with regard to its impact on Trinity House, in respect of the cost of fuel oil for Trinity House vessels, certain software licences and other goods and services; and
- The possibility of industrial action involving support vessel service crew (now mitigated) and associated business continuity and resilience arrangements in this regard.

Key Strategic Risk Issues

In 2016-17 the key strategic risk issues of concern represented on the Corporate Risk Schedule included:

- Adverse outcome of the Fleet Review;
- Insufficient ship resources to discharge Trinity House's statutory duties;
- Failure to adequately man Trinity House vessels due to support vessel service recruitment and retention issues and industrial action;
- Implications for Trinity House of Irish Lights Strategy '2015 & Beyond' reflecting move to Irish self-funding from 2015-16;
- Result of the Scottish Independence Referendum and other associated devolution issues and implications for Trinity House;
- Global Navigation Satellite System (GNSS) vulnerability; and
- Operational and service delivery issues with MyCSP following the transfer of Trinity House pensions into the Principal Civil Service Pension Scheme.

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

Identification and Mitigation of Conflicts of Interest

A Register of Interests that includes details of company directorships or other significant interests held by Board members and senior managers is maintained. The Register is advertised on the Trinity House website (www.trinityhouse.co.uk/legal-notice) and is available for public inspection. Access can be obtained by contacting the Board Secretary at Trinity House, Tower Hill, London.

There were no conflicts of interest identified during 2016-17 that required management intervention.

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

The Audit & Risk Assurance Committee reviewed the Register of Members' Interests and the Hospitality Register in September 2016. For good practice, the Audit & Risk Assurance Committee review the Registers on an annual basis.

There exists a Fraud and Bribery Risk Register. There were no incidences of fraud or bribery reported during 2016-17.

Information Risk

During 2016-17 Trinity House continued to apply a proportionate response to the Cabinet Office guidance on information risk management to the extent that it is relevant operating this alongside its own Policy on Information Risk.

Trinity House maintains an Information Asset Register for all assets identified as containing personal or sensitive information with each asset assigned an Information Asset Owner (IAO) from the Senior Management Team. Each IAO provides an annual written judgement of the security and the extent of use of their assets under their control in order to support the audit process. The Senior Information Risk Officer (SIRO) concluded from the 2016-17 review of information security risks by the individual IAOs that all information assets containing sensitive data are listed on the information asset register and are managed by an assigned IAO. The IAOs are aware of what data is under their responsibility and have a good overview of how this information is stored, accessed and processed.

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

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

All security incidents reported to the IT Service Desk are categorised accordingly and dealt with and reviewed via an agreed process. A Breach Management plan also exists to counter any serious security incidents.

There were no data related incidents reported to the SIRO during 2016-17.

Management Assurance Statement

The Management Assurance Statement for 2016-17 was completed in accordance with the Department for Transport Group's requirements for the period month 9 and for the period month 12.

Where possible a more principles based approach has been used for the 2016-17 Statement to tailor some answers to better reflect the particular practices and controls in place within Trinity House and to acknowledge its statutory obligations.

All areas scored substantial with the exception of Knowledge and Records Management which remains at moderate due to some staff being reliant on locally maintained records for example email holdings and on local drives. Organisational records and information are stored within the Trinity House document management system and/or approved databases

Review of Systems of Internal Control

Acting in the role of Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and governance. My review of the effectiveness of the systems of internal control and governance is informed by the work of internal auditors, external auditors, third party auditors, directors and senior managers within Trinity House who have responsibility for the development and maintenance of the internal control and governance framework. I have been advised on the effectiveness of the systems

of internal control and governance by the Board and the Audit & Risk Assurance Committee. Plans to address any weaknesses and ensure continuous improvement of systems are in place.

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

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

Ministerial Directions

During 2016-17 Trinity House received no ministerial directions.

Head of Internal Audit Opinion

“On the basis of the evidence obtained during 2016-17, 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 control processes

There are no significant weaknesses that in my opinion 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 2017.

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

Ian McNaught 20th July 2017

Captain Ian McNaught
Executive Chairman of the Lighthouse Board

Remuneration and Staff Report

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 appropriate 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, gain qualifications, and progress internally, which improves productivity and performance, boosts motivation and facilitates succession planning. 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.

Director's rates of pay are determined using the same methodology as that applied to staff. External consultancy is engaged every other year in order to market test salaries against the appropriate market. The remuneration of the Directors and their pension entitlements are shown below:

Officials	Salary payments		Performance Related Pay		Benefits in Kind		Pension Benefits		Total	
	(£000s)		(£000s)		(to nearest £100)		(to nearest £1,000) ¹		(£000s)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
I McNaught	115-120	120-125	10-15	45-50	2,400	2,200	64,000	55,000	195-200	225-230
A Damen ²	80-85	-	5-10	-	1,200	-	32,000	-	120-125	-
J S Wedge ³	-	115-120	-	35-40	-	2,000	-	86,000	-	240-245
R Barker	85-90	100-105	5-10	35-40	2,200	2,000	14,000	32,000	110-115	170-175
R W Dorey ⁴	85-90	35-40	5-10	20-25	2,000	5,000	12,000	19,000	105-110	85-90
E D Johnson ⁵	15-20	15-20	-	-	600	500	-	-	15-20	15-20
P Matthews	15-20	15-20	-	-	1,500	100	-	-	15-20	15-20
N Palmer	20-25	20-25	-	-	500	1,700	-	-	20-25	20-25
D Ring	15-20	15-20	-	-	1,400	500	-	-	15-20	15-20

¹The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

²Commenced 18 April 2016

³Left under voluntary exit terms 31 March 2016

⁴Commenced 27 October 2015

⁵Resigned 30 April 2017

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.

Performance Related Pay

Performance Related Pay (PRP) is awarded in recognition of the attainment of set objectives as part of the appraisal process. PRP relates to the performance in the year in which payments are made to the individual.

During 2015-16 the terms of the PRP were downward adjusted for all eligible staff in return for a one off payment.

Pay Multiples

	2016-17	2015-16
Band of highest paid directors total remuneration (£000s)	130-135	170-175
Median total remuneration	£31,934	£32,050
Ratio	4.2	5.3

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 2016-17 was £130k-£135k (full time equivalent) (2015-16 £170k-£175k). This was 4.2 times (2015-16 5.3) the median remuneration of the workforce, which was £31,934 (2015-16, £32,050).

In 2016-17, no (2015-16, Nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,091 to £99,279 (2015-16 £14,843 to £141,319).

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
E D Johnson (Contract renewed in 2014 for a further 3 years)	1 May 2011	30 April 2017
N Palmer (Contract renewed in 2015 for a further 3 years)	1 February 2012	31 January 2018
P Matthews (Contract renewed in 2015 for a further 3 years)	20 July 2012	19 July 2018
D Ring (Contract renewed in 2016 for a further 3 years)	1 December 2013	30 November 2019

Executive Board Member's contracts are permanent, subject to satisfactory performance, and require a

twelve month written notice period.

Pension Benefits

All Executive Board Members of Trinity House (including the Executive Chairman) are ordinary members of PCSPS. They are entitled to compensation for permanent loss of office under the terms of the Civil Service compensation scheme.

	Real increase in pensions	Real increase in lump sum	Accrued pension	Accrued lump sum	Cash equivalent transfer value at 31 March 2016	Cash equivalent transfer value at 31 March 2017	Real increase in cash equivalent transfer value	Employer contribution to partnership pension account
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
I McNaught	2.5-5.0	-	15-20	-	237	309	52	-
A Damen	0.0-2.5	-	0-5	-	-	18	12	-
R Barker	0.0-2.5	-	20-25	-	400	420	13	-
R W Dorey	0.0-2.5	2.5-5.0	40-45	125-130	800	849	9	-

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 PCSPS. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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 20 (page 63) contains further information on pensions for all staff.

Staff Report: Other

Staff Costs

Staff costs during the year net of Research and Development, Light Dues and staff costs capitalised during the period were as follows:

	2016-17	2015-16
	£000s	£000s
Total Staff Costs	13,751	14,102

Details of staff costs can be found at note 4 on page 51.

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

	2016-17	2016-17	2016-17	2015-16
	Total	Permanent Staff	Others	Total
Directly employed	288.4	288.4	-	296.2
Other	11.0	-	11.0	1.3
Staff engaged on capital projects	4.3	4.3	-	6.5
Total	303.7	292.7	11.0	304.0

Reporting of Civil Service and other compensation scheme - exit packages

Exit package cost band	No of compulsory redundancies		No of other departures agreed		Total number of exit packages by cost bands	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
< £10,000	-	-	-	1	-	1
£10,000 - £25,000	-	-	-	1	-	1
£25,000 - £50,000	-	-	1	-	1	-
£50,000 - £100,000	-	-	-	3	-	3
Total number of exit packages	-	-	-	5	-	5
Total resource cost (£s)	-	-	30,999	264,955	30,999	264,955

Diversity Information

The Government Financial Reporting Manual (FRoM) guidance requires Trinity House to disclose the number of persons of each gender who are employees of the entity as at 31 March 2017.

	Male	Female
Directors	7	1
Senior Managers	8	2
Employees	219	68

Based on average headcount.

Sickness Absence

Sickness absence during the last two years was:

	2016-17	2015-16
Total number of days lost due to sickness	2,791	2,256
Average number of days lost per employee	9.7	7.6

Staff Relations

There were no instances of industrial action during the year.

Off-payroll engagements

Trinity House has not entered into any off-payroll engagements during 2016-17.

Expenditure on consultancy

The amount spent on consultancy was £nil (2015-16 £nil).

Staff Policies

Our most important resource is our people. Trinity House has a comprehensive HR Strategy which focuses on how we can get the best out of managers and staff, and a Training Plan that aims to develop employees and encourage them to continuously improve their skills and knowledge. Employees 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 invested in leadership development in two recent years, which has led to increased competence and confidence amongst our managers.

The structure of the organisation is based around three main directorates: Operations, Support Services and Navigation. There is also a Secretariat, providing a legal and risk service and supporting the Executive Chairman. Trinity House is responsible for two inter-GLA Functions: Research and Radio Navigation, and Light Dues collection. Responsibility for out-of-hours AtoN monitoring is also managed centrally by Trinity House. As part of the Fleet review currently underway, Trinity House have taken the lead on co-ordinated planning, with a GLA Planning Co-ordinator carrying out this role on behalf of all three GLA's.

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 fora such as IALA.

Trinity House is 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 Republic of Ireland light dues are collected by the Revenue Commissioners.

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”.

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 and at sea imposes some limitations on the employment of disabled staff. A Genuine Occupational Qualification covers these posts.

Employee Involvement

Trinity House is committed to employee involvement and communicates with them using a variety of methods. Team meetings are established across the service, providing the most frequent and direct link between Senior Managers and their teams in their entirety. Two way communication is encouraged during these meetings and staff contribute their ideas to departmental plans. The Executive Chairman and the Directors make face to face presentations to staff on important matters and on a regular basis to ensure staff are kept up to date on recent developments and future plans. A communications plan has been developed to ensure key messages are communicated to staff in a timely manner.

Other employee engagement initiatives have included improvement circles and during 2016 a series of focus groups were run with the Lighthouse Technicians to gain staff input into a related succession planning project.

Parliamentary Accountability Disclosures and Audit Report

Losses and Special Payments

The early termination of the eLoran contract and the transfer of all remaining residual obligations have now been completed and an early termination fee of £110,000 was agreed during the year. Further details can be found in Note 24.

Regularity of Expenditure

Trinity House has complied with the regularity of expenditure requirements as set out in HM Treasury guidance.

Audit Report

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. The Accounting Officer also confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Ian McNaught 20th July 2017

Captain Ian McNaught
Executive Chairman of the Lighthouse Board

Statement of Comprehensive Net Income for the year ended 31 March 2017

	Note	2016-17 £000s	2015-16 £000s
Income			
Advances from the GLF		31,500	30,500
Other income	3a	2,302	2,292
Income on behalf of all GLAs	3b	419	159
Grant income		-	100
		34,221	33,051
Expenditure			
Staff costs	4	13,751	14,102
Depreciation	8	6,211	6,844
Amortisation	9	129	127
Loss on revaluation		509	771
Other expenditure	5	12,713	13,779
		33,313	35,623
Net income/(expenditure)		908	(2,572)
Net interest payable	6	264	354
Net income/(expenditure) after interest		644	(2,926)
Net expenditure on behalf of DfT			
Sombrero	5b	4	3
Other costs	5b	187	333
		191	336
Net expenditure on behalf of all GLAs			
Staff costs	5c	992	1,007
Other costs	5c	1,484	1,515
		2,476	2,522
Deficit for the year		(2,023)	(5,784)
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		5,360	(2,433)
Total Comprehensive Income		3,337	(8,217)

Notes on page 43 to 71 form part of these accounts.

Statement of Financial Position as at 31 March 2017

	Note	2016-17 £000s	2015-16 £000s
Non-current assets			
Property, plant & equipment	8	129,346	128,230
Intangible assets	9	937	495
		130,283	128,725
Current assets			
Assets classified as held for sale	10	-	74
Inventories	11	2,576	2,402
Trade and other receivables	12	1,612	1,335
Cash and cash equivalents	13	166	362
		4,354	4,173
Total assets		134,637	132,898
Current liabilities			
Trade and other payables	15	5,755	5,834
Provisions: current element	16	68	-
		5,823	5,834
Non current assets plus/less net current assets/liabilities		128,814	127,064
Non-current liabilities			
Other payables	15	7,082	8,669
		7,082	8,669
Assets less liabilities		121,732	118,395
Reserves			
General reserve		28,913	27,261
Revaluation reserve		92,819	91,134
Total reserves		121,732	118,395

The financial statements on pages 39 to 42 and related notes were approved by the Lighthouse Board on 20th July 2017 and signed on its behalf by:

Captain Ian McNaught
Executive Chairman

Statement of Cashflows for the year ended 31 March 2017

	Note	2016-17 £000s	2015-16 £000s
Cashflows from operating activities			
Net deficit after interest		(2,023)	(5,784)
Depreciation	8	6,211	6,844
Amortisation	9	129	127
Impairments	7	477	879
Loss on revaluation of land and buildings	8	509	771
Loss on disposal of property, plant and equipment	5a	42	317
Loss on disposal of intangible assets	5a	4	-
(Profit) on disposal of assets held for sale	5a	(231)	(786)
(Increase)/Decrease in trade and other receivables	12	(277)	59
(Increase)/Decrease in inventories	11	(174)	226
(Decrease)/Increase in trade payables	15	(79)	370
Use of provisions	16	68	(149)
Net cash outflow from operating activities		4,656	2,874
Cash flow from investing activities			
Purchase of property, plant and equipment	8	(3,566)	(3,067)
Purchase of intangible assets	9	(66)	(132)
Proceeds of disposal of property, plant and equipment		62	35
Proceeds of disposal of assets held for sale (net)		305	813
Net cash outflow from investing activities		(3,265)	(2,351)
Cash flows from financing activities			
Capital element of payments in respect of finance leases		(1,587)	(1,510)
Net cash flow from financing activities		(1,587)	(1,510)
Net cash flow from all activities		(196)	(987)
Net decrease in cash and cash equivalents in the period		(196)	(987)
Cash and cash equivalents at the beginning of the period		362	1,349
Cash and cash equivalents at the end of the period		166	362

Statement of Changes in Equity for the year ended 31 March 2017

	General Reserve	Revaluation Reserve	Total Reserves
	£000s	£000s	£000s
Changes in equity for 2015-16			
Net loss on revaluation of property, plant and equipment	-	(2,433)	(2,433)
Release of reserves to statement of comprehensive net income	4,141	(4,141)	-
Retained deficit	(5,784)	-	(5,784)
Total recognised income and expense for 2015-16	(1,643)	(6,574)	(8,217)
Balance at 31 March 2016	27,261	91,134	118,395
Changes in equity for 2016-17			
Net gain on revaluation of property, plant and equipment	-	5,360	5,360
Release of reserves to statement of comprehensive net income	3,675	(3,675)	-
Retained deficit	(2,023)	-	(2,023)
Total recognised income and expense for 2016-17	1,652	1,685	3,337
Balance at 31 March 2017	28,913	92,819	121,732

General reserve:

The general reserve represents the accumulated surplus of the organisation.

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 2017

1 Statement of Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2016-17 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 2017 discloses net assets of £121,732,000.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

On 30 March 2017, Trinity House received its sanction letter from the DfT confirming approval of the 2017-18 budget.

c) Pension Benefits

During 2014-15, the pension liabilities of Trinity House were transferred to the Principal Civil Service Pension Scheme and the corresponding liability recognised in the accounts of the General Lighthouse Fund.

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

Capitalisation

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

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

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

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

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

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

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

Valuation

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

Asset Class	Valuation Method	Valued By
Non Specialised Land & Buildings.	Fair Value, using Existing Use Valuation principles.	RICS Valuation Statement (UKVS) 1.1 Professional valuation every five years. Value plus indices in Intervening years.
Specialised Property	Fair Value using Depreciated Replacement Cost principles	RICS Valuation Statement (UKVS) 1.1 Professional valuation every five 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 and Lightvessels	Fair Value	Professional Valuation Annually
Buoys	Fair Value	Internally using market value of recent purchases, then on an annual basis using market value of recent purchases, or recognised indices as appropriate.
Beacons	Fair Value	RICS Valuation Statement (UKVS) 1.1 Professional valuation every five years. Value plus indices in Intervening years.
Plant and Machinery - Low Value or short life	Depreciated Historic Cost	No Additional Valuation required
Plant and Machinery – Not included above.	Fair Value	RICS Valuation Statement (UKVS) 4.1 & 4.3 Professional valuation as base cost, plus indices annually thereafter.
Plant and Machinery - at lighthouses	Fair Value using Depreciated Replacement Cost principles	RICS Valuation Statement (UKVS) 1.1 (valued at DRC if specialised and defines as such under the RICS Red Book). Professional valuation every five years. Value plus indices in intervening years.

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

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

Depreciation is calculated on an annual basis and it is commenced in the financial year after original

purchase and continued up to the end of the financial year in which the sale or disposal takes place. Assets in the course of construction are not depreciated.

Depreciation is charged on a straight line basis having regard to the estimated operating lives as follows:

CATEGORIES	DEPRECIATION LIVES
Land and Buildings	
Land	Not Depreciated
Lighthouses (building structure)	25-100 years
Other buildings	50 years
Tenders and Ancillary Craft	
Tenders	25 years
Tenders dry dock and repair:	
THV Patricia & RIV Alert	2.5 years (30 months)
THV Galatea	5 years
Workboats	25 years
Lightvessels	
Lightvessel (hulls)	50 years
Lightvessel (hull conversions)	15 years
Lightvessel (dry dock and repair)	10 years
Buoys and Beacons	
Steel buoys	50 years
Plastic buoys	10 years
Beacons	25-100 years
Buoy Superstructures	5-15 years
Plant and Machinery	
Lighthouses and lightvessels	15-25 years
Automation equipment	15-25 years
Racons and radio beacons	15 years
Depots and workshops	10 years
Office equipment	Up to 10 years
AIS equipment	7 years
DGPS equipment	10 years
Vehicles	5 years
Computers – major systems	5 years
Computers – other	3 years
Assets leased under a Finance Lease	25 years being the expected useful life. (The primary lease period is less than this but a secondary period sufficient to cover the balance is available).

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 on a systematic basis.

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 2017 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

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

m) Investment Properties

As of 31 March 2017 Trinity House have no properties that the board considered to be classified as

investment properties.

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 Assets and Liabilities

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

Financial Assets

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

Financial Liabilities

Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate. Where the effective interest rate is not materially different from the actual interest rate the actual interest rate is used instead. Financial liabilities are derecognised when extinguished.

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is split out and reported at fair value with gains and losses being recognised in the Income and Expenditure Account. A review of all GLA contracts has determined that, as at 31 March 2017, no contracts contained embedded derivatives.

Determining Fair Value

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

p) New Standards and Interpretations Adopted Early

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

q) New Standards and Interpretations Not Yet Adopted

The standards listed below are not yet effective for the year ended 31 March 2017 and have not been applied in preparing these financial statements but will be adopted in subsequent periods:

IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after January 2018. Initial application of IFRS 9 is expected to have a limited impact. This is because classification of financial assets and liabilities may change, however existing measurement approaches will remain unchanged.

IFRS 15, Revenue from Contracts with Customers, will become effective for periods beginning 1 January 2018. It requires the recognition of revenue as the performance obligations under the contracts are satisfied. Its implementation is expected to have no material impact.

IFRS 16 Leases. The International Accounting Standards Board (IASB) issued IFRS 16 Leases, on 13 January 2016 which replaced IAS17. The aim of IFRS 16 is to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments, with a matching liability. The pattern for recognition of the expenditure depends on the type of leases: for most leases of property, the lessee will recognise expenditure on a straight-line basis; for most leases of other types of asset, the lessee's expenditure will reduce over the term of the lease. The GLF has a number of small operating leases (see note 21) which are likely to become on-balance sheet. The implementation date for this change is 1 January 2019, however HMT has yet to release guidance on whether IFRS 16 will be adopted in full or adapted for the public sector.

Other changes due to come into effect after 2016-17 are considered to have no impact.

r) Income

In accordance with the Merchant Shipping Act 1995, Trinity House is 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.

s) Estimates

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

2 Analysis of Net Expenditure by Segment

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

3 Income

a) Income - Trinity House

	2016-17 £000s	2015-16 £000s
Buoy rental	684	611
Property rental	354	340
Tender hire	659	744
Sundry receipts	605	597
Total	2,302	2,292

b) Income on Behalf of All GLAs

	2016-17 £000s	2015-16 £000s
Contributions towards Radio Navigation projects	416	159
Tri-GLA tender hire	3	-
Total	419	159

4 Staff Numbers and Related Costs

Staff costs comprise:

	2016-17 Permanently employed staff £000s	2016-17 Others £000s	2016-17 Total £000s	2015-16 Total £000s
Wages and salaries	11,057	248	11,305	11,898
Social security costs	1,204	-	1,204	992
	12,261	248	12,509	12,890
Employers PCSPC contributions	2,251	-	2,251	2,279
Other pension contributions	6	-	6	7
Redundancy costs	98	-	98	116
Sub Total	14,616	248	14,864	15,292
Less: recoveries in respect of outward secondments	-	-	-	-
Total Net Costs	14,616	248	14,864	15,292

Included in the previous table are:

	2016-17 Permanently employed staff £000s	2016-17 Others £000s	2016-17 Total £000s	2015-16 Total £000s
Research and development salaries	722	-	722	736
Light Dues salaries	270	-	270	271
Staff costs capitalised in fixed assets	121	-	121	183
Staff costs shown under expenditure of Trinity House	13,503	248	13,751	14,102

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

	2016-17 Permanently employed staff	2016-17 Others	2016-17 Total	2015-16 Total
Directly employed	288.4	-	288.4	296.2
Other	-	11.0	11.0	1.3
Staff engaged on capital projects	4.3	-	4.3	6.5
Total	292.7	11.0	303.7	304.0

5 Expenditure

a) Other Expenditure

	Note	2016-17 £000s	2015-16 £000s
Running costs		11,778	12,352
Rentals under operating leases		643	1,017
Non-cash items			
Impairments	7	477	879
Profit on disposal of property, plant and equipment	8	(185)	(469)
		12,713	13,779
Interest charges	6	264	354
Non-cash items			
Depreciation	8	6,211	6,844
Amortisation	9	129	127
Loss on revaluation of assets	8	509	771
Provisions provided for in year	14	-	-
Unwinding of discount on provisions	14	-	-
Total		19,826	21,875

b) Net Expenditure on Behalf of DfT

	2016-17 £000s	2015-16 £000s
Staff and accommodation	84	78
Audit*	84	78
Professional services	19	177
Sombrero	4	3
Total	191	336

*During the year Trinity House did not purchase any non-audit services from its auditor. The audit fee above is the entire audit fee for the GLF; the element that relates to Trinity House is 22%, therefore £18k.

c) Net Expenditure On Behalf Of All General Lighthouse Authorities

	2016-17 £000s	2015-16 £000s
Light Dues collection costs	710	700
Imperial Lighthouse Service pensions	40	37
Research and Development	1,217	1,235
Special sanction R&D including eLoran	509	550
Wreck removal	-	-
Total	2,476	2,522

Salary costs included in the above:

	2016-17 £000s	2015-16 £000s
Research and Development	722	736
Light Dues	270	271
Total	992	1,007

6 Interest Payable/Receivable

	2016-17 £000s	2015-16 £000s
Deposit interest receivable	(1)	(1)
Interest payable on lease of THV Alert	38	53
Interest payable on lease of THV Galatea	227	302
Total	264	354

7 Impairments

During the year a number of capital projects were completed across the organisation, including the work to upgrade the propulsion drives of the THV Patricia, upgrade of Type 1 Buoys and further work on the Differential Global Positioning System (DGPS) network.

As of 31 March 2017 the costs of these projects have exceeded the Depreciated Replacement Cost valuation by £347,380 (Patricia Drives), £64,311 (DGPS) and £64,945 (Buoys) making a total of £476,636 and in accordance with the requirements of the FReM these have been treated as impairments and transferred to the Statement of Comprehensive Net Income.

8 Property, Plant and Equipment

Current Year

	Land	Buildings	L'vessels	Tenders & Craft	Buoys & Beacons	IT	Plant & M'nery	POA ¹ & AUC ²	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation									
At 1 April 2016	6,835	74,136	9,490	17,313	4,960	1,443	13,848	845	128,870
Additions	-	-	-	481	81	283	1,164	1,557	3,566
Donations	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(18)	(31)	(60)	(147)	-	(256)
Impairments	-	-	-	(348)	(72)	-	(193)	-	(613)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	2,977	(134)	(3,418)	(184)	(194)	(64)	-	(1,017)
Transfers	-	-	214	680	-	-	204	(1,606)	(508)
At 31 March 2017	6,835	77,113	9,570	14,690	4,754	1,472	14,812	796	130,042
Depreciation									
At 1 April 2016	-	-	-	2	-	367	271	-	640
Charged in year	-	1,994	752	1,237	379	307	1,542	-	6,211
Disposals	-	-	-	(4)	(3)	(59)	(85)	-	(151)
Impairments	-	-	-	-	(7)	-	(129)	-	(136)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(1,994)	(752)	(1,235)	(344)	(246)	(1,297)	-	(5,868)
Transfers	-	-	-	-	-	-	-	-	-
At 31 March 2017	-	-	-	-	25	369	302	-	696
Net book value at 31 March 2016	6,835	74,136	9,490	17,311	4,960	1,076	13,577	845	128,230
Net book value at 31 March 2017	6,835	77,113	9,570	14,690	4,729	1,103	14,510	796	129,346
Asset financing:									
Owned	6,835	77,113	9,570	440	4,729	1,103	14,510	796	115,096
Finance leased	-	-	-	14,250	-	-	-	-	14,250
On-balance sheet PFI contracts	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2017	6,835	77,113	9,570	14,690	4,729	1,103	14,510	796	129,346

¹Payments on accounts

²Assets under construction

Prior Year

	Land	Buildings	L'vessels	Tenders & Craft	Buoys & Beacons	IT	Plant & M'nery	POA ¹ & AUC ²	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation									
At 1 April 2015	6,275	74,442	9,810	24,660	5,291	1,135	14,607	971	137,191
Additions	-	39	254	89	80	645	779	1,181	3,067
Donations	-	-	-	-	-	-	-	-	-
Disposals	-	-	(290)	(5)	(3)	(196)	(77)	-	(571)
Impairments	-	(46)	(150)	(341)	(49)	-	(487)	-	(1,073)
Reclassifications	(25)	(50)	-	-	-	-	-	-	(75)
Revaluations	585	(267)	(308)	(7,592)	(458)	(141)	(1,443)	-	(9,624)
Transfers	-	18	174	502	99	-	469	(1,307)	(45)
At 31 March 2016	6,835	74,136	9,490	17,313	4,960	1,443	13,848	845	128,870
Depreciation									
At 1 April 2015	-	-	-	-	-	392	239	-	631
Charged in year	-	1,920	685	1,930	517	243	1,549	-	6,844
Disposals	-	-	(21)	(2)	(1)	(127)	(69)	-	(220)
Impairments	-	(20)	(22)	(7)	(2)	-	(143)	-	(194)
Reclassifications	-	(1)	-	-	-	-	-	-	(1)
Revaluations	-	(1,899)	(642)	(1,919)	(514)	(141)	(1,305)	-	(6,420)
Transfers	-	-	-	-	-	-	-	-	-
At 31 March 2016	-	-	-	2	-	367	271	-	640
Net book value at 31 March 2015	6,275	74,442	9,810	24,660	5,291	743	14,368	971	136,560
Net book value at 31 March 2016	6,835	74,136	9,490	17,311	4,960	1,076	13,577	845	128,230
Asset financing:									
Owned	6,835	74,136	9,490	561	4,960	1,076	13,577	845	111,480
Finance leased	-	-	-	16,750	-	-	-	-	16,750
On-balance sheet PFI contracts	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2016	6,835	74,136	9,490	17,311	4,960	1,076	13,577	845	128,230

¹Payments on accounts

²Assets under construction

Following the reclassification of Trinity House as a Central Government Body, 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 (FRM). 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 of 31 March 2013. Subsequently Property Plant and Equipment have been revalued using indices where applicable in the Property Plant and Equipment Policy. Appropriate indices were obtained from the following:

Asset	Valuer	Organisation
Land, Buildings & Beacons in England & Wales	Mr Richard Bryan MRICS	DVS Property Specialists*
Plant and Machinery & Lightvessels	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 Chartered Surveyors (RICS) – Professional Standards 8th Edition (known as the Red Book) insofar as these are consistent with IFRS and Treasury guidance.

Ships have undergone a full valuation as at 31 March 2017, this has been carried out by Braemar Seascope Valuations Limited.

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

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 therefore been valued at historic cost less depreciation in line with all other assets.

Sale of Fixed Assets

During the year fixed asset disposals were made in respect of the cottages at Bardsey lighthouse and five pool vehicles. In total a gain on disposal of £186,826 was made. Summary of the 2016/17 revaluation is set out below:

	£000s
Loss on property, plant and equipment (via SOCNI)	(509)
Gains on property, plant and equipment (via OCI)	7,032
Losses on property, plant and equipment (via OCI)	(1,672)
	4,851

Revaluation movements 2016/17	£000s
Revaluation movements cost (PPE note)	(1,017)
Revaluation movement cost accumulated depreciation (PPE note)	5,868
	4,851

9 Intangible Assets

Current Year

	Intangible software £000s	Intangible licences £000s	Total £000s
Cost or valuation			
At 1 April 2016	2,413	150	2,563
Additions	66	-	66
Disposals	(618)	-	(618)
Transfers	508	-	508
At 31 March 2017	2,369	150	2,519
Amortisation			
At 1 April 2016	1,993	75	2,068
Charged in year	121	8	129
Disposals	(615)	-	(615)
At 31 March 2017	1,499	83	1,582
Net book value at 31 March 2016	420	75	495
Net book value at 31 March 2017	870	67	937

Prior Year

	Intangible software £000s	Intangible licences £000s	Total £000s
Cost or valuation			
At 1 April 2015	2,237	150	2,387
Additions	132	-	132
Disposals	-	-	-
Transfers	44	-	44
At 31 March 2016	2,413	150	2,563
Amortisation			
At 1 April 2015	1,874	67	1,941
Charged in year	119	8	127
Disposals	-	-	-
At 31 March 2016	1,993	75	2,068
Net book value at 31 March 2015	363	83	446
Net book value at 31 March 2016	420	75	495

10 Assets Classified as Held for Sale

	2016-17 £000s	2015-16 £000s
As at 1 April 2016	74	27
Additions	-	-
Disposals	(74)	(27)
Transfers	-	75
Depreciation	-	-
Transfers (Depreciation)	-	(1)
Impairments	-	-
As at 31 March 2017	-	74

In the 2015-16 annual report and accounts Bardsey lighthouse cottage was classified as held for sale. It was valued at £74k, being the lower of carrying value and fair value less cost of sale. During 2016-17 the sale of the cottage was completed.

11 Inventories

	2016-17 £000s	2015-16 £000s
Consumable stores	2,367	2,274
Fuel oil	209	128
Total	2,576	2,402

Inventories are valued using the First In First Out (FIFO) method.

12 Trade Receivables and Other Current Assets

	2016-17 £000s	2015-16 £000s
Amounts falling due within one year:		
Trade receivables	393	289
Other receivables	127	128
Inter GLA debtors	1	3
Prepayments and accrued income	757	614
VAT recoverable	334	301
Total	1,612	1,335

13 Cash and Cash Equivalents

	2016-17 £000s	2015-16 £000s
Balance at 1 April	362	1,349
Net change in cash and cash equivalent balances	(196)	(987)
Balance at 31 March	166	362
The following balances at 31 March were held at:		
Commercial banks and cash in hand	166	362
Short term investments	-	-
Balance at 31 March	166	362

14 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, 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

Trinity House 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.

Trinity House 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

Trinity House has a limited number of currency transactions and is not therefore exposed to any significant risk in terms of currency fluctuations.

Fair Values

There is no difference between the book values and fair values of Trinity House's financial assets and liabilities as at 31 March 2017.

15 Trade Payables and Other Current Liabilities

	2016-17 £000s	2015-16 £000s
Amounts falling due within one year:		
Other taxation and social security	321	299
Trade payables	875	1,074
Other payables	301	327
Accruals and deferred income	2,684	2,624
Current part of finance leases	1,574	1,510
Total	5,755	5,834
	2016-17 £000s	2015-16 £000s
Amounts falling due after more than one year:		
Other payables, accruals and deferred income	-	-
Finance leases	7,082	8,669
Imputed finance lease element of on-balance sheet PFI contracts	-	-
NLF loans	-	-
Total	7,082	8,669

16 Provisions for Liabilities and Charges

	Redundancy £000s	Total £000s
Balance at 1 April 2016	-	-
Provided in the year	68	68
Provisions not required written back	-	-
Provisions utilised in the year	-	-
Unwinding of discount	-	-
Balance at 31 March 2017	68	68

17 Capital Commitments

	2016-17 £000s	2015-16 £000s
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	60	193
Intangible assets	-	-
Total	60	193

18 Commitments Under Leases

a) Operating Leases

	2016-17 £000s	2015-16 £000s
Obligations under operating leases comprise:		
Land		
Not later than one year	141	160
Later than one year and not later than five years	482	59
Later than five years	2,001	2,203
Buildings		
Not later than one year	1	1
Later than one year and not later than five years	3	3
Later than five years	2	3
Other		
Not later than one year	515	498
Later than one year and not later than five years	227	219
Later than five years	-	-

b) Finance Leases

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

	2016-17 £000s	2015-16 £000s
Obligations under finance leases comprise:		
Other		
Not later than one year	1,802	1,830
Later than one year and not later than five years	6,843	7,318
Later than five years	718	2,188
	9,363	11,336
Less: interest element	(707)	(1,158)
	8,656	10,178

Finance leases details relate to THV Galatea and THV Alert.

19 Other Financial Commitments

Trinity House has not entered into any non-cancellable contracts (which are not leases or PFI contracts), during the year (2015-2016 Nil).

20 Pension Commitments

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

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

Details of PCSPS contributions are included in the Remuneration and Staff Report section.

Merchant Navy Officers Pension Fund

The Board is a Participating Employer of the Merchant Navy Officers Pension Fund (MNOFP) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOFP is a funded multi-employer scheme but Trinity House is unable to identify its share of the underlying assets and liabilities. The assets of the scheme are held separately from the General Lighthouse Fund, being held in separate funds managed by trustees of the scheme. No member of the MNOFP is currently employed by Trinity House and as a result no contributions have been made to the scheme in 2016-17, 2015-16, 2014-15 or 2013-14.

The rules of the MNOFP state that Participating Employers may be called to make lump sum payments to make up deficits. The rules state that an employer will not be regarded as ceasing to be a Participating

Employer as a result of ceasing to employ Active Members or other eligible employees.

Requests for additional contributions would normally only arise after the triennial valuation of the scheme and then only if the scheme was in a deficit considered significant enough to require additional contributions as part of the recovery plan. The most recent valuation was completed as at 31 March 2015, no funding call was made to participating employers.

Partnership Pension Accounts

Employees joining after 1 October 2002 can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution.

Employer contributions of:

2016-17	2015-16
£5,985	£6,967

were paid to one of a panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

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

Contributions Equivalent Premium

Occasionally we are required to pay a Contributions Equivalent Premium (CEP) to HMRC when an employee leaves and:

- has less than two years pensionable service
- is not entitled to any benefits from a contracted-out salary related scheme
- has rights in the state scheme which can be restored by payment of a CEP

No payments were made during the year.

21 Contingent Liabilities Disclosed Under IAS 37

Trinity House has the following contingent liabilities:

Merchant Navy Officers' Pension Fund (MNOFF)

A new actuarial valuation was carried out as at 31 March 2015 which reported that the funding position of the MNOFF had improved sufficiently that a new funding call from contributing employers would not be required in respect of the 2015 valuation. Any funding 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.

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 the AtoN is no longer dependent on the mains electricity supply, mitigating the potential loss of the 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.

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

A survey inspection carried out in 2017 by RSK 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 10-25 years, subject to maintenance work being carried out.

In the event of Royal Sovereign being unstable in the future, the Lighthouse may need to be demolished at a cost of between £8m - £10m and the cost of a replacement AtoN which is estimated to be around £0.644m.

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.

Orfordness

Orfordness Lighthouse was sold to a private buyer in 2013. As part of the sale agreement, should any costs be incurred, by mutual agreement with the new buyer, in the required demolition of the structure within 10 years then Trinity House would be liable for any costs over £50,000. After 2023 this liability lapses. The sea is taking its toll on the coastline and the structure is more vulnerable now than it was in 2013. If Trinity House were required to demolish the structure then an estimated cost of £100,000 should be allowed for.

Hurst Point

Hurst Point Lighthouse is located close to the beach and is very low lying at 1 metre above sea level making it vulnerable to sea level rise and large waves. The station is powered by a hybrid solar and diesel generator system that requires regular deliveries of diesel fuel with the generators located below ground level. The structure and foundations are not designed to be wave washed and should the sea encroach onto the structure it would need to be abandoned and an alternative light built. This is an important light guiding shipping into the Western Solent entrance. The shoreline is currently stable with no signs of erosion though sea level is predicted to rise over the coming decades. Estimated costs to replace is uncertain though a figure of £3m would allow for an alternative site to be established.

Crow Point

The sand dunes around Crow Point have suffered some erosion recently and the point is now an island at high tide. If the erosion continues the sea may make the point untenable and the structure unsafe. In this event the Examiners have agreed that the lighthouse could be replaced with a floating aid. The lighthouse is located in a highly protected environment and an allowance of c. £0.3m should be allocated to cover the costs of removal of the lighthouse and restoration of the site, if required.

Employers Liability

Trinity House has recently received correspondence from our employers' liability insurers in the 1990s regarding a potential industrial deafness claim from a former employee based at Swansea Depot. The individual was employed by Trinity House from 1986 through to 1993-1994. At this stage no letter of claim has been received but Solicitors acting for the individual have requested a copy of the individual's Occupational Health / Personnel Records. Prior to 20 February 1988, Trinity House was self-insured for Employers' Liability risks under a Certificate of Exemption from the then Board of Trade. Therefore, should a claim materialise (and liability / causation be established), there may be a short period between 1986 to 20 February 1988 for which Trinity House is responsible in damages and costs as part of any settlement agreed.

The majority of any potential settlement would be met by Trinity Houses' employers liability insurers and it is anticipated that the self-insured element would not exceed £5K. Any claim will be subject to investigation by Trinity House and its insurers.

Brexit

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two year negotiation process between the UK and the EU.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

22 Related-Party Transactions

General Lighthouse Fund

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

The Authorities 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 £31,500,000 (2015-16 £30,500,000) from the General Lighthouse Fund and incurred expenditure of £2,476,000 (2015-16 £2,520,000) on behalf of all three Authorities.

At the 31 March 2017 the balances outstanding with the GLAs were as follows:

	Balance due to TH		Balance due to GLA	
	2016-17	2015-16	2016-17	2015-16
	£000s	£000s	£000s	£000s
Commissioners of Irish Lights (CIL)	2	2	-	-
Northern Lighthouse Board (NLB)	2	1	2	-

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 37 lighthouse cottages at 14 locations to be leased to Trinitas until 2032. Trinitas has refurbished the cottages and has a contract with Rural Retreats to let them as holiday cottages. At present 32 cottages are let under this agreement.

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.

E D Johnson, Non-Executive Director, is appointed to the Board of TSL as nominee of the Corporate Board responsible for Trinity House Charities. Commodore R Dorey is appointed to the Board of TSL as a nominee of the Corporate Board responsible for Trinity House charities. Commander G Hockley, A Groom and M Glaister are appointed to the Board of TSL as nominees of the Corporate Board responsible for Trinity House Charities, none of whom are members of the Trinity House Lighthouse Board.

On the 30 April 2017 E D Johnson retired from her role as a Non-Executive Director. On the 16 May 2017 M Amos took up the vacant position.

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 2016-17 Trinity House paid £285,903 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£288,805 in 2015-16).

Conversely, the Corporation of Trinity House reimburses Trinity House for the provision of services during the year. The Corporation paid £72,839 to Trinity House in respect of these services during the year (£59,280 in 2015-16).

23 Inter-GLA Transactions

Ships Agreement

During the year the Commissioners of Northern Lighthouses (NLB) provided the services of NLV Pole Star to Trinity House for 7 days under the terms of the Inter GLA Ship Agreement dated 17 November 2010. In addition CIL provided the services of ILV Granuaile for 3.32 days during the year. Trinity House's vessels were not required to provide service to either of the other GLAs. There was no transfer of funds between the GLAs in respect of these services but the transactions gave rise to no notional income in 2016-17 (2015-16 - £179,977) and notional expenditure of £97,916 (2015-16 - £193,660).

24 Losses

On 31 May 2007, a contract was signed with Babcock Communications Limited for the provision of a UK and Irish Enhanced LORAN Signal-In-Space as part of a European Enhanced LORAN service (eLoran).

Due to the closure of the eLoran transmitter in France, eLoran can no longer be utilised for Maritime Navigation purposes, and as a result DfT and the GLAs concluded the eLoran project, and sought to minimise the loss for the GLF by renegotiation and transfer of its obligations. The early termination of the contract has now been negotiated and an early termination fee of £110,000 was agreed on 30 March 2017. There were no other losses during the year (2015-16 £Nil).

25 Events After the Reporting Date

The Financial Statements of the GLF are laid before the Houses of Parliament by the Secretary of State for

Transport. International Financial Reporting Standard (IFRS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

APPENDIX 1

Five Year Summary

	2016-17 £000s	2015-16 £000s	2014-15 £000s	2013-14 £000s	2012-13 £000s
Income					
Advances from the General Lighthouse Fund	31,500	30,500	31,400	38,600	36,900
Other income	2,302	2,292	2,625	2,520	2,558
Income on behalf of all GLAs	419	159	250	182	7
Grant income	-	100	180	200	200
Total	34,221	33,051	34,455	41,502	39,665
Expenditure					
Staff costs	13,751	14,102	13,323	11,296	11,925
Depreciation	6,211	6,844	6,646	5,942	3,915
Amortisation	129	127	271	284	152
Loss on revaluation	509	771	144	(19)	8,210
Pension cost	-	-	13	2,829	2,283
Other expenditure	12,713	13,779	13,851	12,925	12,543
Total	33,313	35,623	34,248	33,257	39,028
Exceptional items:	-	-	181,156	-	-
Net income	908	(2,572)	181,363	8,245	637
Interest payable/receivable	264	354	400	7,232	7,829
Revaluation of investment properties	-	-	-	-	15
Net income after revaluation and interest	644	(2,926)	180,963	1,013	(7,207)
Net expenditure on behalf of DfT	191	336	246	276	243
Net expenditure on behalf of all GLAs	2,476	2,522	3,200	2,929	2,498
Net income after interest	(2,023)	(5,784)	177,517	(2,192)	(9,948)
Property, plant and equipment	129,346	128,230	136,560	133,319	135,090
Intangible assets	937	495	446	527	708
Investment assets	-	-	-	-	285
Assets less current liabilities	128,814	127,064	136,791	133,457	134,090
Assets less liabilities	121,732	118,395	126,612	(59,391)	(46,731)
Capital investment and purchases of property, plant and equipment	3,566	3,067	3,006	4,052	5,280
Average number of employees	304	304	309	303	309
Part-time included above	16	13	13	13	13

APPENDIX 2

Further Information

	2016-17		2015-16	
	Deployed	Owned	Deployed	Owned
Number of non-current assets:				
Lighthouses***	66	64	66	64
Lightvessels	8	12	8	12
Lightfloats	1	1	1	1
Buoys**	527	752	538	749
Beacons	18	18	18	18
Tenders	3	3	3	3
Ancillary Craft	5	5	9	9
Lighthouse abroad*	1	1	1	1
Totals	629	856	644	857

*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 storage areas.

***The difference between lighthouses owned and lighthouses deployed arises due to both Farne Island and Skokholm being lighthouse stations, however Trinity House no longer owns the lighthouse tower.