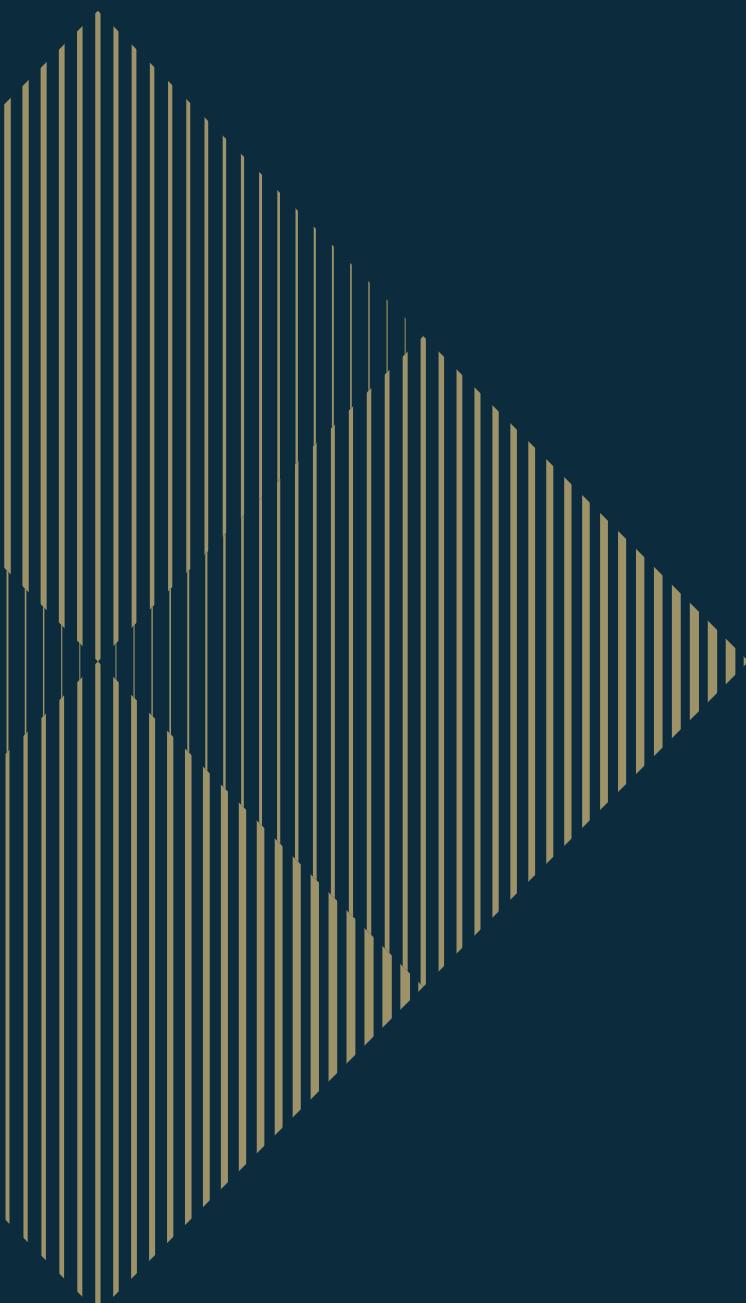




TRINITY HOUSE



Report and Accounts

FOR THE YEAR ENDED 31 MARCH 2020

Contents

Chairman's Review	4
Chief Executive's Review	6
Performance Report	
Overview	8
Performance Analysis	9
Accountability Report	
Directors' Report	21
Statement of Accounting Officer's Responsibilities	22
Governance Statement	23
Remuneration and Staff Report	39
Financial Statements	
Statement of Comprehensive Net Income	46
Statement of Financial Position	47
Statement of Cashflows	48
Statement of Changes in Equity	49
Notes to the Accounts	50
Appendix 1	85
Appendix 2	86

Directors of the Lighthouse Board

Vice Admiral Sir A M Massey KCB CBE ¹	Non-Executive Chairman
Captain I McNaught CVO MNM ¹	Chief Executive
Captain R H Barker MNM FNI ¹	Director of Navigational Requirements
Commodore R W Dorey RFA ¹	Director of Operations
A Damen RA Esq ²	Director of Business Services
D Ring Esq ³	Non-Executive
Mrs M Amos ³	Non-Executive
Mrs V Owen OBE ³	Non-Executive

Secretary to the Board

T Arculus Esq

¹Member of the Corporation of Trinity House

²Associate Member of the Corporation of Trinity House

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

Officers and Advisors

Principal Office

Corporation of Trinity House
Trinity House
Tower Hill
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 Fulbright
3 More London Riverside
London
SE1 2AQ

Chairman's Review



The 2019-20 financial year was a year of challenges for Trinity House, but has also shown great strength of character of the organisation and the people working together for the benefit and safety of all mariners.

It has been a great pleasure to take over as the Chair of Trinity House's Lighthouse Board and I want to thank everyone who has helped ensure such a smooth transition. I also want to take a moment to congratulate everyone at Trinity House for carrying out a good year's work in spite of the huge impact caused by the outbreak of COVID-19, carrying on their vital work without fumble or incident.

Picking up the thread of the wide variety of issues that are presented for discussion at Lighthouse Board, I can highlight here a few of the success stories and also some of the ongoing works.

The work to modernise Berry Head Lighthouse in Devon is now complete, and notable for being the first project to utilise the 'simple lighthouse design'. This innovation will set the standard for future shore-based lighthouse re-engineering projects.

The project to modernise Portland Bill Lighthouse in Dorset involved the precarious removal of the optic and the installation of new aid to navigation hardware and control systems. As a nod to the history of the site and the many visitors that the site attracts, the historical optic has been relocated to the foot of the tower as a visitor attraction.

The project to decommission Royal Sovereign Lighthouse is progressing currently, with the assistance of our technical specialists with a view to removing the topside and pillar, leaving the sub-sea base in situ, which will be appropriately marked and kept under review. It has been fascinating to learn some of the engineering and logistical issues faced by the

teams at Trinity House, and how they are proposing to overcome them.

On the remote Lundy Island in the Bristol Channel, the logistically-challenging project to modernise Lundy North Lighthouse has been temporarily paused due to the COVID-19 lockdown. With the teams having already completed a refurbishment phase; following the re-glazing of the lantern, the teams will be able to install new aid to navigation systems to complete the project and ensure another 20 years of reliable and efficient performance for the mariner, as soon as circumstances allow the project to re-start.

In November the Lighthouse Board and the Senior Management Team launched the ‘TH 2040’ project, which aims to make sure that our people have the skills we need for the next 20 years and beyond, by putting in place a framework to develop and keep our staff through a new capability-based career path structure.

While our aids to navigation continue to provide for the appropriate marking to allow all vessels to enter ports and harbours and transit safely through our waters, there is an ongoing need to assess and revise requirements; notably, the exploitation of renewable energy resources, and in particular the growth in offshore windfarms, requires close co-operation and assessment. Likewise, the Lighthouse Board will continue to review its Corporate Strategy and ensure that our services are the best fit to ensure the mariner’s ongoing safety.

Alan Massey
17 November 2020

**Vice Admiral Sir Alan Massey KCB CBE
Non-Executive Chairman of the Lighthouse Board**

Chief Executive's Review



Trinity House has once again delivered on its promise to safeguard ships and seafarers, and demonstrated both its ability to adapt and its necessity in the changing maritime sector.

I am pleased to report with confidence that Trinity House—as the General Lighthouse Authority (GLA) for England, Wales, the Channel Islands and Gibraltar—has delivered an aids to navigation service that is reliable, efficient and cost-effective. We have exceeded all recognised international aids to navigation availability standards, operated well within our sanctioned budgets and delivered all of our headline performance objectives.

We continue to evolve to meet the changing requirements of the mariner in terms of our aid to navigation provision. During the year, we have modernised Portland Bill and Berry Head Lighthouses and No. 6 Lightvessel; these projects—delivered in a cost-effective way using a mix of skilled staff and contractor support—are testament to how well new and proven technologies can be integrated seamlessly into our wider service and estate.

Looking forward, we have major re-engineering projects at Trwyn Du and Lundy North Lighthouses. We also look forward to signing with a design and build contractor for the future-facing vessel that will replace THV Patricia.

As mentioned above, during 2018-19 Trinity House launched a Vessel Replacement Project to commission the design and build of a vessel to replace THV Patricia, delivered in 1982 and reaching the end of its operational life. The Outline Business Case was agreed by the Department for Transport (DfT) in mid-2019 and signed off by the Minister. That work has continued, with the DfT Commercial Assurance Board in particular taking a keen interest. In parallel, our technical specialist is now on contract and using our set of requirements to work up a Specification as part of the Invitation to Tender; this will be for a design and build contract using a procurement process which allows for short listing and stages of negotiation, to ensure we get the right ship at the right price, with a target delivery during 2024-25..

It would be impossible to review the year without referring to the great shadow cast by

the outbreak of COVID-19. The three GLAs of the UK and Ireland are deemed essential services, vital for the safety of marine navigation and the continuous flow of food, fuel, medical and hygiene supplies, along with the many other commodities upon which we all depend daily. Trinity House's priority in this instance was to keep staff safe while delivering its statutory functions, and in this we were successful. We monitored the developments of the impact of COVID-19 and were quick to assemble our Crisis Management Team and establish new and pragmatic working protocols that ensured a high level of statutory performance while adhering closely to the advice provided by HM Government.

Our approach to governance has also been reviewed and modified to make sure that Trinity House is fit for purpose and in line with best practice, to provide our various stakeholders with even greater degrees of assurance. To that end, the Court of Trinity House approved the appointment of Sir Alan Massey as Non-Executive Chairman of the Lighthouse Board. Many of our stakeholders will already be familiar with Alan from his time as the Chief Executive of the Maritime and Coastguard Agency (MCA) before he retired in 2018; Alan joined the MCA in 2010 after a 33-year career with the Royal Navy, where he left as Second Sea Lord.

Alan is already an enormously welcome appointment, and I look forward to working with him as he picks up the reins from Captain Nigel Palmer, who has now retired as a Non-Executive Director for the Lighthouse Board, and also from the Joint Strategic Board. I once again thank Nigel for his outstanding service.

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

Ian McNaught
14 November 2020

Captain Ian McNaught CVO MNM
Chief Executive 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 Gibraltar, with the responsibility for the superintendence and management of all lighthouses, buoys and beacons within its area. Trinity House has various powers and responsibilities in connection with:

- The provision, maintenance, alteration, inspection and control of lighthouses, buoys and beacons;
- 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;
- 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 included on page 15 of this report.

These accounts are prepared by Trinity House in respect of its function as a GLA 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.

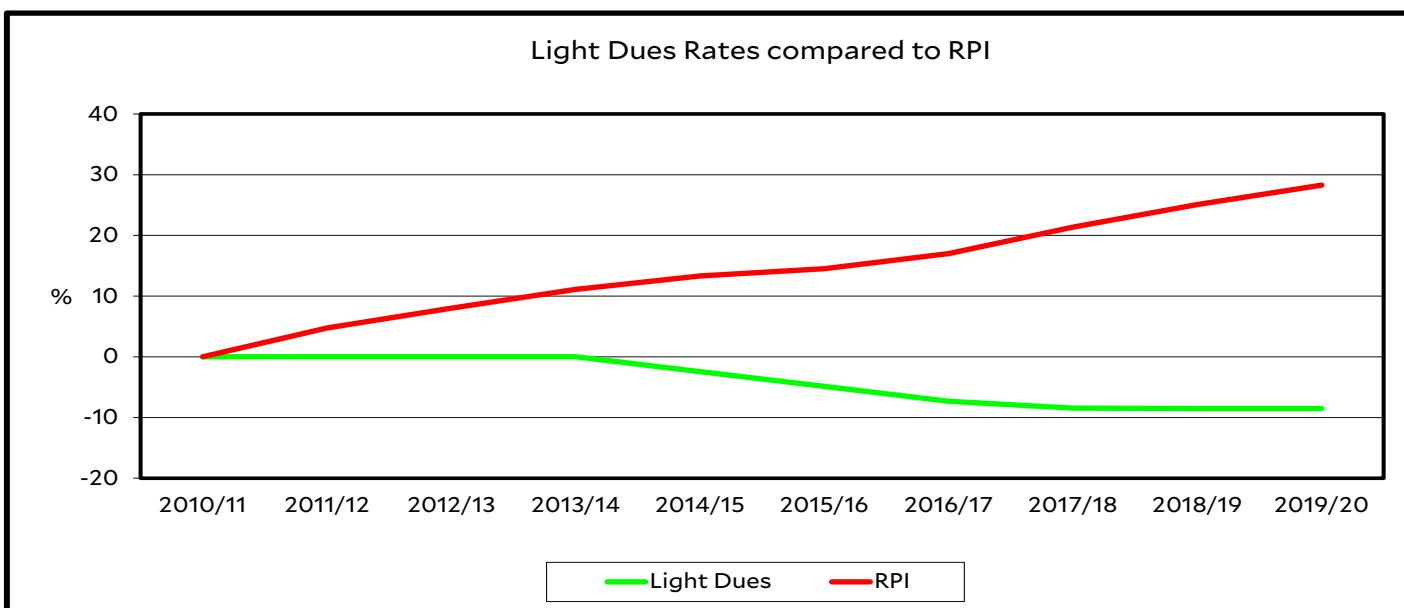
Performance and Progress

Trinity House is financed by advances made by the DfT from the GLF, the principal income of which is from Light Dues levied on ships using ports in the United Kingdom, the Isle of Man 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, grant 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 DfT have worked together to minimise costs and maximise efficiencies. The level of Light Dues per tonne has fallen from its historic

peak of 43p in 1993 to 37.5p today and is some 28% lower in real terms than it was in 2010. The Secretary of State for Transport confirmed on 20 February 2020 that the rate would remain at 37.5p throughout 2020-21.



Going Concern

These accounts have been prepared on a going concern basis, as Trinity House is satisfied that its activities are sustainable for the near future. The Statement of Financial Position at 31 March 2020 shows net assets of £112,367k. Advances for 2020-21, 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 has officially sanctioned the 2020-21 budget in a letter received on 3 February 2020.

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, other than those related to the introduction of IFRS16 – Leases.

The financial results for the year, set out in the Statement of Comprehensive Net Income, show a deficit of £8,396k for 2019-20 (surplus £906k 2018-19). Operating income and expenditure for the year was within Management expectations and DfT approved sanction, and the under spend on budget, while continuing to deliver our statutory role, benefitted the GLF by reducing upwards pressure on Light Dues levels. The reason for the large deficit was due to non-cash decommissioning provisions made for the demolition of Royal Sovereign and the decommissioning of DGPS at various sites; further explanation on these can be found in note 18.

Including Other Comprehensive Income, the Statement of Comprehensive Net Income (SoCNI) reports a net deficit for the year of £5,051k (deficit £900k 2018-19); this takes account of unrealised gains and losses on Property, Plant and Equipment which have been adjusted in line with market indices. The valuations of the tenders were slightly down on the March 2019 figures due to the continued difficult market conditions and general wear and tear of the vessels. The adoption of IFRS 16, and gains on the valuation of the lighthouse estate have resulted in an increase in non-current assets. A net deficit of £10,843k was transferred to the General Reserve (net deficit £1,469k 2018-19).

Losses reported in the SoCNI decreased the net worth of Trinity House, as shown on the Statement of Financial Position (SoFP), to £112,367k, (£117,324k 2018-19). 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 48) shows a surplus of £339k. The cash drawdown was below budget for the reasons provided in the Actual v Sanction Analysis commentary below, and accruals for 2019-20 do not draw cash until 2020-21. Funds are only drawn down from the GLF 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 2020-21 sanction obtained approval in February 2020; therefore Management believes 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
Running Costs	24,998	26,442	(1,444)
Employer Pension Costs	2,843	3,293	(450)
Net Income	(1,666)	(1,156)	(510)
Capital Expenditure	4,983	5,632	(649)
Capital Expenditure on Behalf of all GLAs	-	-	-
Other Trinity House Costs	1,924	2,055	(131)
Exceptional Expenditure	645	1,175	(530)
Expenditure on Behalf of all GLAs	1,889	2,268	(379)
Expenditure on Behalf of DfT	259	202	57
Total	35,875	39,911	(4,036)

It should be noted that the decommissioning provisions mentioned previously are not included in the above analysis. The cash outflows from these provisions will be shown on the Exceptional Expenditure line in the years in which they are expensed.

Actuals v Sanction Analysis

Overall, there is an under spend of £4,036k (10.1%) on the sanctioned budget of £39,911k. Running costs are under spent by £1,444k, with the under spend being split between staff costs, due to a mixture of staff turnover and gapped posts, and other costs, due to some

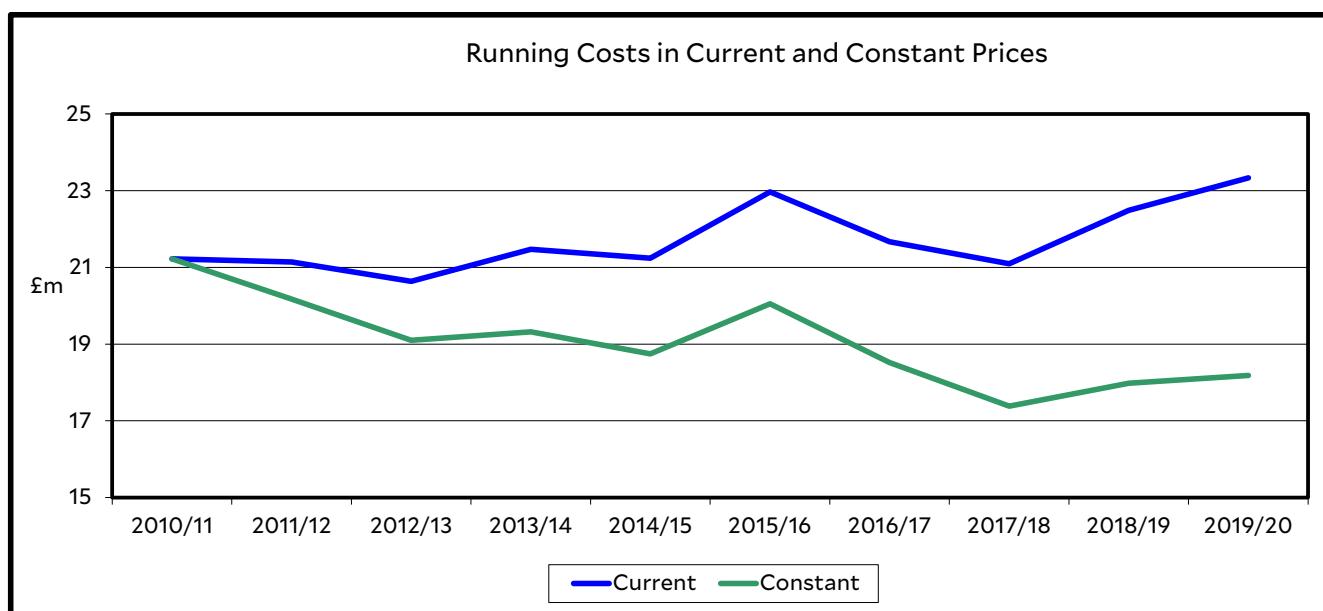
delayed maintenance resulting from weather and contractors' unavailability and various small under spends across a large number of departments, some resulting from Value For Money savings. Capital Expenditure is under spent by £649k, due to savings made on Marine projects, risk on capital projects not materialising and delays in the completion of certain projects in March 2020 due to COVID-19.

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 £21,221k in 2010-11 to £18,181k in 2019-20; a reduction of 14.3%.

	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s	2017-18 £000s	2018-19 £000s	2019-20 £000s
Running Costs Inc. Pensions	21,221	21,140	20,637	21,475	23,127	25,085	23,756	23,287	24,687	26,175
Pensions					1,884	2,118	2,089	2,189	2,198	2,843
Running costs ¹	21,221	21,140	20,637	21,475	21,243	22,967	21,667	21,098	22,489	23,332
Variance %		-0.4%	-2.4%	4.1%	-1.1%	8.1%	-5.7%	-2.6%	6.6%	3.7%
Running costs (constant prices)	21,221	20,172	19,102	19,320	18,744	20,049	18,518	17,381	17,978	18,181
Variance %		-4.9%	-5.3%	1.1%	-3.0%	7.0%	-7.6%	-6.1%	3.4%	1.1%
Average RPI	226.5	237.3	244.7	251.7	256.7	259.4	265.0	274.9	283.3	290.6

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 £1,894k;

- Maintained a satisfactory year-end audit report from NAO;
- Generated £279k 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 2020, expenditure on non-current assets was:

	2019-20 £000s	2018-19 £000s
Work in progress	1,566	1,568
Buildings	139	357
Tenders ¹	792	877
Lightvessels	755	430
Buoys and beacons	-	71
Plant and machinery	1,086	637
Computer equipment	354	220
Intangible software	291	102
Intangible licences	-	-
Total	4,983	4,262

¹Tenders includes Right-Of-Use (ROU) Assets additions during 2019-20.

Major capital spend during the year took place on the following projects; Lundy North modernisation, the modernisation and Dry Dock & Repair (DD&R) of Lightvessel 6, the DD&R of THV Patricia, cyber security software and a new mobile crane.

The Accounts Direction that came into force on 25 September 2019 states that 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 66).

The Corporation of Trinity House owns the Trinity House London building; it is not an asset of the GLF.

Key Performance Indicators (KPIs)

The three GLAs continue to evaluate their performance against the agreed schedule of inter-GLA KPIs.

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.

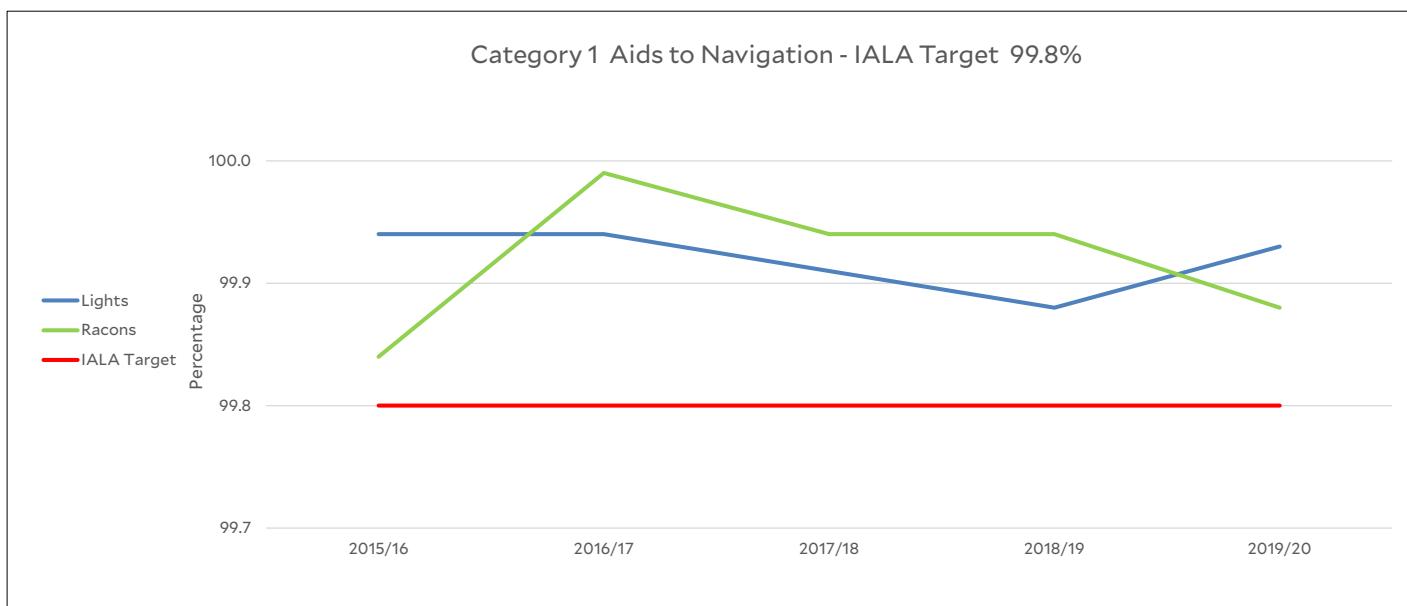
The core business of Trinity House is reflected in its Mission Statement: “To deliver a reliable, efficient and cost effective Aids to Navigation service for the benefit and safety of all mariners”. The Board measures its performance against this Mission by the use of different indicators, which together 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

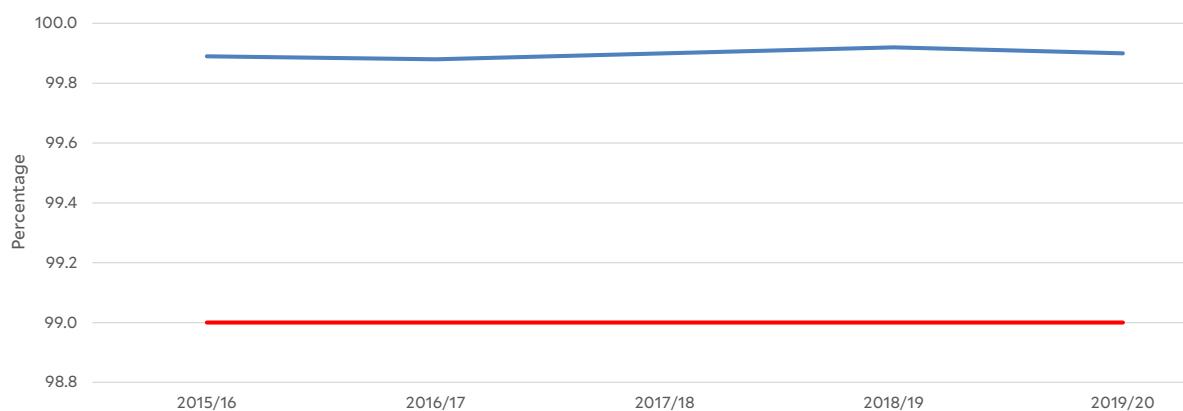
Availability of Aids to Navigation is the prime factor in any measurement to demonstrate compliance with our statutory responsibilities. The standards, which we measure against, are those recommended as the minima by the International Association of Marine Aids to Navigation and Lighthouse Authorities (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 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

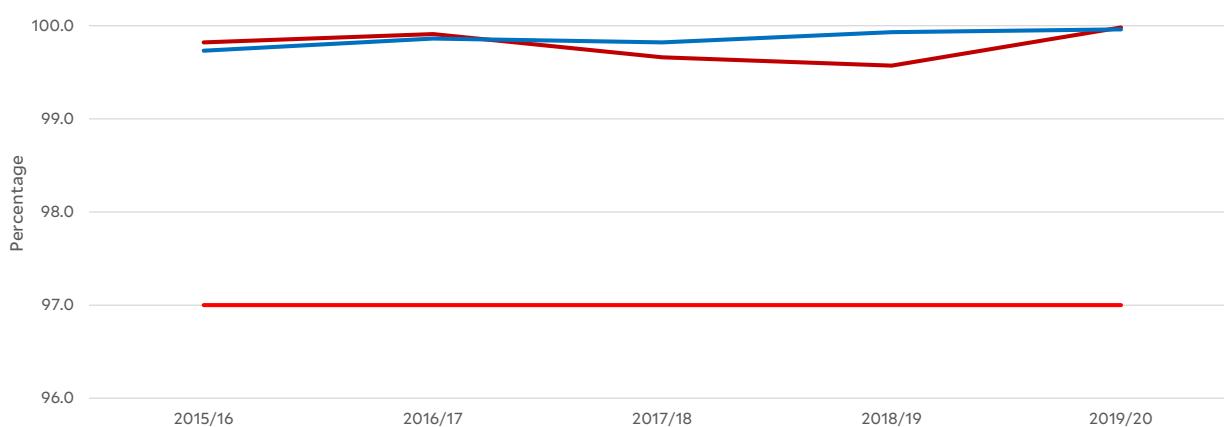
AtoN Type	Category	IALA Min %	2015-16	2016-17	2017-18	2018-19	2019-20
			%	%	%	%	%
Lights	1	99.80	99.94	99.94	99.91	99.88	99.93
Racons	1	99.80	99.84	99.99	99.94	99.94	99.88
Lights	2	99.00	99.89	99.88	99.90	99.92	99.90
Hazard Warning Signals	3	97.00	99.82	99.91	99.66	99.57	99.98
Lights	3	97.00	99.73	99.86	99.82	99.93	99.96



Category 2 Aids to Navigation - IALA Target 99.0%



Category 3 Aids to Navigation - IALA Target 97.0%



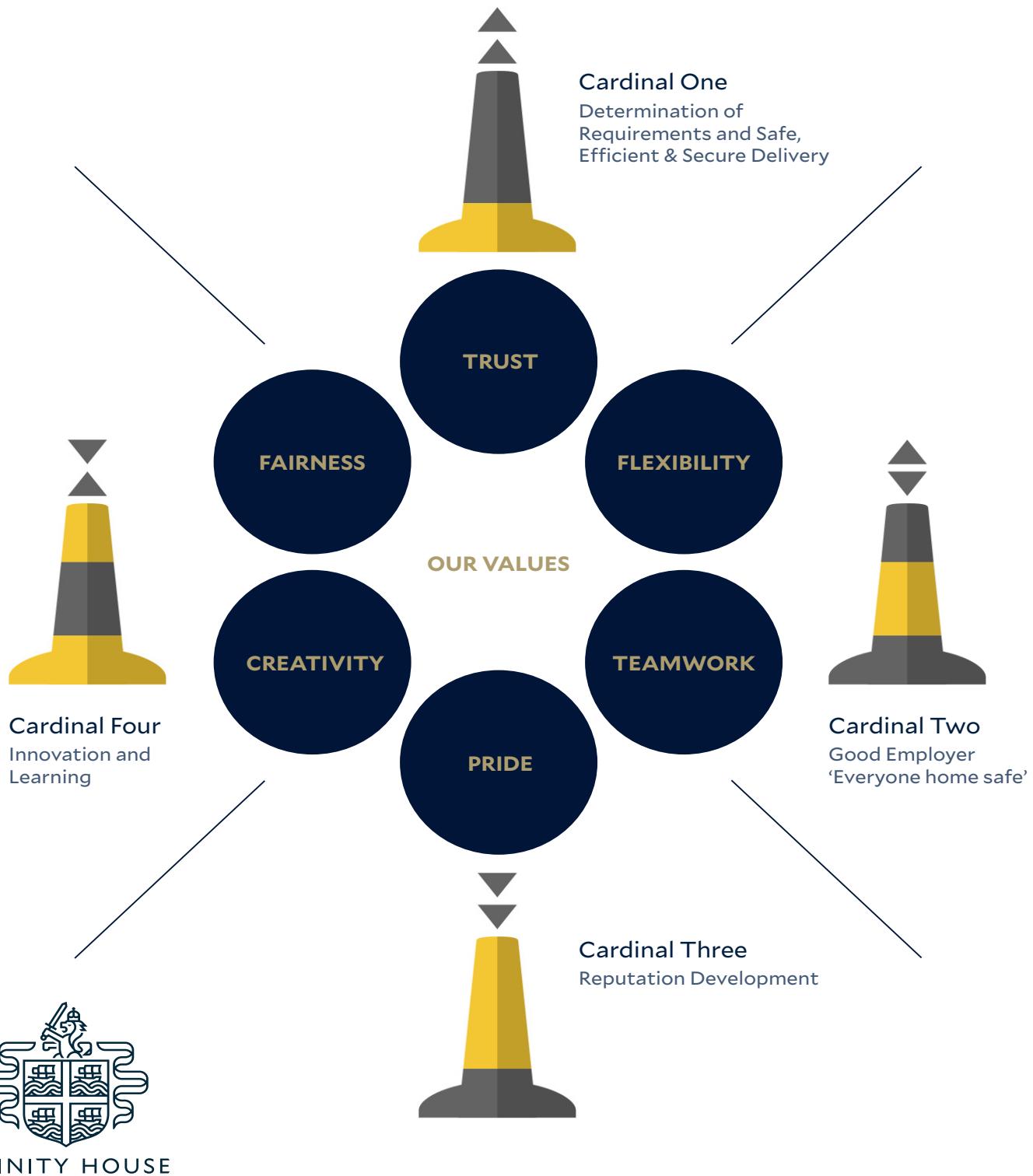
Trinity House's Strategy

Our Mission

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

Our Vision

To be a trusted world-class aids to navigation authority and regarded as such by our stakeholders



Trinity House will strive to provide an uninterrupted, efficient, maritime safety service at all times, 365 days a year by means of combining an emergency response capability for wrecks and new dangers with a careful blend of reliable fixed and floating strategic navigation assets. Trinity House has a statutory responsibility for the superintendence and management of aids to navigation covering a complex region of shallow and ever changing waters. Its waters are the access routes into the main ports of the United Kingdom while, at the same time, also include the major shipping lanes to and from the major northern European ports.

As per the Maritime Growth Study: keeping the UK competitive in a global market the shipping industry is a major enabler to the UK economy and 95% of UK International trade is moved by sea. With Brexit a reality and the ongoing need to further diversify and enhance the United Kingdom's trade position, safeguarding shipping and the environment in which it operates is now more important than ever.

During 2019-20 Trinity House reviewed its Strategy, taking into account the level of inward and outward freight through English and Welsh major ports, which represents 85% of total UK inward and outward freight in tonnes. Trinity House developed a comprehensive Strategy to sustain and meet current demand as a safety function now and in the future. The Strategy builds on tradition, heritage and embracing innovation, and includes Trinity House's mission, vision, values and priorities.

The Strategy shown diagrammatically on the previous page illustrates and summarises the key strategic priorities of Trinity House.

Values

Our success is characterised by our values that 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 Shipowner, 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. Four key Cardinals have been identified that will enable us to continue to improve and be the best we can be.

Cardinal One – Determination of Requirements and Safe, Efficient & Secure Delivery

Supported by:

Cardinal Two – Good employer

Cardinal Three – Reputation Development

Cardinal Four – Innovation and Learning

Implementation and Delivery

In order to progress and achieve our goals in terms of these Cardinals, an operational plan was developed that identified actions for 2018-19. 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. Our corporate and individual objectives reflect these objectives and actions.

Current Developments and Performance

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

Cardinal One - Determination of Requirements and Safe, Efficient and Secure Delivery

- Delivered excellent AtoN service availability with Category 1 AtoN at 99.84%, Category 2 AtoN at 99.89%, Category 3 AtoN at 99.88% and DGPS at 99.82%;
- Successfully met all the Risk Response Criteria thresholds within the 6 hrs, 12 hrs & 24 hrs areas at 98.25%, 90.34% and 98.91% respectively;
- The Buoy Service List was 88.85% completed in 2019-20;
- Determination of AtoN requirements and Safe, Efficient and Secure Delivery using the established risk based Examiners' Committee assessment process;
- 2020-2025 AtoN Review completed and subsequently published in May 2020;
- Processed 656 Marine Management Organisation and Natural Resources Wales applications to determine the navigational requirement;
- Provided the statutory management and superintendence function for 11,267 local

- aids to navigation;
- Retained certification against ISO9001 (Quality Management); ISO 14001 (Environmental Management) and achieved certification to ISO 45001 (Occupational Health and Safety);
- Worked to continuously improve Data Protection within the organisation;
- Portland Bill & Berry Head Lighthouses modernised using standard simplified equipment, Lightvessel 6 modernised, civil works phase of Lundy North Lighthouse modernisation completed;
- In excess of £2.7m gross commercial income was earned, making an important contribution to the General Lighthouse Fund and offsetting the cost to the Light Dues payer;
- Ministerial approval for the outline business case in respect of the THV Patricia replacement project.

Cardinal Two – Good Employer

- An extensive programme of Mental Health support has been provided, including creating a team of trained first responders and awareness workshops across all offices and depots;
- Regular communications to staff during COVID-19 pandemic, updating on news, policy changes, health and wellbeing and changes to Government Guidance and advice including Trinity House implementation of that guidance;
- Further developed the Fair Safety Culture throughout the organisation;
- Pledging to cease producing avoidable plastic waste by 2020 and working to honour that pledge.

Cardinal Three – Reputation Development

- Actively promoted Trinity House at all major National Safety Forums including UKSON, NOREL, SONAC, PMSC, CHWG/CHAS, and VTS Working Groups;
- Continued engagement with DBEIS to ensure the marking schedule for Offshore Oil and Gas Platforms will be updated to fulfil modern requirements;
- Continued engagement with MoD around the process and functions of Non Operational GNSS Jamming;
- Participated fully at Planning Inspectorate hearings to promote Trinity House functions and advise on marine safety;
- Participation at Seaworks 2019, with THV Alert;
- Introduction of two electric vans and five hybrid cars to the Trinity House vehicle fleet;
- Participation in London International Shipping Week with Vessel Replacement Day hosted at Trinity House, London;
- Participation at East of England Energy Group – Southern North Sea Exhibition;
- Positive affiliations with buoy suppliers and scientific agencies have seen a large volume of repeat business utilising Trinity House vessel for buoy deployment and recovery.

Cardinal Four – Innovation and Learning

- Continued the delivery of third party AtoN monitoring for decommissioned oil platforms;

- Since gaining Accredited Training Organisation status from IALA in 2018/19; Trinity House successfully delivered its first internationally recognised IALA AtoN Management Training course;
- Launched Buoys, Beacons and Bananas Key Stage 1,2 &3 Education Resource;
- Hosted depot tours for local schools, to enhance knowledge of Trinity House and the importance of the maritime sector, and to encourage future careers choices in the engineering and maritime industries.

GLA Research & Development (GRAD)

Over the past 12 months, GRAD has continued to research, develop, 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 enhancements being made with respect to efficacy and power consumption through the design of new heat sinks. 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 GRAD's laboratories and through "in field" measurements, that have taken place in places as far apart as Duncansby Head, near Wick, The Needles on the Isle of Wight and Tory Island in County Donegal.

GRAD 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 Ranging-Mode) will be available on an operational basis for the next 10-15 years. However, radar absolute positioning looks like the best external-to-ship option, but even this will be used as part of a system-of-systems rather than as a single technological solution. The ESA funded MarRINav project, to which GRAD was a majority contributor, developed and expanded this system-of-systems approach, with a follow-on project hoping to develop MarRINav output into technology demonstrators over the next few years. Other developments involving GRAD look at quantum technologies and the use of algorithms to provide position integrity within GNSS receivers, as well as the more ethereal use of neutrinos in navigation solutions.

GRAD is leading the world on the development of the VHF Data Exchange System (VDES). VDES is the next generation AIS, but with vastly increased data-communication bandwidth to support the ever increasing needs of the maritime user, and also supporting shore-side infrastructure to deliver e-Navigation services. GRAD has developed a signal structure for VDES in conjunction with other service providers. GRAD has further enhanced this by the development of cyber-security and authentication features that are currently lacking in AIS. GRAD also supported Ofcom at the recent World Radio Conference to ensure the necessary operating frequencies for VDES were allocated.

GRAD has led and supported the maritime user community within Europe to understand, and for potential take up of, a Space-Based Augmentation Systems (SBAS) for maritime use. SBAS were originally built for aviation use, but latterly the operators have developed potential services for maritime use. GRAD has continued to be at the forefront of SBAS maritime user consultation in Europe and has looked at ways in which this system can improve maritime services within Europe and potentially globally. It is expected that the EC will announce a first stage EGNOS (the European SBAS) maritime service during the next period.

For reputational development, innovation and learning, GRAD represents the GLAs at many international fora. These fora are global, in such bodies as, *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. Moreover, GRAD provides input to, and works with, the Maritime and Coastguard Agency, the UK Hydrographic Office and the International Maritime Organization on many topical items of mutual interest and standardisation.

Environment

Trinity House is committed to the protection of the environment and the prevention of pollution. Trinity House is continually reviewing all environmental issues affecting the environment in which it operates. Trinity House aspires to maximise the use of renewable energy sources, such as solar power, and continues to consider other sources, such as wave, wind and tidal flow. Trinity House achieved accreditation to the internationally recognised Environmental Standard ISO 14001 since 2000, and successfully transitioned to the new ISO 14001: 2015 Standard in 2017-18. Trinity House produces and delivers an annual corporate environmental plan containing key environmental targets and objectives, including targets aimed at ceasing the production of avoidable plastic waste.

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 where practically possible;
- Obtaining 'Green Passports' approved by Lloyds Register for its vessels THVs Galatea and Alert;
- Enhancing its arrangements for energy management;
- Working towards implementing United Nations Sustainable Development Goals relevant to our operations;
- Pledging in 2018-19 to stop producing avoidable plastic waste by 2020 and forming a Plastics Working Group to deliver this objective; and
- Commencing the introduction of ultra-low emission vehicles in the Trinity House vehicle fleet.

Ian McNaught
14 November 2020

Captain Ian McNaught
Chief Executive 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 23). In addition, representatives from the Lighthouse 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 is published on our website. Further details of how executive and non-executive Board members handle potential or actual conflicts of interests are addressed on page 34. Note that no conflicts of interest were identified during 2019-20 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 Contracts 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 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 ten days (2018-19 - nine days).

Personal Data Related Incidents

During 2019-20, 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 35.

Events After The Year End

These are covered in note 26 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 result in a financial 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

Trinity House has been working on a project to upgrade the Finance, Procurement and Inventory system, and develop a new Procurement logistics software. This has been in progress over the last year. Following a decision by the project board on 2 July 2020, the project will no longer proceed with the integration of the Maximo software. As a result, the costs incurred related to this part of the project are now considered a constructive loss. These costs of £48k in 2019-20, that were previously in assets under construction, have been moved to the Statement of Comprehensive Net Expenditure. A further loss of £50k will come to account in 2020-21.

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, directed Trinity House to prepare for each financial year a statement of accounts in the form consistent with 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 Chief Executive as the Accounting Officer of Trinity House. The responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the funds allocated to Trinity House in its capacity as a General Lighthouse Authority, 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 Agreement between the Department for Transport and the General Lighthouse Authorities.

As far as the Chief Executive 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 and balanced and that he takes responsibility for the annual report and accounts, and the judgements required for determining that it is fair and balanced.

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 2019-20 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, which was that until 22 January 2020 the Trinity House Executive Chairman combined the role of Chairman and Chief Executive. Following a comprehensive review, these roles have been separated and since then Trinity House has been in compliance with the Code.

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 2019-20, 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 an associated action plan;
- Review and approval of the Corporate Plan for 2020-25 and Annual Report and Accounts for 2018-19;
- 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 outcomes and new vessel procurement exercise;
- Monitoring of implementation of the RPI-X regime and consideration of its future after the end of its second five year period;
- Review and approval of organisational policies;
- Consideration of potential future initiatives for Trinity House; and
- 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 October 2018. The Code of Conduct and Best Practice also refers to the Framework Document for the General Lighthouse Authorities.

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

recommendations to improve its effectiveness.

In June 2019, the Board members were asked to individually consider the Board's 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 July 2019 Strategy 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; a number of actions have taken place to improve upon performance.

In relation to the Board Effectiveness evaluation, the Board noted at its October 2019 meeting that the language of the questionnaire, which speaks about areas of partial disagreement and strong disagreement, did not quite reflect the mood of the Board. Although some respondents had ticked those boxes as individuals, the Board in fact was not in disagreement, and was in harmony on most matters. The Board considered that the results of the evaluation are actually good.

The Board had undertaken the same exercise in 2018-19 and had identified seven areas where some Board members partially disagreed, and three remained of concern to the Board in 2019-20.

During early 2020-21, attention will be given to making improvements to the areas where the Board partially disagreed, and these will be addressed.

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 and 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).

Lighthouse Board Membership

Captain I McNaught Chief Executive
Captain N Palmer ¹ Deputy Chairman/Senior Non-Executive Director
Captain R H Barker Director of Navigational Requirements
Commodore R W Dorey Director of Operations
Mr A Damen Esq Director of Business Services
Mr D Ring Esq Non-Executive Director
Mrs M Amos Non-Executive Director
Mrs V Owen Non-Executive Director
Vice Admiral Sir Alan Massey ² Non-Executive Chairman

¹Captain N Palmer retired from the Lighthouse Board on 22 January 2020.

²Vice Admiral Sir Alan Massey appointed as Non-Executive Chairman of the Lighthouse Board on 22 January 2020.

Committees

The Board delegates certain of its responsibilities to committees. This provides for greater independence with regard to audit, appointments and remuneration. A Board Member, other than the Chief Executive, chairs all Committees, with the exception of the Executive Committee.

Board Committee	Remit	Highlights
Executive Chair: Captain I McNaught	Operational management of the organisation.	<ul style="list-style-type: none"> • Ongoing scrutiny of Headline Performance Objectives, KPIs, key health & safety, environmental, finance, operational, planning and business continuity matters to contribute to effective internal control; • Monitoring progress against the Operational Action Plan 2019/2020 • Review of Trinity House policies and monitoring the robustness of Trinity House's Management System; • Approval of various Project Initiation Documents, project briefs and mandates; • Scrutiny of proposed additional revenue and capital spend; • Scrutiny of matters arising at Joint Strategic Board and the furtherance of inter-GLA Cooperation; • Reviewing and monitoring of Corporate, Organisational and Departmental risk issues including in addition those relating to the New Vessel Procurement programme, Royal Sovereign Lighthouse decommissioning, resourcing, Data Protection, Brexit and emerging risk issues; • Monitoring initiatives in respect of Trinity House's high level engagement at IALA and Trinity House's contribution to Maritime UK; • Monitoring Trinity House's response to wrecks, hazards and new dangers together with the navigational safety and legal aspects of offshore wind farm developments;

Board Committee	Remit	Highlights
		<ul style="list-style-type: none"> • Monitoring and development of commercial work initiatives and collaborative working arrangements with third parties; and • Review of property and legal matters affecting the Lighthouse Estate.
Audit and Risk Assurance Chair: Mrs M Amos	Review of organisational controls, risk, governance, finances and systems.	<ul style="list-style-type: none"> • Scrutiny of the Annual Report & 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, bribery or whistleblowing; • Review of its work and effectiveness in accordance with the recommendations of the HM Treasury's Audit & Risk Assurance Committee Handbook; • Review of Cyber Security controls within Trinity House; and • Review of Data Protection arrangements. • Supporting Trinity House's Accounting Officer.
Directors' Remuneration Chair: Mrs V Owen	Assessment of Executive Directors' performance, remuneration, bonuses and corporate performance.	<ul style="list-style-type: none"> • Assessment of Executive Directors' performance, remuneration, bonuses and corporate performance; and • Talent/Capability Management¹

Board Committee	Remit	Highlights
Executive Remuneration Chair: Mr A Damen	Assessment of staff remuneration, manpower requirements and organisational structure.	<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; • Gender Pay Gap Reporting; and • Talent/Capability Management¹
Examiners Chair: Captain R H Barker	All requirements for the service's provision of Aids to Navigation.	<ul style="list-style-type: none"> • Continued five yearly Aids to Navigation review of Trinity House areas. • Hazard Warning Signal review of requirements. • Review of Aids to Navigation around current Offshore Renewable Energy fields. • Consideration of requirement for decommissioning of Offshore Oil and Gas Installations. • Position of trial buoys in the Cork Hole. • Rectification of incorrect sector at Portland Bill following re-engineering. • Requirement for the Channel Lightvessel and future replacement with an appropriate buoy. • Trwyn Du Hazard Warning Signal requirement. • DGPS future requirements. • Future positional monitoring of buoys as part of Aids to Navigation review. • Thanet Extension Offshore Windfarm Development Consent Order process. • Renewable Power developments near to South Stack Lighthouse.

Board Committee	Remit	Highlights
Nominations Chair: Mrs V Owen	Proposing Executive appointments to the Lighthouse Board.	<ul style="list-style-type: none"> The Nominations Committee did not meet in 2019-20 as there were no changes to Board Membership other than the appointment of the new Non-Executive Chair to the Lighthouse Board. The selection and appointment for this important role was handled by the Court of Trinity House, supported by the Department of Transport and was therefore outside the remit of the Nominations Committee. The Lighthouse Board did support the appointment of Sir A Massey, and Mrs M Amos was a member of the selection committee.

¹The Directors' Remuneration and Executive Remuneration Committees have collaborated jointly through the Lighthouse Board looking at making improvements to how Trinity House manages talent and capability improvement through a multi-year project known as TH2040.

Attendance by Lighthouse Board members at Board and Committee meetings during 2019-20 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)	7 (of 7)	3 (of 4)	*	3 (of 3)	4 (of 6)	0 (of 0)
Captain N Palmer ¹³	4 (of 5)	*	*	*	3 (of 3)	2 (of 6)	0 (of 0)
Commodore R Dorey	8 (of 8)	6 (of 7)	*	*	3 (of 3)	6 (of 6)	*
Captain R H Barker	6 (of 8)	7 (of 7)	*	*	3 (of 3)	6 (of 6)	*
Mr A Damen ²	7 (of 8)	7 (of 7)	4 (of 4)	1 (of 1)	*	*	*
Mr D Ring ¹	7 (of 8)	*	3 (of 4)	*	*	*	0 (of 0)
Mrs M Amos ¹	7 (of 8)	*	4 (of 4)	1 (of 1)	*	*	0 (of 0)
Mrs V Owen ¹	8 (of 8)	*	3 (of 4)	1 (of 1)	*	*	0 (of 0)
Vice Admiral Sir A Massey ¹⁴	3 (of 3)	*	*	*	3 (of 3)	*	0 (of 0)

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

²Not 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.

³Captain N Palmer retired from the Lighthouse Board on 22 January 2020.

⁴Vice Admiral Sir Alan Massey appointed as Non-Executive Chairman of the Lighthouse Board on 22 January 2020.

Risk Management

Acting in the role of Accounting Officer, the Chief Executive has the overall responsibility for maintaining a sound system of internal control that supports the achievement of Trinity House's policies, aims and objectives, whilst safeguarding the General Lighthouse

Authority's funds and assets for which he is personally responsible, in accordance with the Managing Public Money rules. These responsibilities were formally set out in a letter dated 4 February 2010 to the then Executive Chairman (now Chief Executive) 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 in Trinity House for the year ended 31 March 2020 and up to the date of the approval of the Annual Report and Accounts.

Risk Categories

During 2019-20 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. As regards the Trinity House Strategy, the view was that the risk appetite should remain averse or minimalist in terms of regulatory compliance and reputation and no more than cautious in terms of financial/value for money matters, with a move to a more open approach as regards operational and policy delivery in respect *inter alia* of commercial and other new areas of work. This is the approach adopted during 2019-20. 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. In this respect, some changes to the risk appetite were made against some of the risks on the Corporate Risk Register following a review in March 2018. In 2019-20, some further changes to risk appetite were made because of internal audit findings.

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

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

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

Trinity House leads the General Lighthouse Authorities' Triennial Risk Management and Insurance Review, the last review was undertaken in September 2018. The review includes the analysis of all main risks facing the General Lighthouse Authorities supported by third party external validation from a firm of independent risk consultants, Marsh. In the intervening years, the General Lighthouse Authorities conduct their Annual Risk Management and Insurance Scrutiny in order to review progress of the actions arising from the previous Triennial Risk Management and Insurance Review and to consider developments on insurance and risk matters.

Risk Monitoring

The responsible Director and Senior Manager formally reviewed directorate/departmental risk registers at quarterly intervals during 2019-20, although amendments are made in the

intervening time in the light of changes in the risk profile.

Risks are reviewed, the probability of the risk event occurring and the impact that the occurrence would have both before and after controls have been put in place is evaluated and whether there is a change in the probability and impact categories is determined. Application of any additional controls to reduce the residual risk further is also considered. The Executive and Audit & Risk Assurance Committees and the Board formally review the Corporate Risk Schedule quarterly.

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

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

Members of the Lighthouse Board, senior managers and other risk owners attended a risk management workshop in December 2019. The output from this is the Head of Legal & Risk and the Risk Manager reviewing the format of the risk registers and revisiting the escalation process from departmental risk registers to the organisational and corporate risk registers to ensure attention is given to the most significant risks.

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 fora 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.

The Trinity House Public Relations and Corporate Communications Strategy 2019-28 aims to identify Trinity House's priorities for communication with its external stakeholders having regard to the Trinity House Strategy. It is a tool by which Trinity House seeks to strengthen relationships with its stakeholders so that they work with and support Trinity House in the delivery of its mission and the pursuance of its vision. In so doing it will help Trinity House minimise the risk that it fails to achieve its objectives and goals.

Trinity House pro-actively seeks feedback internally and externally by means of surveys approximately every three years. The latest formal stakeholder surveys were conducted during 2018-19. The results of the external stakeholder survey were considered for the 2019-28 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 2020 were the risks, uncertainties and opportunities introduced because of:

- The potential for insufficient ship resources which could impact on the delivery of Trinity House's statutory duties and the performance of extraneous services (out with the new vessel procurement process) has risen due to the increased risk of THV Patricia being unable to sustain her operational capabilities;
- The threat of cyber-attack and Trinity House's ability to not only prevent such incidents but also to recover from such an incident, together with the potential for reputational damage in the event of a data breach, if one was to occur;
- The removal of Royal Sovereign Lighthouse poses many risks to Trinity House, mainly due to the anticipated cost of the project, though the risk level this poses should decrease as the project progresses.
- The outcome of the transitional phase of Brexit could result in more onerous or rushed legislation for Trinity House, which could impact on its operations and supply chain;
- The risk from Global Navigation Satellite System (GNSS) vulnerability in terms of its use as an aid to navigation remains moderate;
- Failing to adequately resource Trinity House due to recruitment and retention issues, and the demographic of the current workforce; and
- The process to procure a new vessel and to dispose of the ageing THV Patricia is a decreasing risk, as the project is progressing as planned.

Key Strategic Risk Issues

In 2019-20, the key strategic risk issues of concern represented on the Corporate Risk Schedule included:

- Insufficient ship resources to discharge Trinity House's statutory duties;
- THV Patricia being unable to sustain her operational capability due to her age;
- Cyber security;
- The decommissioning of Royal Sovereign Lighthouse which, because of its scale and uniqueness, poses significant risks
- Uncertainties arising from Brexit negotiations including a no deal scenario and its potential repercussions including possible calls for Scottish independence;
- Global Navigation Satellite System (GNSS) vulnerability;
- Failure to adequately resource Trinity House due to recruitment and retention issues;
- The demographic of the workforce and how 1/3 of all staff could choose to take retirement within the next 10 years; and
- New vessel procurement.

The Trinity House Audit & Risk Assurance Committee is 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-notices) 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 2019-20 that required management intervention.

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

The Audit & Risk Assurance Committee reviewed the Register of Members' Interests and the Hospitality Register in September 2019. For good practice, the Audit & Risk Assurance Committee review the Registers on an annual basis.

The Fraud and Bribery Risk Register evidences that there were no incidences of fraud or bribery reported during 2019-20. The organisation's control framework surrounding fraud and bribery was assessed against the Chartered Institute of Public Finance and Accountancy (CIPFA) counter fraud code principles. From the results of this assessment, it was considered that Trinity House has got the fundamentals in place for sound governance surrounding counter fraud and corruption but there was scope for the existing framework to be further enhanced to meet the criteria of 'yes' or 'always without exception' against some of the performance statements. An action plan was developed which has resulted in the re-establishment and increased population of the Fraud and Bribery Risk Register and the introduction of a Counter Fraud Strategy. The Fraud and Bribery Response Plan and contract documentation have also been amended to provide a right of access to personal data and special category personal data to external fraud investigation teams.

Information Risk

During 2019-20 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 and Risk Management framework.

Trinity House maintains a Master Data Schedule for all assets identified as containing personally identifiable information (PII) and special category data. Each asset is assigned an Information Asset Owner (IAO) from the Senior Management Team. Each IAO provides a periodic judgment of the security and the extent of use of the assets under their control in order to support the audit process. This includes: the type and extent of information stored in the asset, what is added and deleted; who has access to the asset and the security controls in place to protect the asset. A Board-level Senior Information Risk Officer (SIRO) is in place and reports on Information Security via the Audit & Risk Assurance Committee accordingly. Each IAO is required to undertake periodic fraud and information risk awareness training. This learning is undertaken by way of an online 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 Head of IT. 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 was one minor, low risk/non Information Commissioner's Office reportable, personal data breach recorded in 2019-20; this related to the loss of personal data contained within a manual record.

Changes have been made to Data Protection policies and procedures in order to ensure compliance with the Data Protection Act 2018 and the General Data Protection Regulation (GDPR). Procedures exist for handing data subject requests and an on-going programme of works is in place to enhance compliance with relevant legislation. A cross-functional Data Protection Steering Group meets regularly to consider continuous improvement measures around information handling and data protection.

Work has also continued to bolster provision for Cyber Security increasing the multi-layered security approach through the use of a machine learning, enterprise immune security system and a launch of overarching top-level Cyber Security Principles which included a staff awareness campaign. A 'Security and Compliance' dashboard is also reported to the Audit & Risk Assurance Committee periodically.

Management Assurance Statement

The Management Assurance Statement for 2019-20 was completed in accordance with the Department for Transport Group's requirements.

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

All areas scored substantial, with the single exception of knowledge and information management, which scored moderate. Knowledge and information management remains at moderate due to some staff being reliant on locally maintained records, for example email holdings and on local drives and information security and the requirement to identify an online GDPR awareness briefing that all new starters can undertake. Organisational records and information are stored within the Trinity House document management system and/or approved databases.

Review of Systems of Internal Control

Acting in the role of Accounting Officer, I have the responsibility for reviewing the effectiveness of the systems of internal control and governance. My review of the effectiveness of the systems of internal control and governance is informed by the work of internal auditors, external auditors, third party auditors, directors and senior managers within Trinity House who have responsibility for the development and maintenance of the internal control and governance framework. I have been advised on the effectiveness of the systems of internal control and governance by the Board and the Audit & Risk Assurance Committee. Plans to address any weaknesses and ensure continuous improvement of systems are in place.

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

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

Ministerial Directions

During 2019-20 Trinity House received no ministerial directions.

Head of Internal Audit Opinion

"On the basis of the evidence obtained during 2019-20, I am able to provide an overall 'Substantial' assurance rating on the adequacy and effectiveness of TH'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.”

Chief Executive Opinion

There have been no significant internal control or governance problems in the year ended 31 March 2020. 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
14 November 2020*

**Captain Ian McNaught
Chief Executive 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. The 2018-19 Staff Survey reiterated staff concerns about the effects of 10 years of below inflation pay rises and market competitiveness, limited career opportunities and flexible working arrangements.

These concerns, combined with an ageing workforce, of which one third has the option to retire within 10 years, has led to the commencement in 2018-19 of a review of the required future workforce capabilities, career support and training requirements, which continued during 2019-20.

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.

Directors' rates of pay are determined using the same methodology as that applied to staff. The remuneration of the Directors and their pension entitlements are shown below:

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

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.

²Retired 19 July 2018 (2018-19 full time equivalent salary £15k-£20k)

³Retired 22 January 2020 (2019-20 full time equivalent salary £20k-£25k)

⁴Commenced 14 September 2018 (2018-19 full time equivalent salary £15k-£20k)

⁵Commenced 22 January 2020 (2019-20 full time equivalent salary £15k-£20k)

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. These have been rounded to the nearest £100.

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 relevant financial year.

Pay Multiples

	2019-20	2018-19
Band of highest paid directors total remuneration (£000s)	135-140	135-140
Median total remuneration	£33,508	£32,851
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 2019-20 was £135k-£140k (full time equivalent) (2018-19 £135k-£140k). This was 4.2 times (2018-19 4.2) the median remuneration of the workforce, which was £33,508 (2018-19, £32,851).

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

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 where appropriate.

Non-Executive Director	Contract Start	Expiry Date
N Palmer (Contract renewed in 2018 for a further year and extended again in 2018 until the new Non-Executive Chairman had been appointed)	1 February 2012	22 January 2020
D Ring (Contract renewed in 2016 for a further three years, and extended again in 2019 for a further year)	1 December 2013	30 November 2020
M Amos (Contract renewed in 2020 for a further three years)	16 May 2017	15 May 2023
V Owen	14 September 2018	13 September 2021
A Massey	22 January 2020	21 January 2023

Executive Board Members' 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 Chief Executive) 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 2019	Cash equivalent transfer value at 31 March 2020	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	-	25-30	-	461	523	46	-
A Damen	0.0-2.5	-	5-10	-	69	97	18	-
R Barker	0.0-2.5	-	20-25	-	412	440	25	-
R W Dorey	0.0-2.5	0.0-2.5	45-50	135-140	958	1,023	18	-

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 21 (page 79) contains further information on pensions for all staff.

Staff Report: Other

Staff Costs

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

	2019-20 £000s	2018-19 £000s
Total Staff Costs	15,340	14,298

Details of staff costs can be found at note 4 on page 63.

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

	2019-20 Total	2019-20 Permanent Staff	2019-20 Others	2018-19 Total
Directly employed	294.6	294.6	-	297.6
Other	12.0	-	12.0	9.2
Staff engaged on capital projects	4.3	4.3	-	2.5
Total	310.9	298.9	12.0	309.3

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	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
< £10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	-	-	-	-
Total number of exit packages	-	-	-	-	-	-
Total resource cost (£s)	-	-	-	-	-	-

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 2020.

	Male	Female
Executive Directors	4	0
Non-Executive Directors	3	2
Senior Managers	9	0
Employees	216	83

Sickness Absence

Sickness absence during the last two years was:

	2019-20	2018-19
Total number of days lost due to sickness	3,329	2,934
Average number of days lost per employee	11.0	9.9

Staff Relations

Trinity House is obliged to comply with the Civil Service Pay Guidance published by the Government. The Department for Transport approved an underlying pay drift of 2%. This was reluctantly accepted by Prospect and Nautilus, but unfortunately Unite the Union felt it necessary to take one day of industrial action in April 2019 in pursuit of their claim for an in excess of Government pay rules and the approval received.

Off-Payroll Engagements

Trinity House has not entered into any off-payroll engagements during 2019-20 (2018-19 £nil).

Expenditure on Consultancy

The amount spent on consultancy was £nil (2018-19 £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. An external reviewer has praised this process for its effectiveness.

In addition, Departmental Managers identify skills gaps through careful strategic analysis, 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, Business Services and Navigational Requirements. There is also a Secretariat, providing legal and risk services, health and safety services and supporting the Chief Executive.

Trinity House is responsible for two inter-GLA Functions: GLA Research and Development

(GRAD), and Light Dues collection.

Research and Development is undertaken on behalf of the three GLAs by GRAD 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 that have the possibility of providing more efficient and cost effective methods of providing General Lighthouse Authority 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.

Trinity House also manages responsibility for out-of-hours Aids to Navigation central monitoring. 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 GLAs. Subsequently, this has become a permanent arrangement.

Equal Opportunities

Trinity House is an equal opportunity employer, and does 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”. The TH2040 project is set up to support this now and in the future.

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 Chief Executive 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

Trinity House has been working on a project to upgrade the Finance, Procurement and Inventory system, and develop a new Procurement logistics software. This has been in progress over the last year. Following a decision by the project board on 2 July 2020, the project will no longer proceed with the integration of the Maximo software. As a result, the costs incurred related to this part of the project are now considered a constructive loss. These costs of £48k in 2019-20, that were previously in assets under construction, have been moved to the Statement of Comprehensive Net Expenditure. A further loss of £50k will come to account in 2020-21.

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 UK Comptroller and Auditor General formally certify the GLF Accounts 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.

As far as the Chief Executive 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 takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

*Ian McNaught
14 November 2020*

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20 £000s	2018-19 £000s
Income			
Advances from the GLF		35,740	33,700
Other income	3a	2,558	2,730
Income on behalf of all GLAs	3b	63	62
Grant income		44	4
		38,405	36,496
Expenditure			
Staff costs	4	15,340	14,298
Depreciation - PPE	8	4,766	6,451
Depreciation - ROU	9	1,695	-
Amortisation	10	332	288
(Gain)/Loss on revaluation		(122)	38
Other expenditure	5	14,185	14,515
Decommissioning provisions	18	10,605	-
		46,801	35,590
Net income/(expenditure)		(8,396)	906
Net interest payable	6	202	175
Net income/(expenditure) after interest		(8,598)	731
Net expenditure on behalf of DfT			
Sombrero	5b	-	1
Other costs	5b	259	207
		259	208
Net expenditure on behalf of all GLAs			
Staff costs	5c	1,067	1,010
Other costs	5c	919	982
		1,986	1,992
Deficit for the year		(10,843)	(1,469)
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		5,792	569
Total Comprehensive Income		(5,051)	(900)

Notes on page 50 to 84 form part of these accounts.

Statement of Financial Position

as at 31 March 2020

	Note	2019-20 £000s	2018-19 £000s
Non-current assets			
Property, plant & equipment	8	111,714	120,577
Right of use assets	9	16,017	-
Intangible assets	10	943	984
		128,674	121,561
Current assets			
Assets classified as held for sale	11	-	15
Inventories	12	3,416	3,056
Trade and other receivables	13	1,782	2,060
Cash and cash equivalents	14	611	272
		5,809	5,403
Total assets		134,483	126,964
Current liabilities			
Trade and other payables	16	6,853	5,835
Provisions: current element	18	-	-
		6,853	5,835
Non current assets plus/less net current assets/ liabilities		127,630	121,129
Non-current liabilities			
Other payables	16	4,658	3,805
Provisions: non-current element	18	10,605	-
		15,263	3,805
Assets less liabilities		112,367	117,324
Reserves			
General reserve		25,257	32,780
Revaluation reserve		87,110	84,544
Total reserves		112,367	117,324

The financial statements on pages 46 to 49 and related notes were approved by the Lighthouse Board on 12 November and signed on its behalf by:

Captain Ian McNaught
Chief Executive of the Lighthouse Board

Statement of Cashflows

for the year ended 31 March 2020

	Note	2019-20 £000s	2018-19 £000s
Cashflows from operating activities			
Net deficit after interest		(10,843)	(1,469)
Depreciation - PPE	8	4,766	6,451
Depreciation - ROU	9	1,726	-
Amortisation	10	332	288
Impairments	7	569	1,125
Loss on revaluation of land and buildings	8	(122)	38
(Gain)/Loss on disposal of property, plant and equipment	5a	(27)	(13)
Increase in trade and other receivables	13	278	39
Increase in inventories	12	(360)	(10)
Increase/(Decrease) in trade payables	16	446	(591)
Use of provisions	18	10,605	-
Net cash outflow from operating activities		7,370	5,858
Cash flow from investing activities			
Purchase of property, plant and equipment	8	(3,963)	(4,160)
Purchase of ROU assets	9	(729)	-
Purchase of intangible assets	10	(291)	(102)
Proceeds of disposal of property, plant and equipment		97	60
Proceeds of disposal of assets held for sale		15	-
Net cash outflow from investing activities		(4,871)	(4,202)
Cash flows from financing activities			
Capital element of payments in respect of finance leases		(2,160)	(1,660)
Net cash flow from financing activities		(2,160)	(1,660)
Net cash flow from all activities		339	(4)
Net increase/(decrease) in cash and cash equivalents in the period		339	(4)
Cash and cash equivalents at the beginning of the period		272	276
Cash and cash equivalents at the end of the period		611	272

Statement of Changes in Equity for the year ended 31 March 2020

	General Reserve £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in equity for 2018-19			
Net gain on revaluation of property, plant and equipment	-	569	569
Release of reserves to statement of comprehensive net income	3,534	(3,534)	-
Retained deficit	(1,469)	-	(1,469)
 Total recognised income and expense for 2018-19	2,065	(2,965)	(900)
Balance at 31 March 2019	32,780	84,544	117,324
Changes in equity for 2019-20			
First time adoption of IFRS 16	94	-	94
Net gain on revaluation of property, plant and equipment	-	5,792	5,792
Release of reserves to statement of comprehensive net income	3,226	(3,226)	-
Retained deficit	(10,843)	-	(10,843)
 Total recognised income and expense for 2019-20	(7,523)	2,566	(4,957)
Balance at 31 March 2020	25,257	87,110	112,367

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 2020

1 Statement of Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2019-20 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM 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 19 December 2019.

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

b) Going Concern

The statement of Financial Position at 31 March 2020 discloses net assets of £112,367,000.

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 capitalised structures, 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 GRAD 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) Leases

Scope and Classification

In accordance with IFRS 16, adopted by Trinity House on 1 April 2019, contracts that convey the right to use an asset in exchange for consideration are accounted for as leases. This also expands to include arrangements where there is no consideration, referred to as peppercorn leases.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, as represented by rights to both obtain substantially all of

the economic benefits from the asset, and to direct its use. In these scenarios, the relevant part is treated as a lease.

There are two exceptions where contracts can be excluded; on the basis of low value, or on the basis for the contract having less than 12 months to run. In line with Trinity House's policy on Non-Current Assets, contracts where the initial recognition of the right-of-use asset would be below £5,000 are excluded.

Initial Recognition

At the transition date, or subsequently, the commencement of a lease, Trinity House recognises a right-of-use asset and a lease liability. The lease liability is measured at the value of the fixed future payments, discounted either at the rate implicit in the lease, or when this cannot be determined, a rate provided by Treasury estimating the incremental cost of borrowing.

The right-of-use asset will be recognised at the value of the liability, adjusting for any prepayments made before the commencement date. Peppercorn leases, where nominal consideration is received, have been valued at an estimated market rental rate by our valuer. Any difference between the value of the asset and liability of recognition is treated as an opening balance adjustment to the General Fund.

Subsequent Measurement

Subsequently, the asset is measured via the fair value model; Trinity House considers the cost model to be a reasonable proxy for the fair value model, with the exception of the THV Alert, THV Galatea and THV Patricia. IFRS 16 gives the option to continue valuing these vessels using the revaluation model, and we have opted to do so. The liability is adjusted for reassessments and modifications to the lease; when these occur the lease liability is re-measured, and an adjustment made.

The liability is adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments and modifications are measured by re-discounting the revised cash flows; the impact is reflected in the liability and either in the asset valuation or expenditure.

Lease Expenditure

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

Lessor Accounting

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

lease term.

Transitional Arrangements

The FReM 2019-20 mandated that IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives have not been restated and the measurement of the asset and liability balances recognised with effect from 1 April 2019. HM Treasury will also issue a central internal rate of borrowing for entities to apply when they cannot obtain the rate implicit in the lease contract.

For leases previously treated as operating leases, the liability was measured at the present value of the remaining payments, discounted by the incremental cost of borrowing at the transition date. The asset was measured at an amount equal to this liability, adjusted for any prepayments or accruals that were previously recognised for the lease.

For leases previously treated as finance leases, the carrying amount of the leased asset and lease liability measured under IAS 17 immediately before adoption of IFRS 16 was used as the carrying value of the right-of-use asset and lease liability upon adoption.

For the material arrangements within the scope of IFRS 16, the impact of implementation is analysed below in note 1 (p).

Estimates and Judgements

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

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

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

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

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 2020 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 all aspects of their responsibilities as statutory authorities. However, as a result of close co-operation, the GLAs agree that if it is either more economic or practical for one GLA to be responsible and account for the costs of particular areas of work, then that GLA will do so. 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 2020, Trinity House had 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.

Trinity House has made two provisions during 2019-20. Further details of these can be found in note 17.

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 2020, no contracts contained embedded derivatives.

Determining Fair Value

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

p) New Standards and Interpretations

IFRS 16 (Leases) has been adopted for the first time in these accounts. The changes that the standard causes have been explained previously, and the tables over the page show the impact on the financial statements of the adoption of IFRS 16.

Statement of Financial Position - Assets

	At 31 March 2019	Opening Balance Adjustment	At 1 April 2019
	£000s	£000s	£000s
Property, plant & equipment	120,577	(13,400)	107,177
Right of use assets	-	17,240	17,240
Intangible assets	984	-	984
Total assets	121,561	3,840	125,401

At 1 April 2019, the adoption of IFRS 16 saw the recognition of £3,840k of right-of-use assets, mainly access rights to land for some of our lighthouses, and the Tri-GLA contract for the Helicopter. Upon transition, the three leased vessels, THV Alert, THV Galatea and THV Patricia, were re-classified as right-of-use assets, and removed from property, plant and equipment.

Statement of Financial Position - Liabilities

	At 31 March 2019	Opening Balance Adjustment	At 1 April 2019
	£000s	£000s	£000s
Finance leases - current	1,661	518	2,179
Finance leases - non-current	3,806	3,228	7,034
Total finance lease liability	5,467	3,746	9,213

At 1 April 2019, Trinity House recognised lease liabilities totalling £3,746k, split between current liabilities of £518k and non-current liabilities of £3,228k. The lease liabilities relating to THV Alert and THV Galatea were already shown in the statement of financial position.

Statement of Changes in Equity

	At 31 March 2019	Opening Balance Adjustment	At 1 April 2019
	£000s	£000s	£000s
General reserve	32,780	94	32,874
Revaluation reserve	84,544	-	84,544
Total equity	117,324	94	117,418

At 1 April 2019, Trinity House made an adjustment to equity as a result of the adoption of IFRS 16. Due to peppercorn leases, the initial recognition of assets was £94k higher than liabilities. This adjustment is reflected as a change to the general reserve.

q) New Standards and Interpretations Adopted Early

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

r) New Standards and Interpretations Not Yet Adopted

IFRS 17 requires a discounted cash flow approach to accounting for insurance contracts. It is expected to come into effect for accounting periods commencing on or after 1 January 2021. Trinity House currently has no contracts that meet the definition of insurance contracts.

Other changes due to come into effect after 2019-20 are considered to have no material impact.

s) Income

In accordance with the Merchant Shipping Act 1995, Trinity House is permitted to sell reserve capacity. Income from these activities is recognised in accordance with IFRS 15. Income received in advance of provision of services in respect of contracts is deferred to match the related expenditure.

t) Estimates

Trinity House may be liable as described in note 21 for any shortfall in the MNOPF pension fund. Trinity House takes advice from qualified actuaries in determining the extent of any shortfall and whether it may be required to make further contributions.

Aside from this, key estimates in Trinity House's accounts related to asset valuations. A number of qualified surveyors are engaged to provide professional valuations of different elements of the asset base as disclosed in note 8.

Specific estimation uncertainty arises in respect of the valuation of the lighthouse estate, the Depreciated Replacement Cost of which constitutes the largest element of the buildings category in note 8. Key assumptions are made in the following areas.

- For each lighthouse, Trinity House selects a modern equivalent asset (MEA) based on the navigation requirement at the asset's location. This selection is based on a decision tree common to each of the GLAs which draws on key considerations for construction strategy such as whether a structure is onshore or offshore; and the degree of challenge posed by wave patterns at the location. The analysis of available construction techniques draws on the professional expertise of suitable expert GLA staff and the options emerging from recent case studies into possible rebuild or refurbishment work following market engagement. The design of this decision tree is a matter of professional judgement since more prudent engineering assumptions will tend towards the selection of more expensive MEAs, risking overvaluation, while more aggressive engineering assumptions will tend towards less expensive ones, risking undervaluation through optimism bias. Trinity House has followed the principle of neutrality in any judgements arising and considered the results of the decision tree based on a number of actual locations.

- Costing rates are determined for the gross replacement cost of each MEA, establishing a standard valuation to apply to each lighthouse in that category rather than costing each lighthouse individually. This portfolio approach is permitted by the FReM and RICS 'Red Book'. These are determined based on the most recent available data from case studies, with a consideration of indexation. Adjustment factors are applied based on location and physical characteristics of the site, to reflect the varying difficulty and cost of construction, e.g. for remote islands.
- As required by the FReM, a discount is made to the gross replacement cost to reflect Trinity House's assessment of the proportion of each lighthouse's useful life which has been expended. Condition point estimates which drive the measurement of this discount are based on the available data in respect of asset condition (including age), combined with professional judgement which considers the type of construction for the asset in use.

2 Analysis of 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

	2019-20 £000s	2018-19 £000s
Buoy rental	776	877
Property rental	304	332
Tender hire	803	680
Sundry receipts	675	841
Total	2,558	2,730

b) Income on Behalf of All GLAs

	2019-20 £000s	2018-19 £000s
Contributions towards Radio Navigation projects	6	3
Tri-GLA tender hire	57	59
Total	63	62

4 Staff Numbers and Related Costs

Staff costs comprise:

	2019-20 Permanently employed staff £000s	2019-20 Others £000s	2019-20 Total £000s	2018-19 Total £000s
Wages and salaries	11,879	323	12,202	11,782
Social security costs	1,302	-	1,302	1,265
	13,181	323	13,504	13,047
Employers PCSPC contributions	3,067	-	3,067	2,360
Other pension contributions	11	-	11	4
Redundancy costs	-	-	-	-
Sub Total	16,259	323	16,582	15,411
Less: recoveries in respect of outward secondments	-	-	-	-
Total Net Costs	16,259	323	16,582	15,411

Included in the previous table are:

	2019-20 Permanently employed staff £000s	2019-20 Others £000s	2019-20 Total £000s	2018-19 Total £000s
Research and development salaries	775	-	775	732
Light Dues salaries	292	-	292	278
Staff costs capitalised in fixed assets	175	-	175	103
Staff costs shown under expenditure of Trinity House	15,017	323	15,340	14,298

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

	2019-20 Permanently employed staff	2019-20 Others	2019-20 Total	2018-19 Total
Directly employed	294.6	-	294.6	297.6
Other	-	12.0	12.0	9.2
Staff engaged on capital projects	4.3	-	4.3	2.5
Total	298.9	12.0	310.9	309.3

5 Expenditure

a) Other Expenditure

	Note	2019-20 £000s	2018-19 £000s
Running costs		13,643	11,782
Rentals under operating leases		-	1,621
Non-cash items			
Impairments	7	569	1,125
Profit on disposal of property, plant and equipment	8	(27)	(13)
		14,185	14,515
Interest charges	6	203	176
Non-cash items			
Depreciation - PPE	8	4,766	6,451
Depreciation - ROU	9	1,695	-
Amortisation	10	332	288
(Gain)/Loss on revaluation of assets		(122)	38
Total		21,059	21,468

b) Net Expenditure on Behalf of DfT

	2019-20 £000s	2018-19 £000s
Staff and accommodation	87	87
Audit ¹	140	90
Professional services	32	30
Sombrero	-	1
Total	259	208

¹The above figure relates to the £100k audit fee for the GLF, and a £40k adjustment for the audit fee in previous years. The 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 2019-20 GLF fee that relates to the C&AG's review of Trinity House's transactions and balances contributing to this audit opinion is £22k (2018-19 £20k).

c) Net Expenditure On Behalf Of All General Lighthouse Authorities

	2019-20 £000s	2018-19 £000s
Light Dues collection costs	684	712
Imperial Lighthouse Service pensions	37	38
Research and Development	1,265	1,178
Special sanction R&D including eLoran	-	-
Wreck removal	-	64
Total	1,986	1,992

Salary costs included in the above:

	2019-20 £000s	2018-19 £000s
Research and Development	775	732
Light Dues	292	278
Total	1,067	1,010

6 Interest Payable/Receivable

	2019-20 £000s	2018-19 £000s
Deposit interest receivable	(1)	(1)
Interest payable on leases	203	176
Total	202	175

7 Impairments

During the year, impairments totalled £569k. Works on THV Patricia resulted in an impairment of £321k, whilst the modernisation of Portland Bill resulted in an impairment on Plant & Equipment of £139k. There were also impairments on the Mermaid building in Harwich and the Portland Bill Visitor Centre for £73k and £36k respectively. These meet the requirements of the FReM, and have been treated as impairments and transferred to the Statement of Comprehensive Net Income.

8 Property, Plant and Equipment

Current Year

	Land £000s	Buildings £000s	L'vessels £000s	Tenders & Craft £000s	Buoys & Beacons £000s	IT £000s	Plant & M'nery £000s	POA ² & AUC ³ £000s	Total £000s
Cost or valuation									
At 1 April 2019	6,068	70,834	9,360	13,451	5,168	1,422	14,142	725	121,170
Additions	-	139	755	63	-	354	1,086	1,566	3,963
Disposals	-	-	-	-	(1)	(67)	(286)	-	(354)
Impairments	-	(125)	-	-	-	-	(139)	-	(264)
Reclassifications	-	-	-	(13,400)	-	-	-	-	(13,400)
Revaluations	1	2,414	545	(9)	(648)	(242)	(951)	-	1,110
Transfers	-	263	-	-	-	-	451	(714)	-
At 31 March 2020	6,069	73,525	10,660	105	4,519	1,467	14,303	1,577	112,225
Depreciation									
At 1 April 2019	-	-	-	-	-	311	282	-	593
Charged in year	-	2,017	648	11	189	309	1,592	-	4,766
Disposals	-	-	-	-	-	(67)	(216)	-	(283)
Impairments	-	(16)	-	-	-	-	-	-	(16)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(2,001)	(648)	(11)	(189)	(242)	(1,458)	-	(4,549)
At 31 March 2020	-	-	-	-	-	311	200	-	511
Net book value at 31 March 2019	6,068	70,834	9,360	13,451	5,168	1,111	13,860	725	120,577
Net book value at 31 March 2020	6,069	73,525	10,660	105	4,519	1,156	14,103	1,577	111,714
Asset financing:									
Owned	6,069	73,525	10,660	105	4,519	1,156	14,103	1,577	111,714
Finance leased	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2020	6,069	73,525	10,660	105	4,519	1,156	14,103	1,577	111,714

²Payments on accounts

³Assets under construction

Prior Year

	Land £000s	Buildings £000s	L'vessels £000s	Tenders & Craft £000s	Buoys & Beacons £000s	IT £000s	Plant & M'nery £000s	POA ⁴ & AUC ⁵ £000s	Total £000s
Cost or valuation									
At 1 April 2018	6,042	72,321	9,340	14,595	5,243	1,515	14,219	1,161	124,436
Additions	-	357	430	877	71	220	637	1,568	4,160
Disposals	-	-	-	-	-	(76)	(199)	-	(275)
Impairments	-	-	(311)	(367)	-	-	(575)	-	(1,253)
Reclassifications	-	-	-	-	-	-	(22)	-	(22)
Revaluations	26	(1,844)	(355)	(1,954)	(219)	(260)	(1,059)	-	(5,665)
Transfers	-	-	256	300	73	23	1,141	(2,004)	(211)
At 31 March 2019	6,068	70,834	9,360	13,451	5,168	1,422	14,142	725	121,170
Depreciation									
At 1 April 2018	-	-	-	-	-	367	334	-	701
Charged in year	-	2,385	658	1,547	182	274	1,405	-	6,451
Disposals	-	-	-	-	-	(69)	(159)	-	(228)
Impairments	-	-	(79)	(49)	-	-	-	-	(128)
Reclassifications	-	-	-	-	-	-	(14)	-	(14)
Revaluations	-	(2,385)	(579)	(1,498)	(182)	(261)	(1,284)	-	(6,189)
At 31 March 2019	-	-	-	-	-	311	282	-	593
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
Net book value at 31 March 2019	6,068	70,834	9,360	13,451	5,168	1,111	13,860	725	120,577
Asset financing:									
Owned	6,068	70,834	9,360	401	5,168	1,111	13,860	725	107,527
Finance leased	-	-	-	13,050	-	-	-	-	13,050
Net book value at 31 March 2019	6,068	70,834	9,360	13,451	5,168	1,111	13,860	725	120,577

⁴Payments on accounts

⁵Assets 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 revaluation exercise was undertaken as at 31 March 2020 by:

Asset	Valuer	Organisation
Land, Buildings & Beacons in England & Wales	Mr Richard Bryan MRICS & Mr Stephen Jones MRICS	DVS Property Specialists ⁶
Plant and Machinery & Lightvessels	Mr Andrew Lloyd MRICS	DVS Property Specialists ⁶
Tenders	Mr Charles Cundall	Braemar ACM Valuations Limited

⁶DVS 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 2020; 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 2019-20 revaluation is set out below:

	£000s
Gains on property, plant and equipment (via SOCNI)	122
Gains on property, plant and equipment (via OCI)	6,797
Losses on property, plant and equipment (via OCI)	(1,004)
	5,915

Revaluation movements 2019-20	£000s
Revaluation movements cost (PPE note)	1,110
Revaluation movements cost (ROU note)	(642)
Revaluation movement accumulated depreciation (PPE note)	4,549
Revaluation movement accumulated depreciation (ROU note)	898
	5,915

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

Trinity House retains a portfolio of lighthouse cottages which are leased to Trinitas Services Ltd as a commercial arrangement. These cottages constitute part of a navigational daymark or are otherwise necessary to retain other operational requirements and are valued at historic cost less depreciation in line with other assets.

Sale of Fixed Assets

During the year, fixed asset disposals were made in respect to pool vehicles, vans and some items of plant & equipment. The sales of all vehicles totalled £96k and the sales of the planet & equipment totalled £16k. In total, a gain on disposal of £27,404 was made.

9 Right of Use Assets

Current Year

	Land £000s	Tenders & Craft £000s	Plant & Equipment £000s	Total £000s
Cost or valuation				
At 1 April 2019	-	-	-	-
Recognition	2,282	-	1,558	3,840
Additions - Leases	504	-	-	504
Additions - Tenders & Craft	-	729	-	729
Disposals	-	(101)	-	(101)
Impairments	-	(321)	-	(321)
Reclassifications	-	13,400	-	13,400
Revaluations	-	(642)	-	(642)
Remeasurement	(676)	-	11	(665)
At 31 March 2020	2,110	13,065	1,569	16,744
Depreciation				
At 1 April 2019	-	-	-	-
Charged in year	87	1,214	425	1,726
Disposals	-	(101)	-	(101)
Revaluations	-	(898)	-	(898)
At 31 March 2020	87	215	425	727
Net book value at 31 March 2019	-	-	-	-
Net book value at 31 March 2020	2,023	12,850	1,144	16,017

No comparative figures are provided for ROU Assets for 2018-19 as IFRS 16 was adopted 1 April 2019, and was implemented using the cumulative catch-up method, as mandated by the 2019-20 FReM.

There is a difference between the depreciation charged in the year shown in the ROU Assets note (£1,726k), and the value charged in the Statement of Comprehensive Net Expenditure (£1,695k). This is due to the depreciation on the ROU Asset related to the Tri-GLA Helicopter contract. During 2019-20 7.34% of the Helicopter flying hours were for the Lundy North modernisation project, and therefore 7.34% of the depreciation charged on the Helicopter ROU asset, £31,187, has been transferred to Assets under Construction.

Trinity House has three categories of ROU assets; Land, Tenders & Craft, and Plant & Equipment. The significant ROU assets relating to Land are the Swansea and St Just depots, along with two areas of land, Bathside Bay and the Harwich Pier, near the depot at Harwich. There are also ROU Assets relating to small areas of land or access rights to or at lighthouses.

ROU assets relating to Tenders & Craft are the three Trinity House vessels; THV Alert, THV Galatea and THV Patricia. ROU assets relating to Plant & Equipment is solely the Helicopter contract, which is a shared contract between the three GLAs. The amount shown in the table on the previous page and in Note 17 relate only to Trinity House's share of the contract.

Further analysis of the impact of the adoption of IFRS 16 is shown in notes 1 and 17.

10 Intangible Assets

Current Year

	Intangible software £000s	Intangible licences £000s	Total £000s
Cost or valuation			
At 1 April 2019	2,857	165	3,022
Additions	291	-	291
Disposals	-	-	-
Transfers	-	-	-
At 31 March 2020	3,148	165	3,313
Amortisation			
At 1 April 2019	1,940	98	2,038
Charged in year	325	7	332
Disposals	-	-	-
At 31 March 2020	2,265	105	2,370
Net book value at 31 March 2019	917	67	984
Net book value at 31 March 2020	883	60	943

Prior Year

	Intangible software £000s	Intangible licences £000s	Total £000s
Cost or valuation			
At 1 April 2018	2,544	165	2,709
Additions	102	-	102
Disposals	-	-	-
Transfers	211	-	211
At 31 March 2019	2,857	165	3,022
Amortisation			
At 1 April 2018	1,659	91	1,750
Charged in year	281	7	288
Disposals	-	-	-
At 31 March 2019	1,940	98	2,038
Net book value at 31 March 2018	885	74	959
Net book value at 31 March 2019	917	67	984

11 Assets Classified as Held for Sale

	2019-20 £000s	2018-19 £000s
As at 1 April	15	-
Disposals	(15)	-
Reclassifications	-	22
Revaluations	-	(7)
Depreciation	-	-
Reclassifications (Depreciation)	-	(14)
Revaluations (Depreciation)	-	14
As at 31 March	-	15

At 31 March 2019, Trinity House had a van and a lorry as assets held for sale. The sale of these two vehicles for £14,600 was completed during 2019-20.

12 Inventories

	2019-20 £000s	2018-19 £000s
Consumable stores	3,248	2,838
Fuel oil	168	218
Total	3,416	3,056

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

13 Trade Receivables and Other Current Assets

	2019-20 £000s	2018-19 £000s
Amounts falling due within one year:		
Trade receivables	400	505
Other receivables	49	70
Inter GLA debtors	10	1
Prepayments and accrued income	799	1,070
VAT recoverable	524	414
Total	1,782	2,060

14 Cash and Cash Equivalents

	2019-20 £000s	2018-19 £000s
Balance at 1 April 2019	272	276
Net change in cash and cash equivalent balances	339	(4)
Balance at 31 March 2020	611	272
The following balances at 31 March were held at:		
Commercial banks and cash in hand	611	272
Short term investments	-	-
Balance at 31 March 2020	611	272

15 Financial Instruments

International Financial Reporting Standard 7 - Financial Instruments: Disclosures (IFRS 7) requires disclosure of the role which Financial Instruments have had during the year in creating or changing the risks the Authority faces in undertaking its activities. 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.

In addition to the above, Trinity House also has former operating leases that have become finance leases under IFRS 16. The interest rate that Trinity House uses to discount the future lease payments is provided by DfT. Any fluctuations in these discount rate would change the interest and depreciation expensed in each year, but would not change the cash outflows from the organisation.

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 2020.

16 Trade Payables and Other Current Liabilities

	2019-20 £000s	2018-19 £000s
Amounts falling due within one year:		
Other taxation and social security	409	387
Trade payables	943	664
Other payables	432	356
Inter GLA payables	61	-
Accruals and deferred income	2,774	2,767
Current part of finance leases	2,234	1,661
Total	6,853	5,835
	2019-20 £000s	2018-19 £000s
Amounts falling due after more than one year:		
Finance leases	4,658	3,805
Total	4,658	3,805

17 Lease Liabilities

Operating Leases Reconciliation

The table on the following page shows the reconciliation between the Operating Leases figure in the 2018-19 accounts, and the initial liability figure at 1 April 2019. Other minor adjustments relate to the recognition of the low value payments on the THV Patricia leases, and a small adjustment for prepayments made to the operating leases note in 2018-19.

	£000s
Operating lease commitments disclosed 31 March 2019	4,854
Less: leases of low value assets	(44)
Less: leases with remaining terms less than 12 months	(281)
Less: variable lease payments not recognised	(57)
Other minor adjustments relating to commitment disclosures	24
Operating lease liability before discounting	4,496
Impact of discounting	(750)
Operating lease liabilities	3,746
Finance lease liabilities	5,467
Total lease liabilities recognised under IFRS 16 at 1 April 2019	9,213

As previously disclosed in Note 9, Trinity House has three main categories for its leases. Land, made up of rentals of land for the depots at Swansea and St Just, and two plots of land near the Harwich depot; Tenders & Craft, for the three vessels THV Alert, THV Galatea and THV Patricia; and Plant & Equipment, for the shared helicopter contract.

	2019-20 £000s
Finance lease liabilities	
Current	2,234
Non-current	4,658
	6,892
Obligations under finance leases comprise:	
Not later than one year	2,234
Later than one year and not later than five years	3,208
Later than five years	1,450
	6,892
Amounts recognised in expenditure	
Depreciation expense	1,695
Interest expense	203
Rental on leases of low-value assets	5
Rental of leases expiring within 12 months	26
Variable lease costs	344
	2,273
Cash flows	
Interest	202
Repayment of lease liability	2,160
	2,362

Lessor Disclosures

Trinity House has no leases where it acts as the lessor that could be classed as finance leases.

Trinity House does have lessor income relating to operating leases. This relates to contracts where Trinity House hires out buoys or other Aids to Navigation to companies. The contract is typically for a small starter period, considerably less than the life of the buoy or AtoN. From this point, if the contract is renewed, it is done on a rolling year basis. Income for 2019-20 is shown in the table below:-

	2019-20 £000s
Finance leases	
Selling profit or loss	-
Finance income	-
Income from variable lease payments	-
	-
Operating leases	
Lease income	748
Income from variable lease payments	153
	901

As there are no finance leases where Trinity House is the lessor, no maturity analysis of the future payments from finance leases is shown.

Trinity House has three types of operating leases where it acts as a lessor; the rental of buoys to various marine companies, often windfarms; the rental of property to either companies or individuals; and the rental of the cottages to Trinitas Services Ltd, as mentioned in note 23.

The assumptions for future income are that if a contract is within its initial period, then income is only included to the end of that initial period. If a contract is on a rolling year-to-year basis, then it is assumed that this arrangement will last for 10 years from the beginning of the rolling period. Any rolling contract that exceeds this 10-year period will be assumed to be for 20 years, and so on.

	2019-20 £000s
Amounts due	
Within one year	668
Between one and two years	642
Between two and three years	622
Between three and four years	609
Between four and five years	608
After five years	2,466
	5,615

Commitments Under Operating Leases

The below table shows the commitments for operating leases from the 2018-19 report and accounts as a reference.

	2018-19 £000s
Obligations under operating leases comprise:	
Land	
Not later than one year	161
Later than one year and not later than five years	562
Later than five years	2,193
	2,916
Buildings	
Not later than one year	2
Later than one year and not later than five years	3
Later than five years	1
	6
Other	
Not later than one year	707
Later than one year and not later than five years	1,225
Later than five years	-
	1,932

18 Provisions for Liabilities and Charges

	DGPS £000s	Royal Sovereign £000s	Total £000s
Balance at 1 April 2019	-	-	-
Provided in the year	958	9,647	10,605
Balance at 31 March 2020	958	9,647	10,605

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 revealed advancing structural concrete delamination.

While a substantial re-engineering and repair programme in the range of £6m-£7m could

have extended the life of Royal Sovereign Lighthouse, Trinity House also considered the long term viability of the site. Trinity House made the decision to decommission the lighthouse and funding was secured from the DfT. After considering a number of options the Board supported the decommissioning of Royal Sovereign, and recorded a £9.6m provision as of 31 March 2020, covering the removal of the topside and pillar within a three-year horizon.

Key estimation factors influencing the valuation of the topside decommissioning provision include the number of days required for the project; the marine assets and personnel required; and the rates for those assets and personnel. At this stage each of these inputs are based on professional advice taken by Trinity House at a pre-procurement stage. These will be updated as the project progresses based on emerging information, including the receipt of bids following upcoming procurement activity.

The timing of the base removal, and the environmental impact, remains wholly uncertain and is therefore reported as a contingent liability.

DGPS

Following a comprehensive user consultation process across the maritime sector, the General Lighthouse Authorities (GLAs) concluded that mariners use the GLA DGPS service to improve the accuracy of their reported position and to obtain positional integrity. However, after careful consideration of all available information, the GLAs concluded that Global Navigation Satellite System (GNSS) on its own is sufficient to meet the position accuracy requirements for most mariners.

Therefore, the GLAs concluded that their DGPS system is now redundant in view of available shipborne systems, and decided that the system would be discontinued as an aid-to-navigation, while also recognising the need to provide adequate notice and continuity of service for some mariners. It was decided that the GLA DGPS system should remain available until March 2022, with some further GLA Research & Development (GRAD) testing in the subsequent years, and thereafter all redundant infrastructure and equipment will be removed from sites.

Operating from seven operational sites across the GLAs areas of responsibility, and typically at freehold lighthouse locations, DGPS equipment consisting of antennas, earth mats and racks with computer equipment will need to be removed. Decommissioning costs for all sites are estimated to be approximately £958k, and is recognised as a provision.

19 Capital Commitments

	2019-20 £000s	2018-19 £000s
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	466	157
Intangible assets	339	70
Total	805	227

20 Other Financial Commitments

Trinity House has not entered into any non-cancellable contracts (which are not leases or PFI contracts), during the year (2018-19 Nil).

21 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 (MNOPF), which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOPF 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 MNOPF is currently employed by Trinity House and as a result no contributions have been made to the scheme in the last six full financial years.

The rules of the MNOPF 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 2018, and 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:

2019-20	2018-19
£10,593	£3,839

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 not resulted in any CEP payments having to be made during the financial year (2018-19 - nil).

22 Contingent Liabilities Disclosed Under IAS 37

Trinity House has the following contingent liabilities:

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 risks may involve the damage or loss of station itself, or damage to the surrounding environment that would require remedial work. These stations are:

- Alderney
- Beachy Head
- Bull Point
- Crow Point
- Flamborough
- Hilbre
- Hurst Point
- Mumbles
- Orfordness
- Penlee Point
- Portland Bill
- South Stack
- St Catherines

- Trevose
- Various Helideck Structures
- Whitby
- Wolf Rock
- Wormleighton

The individual risk of these liabilities occurring for any single site is low, and regular assessment of each individual site is taken to mitigate the risks.

Harwich Seawall

Trinity House is working to determine the extent of future repair works to the Harwich Buoy Yard retaining wall. The Seawall currently has ongoing degradation and may need repair works in the future.

Royal Sovereign

As mentioned in Note 17, the ongoing work on the decommissioning project for Royal Sovereign has highlighted the complexity of the project, and the significant difference between costs for removing the topside and pillar, and removing the base of the structure from the seabed.

Whilst the lease of the seabed requires removal of the base at the end of the lease, the lease has a remaining term of 113 years. As stated in Note 17, there appears to be little appetite from the Landlord to enforce this removal at this stage. Given the time period over which any removal could occur, and the highly subjective nature of the cost of carrying out this removal in future periods where technological advances may make the project less expensive, the removal of the base is disclosed as a contingent liability.

Merchant Navy Officers' Pension Fund (MNOPF)

A new actuarial valuation was carried out as at 31 March 2018 which reported that the funding position of the MNOPF had improved sufficiently, and that a new funding call from contributing employers would not be required in respect of the 2018 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 declares it as a contingent liability.

Employers Liability

Prior to 20 February 1988, Trinity House was self insured for Employers' Liability risks under a Certificate of Exemption from the Board of Trade. Therefore, should a claim materialise (and liability/causation be established) for an alleged industrial injury prior to 20 February 1988 there may be a period for which Trinity House would be responsible for damages and costs as part of an agreed settlement. The majority of any potential settlement would be met by Trinity House's 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.

Contractual Obligations

In the normal course of business, there may be occasions where Trinity House finds itself having to complete contractual obligations arising from disputes.

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. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020.

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

Coronavirus/COVID-19

In November 2019 a novel strain of coronavirus was detected, and spread rapidly, leading to the World Health Organisation declaring a pandemic on 11 March 2020. The pandemic caused significant economic disruption before the financial year-end.

The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue through 2020. As a result, an unquantifiable contingent liability is disclosed.

23 Related-Party Transactions

General Lighthouse Fund

At the 31 March 2020, the balances outstanding with the GLAs were as follows:

	Balance due to TH		Balance due to GLA	
	2019-20	2018-19	2019-20	2018-19
	£000s	£000s	£000s	£000s
Commissioners of Irish Lights (CIL)	4	-	-	-
Northern Lighthouse Board (NLB)	6	4	159	114

The Fund is administered by the Department for Transport which sponsors 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 £35,740,000 (2018-19 £33,700,000) from the General Lighthouse Fund and

incurred expenditure of £1,986,000 (2018-19 £1,992,000) on behalf of all three Authorities.

Neither the Secretary of State for Transport, any key officials with responsibilities for the Fund, or any of Lighthouse 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 13 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 of the Lighthouse Board, is appointed to the Board of TSL as Chair. Commodore R Dorey is appointed to the Board of TSL as a nominee of the Corporate Board, responsible for Trinity House charities. Commodore M Atherton, A Groom and M Glaister are appointed to the Board of TSL as nominees of the Corporate Board responsible for Trinity House Charities, none of whom are members of the Trinity House Lighthouse Board.

Corporation of Trinity House

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

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

24 Inter-GLA Transactions

Ships Agreement

During the year, Trinity House did not provide the services of any of its vessels to either Northern Lighthouse Board (NLB) or the Commissioners of Irish Lights (CIL), and did not receive any services from the vessels of either organisation. If these services had been provided or received, then no transfer of funds would have taken place, but would have given rise to notional income. Therefore both notional income (2018-19 - £9,293) and notional expenditure (2018-19 - £274,296) were nil for 2019-20.

25 Losses

Trinity House has been working on a project to upgrade the Finance, Procurement and Inventory system, and develop a new Procurement logistics software. This has been in progress over the last year. Following a decision by the project board on 2 July 2020, the project will no longer proceed with the integration of the Maximo software. As a result, the costs incurred related to this part of the project are now considered a constructive loss. These costs of £48k in 2019-20, that were previously in assets under construction, have been moved to the Statement of Comprehensive Net Expenditure. A further loss of £50k will come to account in 2020-21.

No losses were reported for the 2018-19 financial year.

26 Events After the Reporting Date

There have been no post balance sheet events.

APPENDIX 1

Five Year Summary

	2019-20 £000s	2018-19 £000s	2017-18 £000s	2016-17 £000s	2015-16 £000s
Income					
Advances from the General Lighthouse Fund	35,740	33,700	33,200	31,500	30,500
Other income	2,558	2,730	2,465	2,302	2,292
Income on behalf of all GLAs	63	62	38	419	159
Grant income	44	4	23	-	100
Total	38,405	36,496	35,726	34,221	33,051
Expenditure					
Staff costs	15,340	14,298	13,611	13,751	14,102
Depreciation ¹	6,461	6,451	6,620	6,211	6,844
Amortisation	332	288	214	129	127
Loss on revaluation	(77)	38	896	509	771
Pension cost	-	-	-	-	-
Other expenditure	24,790	14,515	12,367	12,713	13,779
Total	46,846	35,590	33,708	33,313	35,623
Exceptional items:	-	-	-	-	-
Net income	(8,441)	906	2,018	908	(2,572)
Interest payable/receivable	202	175	218	264	354
Net income after revaluation and interest	(8,643)	731	1,800	644	(2,926)
Net expenditure on behalf of DfT	259	208	187	191	336
Net expenditure on behalf of all GLAs	1,986	1,992	3,411	2,476	2,522
Net income after interest	(10,888)	(1,469)	(1,798)	(2,023)	(5,784)
Property, plant and equipment	111,714	120,577	123,735	129,346	128,230
ROU Assets	16,017	-	-	-	-
Intangible assets	943	984	959	937	495
Assets less current liabilities	127,630	121,139	123,689	128,814	127,064
Assets less liabilities	112,367	117,324	118,224	121,732	118,395
Capital additions	4,983	4,262	3,911	3,632	3,199
Average number of employees	311	309	304	309	304
Part-time included above	19	17	17	16	13

¹Depreciation includes ROU Assets

APPENDIX 2

Further Information

	2019-20		2018-19	
	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	508	742	518	747
Beacons	18	18	18	18
Tenders	3	3	3	3
Ancillary Craft	5	5	5	5
Lighthouse abroad ¹	1	1	1	1
Totals	610	846	620	851

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.