



TRINITY HOUSE

A large, stylized graphic consisting of numerous concentric circles in gold and white, creating a tunnel-like effect. The circles are centered on the page and partially overlap the text.

Report and accounts

FOR THE YEAR ENDED 31 MARCH 2018

Contents

Executive Chairman's Review	4
Performance Report	
Overview	6
Performance Analysis	7
Accountability Report	
Directors Report	20
Statement of Accounting Officer's Responsibilities	21
Governance Statement	22
Remuneration and Staff Report	37
Financial Statements	
Statement of Comprehensive Net Income	44
Statement of Financial Position	45
Statement of Cashflows	46
Statement of Changes in Equity	47
Notes to the Accounts	48
Appendix 1	76
Appendix 2	77

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	Director of Business Services
Captain N Palmer OBE ¹	Deputy Chairman and Non Executive
E D Johnson ^{3 4}	Non Executive
Professor P Matthews CBE OBE ^{3 5}	Non Executive
D Ring ³	Non Executive
M Amos ⁶	Non Executive
V Owen OBE ^{3 7}	Non Executive

Secretary to the Board

J D Price⁸

T Arculus⁹

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

⁴Resigned 30 April 2017

⁵Retired 19 July 2018

⁶Appointed 16 May 2017

⁷Appointed 14 September 2018

⁸Retired 26 April 2017

⁹Appointed 26 April 2017

Officers and Advisors

Principal Office

Corporation of Trinity House
Trinity House
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London
EC3N 4DH

Auditors of the General Lighthouse Fund

Comptroller & Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Bankers

Lloyds Bank PLC
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Solicitors

Norton Rose
3 More London Riverside,
London
SE1 2AQ

Executive Chairman's Review

Once again, 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. During the year we have modernised Mumbles and Sark Lighthouses, with both projects 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.

Despite the various Aids to Navigation, incidents still occur and remind us all that incidents at sea are as common now as they ever were. On the 6 July 2017, the decommissioned and uninsured Tug, MV Ella, foundered in the Southern North Sea while under tow, causing a potential hazard to navigation. On the 7 August 2017, the Secretary of State's Representative, under statutory powers, directed Trinity House to arrange for the wreck to be removed, and post removal, undertake such surveys to ensure the hazard had been appropriately mitigated, and continue to mark the wreck until the hazard was removed. I am proud to say that Trinity House fully met our responsibilities in this respect, marking the hazard whilst arranging for the successful removal of MV Ella, lifting the hazard on Friday 17 November, with disposal of the wreck completed by 24 December 2017.

To support and encourage communications across the industry and promote a greater understanding of the value and role of a modern GLA, THV Galatea moored at Tower Hill as part of the London International Shipping Week. Visitors were invited on board to view a number of new initiatives and demonstrations given by Trinity House staff. THV Galatea also acted as a platform for the Executive Board of DfT, and British Shipping.



The Fleet Review, which set out to establish the resources required across the GLAs for the future, is now drawing to a close. The DfT Chaired Reference Group accepted the GLAs report at their meeting of 21 May 2018; further to this, ministerial acceptance was confirmed in a letter to the GLAs from DfT on 17 September 2018. There has been significant success in utilising a tighter, co-ordinated planning arrangement to improve on risk cover, particularly of the 12 hour area, while the evidence driven process, which has been developed for the review, will continue into the future, capturing and analysing data to demonstrate fleet effectiveness on an ongoing basis, with the ambition that this will form the basis of any subsequent reviews and negating a repeat of such a protracted process 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

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 13 of this report.

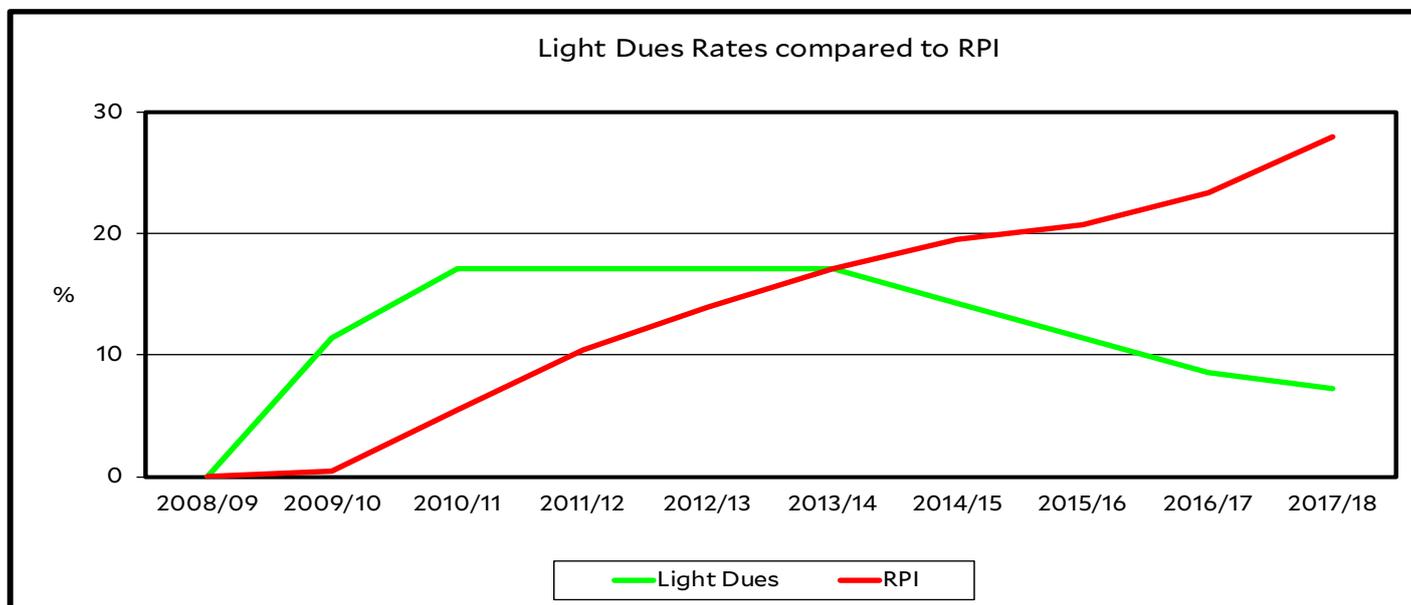
These accounts are prepared by Trinity House in respect of its function as the GLA for England and Wales in accordance with a directive made by the DfT under the powers of the Secretary of State. The accounts are subsequently consolidated to form part of the General Lighthouse Fund (GLF) Accounts.

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 the annual cash requirements of Trinity House, finance both 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 level of Light Dues. The level of Light Dues per tonne has fallen from its historic peak of 43p in 1993 to 37.5p today and is some 20.7% lower in real terms than they were 10 years ago. The Secretary of State for Transport confirmed on 23 April 2018 that the rate will remain at 37.5p throughout 2018-19.



Going Concern

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 2018 shows net assets of £118,224k. Advances for 2018-19, 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 2018-19 budget in a letter received on 29 January 2018.

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 £2,018k for 2017-18 (surplus £908k 2016-17). Operating income and expenditure for the year was within management expectations and DfT approved sanction.

Including Other Comprehensive Income, the Statement of Comprehensive Net Income (SoCNI) reports a net deficit for the year of £3,508k; 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 were marginally down on the March 2017 figures due to the continued difficult market conditions and general wear and tear of the vessels. Further to these reductions, the value of the operational Lighthouse Estate has also fallen, resulting in further falls in the value of our non-current assets. A net deficit of £1,798k was transferred to the General Reserve (net deficit £2,023k 2016-17).

Losses reported in the SoCNI decreased the net worth of Trinity House, as shown on the Statement of Financial Position (SoFP), to £118,224k, (£121,732k 2016-17). 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 46) shows a surplus of £110k. The cash drawdown was below budget for the reasons provided in the Actual v Sanction Analysis commentary below, and accruals for 2017-18 do not draw cash until 2018-19. 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. The 2018-19 sanction obtained approval in January 2018, 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	22,755	24,574	(1,819)
Employer Pension Costs	2,189	2,367	(178)
Net Income	(1,657)	(1,254)	(403)
Capital Expenditure	3,912	5,116	(1,204)
Other Trinity House Costs	3,481	3,673	(192)
Expenditure on Behalf of all GLAs	1,728	1,882	(154)
Expenditure on Behalf of DfT	297	349	(52)
Total	32,705	36,707	(4,002)

Running Costs in Current and Constant Prices

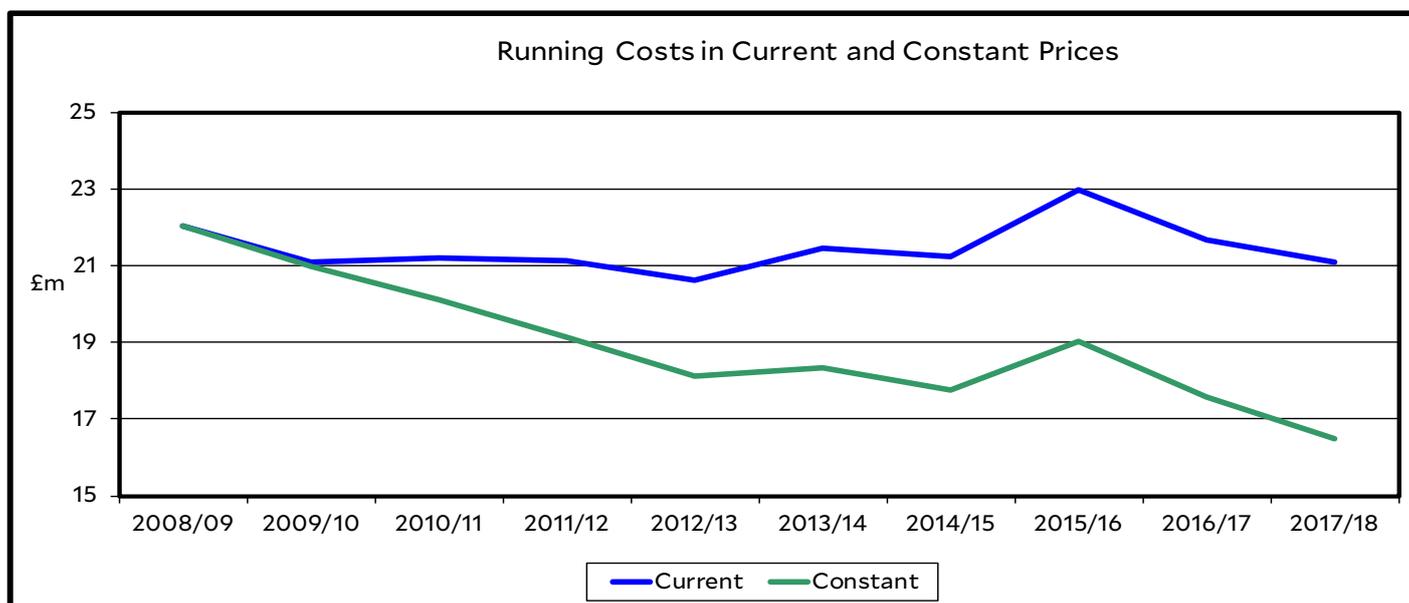
Set out on the next page is an analysis of our running costs over the last 10 years, showing the trend of costs, both in current terms and on the basis of constant prices, having taken account of inflation. Running costs have fallen in constant price terms from £22,055k in 2008-09 to £16,484k in 2017-18; a reduction of 25.3%.

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	£000s									
Running Costs Inc. Pensions	22,055	21,099	21,221	21,140	20,637	21,475	23,127	25,085	23,756	23,287
Pensions							1,884	2,118	2,089	2,189
Running costs ¹	22,055	21,099	21,221	21,140	20,637	21,475	21,243	22,967	21,667	21,098
Variance %		-4.3%	0.6%	-0.4%	-2.4%	4.1%	-1.1%	8.1%	-5.7%	-2.6%
Running costs (constant prices)	22,055	21,003	20,125	19,131	18,116	18,323	17,777	19,014	17,562	16,484
Variance %		-4.8%	-4.2%	-4.9%	-5.3%	1.1%	-3.0%	7.0%	-7.6%	-6.1%
Average RPI	214.8	215.8	226.5	237.3	244.7	251.7	256.7	259.4	265.0	274.9

Actuals v Sanction Analysis

Overall, there is an under spend of £4,002k (10.9%) on the sanction of £36,707k. Running Costs are under spent by £1,819k, with the under spend being split between staff costs, as a result of a mixture of staff turnover and gapped posts, and other costs, due to lower than anticipated Marine Gas Oil prices, and Value For Money savings made by departments, particularly the IT department. Capital Expenditure is under spent by £1,204k due to savings on some IT projects and capital works on the vessels; the cancellation, postponement or delay of some projects; and risk on capital projects not materialising.

¹Under the current RPI-X regime, pensions are included in running costs, where previously up to 2013-14 these were excluded. Therefore, to ensure comparability, running costs are presented excluding pension costs below. 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 £1,819k;
- Maintained a satisfactory year end audit report from NAO;
- Generated £468k of value for money savings;
- Achieved a substantial assurance rating from Head of 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 2018, expenditure on non-current assets was:

	2017-18	2016-17
	£000s	£000s
Work in progress	1,389	1,557
Tenders	1,046	481
Lightvessels	19	-
Buoys and beacons	319	81
Plant and machinery	470	1,164
Computer equipment	432	283
Intangible software	221	66
Intangible licences	15	-
Total	3,911	3,632

Major capital spend during the year took place on the following projects; Sark and Mumbles Lighthouses, and DD&R on Lightvessel 5 and THV Patricia.

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, with a further full independent valuation carried out as at 31 March 2018. The carrying values will continue to be reviewed annually using a combination of appropriate indices or independent valuations in accordance with our asset policy. Further details can be found under note 8 (page 60).

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 originally published in 2012-13.

Within Trinity House, key 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 Aids to Navigation 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

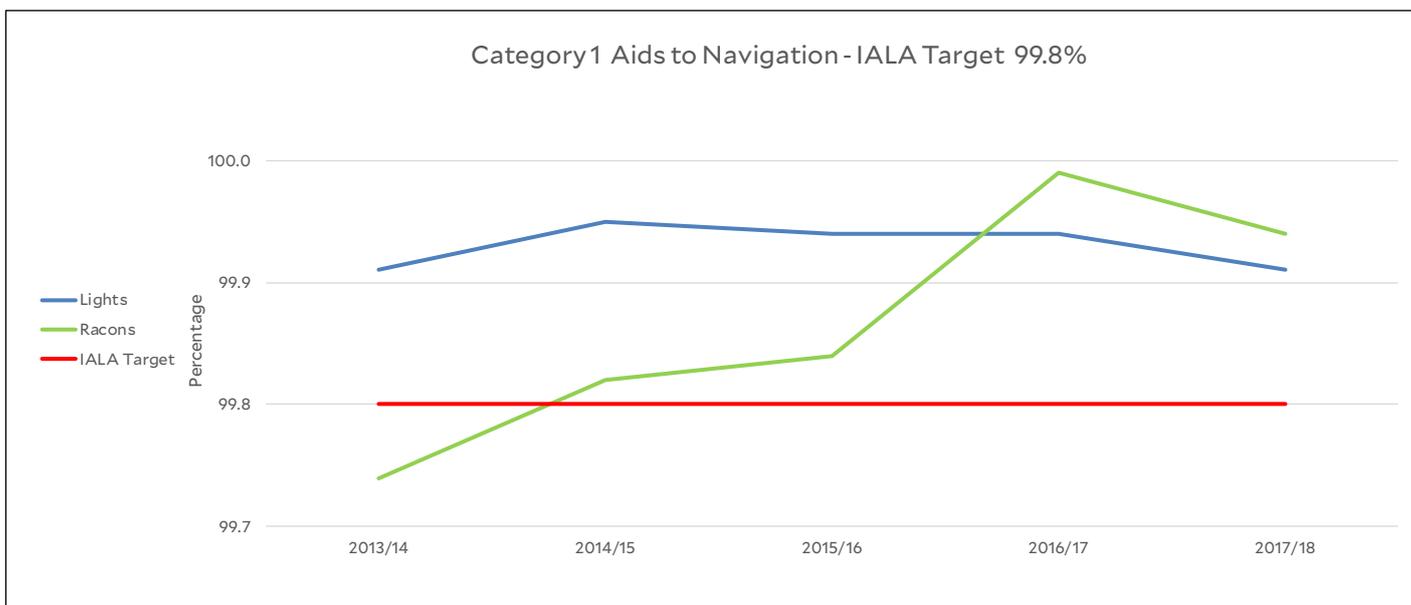
the service provided. The Board continues to refine its KPIs so that they remain consistently reflective of the statutory requirements placed on Trinity House and of our own ‘Priorities’ to improve the way in which business is conducted with the aim of decreasing costs, whilst maintaining the quality of service to the mariner and other stakeholders.

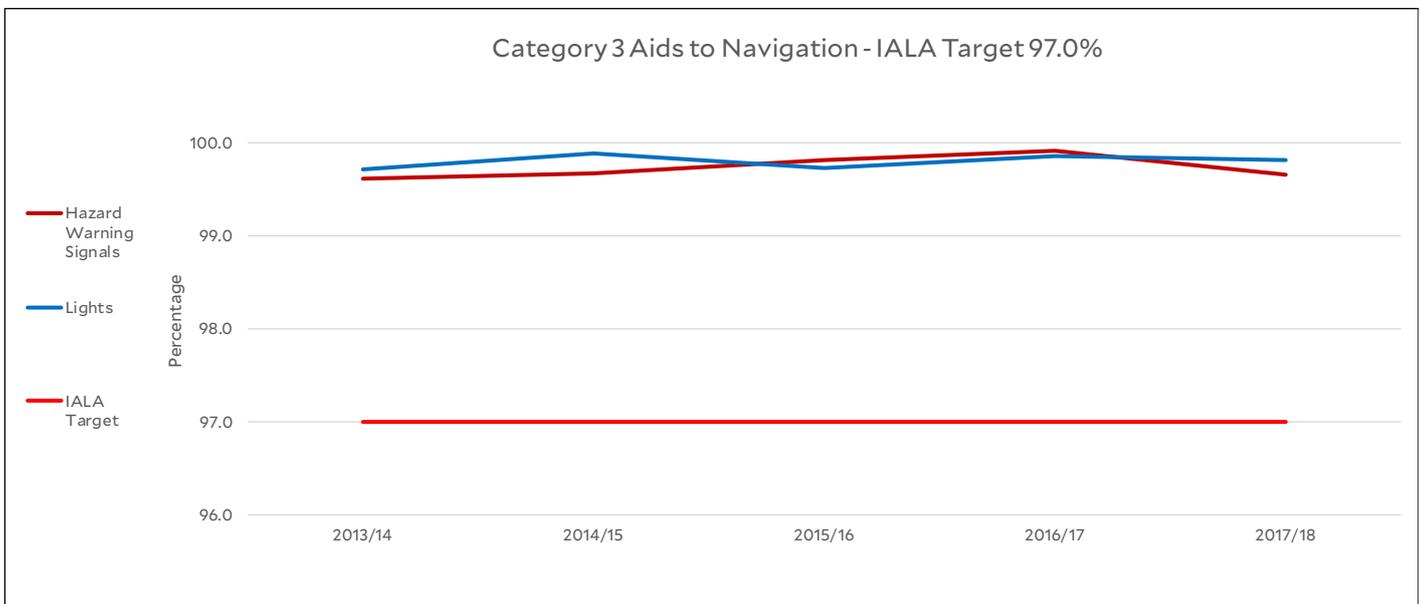
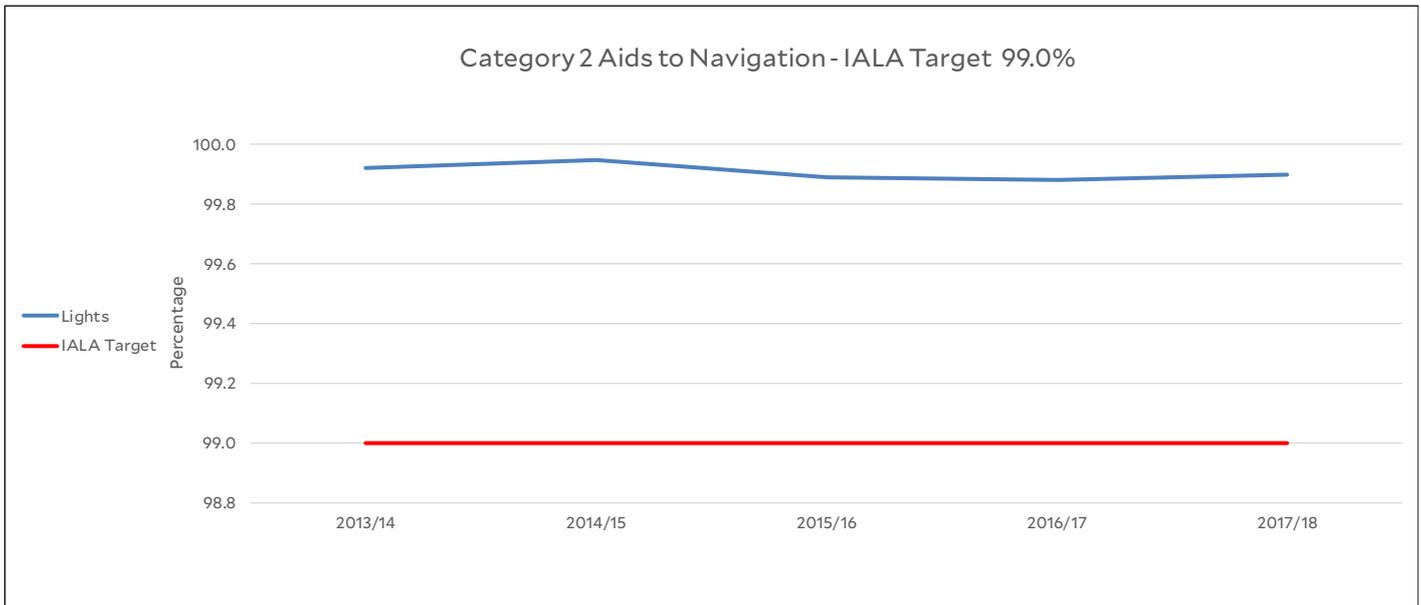
Aids to Navigation (AtoN) Availability

Availability of Aids to Navigation 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 Aids to Navigation 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	2013-14	2014-15	2015-16	2016-17	2017-18
		%	%	%	%	%	%
Lights	1	99.80	99.91	99.95	99.94	99.94	99.91
Racons	1	99.80	99.74	99.82	99.84	99.99	99.94
Lights	2	99.00	99.92	99.95	99.89	99.88	99.90
Hazard Warning Signals	3	97.00	99.62	99.67	99.82	99.91	99.66
Lights	3	97.00	99.71	99.88	99.73	99.86	99.82

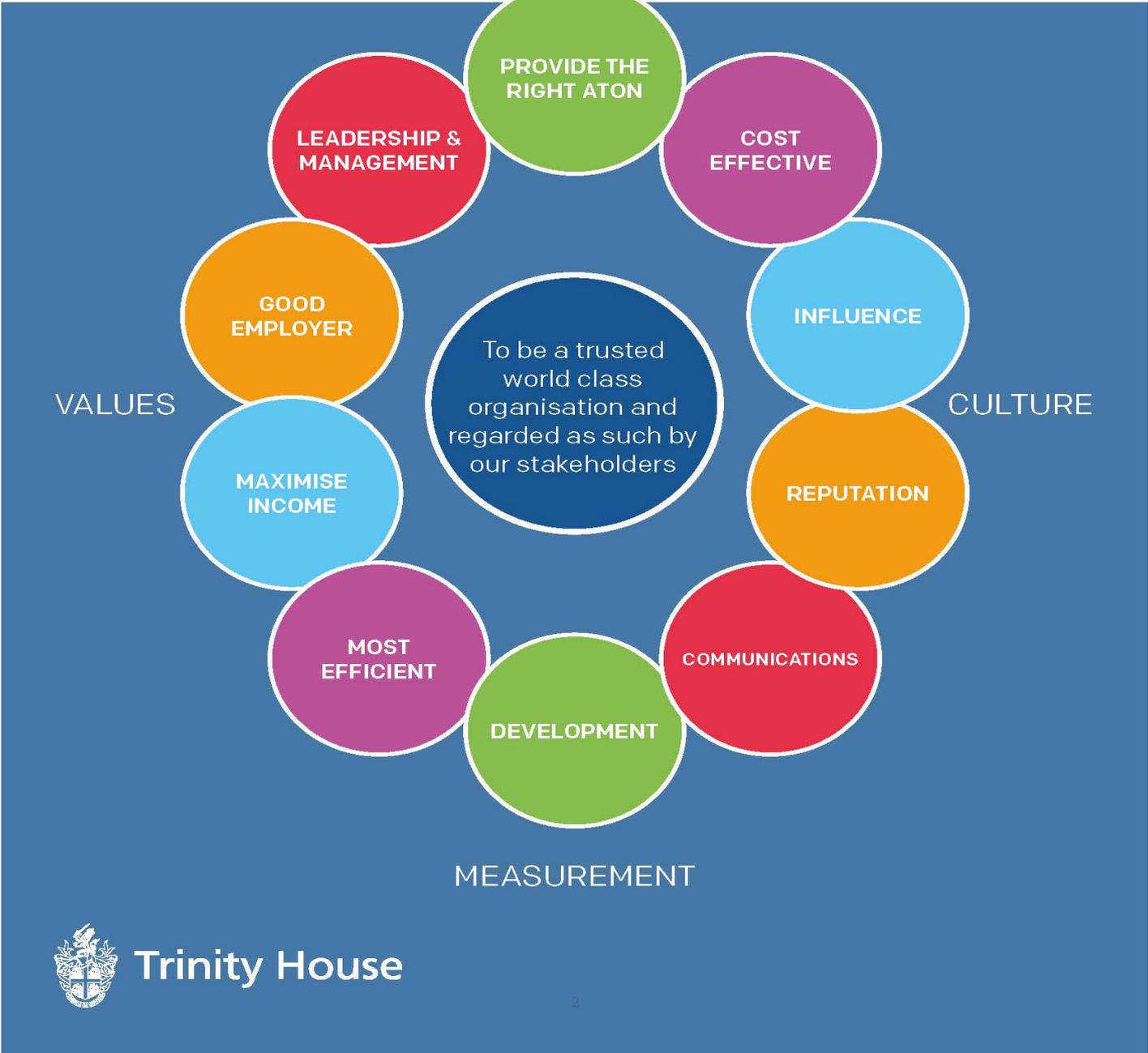




Trinity House's Strategy

TRINITY HOUSE VISION

MISSION STATEMENT: To deliver a reliable, efficient and cost-effective Aids to Navigation service for the benefit and safety of all mariners.



The Trinity House Strategy in force during 2017-18 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, reviewed its strategy to ensure it remains valid and continues to set out our future objectives on a general high level. As a result of this review, a new strategy with four Cardinals has been agreed and is effective from April 2018. This report compares the actual achievement during 2017-18 with the approved strategy in place during the year.

Implementation and Delivery

In order to progress and achieve our goals in terms of these priorities, an operational plan was developed that identified actions for 2017-18. 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

- Delivered excellent AtoN service availability with Category 1 Aids to Navigation at 99.93%;
- The Buoy Service List was 97.14% completed in 2017-18;
- Asset management achieved long term delivery with a comprehensive programme of inspections, geological surveys, scheduled maintenance and a capital replacement and modernisation plan;
- Trinity House introduced new Cyber Security software and various on-going Cyber Security initiatives from both an IT and staff training perspective;
- Commenced work, including staff training, on GDPR compliance in readiness for the new legislation effective from 25 May 2018;
- The Organisation Training Plan was produced in line with the identification of requirements from the Trinity House Strategy and individual Performance Development Plans. This included Standards of Training, Certification and Watchkeeping for Seafarers (STCW) training delivered to meet ongoing compliance with MCA regulations, a review of Health and Safety training requirements for Field Operations Technicians, and a greater use of on-line courses resulting in better use of resources. The plan was completed within the year;

- Trinity House carried out an external review of the appraisal scheme which praised the process currently in place;
- Trinity House continued to work with DfT and the GLA's in support of the Fleet Review;
- Enhancements to GLA Co-ordinated Fleet Planning were introduced during 2017-18 ensuring that adherence to the established GLA Risk Response Criteria was successfully achieved;
- Successful modernisation of Sark and Mumbles Lighthouses, DD&R of THV Patrica and Lightvessel 5.

Priority Two - Reputation Development

- Sound participation at IALA with representation on the Policy Advisory Panel as well as the five main committees, two of which are Chaired by Trinity House staff members. This includes preparation for the IALA Conference 2018;
- Participation in London International Shipping Week (LISW), with THV Galatea used as a platform for DfT and the wider British Shipping industry to view the role of the GLA's as part of a modern maritime industry, and the role the GLA's have in keeping the mariner safe;
- Working with the Met Office and leading UK ports in sharing assets to support safety for shipping and reducing the overall costs to both parties;
- Providing buoy yard and vessel tours for local schools, and education packs, enhancing knowledge of Trinity House within the younger community;
- Continued participation in National and International regulatory forums including UK Safety of Navigation (UKSON), Safety of Navigation Advisory Committee (SONAC), Navigation and Offshore Renewable Energy Liason Group (NOREL), and as previously mentioned, IALA;
- Continued engagement with MCA regarding Offshore Renewable Energy Installations (OREI) developments and other maritime safety issues.

Priority Three - New Business

- Despite the constraints on the Reserve Capacity of vessels during 2017-18, the Commercial income target has been surpassed, primarily from continuing contracts for maintaining navigational buoys for third parties and buoy hire, with significant new contracts for rental buoys at Hornsea Offshore Wind Farm and East Anglia One generating an additional £1.2m over the life of the contract;
- Work in Aids to Navigation monitoring for the decommissioning of North Sea oil platforms. This is expected to provide a regular revenue stream for the next four years and uses Trinity House technology developed for our own AtoN monitoring;
- 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;
- Patricia Voyages achieved 90% occupancy, further supplementing income by generating £368k;
- Ultimately, in excess of £2.5m gross was earned, making an important contribution to the General Lighthouse Fund and offsetting the cost to the Light Dues Payer;
- The Commercial Buoy Service List was 99.6% completed in 2017-18.

Priority Four – Internal Communications and Staff Engagement

- Trinity House held a Technical Open Day for all staff to enable them to gain a greater understanding of the work carried out across the service;
- The Trinity House Apprenticeship programme was updated incorporating the new apprenticeship levy. Trinity House now has seven apprentices across the service in various trades, with our qualified apprentices now starting to fill vacancies as fully skilled staff, making way for new apprentices to be recruited;
- Upgrade of video conferencing facilities across all sites to aid communication, collaboration and reduce travelling requirements;
- Communications plan completed and implemented, with communications skills training carried out internally for all levels of staff;
- Focus groups set up with Technicians to gain input and feedback, and inform the approach to recruitment, retention and engagement;
- Early engagement with 'Best Companies' in preparation for an assessment via staff survey in the summer of 2018.

Priority Five – Cultural Change

- Provided an internally run programme of people management skills for managers;
- Worked closely with our GLA partners via the Inter GLA Committee (IGC) structure and Joint Strategic Board;
- An enhancement to the Safety Management System was approved by the Executive Board, with the introduction of the Fair Safety Culture process, and is now being implemented throughout the service.

Priority Six – Improving Working Practices

- Gained accreditation as an IALA World Wide Academy Approved Training Organisation for the delivery of Technician training;
- Retained ISO certification for Quality, Environmental Management and Health and Safety;
- The Health & Safety Management System was maintained, therefore allowing continued certification to OSHAS 18001;
- Achieved full transition to the new ISO standards – ISO9001:2015 and ISO14001:2015;
- Trinity House was accepted for registration to the CHAS (Construction Health and Safety) Contractor Pre-Qualification Scheme to ensure the securement of the Welsh Water commercial contract;
- Developed new technology to reduce future operation costs in solar panel monitoring, battery management and Aids to Navigation monitoring and control;
- Upgraded the Document Management System, and Ship to Shore Wireless Mesh Network;
- Automated some Human Resources and Finance processes and amended the recording of Human Resources activities to support improved Management Information reporting;
- Standardised laptops across the service for ease of use and IT set up.

Research & RadioNavigation (R&RNAV)

Over the past 12 months, the GLA R&RNAV Directorate has continued to research, develop and innovate and subsequently help to drive the business of all the GLAs forward. It has

continued to finesse several of its LED light sources, with great efficiencies being made in power consumption (about 10% of the equivalent incandescent light source). These 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 measurements in both R&RNAV's laboratories and through "in field" measurements.

R&RNAV continues to lead the world in many aspects of maritime Radionavigation and is seen as such by its international and domestic partners. Due to this, R&RNAV has been successfully exploiting its intellectual assets and has maintained a modest revenue stream over the last 12 months; which, when combined with R&RNAV grant income, has brought £55k into the GLF.

R&RNAV has consolidated its research to find other sources of resilient positioning to support the introduction of the IMO's e-Navigation concept; however, it is expected that none of the options which are most achievable (such as Absolute Radar positioning and R-Mode) will be available on an operational basis for the next 10-15 years.

R&RNAV is leading the world on the development of the VHF Data Exchange System (VDES). VDES is the next generation AIS with increased data-communication bandwidth to support the ever increasing needs of the maritime user and supporting shore-side infrastructure. R&RNAV has demonstrated for the first time ever, the transmission and reception of Application Specific Messages using VDES. R&RNAV has further enhanced this by the development of cyber-security features which are currently lacking in AIS.

R&RNAV has led and supported the maritime user community understanding and potential uptake of the European Geostationary Navigation 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 inter alia 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 in 2017-18. However Trinity House did register a trademark in the BinoNav this year. The Service did not financially 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, and are 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 environment 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 successfully transitioned to the new ISO 14001: 2015 Standard in 2017-18. 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;
- Obtaining 'Green Passports' approved by Lloyds Register for its vessels THVs Galatea and Alert; and
- Enhancing its arrangements for energy management.

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

Ian McNaught
27 September 2018

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 22). 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 co-operation and co-ordination, and to maximise efficiencies and realise savings.

Conflicts of Interest

The register of interests is maintained by the Secretary to the Board, and are published on our website. Further details of how executive and non-executive board members' conflicts of interests are handled are on page 33. No conflicts of interest were identified during 2017-18 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 £4,900 respectively per annum.

Payment of Creditors Policy

Trinity House will at all times seek to adopt best practice 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 eight days (2016-17 thirteen days).

Personal Data Related Incidents

During 2017-18, 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 33.

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 and 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

There were no losses incurred 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 the 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, including 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 judgements required for determining that it is fair, balanced and understandable.

Governance Statement

Introduction

HM Treasury published a revised Code of Good Practice for Corporate Governance in Central Government Departments in April 2017.

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 2017-18, 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'.

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. The continued effectiveness of this combined role is regularly reviewed; Trinity House has a corporate governance working group, which is looking for a future solution to the issue of dividing the two roles upon the retirement of the current Executive Chairman.

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 eight occasions during 2017-18, which included a session on strategy. Having regard to its main responsibility of providing a reliable and efficient Aids to Navigation service for the benefit and safety of all mariners, the coverage of its work included:

- Review and approval of Trinity House Strategy and implementation of associated action plan;
- Review and approval of the Corporate Plan for 2018-23 and Annual Report and Accounts for 2016-17;
- 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 Committee in respect of the Fleet Review;
- Monitoring of the implementation of the RPI-X regime;
- 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 Articles of Constitution and 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. The Code of Conduct and Best Practice also refers to the Framework Document for the General Lighthouse Authorities.

The Board completes each year an internal self-assessment of performance and implements

recommendations to improve its effectiveness.

At its meeting in September 2017, the Board members were asked to individually consider its performance and effectiveness against the Board Evaluation questionnaire 'Unlocking your board's full potential' published by the National Audit Office. The results were collated and the findings presented to the Board at its November 2017 meeting. The Board considered its Articles of Constitution 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 strongly agreed or partially agreed that it was compliant across almost all headings. The Board had undertaken the same exercise in 2016 and had identified two areas in which it did not consider itself to be compliant. These areas were:

- The Board has a clear set of objectives independent from those of the organisation;
- Induction and development programmes ensure Board members remain up-to-date throughout their time on the Board.

The Board has now addressed these areas.

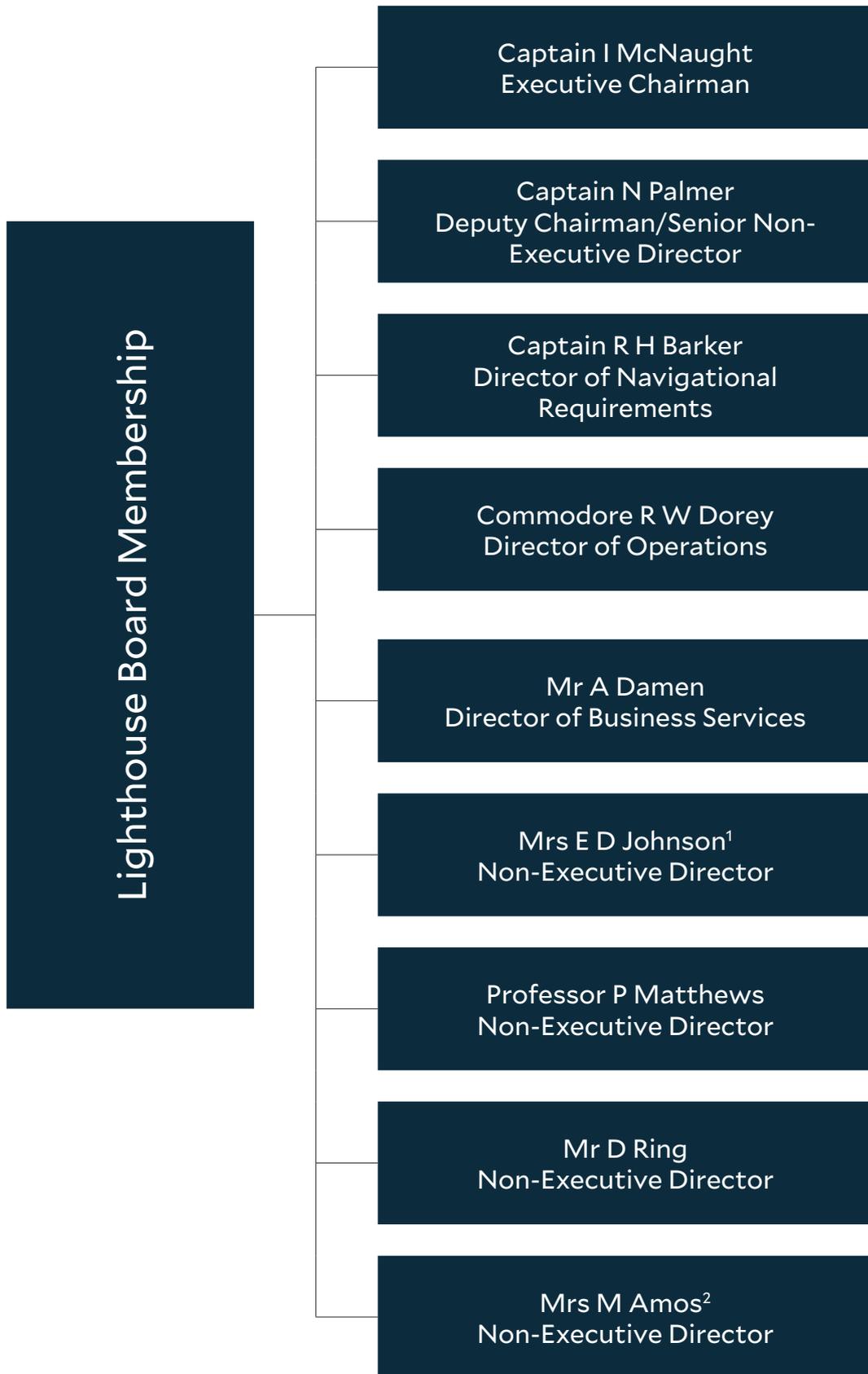
In the 2017 evaluation, there were five areas where some Board members partially disagreed. Attention will be given to making improvements in these areas during 2018-19.

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 has been acknowledged in self-assessments 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:

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



¹Mrs E D Johnson retired from the Lighthouse Board on 30 April 2017.

²Mrs M Amos appointed as Secretary of State’s nominated Non-Executive Director of the Lighthouse Board on 16 May 2017.

Committees

The Board delegates certain responsibilities to its committees. This provides greater independence with regard to audit, appointments and remuneration. The Executive Committee is chaired by the Executive Chairman; all other committees are chaired by other Board members.

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 Framework Agreement for standardised GLA Buoy Paint; • Overview and scrutiny of the Corporate Plan 2018-23; • Monitoring progress against the Operational Action Plan arising from the 2017-22 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 and Risk Assurance</p> <p>Chair: Mrs M Amos</p>	<p>Review of organisational controls, risk, governance, finances and systems.</p>	<ul style="list-style-type: none"> • Scrutiny of the Annual Report and Accounts; • Review of Risk Registers; • 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 and Risk Assurance Committee Handbook; and • Review of Cyber Security controls within 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 • Review of performance related pay scheme
<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; • Review of performance related pay scheme; • 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"> • Future requirements for Royal Sovereign Lighthouse, Beachy Head Lighthouse and CS2 Buoy; • Sector requirements for Needles and North Foreland Lighthouses; • Trwyn Du Lighthouse hazard warning system requirement; • Position monitoring requirement for floating Aids to Navigation; • Wrecks of the "Fluvius Tamar" and "Ella"; • Future requirements of the "Gore", "Hjordis East" and "Skerries" Buoys; • Necessity for Woolpack and Bartholomew Ledge Topmarks; • IALA Mobile Aids to Navigation and possible future requirements; • North Wales Interconnector project across Morecambe Bay and the possible construction of an islet; and • Windfarm Buoyage provision.
<p>Nominations</p> <p>Chair: Professor P Matthews</p>	<p>Proposing Executive appointments to the Lighthouse Board.</p>	<p>There were no Executive appointments during 2017-18.</p>

Attendance by Lighthouse Service members at Board and Committee meetings during 2017-18 was as follows:

Members	LHB	Executive Committee	Audit and Risk Assurance Committee	Directors' Remuneration Committee	Executive Remuneration Committee	Examiners	Nominations Committee
Captain I McNaught ²	8 (of 8)	11 (of 11)	4 (of 4)	*	3 (of 3)	6 (of 7)	0 (of 0)
Captain N Palmer ¹	8 (of 8)	*	*	4 (of 4)	*	3 (of 7)	0 (of 0)
Commodore R Dorey	8 (of 8)	11 (of 11)	*	*	3 (of 3)	6 (of 7)	*
Captain R H Barker	8 (of 8)	11 (of 11)	*	*	3 (of 3)	7 (of 7)	*
Mr A Damen ²	8 (of 8)	11 (of 11)	4 (of 4)	*	3 (of 3)	*	*
Professor P Matthews ¹	6 (of 8)	*	3 (of 4)	4 (of 4)	*	*	0 (of 0)
Mr D Ring ¹	8 (of 8)	*	4 (of 4)	4 (of 4)	*	*	0 (of 0)
Mrs M Amos ¹	8 (of 8)	*	4 (of 4)	*	*	*	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 and Risk Assurance Committee

Risk Management

Acting in the role of Accounting Officer, the Executive Chairman has the overall responsibility for maintaining a sound system of internal controls that support 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 29 June 2017. 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 within Trinity House for the year ended 31 March 2018 and was up to the date of the approval of the Annual Report and Accounts.

Risk Categories

During 2017-18, 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. With 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 with regards to operational and policy delivery in respect inter alia of commercial and other new areas of work. This is the approach adopted during 2017-18. However, the risk classification is periodically monitored and it is acknowledged that an adverse or minimalist approach in some areas could result in missed opportunities.

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, 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 and 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 also 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 next Triennial Risk Management Review will be undertaken in 2018 and in the intervening years, the General Lighthouse Authorities conduct their Annual Risk Management and Insurance Scrutiny in order to review progress of any actions arising from the previous Triennial Risk Management Review and to consider developments on insurance and risk matters.

Risk Monitoring

Directorate/Departmental risk registers were formally reviewed by the responsible Director and Senior Manager at quarterly intervals during 2017-18, although amendments are made in the intervening time in the light of changes in the risk profile.

All 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 Committee, the Audit and Risk Assurance Committee 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.

Trinity House has a Public Relations and Corporate Communications Strategy 2015-20, which was reviewed and updated in 2016-17. The aim of this strategy is to identify Trinity House's priorities for communication with its external stakeholders with 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 approximately every three years. The next formal stakeholder surveys will be conducted during 2018-19. The results of the external stakeholder survey will be considered for the 2018-28 Public Relations and Corporate Communications Strategy.

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 2018 were the risks, uncertainties and opportunities arising as a result of:

- The potential for the Fleet Review process to result in Trinity House having insufficient ship resources;
- 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 (out with the Fleet Review process);
- Global Navigation Satellite System (GNSS) vulnerability in terms of its use as an Aid to Navigation;
- The outcome of Brexit negotiations and the potential impact on Trinity House operations;
- The threat from cyber-attack and Trinity House's ability to not only prevent such incidents but also to be able to recover from such an incident if one were to occur; and
- Failing to adequately resource Trinity House due to recruitment and retention issues.

Key Strategic Risk Issues

In 2017-18 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;
- Uncertainties arising from Brexit negotiations and its potential impact on Scottish independence issues;
- Implications for Trinity House of Irish Lights Strategy '2015 & Beyond' reflecting move to Irish self-funding;
- Global Navigation Satellite System (GNSS) vulnerability;
- Cyber security;
- Failure to adequately resource Trinity House due to recruitment and retention issues;
- The demographic of the workforce and how one third of all staff could choose to take retirement within the next 10 years; and
- The project to consider the future of Royal Sovereign Lighthouse which, because of its uniqueness, poses significant risks.

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

Identification and Mitigation of Conflicts of Interest

Trinity House maintains a Register of Interests to record the personal or business interests of Directors and Senior Managers of Trinity House that may conflict with their responsibilities as members of either the Trinity House Lighthouse Board or Senior Management Team. 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 2017-18 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 and Risk Assurance Committee reviewed the Register of Members' Interests and the Hospitality Register in September 2017. For good practice, the Audit and 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 2017-18.

Information Risk

During 2017-18, 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 2017-18 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 2017-18.

Preparations are underway to ensure compliance with the General Data Protection Regulation (GDPR). Following an organisation-wide data audit, a work plan is in place to address any areas of non-compliance. Work has also continued to bolster provision for Cyber Security increasing the multi-layered security approach with the addition of a machine learning enterprise immune security system.

Management Assurance Statement

The Management Assurance Statement for 2017-18 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 last two years to tailor some answers which better reflect the particular practices and controls in place within Trinity House and to acknowledge its statutory obligations.

The majority of areas scored 'substantial', with the exception of knowledge and records management, financial controls, workforce planning, people performance and information and cyber security. These all scored 'moderate'. Knowledge and Records Management remains at 'moderate' due to some staff being reliant on locally maintained records, for example email holdings and on local drives and the ongoing work to address the implementation of GDPR. Organisational records and information are stored within the Trinity House document management system and/or approved databases. Potential improvements to workforce planning are being considered to address recommendations arising from an internal audit.

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 and 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 and 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 and Risk Assurance Committee on an annual basis;
- The Executive Committee which meets eleven times a year and 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 and Risk Assurance Committee which operates in line with the HM Treasury Audit and Risk Assurance Committee Handbook. The Chairman of the Audit and Risk Assurance Committee reports to the Board after each Audit and 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 and 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 and Risk Assurance Committee; and
 - Annual review of the Trinity House Management System by the Executive Directors and Senior Management Team to ensure the continued suitability, adequacy, effectiveness of the system and its alignment with the strategic direction of the organisation.

Ministerial Directions

During 2017-18 Trinity House received no ministerial directions.

Head of Internal Audit Opinion

“On the basis of the evidence obtained during 2017-18, 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 2018. Therefore, I can report that corporate governance and risk management within Trinity House remains robust and effective, and complies with the best practice principles set out in HM Treasury’s April 2017 Code of Good Practice for Corporate Governance in Central Government Departments as far as is appropriate.

*Ian McNaught
27 September 2018*

Captain Ian McNaught
Executive Chairman of the Lighthouse Board

Remuneration and Staff Report

Within the requirements of governmental pay policy, 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 Hay market data in order to attract and retain quality staff in often highly specialist, technical roles. Trinity House undertakes an equal pay audit throughout the service every two years to ensure our pay rates remain fair and competitive.

Competency frameworks have been developed for all Support Vessel Service posts, 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 operates a performance-related pay (PRP) and bonus 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. PRP, individual and team bonus allocation is determined by individual performance and organisational level success against the year's corporate strategic objectives.

Trinity House sets pay and staff rewards based upon a non-discriminatory evaluation process combined with organisational and personal performance and the development of workplace competence, as opposed to length of 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)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
I McNaught	120-125	115-120	5-10	10-15	1,500	2,400	50,000	64,000	180-185	195-200
A Damen ²	85-90	80-85	5-10	5-10	800	1,200	36,000	32,000	130-135	120-125
R Barker	90-95	85-90	5-10	5-10	1,300	2,200	16,000	20,000	110-115	110-115
R W Dorey	85-90	85-90	5-10	5-10	1,100	2,000	56,000	9,000	150-155	105-110
E D Johnson ³	0-5	15-20	-	-	100	600	-	-	0-5	15-20
P Matthews	15-20	15-20	-	-	1,100	1,500	-	-	15-20	15-20
N Palmer	20-25	20-25	-	-	-	500	-	-	20-25	20-25
D Ring	15-20	15-20	-	-	1,000	1,400	-	-	15-20	15-20
M Amos ⁴	15-20	-	-	-	3,100	-	-	-	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; full-time equivalent £85k-90k for 2016-17.

³Resigned 30 April 2017

⁴Commenced 16 May 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.

Pay Multiples

	2017-18	2016-17
Band of highest paid directors total remuneration (£000s)	135-140	130-135
Median total remuneration	£32,366	£31,934
Ratio	4.2	4.2

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 2017-18 was £136k-£140k (full time equivalent) (2016-17 £130k-£135k). This was 4.2 times (2016-17 4.2) the median remuneration of the workforce, which was £32,366 (2016-17, £31,934).

In 2017-18, no (2016-17, Nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,445 to £100k-£105k (2016-17 £15,091 to £95k-£100k).

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 three 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 2018 for a further year)	1 February 2012	30 June 2019
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
M Amos	16 May 2017	15 May 2020

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 either the PCSPS or the Public Service (Civil Service and Others) Pension Regulations 2014 (CSO). They are entitled to compensation for permanent loss of office under the terms of the Civil Service Compensation Scheme (CSCS).

	Real increase in pensions	Real increase in lump sum	Accrued pension	Accrued lump sum	Cash equivalent transfer value at 31 March 2017	Cash equivalent transfer value at 31 March 2018	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	-	20-25	-	309	373	42	-
A Damen	0.0-2.5	-	0-5	-	18	39	14	-
R Barker	0.0-2.5	-	15-20	-	340	364	15	-
R W Dorey	2.5-5.0	7.5-10.0	40-45	130-135	781	881	49	-

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 into the PCSPS or CSO. 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 69) 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:

	2017-18 £000s	2016-17 £000s
Total Staff Costs	13,611	13,751

Details of staff costs can be found at note 4 on page 57.

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

	2017-18 Total	2017-18 Permanent Staff	2017-18 Others	2016-17 Total
Directly employed	284.4	284.4	-	288.4
Other	8.4	-	8.4	11.0
Staff engaged on capital projects	6.5	6.5	-	4.3
Total	299.3	290.9	8.4	303.7

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	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
< £10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	1	-	1
£50,000 - £100,000	-	-	1	-	1	-
Total number of exit packages	-	-	1	1	1	1
Total resource cost (£s)	-	-	88,613	30,999	88,613	30,999

Diversity Information

The Government Financial Reporting Manual (FReM) guidance requires Trinity House to

disclose the number of persons of each gender who are employees of the entity as at 31 March 2018.

	Male	Female
Executive Directors	4	0
Non-Executive Directors	3	1
Senior Managers	9	1
Employees	224	70

Sickness Absence

Sickness absence during the last two years was:

	2017-18	2016-17
Total number of days lost due to sickness	3,098	2,791
Average number of days lost per employee	10.5	9.7

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 2017-18 (2016-17 £nil).

Expenditure on Consultancy

The amount spent on consultancy was £nil (2016-17 £nil).

Staff Policies

Trinity House has a comprehensive set of Human Resources Policies and Procedures focused on how we can get the best out of managers and staff. These policies are supported by a Training Plan that aims to develop employees and encourage them to continuously improve their skills and knowledge, leading to the maintenance and development of Trinity House's capability to deliver its aims and objectives both now and in the future.

Every individual's performance and achievements are assessed in relation to objectives and behavioural and technical competencies. 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. This process has been praised for its effectiveness by an external reviewer.

In addition, skills gaps are identified through careful strategic analysis by Departmental Managers and organisation-wide development initiatives introduced as a result. For example, Trinity House invested in leadership development in recent years, which has led to increased competence and confidence amongst our managers regarding people

management matters.

The structure of the organisation is based around three main directorates: Operations, Support Services and Navigation. There is also a Secretariat, providing legal and risk services and supporting the Executive Chairman.

Trinity House is responsible for two inter-GLA Functions: Research and Radio Navigation, and Light Dues collection.

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 for the majority 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.

Responsibility for out-of-hours Aids to Navigation monitoring is also managed centrally by Trinity House. During the initial stage of the Fleet Review, Trinity House took on the lead of co-ordinated planning, with a GLA Planning Co-ordinator carrying out this role on behalf of all three GLA's. Subsequently, this has become a permanent arrangement.

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 that, in common with other predominantly engineering and seafaring organisations, Trinity House faces a challenge to achieve a more balanced gender distribution across the service. We are confident that recruitment decisions are based on the best candidate for the role. However, the reality is that with relatively few females entering the courses leading to engineering and seafaring roles, the potential candidates are more likely to be male for some years to come. Where possible, Trinity House seeks to use its engagement with the community, particularly schools and youth groups, to promote these areas to young people in the hope of inspiring more to undertake careers in engineering and/or at sea.

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 policy has been developed to ensure key messages are communicated to staff in a timely manner.

Parliamentary Accountability Disclosures and Audit Report

Losses and Special Payments

There have been no losses or special payments during 2017-18.

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 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
27 September 2018

Captain Ian McNaught
Executive Chairman of the Lighthouse Board

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 £000s	2016-17 £000s
Income			
Advances from the GLF		33,200	31,500
Other income	3a	2,465	2,302
Income on behalf of all GLAs	3b	38	419
Grant income		23	-
		35,726	34,221
Expenditure			
Staff costs	4	13,611	13,751
Depreciation	8	6,620	6,211
Amortisation	9	214	129
Loss on revaluation		896	509
Other expenditure	5	12,367	12,713
		33,708	33,313
Net income/(expenditure)		2,018	908
Net interest payable	6	218	264
Net income/(expenditure) after interest		1,800	644
Net expenditure on behalf of DfT			
Sombrero	5b	3	4
Other costs	5b	184	187
		187	191
Net expenditure on behalf of all GLAs			
Staff costs	5c	1,003	992
Other costs ¹	5c	2,408	1,484
		3,411	2,476
Deficit for the year		(1,798)	(2,023)
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		(1,710)	5,360
Total Comprehensive Income		(3,508)	3,337

Notes on page 48 to 77 form part of these accounts.

¹Includes the costs associated with MV Ella

Statement of Financial Position as at 31 March 2018

	Note	2017-18 £000s	2016-17 £000s
Non-current assets			
Property, plant & equipment	8	123,735	129,346
Intangible assets	9	959	937
		124,694	130,283
Current assets			
Assets classified as held for sale	10	-	-
Inventories	11	3,046	2,576
Trade and other receivables	12	2,099	1,612
Cash and cash equivalents	13	276	166
		5,421	4,354
Total assets		130,115	134,637
Current liabilities			
Trade and other payables	15	6,426	5,755
Provisions: current element	16	-	68
		6,426	5,823
Non current assets plus/less net current assets/ liabilities		123,689	128,814
Non-current liabilities			
Other payables	15	5,465	7,082
		5,465	7,082
Assets less liabilities		118,224	121,732
Reserves			
General reserve		30,715	28,913
Revaluation reserve		87,509	92,819
Total reserves		118,224	121,732

The financial statements on pages 44 to 47 and related notes were approved by the Lighthouse Board on 27 September 2018 and signed on its behalf by:

Captain Ian McNaught
Executive Chairman

Statement of Cashflows for the year ended 31 March 2018

	Note	2017-18 £000s	2016-17 £000s
Cashflows from operating activities			
Net deficit after interest		(1,798)	(2,023)
Depreciation	8	6,620	6,211
Amortisation	9	214	129
Impairments	7	58	477
Loss on revaluation of land and buildings	8	896	509
(Gain)/Loss on disposal of property, plant and equipment	5a	(19)	42
Loss on disposal of intangible assets	5a	-	4
Profit on disposal of assets held for sale	5a	-	(231)
Increase in trade and other receivables	12	(487)	(277)
Increase in inventories	11	(470)	(174)
Increase/(Decrease) in trade payables	15	671	(79)
Use of provisions	16	(68)	68
Net cash outflow from operating activities		5,617	4,656
Cash flow from investing activities			
Purchase of property, plant and equipment	8	(3,675)	(3,566)
Purchase of intangible assets	9	(236)	(66)
Proceeds of disposal of property, plant and equipment		21	62
Proceeds of disposal of assets held for sale (net)		-	305
Net cash outflow from investing activities		(3,890)	(3,265)
Cash flows from financing activities			
Capital element of payments in respect of finance leases		(1,617)	(1,587)
Net cash flow from financing activities		(1,617)	(1,587)
Net cash flow from all activities		110	(196)
Net decrease in cash and cash equivalents in the period		110	(196)
Cash and cash equivalents at the beginning of the period		166	362
Cash and cash equivalents at the end of the period		276	166

Statement of Changes in Equity for the year ended 31 March 2018

	General Reserve	Revaluation Reserve	Total Reserves
	£000s	£000s	£000s
Changes in equity for 2016-17			
Net loss 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
Changes in equity for 2017-18			
Net gain on revaluation of property, plant and equipment	-	(1,710)	(1,710)
Release of reserves to statement of comprehensive net income	3,600	(3,600)	-
Retained deficit	(1,798)	-	(1,798)
Total recognised income and expense for 2017-18	1,802	(5,310)	(3,508)
Balance at 31 March 2018	30,715	87,509	118,224

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 2018

1 Statement of Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2017-18 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 2018 discloses net assets of £118,224,000.

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

c) Pension Benefits

Past and present employees of Trinity House are generally covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in the Remuneration Report. The PCSPS is an unfunded multi-employer defined benefit scheme. The scheme is treated as a defined contribution arrangement as it is not possible to identify the deficit for the relevant employers.

Trinity House recognises the contributions payable to the PCSPS. The PCSPS pays pension benefits and accounts for the liability.

During 2014-15, the pension liabilities of the Trinity House Pension Scheme were transferred to the PCSPS and the corresponding liability relating to this transfer 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 five years or less, depreciated historic cost (DHC) is considered as a proxy for fair value.

Asset Class	Valuation Method	Valued By
Non Specialised Land and 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 ¹	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 & Machinery - Low value or short life	Depreciated Historic Cost	No Additional Valuation required
Plant & Machinery - Not included above.	Fair Value	RICS Valuation Statement (UKVS) 4.1&4.3 Professional valuation as base cost, plus indices annually thereafter.

Plant & 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.
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¹Non Operational in this context relates to property that is not required for Trinity House 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 commences 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	5-15 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.

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 2018 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

IAS 40 requires that properties are classified as investment properties, where they are held for the purpose of capital appreciation, or to earn rentals, or both. Investment properties are valued at fair value with changes recognised in net operating expenditure for the period in which they arise.

As of 31 March 2018, 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 2018, 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

No new accounting standards became effective for the first time in 2017-18.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018, and have not been applied in these financial statements. The following new standards may affect future Financial Statements if they are adopted by the FReM, after further consultation:

- IFRS 9 addresses classification, measurement and impairment of financial assets. It should be included in the 2018-19 FReM. IFRS 9 should only result in terminology changes in Trinity Houses financial statements.
- IFRS 15 covers the recognition of revenues from contracts with customers. It should be included in the 2018-19 FReM. It is not thought that this will materially affect the timing of recognition or amounts recognised.
- IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. The probable impact is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest). The IFRS should become effective in the private sector for accounting periods commencing on or after 1 January 2019. It should be included in the 2019-20 FReM.
- IFRS 17 requires a discounted cash flow approach to accounting for insurance contracts. Subject to EU adoption, it is expected to come into effect for accounting periods commencing on or after 1 January 2021 and should be included in the 2021-22 FReM.

r) Income

In accordance with the Merchant Shipping Act 1995, Trinity House is permitted to sell reserve 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

	2017-18 £000s	2016-17 £000s
Buoy rental	898	684
Property rental	337	354
Tender hire	702	659
Sundry receipts	528	605
Total	2,465	2,302

b) Income on Behalf of All GLAs

	2017-18 £000s	2016-17 £000s
Contributions towards Radio Navigation projects	6	416
Tri-GLA tender hire	32	3
Total	38	419

4 Staff Numbers and Related Costs

Staff costs comprise:

	2017-18 Permanently employed staff £000s	2017-18 Others £000s	2017-18 Total £000s	2016-17 Total £000s
Wages and salaries	11,079	202	11,281	11,305
Social security costs	1,212	-	1,212	1,204
	12,291	202	12,493	12,509
Employers PCSPC contributions	2,355	-	2,355	2,251
Other pension contributions	6	-	6	6
Redundancy costs	3	-	3	98
Sub Total	14,655	202	14,857	14,864
Less: recoveries in respect of outward secondments	-	-	-	-
Total Net Costs	14,655	202	14,857	14,864

Included in the previous table are:

	2017-18 Permanently employed staff £000s	2017-18 Others £000s	2017-18 Total £000s	2016-17 Total £000s
Research and development salaries	734	-	734	722
Light Dues salaries	269	-	269	270
Staff costs capitalised in fixed assets	243	-	243	121
Staff costs shown under expenditure of Trinity House	13,409	202	13,611	13,751

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

	2017-18 Permanently employed staff	2017-18 Others	2017-18 Total	2016-17 Total
Directly employed	284.4	-	284.4	288.4
Other	-	8.4	8.4	11.0
Staff engaged on capital projects	6.5	-	6.5	4.3
Total	290.9	8.4	299.3	303.7

5 Expenditure

a) Other Expenditure

	Note	2017-18 £000s	2016-17 £000s
Running costs		11,638	11,778
Rentals under operating leases		690	643
Non-cash items			
Impairments	7	58	477
Profit on disposal of property, plant and equipment	8	(19)	(185)
		12,367	12,713
Interest charges	6	218	264
Non-cash items			
Depreciation	8	6,620	6,211
Amortisation	9	214	129
Loss on revaluation of assets	8	896	509
Total		20,315	19,826

b) Net Expenditure on Behalf of DfT

	2017-18 £000s	2016-17 £000s
Staff and accommodation	79	84
Audit ²	75	84
Professional services	30	19
Sombrero	3	4
Total	187	191

²The audit fee above is the entire audit fee for the GLF, and is paid for on behalf of the GLF. During the year, the GLF did not purchase any non-audit services from its auditors. The element of the 2017-18 GLF fee that relates to the C&AG's review of Trinity House's transactions and balances contributing to this audit opinion is £17k (2016-17 £18k)

c) Net Expenditure On Behalf Of All General Lighthouse Authorities

	2017-18 £000s	2016-17 £000s
Light Dues collection costs	711	710
Imperial Lighthouse Service pensions	37	40
Research and Development	1,054	1,217
Special sanction R&D including eLoran	1	509
Wreck removal	1,608	-
Total	3,411	2,476

Salary costs included in the above:

	2017-18 £000s	2016-17 £000s
Research and Development	734	722
Light Dues	269	270
Total	1,003	992

6 Interest Payable/Receivable

	2017-18 £000s	2016-17 £000s
Deposit interest receivable	-	(1)
Interest payable on lease of THV Alert	29	38
Interest payable on lease of THV Galatea	189	227
Total	218	264

7 Impairments

During the year, the costs of a capital project to Re-engineer the lighthouse at Mumbles exceeded the Depreciated Replacement Cost valuation by £58,076, and in accordance with the requirements of the FReM, it has been treated as an impairment 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 ³ & AUC ⁴	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation									
At 1 April 2017	6,835	77,113	9,570	14,690	4,754	1,472	14,812	796	130,042
Additions	-	-	19	1,046	319	432	470	1,389	3,675
Disposals	-	-	-	-	-	(100)	(84)	-	(184)
Impairments	-	-	-	-	-	-	(58)	-	(58)
Revaluations	(793)	(4,792)	(953)	(1,141)	133	(289)	(1,204)	-	(9,039)
Transfers	-	-	704	-	37	-	283	(1,024)	-
At 31 March 2018	6,042	72,321	9,340	14,595	5,243	1,515	14,219	1,161	124,436
Depreciation									
At 1 April 2017	-	-	-	-	25	369	302	-	696
Charged in year	-	2,170	681	1,443	304	344	1,678	-	6,620
Disposals	-	-	-	-	-	(99)	(83)	-	(182)
Revaluations	-	(2,170)	(681)	(1,443)	(329)	(247)	(1,563)	-	(6,433)
At 31 March 2018	-	-	-	-	-	367	334	-	701
Net book value at 31 March 2017	6,835	77,113	9,570	14,690	4,729	1,103	14,510	796	129,346
Net book value at 31 March 2018	6,042	72,321	9,340	14,595	5,243	1,148	13,885	1,161	123,735
Asset financing:									
Owned	6,042	72,321	9,340	445	5,243	1,148	13,885	1,161	109,585
Finance leased	-	-	-	14,150	-	-	-	-	14,150
Net book value at 31 March 2018	6,042	72,321	9,340	14,595	5,243	1,148	13,885	1,161	123,735

³Payments on accounts

⁴Assets under construction

Prior Year

	Land	Buildings	L'vessels	Tenders & Craft	Buoys & Beacons	IT	Plant & M'nery	POA ⁵ & AUC ⁶	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
Disposals	-	-	-	(18)	(31)	(60)	(147)	-	(256)
Impairments	-	-	-	(348)	(72)	-	(193)	-	(613)
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)
Revaluations	-	(1,994)	(752)	(1,235)	(344)	(246)	(1,297)	-	(5,868)
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
Net book value at 31 March 2017	6,835	77,113	9,570	14,690	4,729	1,103	14,510	796	129,346

⁵Payments on accounts

⁶Assets 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 (FReM). As a result, Trinity House has carried out an extensive exercise to obtain valuations for all items of Property Plant and Equipment on the basis outlined in note 1 (e) as of 31 March 2013. Subsequently Property, Plant and Equipment were revalued using indices where applicable in the Property, Plant and Equipment Policy. A full revaluation exercise was undertaken as at 31 March 2018 by:

Asset	Valuer	Organisation
Land, Buildings & Beacons in England & Wales	Mr Richard Bryan MRICS	DVS Property Specialists ⁷
Plant and Machinery & Lightvessels	Mr Andrew Lloyd MRICS & Mr Charles Waters MRICS	DVS Property Specialists ⁷
Tenders	Mr Charles Cundall	Braemar ACM Valuations Limited

⁷DVS 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 2018; this has been carried out by Braemar ACM 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.

Revaluations

A summary of the 2017-18 revaluation is set out below:

	£000s
Loss on property, plant and equipment (via SOCNI)	(896)
Gains on property, plant and equipment (via OCI)	12,261
Losses on property, plant and equipment (via OCI)	(13,971)
	(2,606)
Revaluation movements 2017-18	£000s
Revaluation movements cost (PPE note)	(9,039)
Revaluation movement accumulated depreciation (PPE note)	6,433
	(2,606)

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, 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 to pool vehicles and vans. In total, a gain on disposal of £19,119 was made.

9 Intangible Assets

Current Year

	Intangible software £000s	Intangible licences £000s	Total £000s
Cost or valuation			
At 1 April 2017	2,369	150	2,519
Additions	221	15	236
Disposals	(46)	-	(46)
At 31 March 2018	2,544	165	2,709
Amortisation			
At 1 April 2017	1,499	83	1,582
Charged in year	206	8	214
Disposals	(46)	-	(46)
At 31 March 2018	1,659	91	1,750
Net book value at 31 March 2017	870	67	937
Net book value at 31 March 2018	885	74	959

Prior 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

10 Assets Classified as Held for Sale

	2017-18 £000s	2016-17 £000s
As at 1 April	-	74
Additions	-	-
Disposals	-	(74)
Transfers	-	-
Depreciation	-	-
Transfers (Depreciation)	-	-
Impairments	-	-
As at 31 March	-	-

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

	2017-18 £000s	2016-17 £000s
Consumable stores	2,856	2,367
Fuel oil	190	209
Total	3,046	2,576

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

12 Trade Receivables and Other Current Assets

	2017-18 £000s	2016-17 £000s
Amounts falling due within one year:		
Trade receivables	394	393
Other receivables	110	127
Inter GLA debtors	1	1
Prepayments and accrued income	1,211	757
VAT recoverable	383	334
Total	2,099	1,612

13 Cash and Cash Equivalents

	2017-18 £000s	2016-17 £000s
Balance at 1 April	166	362
Net change in cash and cash equivalent balances	110	(196)
Balance at 31 March	276	166
The following balances at 31 March were held at:		
Commercial banks and cash in hand	276	166
Short term investments	-	-
Balance at 31 March	276	166

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. Due to 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 2018.

15 Trade Payables and Other Current Liabilities

	2017-18 £000s	2016-17 £000s
Amounts falling due within one year:		
Other taxation and social security	334	321
Trade payables	515	875
Other payables	321	301
Accruals and deferred income	3,639	2,684
Current part of finance leases	1,617	1,574
Total	6,426	5,755
	2017-18 £000s	2016-17 £000s
Amounts falling due after more than one year:		
Finance leases	5,465	7,082
Total	5,465	7,082

16 Provisions for Liabilities and Charges

	Redundancy £000s	Total £000s
Balance at 1 April 2017	68	68
Provisions utilised in the year	(68)	(68)
Balance at 31 March 2018	-	-

17 Capital Commitments

	2017-18 £000s	2016-17 £000s
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	117	60
Intangible assets	17	-
Total	134	60

18 Commitments Under Leases

a) Operating Leases

	2017-18 £000s	2016-17 £000s
Obligations under operating leases comprise:		
Land		
Not later than one year	147	141
Later than one year and not later than five years	472	482
Later than five years	1,975	2,001
Buildings		
Not later than one year	2	1
Later than one year and not later than five years	4	3
Later than five years	2	2
Other		
Not later than one year	227	515
Later than one year and not later than five years	-	227
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.

	2017-18 £000s	2016-17 £000s
Obligations under finance leases comprise:		
Other		
Not later than one year	1,802	1,802
Later than one year and not later than five years	5,758	6,843
Later than five years	-	718
	7,560	9,363
Less: interest element	(478)	(707)
	7,082	8,656

Finance leases details relate to THV Galatea and THV Alert.

19 Other Financial Commitments

Trinity House has not entered into any no non-cancellable contracts (which are not leases or PFI contracts), during the year (2016-17 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 were 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 contributions to the PCSPS and the new Public Service (Civil Service and Others) Pension Regulation 2014 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 2017-18, 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 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:

2017-18	2016-17
£6,229	£5,985

were paid to one of a panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

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

Contributions Equivalent Premium

Occasionally we have been 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; and
- has rights in the state scheme which can be restored by payment of a CEP.

Although contracting out ceased in April 2016, as part of the transfer of the pension scheme to the Civil Service we have been data cleansing our contracted out entitlements. This has resulted in two CEP payments totalling £1,580 needing to be paid during the financial year.

21 Contingent Liabilities Disclosed Under IAS 37

Trinity House has the following contingent liabilities:

Merchant Navy Officers' Pension Fund (MNOFP)

A new actuarial valuation was carried out as at 31 March 2015 which reported that the funding position of the MNOFP had improved sufficiently, and 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 aids to navigation are no longer dependant on the mains electricity supply mitigating any loss of mains supply.

The costs 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 geological 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 Trinity House 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

Trinity House Royal Sovereign Lighthouse, commissioned in 1971 using post tension concrete construction was built in two sections on the beach at Newhaven and designed for a 50 year life. The lighthouse is sited upon the Royal Sovereign Shoal, which has been marked since 1875.

As part of its routine periodic survey and modernisation/maintenance regime, and more recently detailed surveys in advance of the planned modernisation project in 2019-20, the surveys reveal advancing structural concrete delamination up to 60mm in more than 40% of the 300+ square metre concrete main structure soffits. Structural surveys identify that this has reduced the structural strength in key locations by more than 50%, which requires further assessment and weight removal of water tanks, heavy plant and other equipment to ensure the structure remains safe for up to a three year period. Safety will be reviewed on an ongoing basis.

While a substantial re-engineering and repair program in the range of £6m-£7m could extend the life of Royal Sovereign Lighthouse, it is prudent to consider the estimated remaining life of the main concrete pillar of up to 20-25 years, the full cost of future

annual maintenance and survey (£0.1m-£0.2m per annum), combined with the periodic modernisation costs of approximately £1m in the coming years versus the cost of a full decommissioning with the cost of providing an alternative AtoN provision. The alternative AtoN provision, as assessed by the Trinity House Examiners Committee, would consist of extending the light range of a nearby lighthouse and upgrading the buoy provision in this area using well established technology that has proven to be a reliable and cost effective solution.

The decommissioning costs quoted (£8m-£11m) are based on a written estimate from a major marine contractor, but these are now five years old and increased in line with inflation. Taking all of the above into account, Trinity House has set up a Project Group to investigate the available options and future for this lighthouse including full decommissioning under the relevant regulations.

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 two 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 one 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 are 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 to replace the light with a floating aid. An allowance of c. £0.3m should be allocated to cover this.

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 1993-94. 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 of the Treaty of the Functioning of the European Union. 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.

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 £33,200,000 (2016-17 £31,500,000) from the General Lighthouse Fund and incurred expenditure of £3,411,000 (2016-17 £2,476,000) on behalf of all three Authorities.

At the 31 March 2018, the balances outstanding with the GLAs were as follows:

	Balance due to TH		Balance due to GLA	
	2017-18 £000s	2016-17 £000s	2017-18 £000s	2016-17 £000s
Commissioners of Irish Lights (CIL)	-	2	-	-
Northern Lighthouse Board (NLB)	-	2	52	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 for 25 years. 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.

M Amos, 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.

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 2017-18 Trinity House paid £291,604 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£285,903 in 2016-17).

Conversely, the Corporation of Trinity House reimburses Trinity House for the provision of services during the year. The Corporation paid £71,606 to Trinity House in respect of these services during the year (£72,839 in 2016-17).

23 Inter-GLA Transactions

Ships Agreement

During the year, the Commissioners of Northern Lighthouse Board (NLB) provided the services of NLV Pole Star to Trinity House for 8.19 days under the terms of the Inter GLA

Ship Agreement dated 17 November 2010. In addition, Commissioners of Irish Lights (CIL) provided the services of ILV Granuaile for 2.15 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 (2016-17 - nil) and notional expenditure of £97,137 (2016-17 - £97,916).

24 Losses

No losses have been reported for the 2017-18 financial year (2016-17 £110,000).

25 Events After the Reporting Date

There have been no post balance sheet events.

APPENDIX 1

Five Year Summary

	2017-18	2016-17	2015-16	2014-15	2013-14
	£000s	£000s	£000s	£000s	£000s
Income					
Advances from the General Lighthouse Fund	33,200	31,500	30,500	31,400	38,600
Other income	2,465	2,302	2,292	2,625	2,520
Income on behalf of all GLAs	38	419	159	250	182
Grant income	23	-	100	180	200
Total	35,726	34,221	33,051	34,455	41,502
Expenditure					
Staff costs	13,611	13,751	14,102	13,323	11,296
Depreciation	6,620	6,211	6,844	6,646	5,942
Amortisation	214	129	127	271	284
Loss on revaluation	896	509	771	144	(19)
Pension cost	-	-	-	13	2,829
Other expenditure	12,367	12,713	13,779	13,851	12,925
Total	33,708	33,313	35,623	34,248	33,257
Exceptional items:	-	-	-	181,156	-
Net income	2,018	908	(2,572)	181,363	8,245
Interest payable/receivable	218	264	354	400	7,232
Net income after revaluation and interest	1,800	644	(2,926)	180,963	1,013
Net expenditure on behalf of DfT	187	191	336	246	276
Net expenditure on behalf of all GLAs	3,411	2,476	2,522	3,200	2,929
Net income after interest	(1,798)	(2,023)	(5,784)	177,517	(2,192)
Property, plant and equipment	123,735	129,346	128,230	136,560	133,319
Intangible assets	959	937	495	446	527
Assets less current liabilities	123,689	128,814	127,064	136,791	133,457
Assets less liabilities	118,224	121,732	118,395	126,612	(59,391)
Capital investment and purchases of property, plant and equipment	3,675	3,566	3,067	3,006	4,052
Average number of employees	299	304	304	309	303
Part-time included above	17	16	13	13	13

APPENDIX 2

Further Information

	2017-18		2016-17	
	Deployed	Owned	Deployed	Owned
Number of non-current assets:				
Lighthouses ³	66	64	66	64
Lightvessels	8	12	8	12
Lightfloats	1	1	1	1
Buoys ²	544	770	527	752
Beacons	18	18	18	18
Tenders	3	3	3	3
Ancillary Craft	5	5	5	5
Lighthouse abroad ¹	1	1	1	1
Totals	646	874	629	856

¹Trinity House owns and has full responsibility for Europa Point (Gibraltar).

²The 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.

³The 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.