



# FRAMEWORK DOCUMENT FOR THE GENERAL LIGHTHOUSE AUTHORITIES

Trinity House

Commissioners of Northern Lighthouses  
(Northern Lighthouse Board)

Commissioners of Irish Lights

July 08

For implementation from 01/08/2008

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# 1 Introduction

## 1.1 Background

- 1.1.1 This Framework Document has been drawn up by the Department for Transport (DfT) in consultation with the General Lighthouse Authorities (GLAs). This document is based on the HM Treasury model Framework Document dated 23 March 2003.
- 1.1.2 This Framework Document sets out the relationship between the Secretary of State for Transport (via the Department for Transport) and the GLAs in matters of business and finance and aims to provide a clear understanding of their respective duties and responsibilities according to Part VIII & IX of the Merchant Shipping Act 1995 (MSA 1995), as amended by the Merchant Shipping and Maritime Security Act 1997, and any other relevant acts for TH and NLB and CIL for Northern Ireland and Part XI of the Merchant Shipping Act 1894 (MSA 1894) as amended by the Merchant Shipping (Commissioners of Irish Lights) Act, 1997, and any other relevant acts in the case of CIL, and Chapter V Regulation 14 of the Safety of Life at Sea Convention 1974 (SOLAS 1974).
- 1.1.3 The GLAs have a duty to deliver a modern, reliable and economical aid to navigation (AtoN) service to assist the safety of all classes of mariners in general navigation. The operating costs of the GLAs are met from the General Lighthouse Fund (GLF). The income to the GLF comes mostly from light dues that are charged at UK, IoM and RoI ports. There is no direct provision for UK Exchequer funding except in relation to guarantees under the GLAs' borrowing powers and the Pensions Guarantee.
- 1.1.4 DfT (on behalf of the Secretary of State for Transport) have a duty to ensure the effective management of the GLF and to enable the adequate provision of AtoN at the least cost and to deliver Value for Money (VFM).
- 1.1.5 This Framework Document incorporates:
1. a Management Statement that sets out the relationship between the Secretary of State for Transport and the GLAs in matters of business and finance, and;
  2. a Financial Memorandum that describe the financial regime that the Boards of the GLAs and DfT are to operate. This is in addition to and not in substitution for any specific financial objectives or other directives that the Secretary of State for Transport is entitled to set the GLAs or any other directions he is empowered to give under the Merchant Shipping Acts 1995 and 1894.
- 1.1.6 The parties are:
1. the Secretary of State for Transport<sup>1</sup>.

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<sup>1</sup> DfT is used throughout this document as a convenient short-hand for the Secretary of State for Transport, the Department for Transport, and for Ports Division, the policy division responsible for GLA matters, unless the context demands more clarity, for example, when discussing accountability to Parliament.

2. the General Lighthouse Authorities (GLAs), namely
  - a. the Corporation of Trinity House London<sup>2</sup> (TH) for England, Wales, the Channel Islands and Gibraltar;
  - b. the Commissioners of Northern Lighthouses (operating as the Northern Lighthouse Board) (NLB) for Scotland and the Isle of Man (IoM);
  - c. the Commissioners of Irish Lights (CIL) for Northern Ireland and the Republic of Ireland (RoI).

1.1.7 The parties' respective addresses and appropriate contact points are shown in [Appendix A](#).

1.1.8 This document sets out the broad framework within which the GLAs will operate, in particular:

- the rules and guidelines relevant to the exercise of the GLAs' statutory functions, duties and powers;
- the conditions under which public funds are paid to the GLAs (the term "public funds" includes the GLF but also any other funds generated by approved activities or falling within the stewardship of the GLAs); and
- how the GLAs are to be held to account for their performance.

1.1.9 The Framework Document does not convey any legal powers or statutory responsibilities.

1.1.10 The GLAs or DfT may propose amendments to the Framework Document at any time. Any such proposals by the GLAs shall be considered in the light of evolving departmental policy aims, wider strategic aims and current objectives, operational factors and the track records of the GLAs themselves. The guiding principle shall be that the extent of flexibility and freedom given to the GLAs shall reflect the quality of their internal controls, their operational needs and their powers and duties under the Merchant Shipping Acts.

## 1.2 Revision of this document

1.2.1 DfT, in consultation with the GLAs, will determine what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with the HM Treasury or Cabinet Office as appropriate. The definition of "significant" will be determined by DfT sponsor department, in consultation with the HM Treasury and the Cabinet Office.

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<sup>2</sup> See AppendixD.2.1 for the distinction between the Corporation of Trinity House in its charitable capacity and in its role as a General Lighthouse Authority. TH's functions other than as a GLA are not covered by this document.

- 1.2.2 In accordance with the Cabinet Office guidance on “lighter touch” reviews, the provisions of this document will in any case be reviewed after a period of not more than five years since the last full review. The next Review of this Framework Document will take place no later than 2011/12.
- 1.2.3 DfT will resolve any question regarding the interpretation of the document after consultation with the GLAs and, as necessary, with the HM Treasury and the Cabinet Office.
- 1.2.4 The Framework Document is to be signed and dated by DfT and the GLAs. Copies of the document and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament. Copies will also be made available to members of the public on the GLAs’ respective websites.

### **1.3 Founding legislation, functions, duties and powers**

- 1.3.1 An outline of the governing legislation, functions, duties and powers of the GLAs is set out at [Appendix B](#).

### **1.4 Classification of GLAs**

- 1.4.1 For most policy and administrative purposes the GLAs are treated as executive non-departmental public bodies (NDPBs), albeit that they are not formally classified as such. However, it should be noted that the GLAs are not typical of UK NDPBs. The GLAs’ operating costs are met from the General Lighthouse Fund (GLF). The income to the GLF comes mostly from light dues that are charged at UK, IoM and RoI ports. There is no direct funding from the UK Exchequer, but DfT does cover the financial risk if GLAs default on their borrowing repayments. Furthermore, Ministers have no powers to appoint Chairs and Members of GLA Boards or their officers, with the exception that the Secretary of State appoints a Commissioner of Northern Lighthouses on the nomination of the Lieutenant Governor of the Isle of Man. They also have no powers to dissolve the GLAs. The CIL is also an all-Ireland body for which it receives some funding from the Irish Department of Transport.
- 1.4.2 For national accounts purposes the GLAs are classified to the Public Sector.
- 1.4.3 References to the GLAs include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the GLAs.

## **2 Aims, objectives and targets**

### **2.1 Overall aims**

- 2.1.1 DfT has a duty to ensure the effective management of the GLF and to ensure value for money in the provision of Aids to Navigation (Aton).
- 2.1.2 DfT's primary aim is transport that works for everyone. In support of this aim it will improve the policy, advisory and regulatory framework for maritime activities to deliver enhanced safety and environmental protection at sea.
- 2.1.3 The GLAs' primary aim is to deliver a reliable, efficient and cost effective Aids to Navigation service for the benefit of all mariners.

### **2.2 Objectives and key targets**

- 2.2.1 The GLAs' objectives and key targets will be agreed and their performance assessed within their respective corporate and business planning process (Section 4.2.4 below).

### 3 Responsibilities and accountability

#### 3.1 The Secretary of State for Transport and the Department for Transport

##### The General Lighthouse Fund

- 3.1.1 The Secretary of State for Transport (the Secretary of State) is responsible for the management of the General Lighthouse Fund (GLF). As part of that management, he will agree financial objectives that the GLAs will meet in exercise of their functions in accordance with the relevant legislation.
- 3.1.2 The Secretary of State will review the financial operations and establishments of the GLAs annually. He will review, and if necessary set, the level of light dues with the approval of Parliament. He will establish annually, for each GLA, an expenditure sanction for the following financial year having regard to the statutory responsibilities of each GLA. The Minister for the Department of Transport sets light dues in the Republic of Ireland.
- 3.1.3 Appendix B to this Framework Document sets out the respective statutory and administrative responsibilities and duties of the parties more fully.

##### Accountability to Parliament

- 3.1.4 The Secretary of State is answerable to Parliament for the resources that she allocates to the GLAs and for the financial framework under which she requires the GLAs and their staff to work.
- 3.1.5 In matters concerning the GLAs' operations, the Secretary of State will, whenever it is reasonable, refer to the relevant GLA for comment such enquiries and representations as he may receive from Members of Parliament and others.
- 3.1.6 The Secretary of State will answer all Parliamentary Questions relating to the GLAs, their organisation and work. The GLAs and their staff will stand ready to provide any information reasonably required to enable the Secretary of State to carry out his function.
- 3.1.7 Where the relevant GLA receives enquiries and representations direct from RoI members of the Dail and from Members of the Scottish Parliament / Executive, wherever possible draft responses should be discussed with DfT.

##### DfT Accounting Officer

- 3.1.8 The Permanent Secretary of DfT, as Accounting Officer for the GLF, is responsible to the Secretary of State for the resources made available to the GLAs and is liable to be summoned to give evidence to the UK Parliamentary Committee of Public Accounts (PAC) in respect of these responsibilities. He must ensure that:
- a. the GLAs comply with the financial conditions set out in this Framework Document and in the annual Sanction Letter;
  - b. his officials monitor compliance by the GLAs and their staff;

- c. the financial and other management controls applied by DfT and the GLAs conform with the requirements of propriety and regularity, economy, efficiency and effectiveness, and delivery of value for money;
  - d. the Accounts of the GLF and the records maintained by the GLAs comply with the requirements of Managing Public Money, the Companies Acts (where appropriate), HM Treasury "Dear Accounting Officer" letters and the Financial Reporting Standards as laid down by the Accounting Standards Board;
  - e. the terms of the appropriate sections of the concordats between the DfT and the Scottish Government, the Welsh Assembly and the Northern Ireland Assembly are compiled with; and
  - f. CIL meet any requirements laid down by the Irish Parliament.
- 3.1.9 The DfT Accounting Officer is responsible for the overall organisation, management and staffing of DfT as sponsor Department and for ensuring that there is a high standard of financial management in DfT as a whole. The DfT Accounting Officer is also accountable to Parliament for the stewardship of the GLF.
- 3.1.10 In particular the DfT Accounting Officer will ensure that:
- the financial and other management controls applied by DfT to the GLAs are appropriate and sufficient to safeguard public funds and for ensuring that the GLAs' compliance with those controls is effectively monitored; and
  - the internal controls applied by the GLAs conform to the requirements of regularity, propriety and good financial management.

### The sponsoring team in DfT

- 3.1.11 Within DfT, the Lights and Navigational Safety Branch of Ports Division is the sponsoring team for the GLAs. The team, in consultation as necessary with the departmental Accounting Officer, is the primary source of advice to the Secretary of State on the discharge of his responsibilities in respect of the GLF. The team is also the primary point of contact for the GLAs in dealing with DfT. The team carries out its duties under the Head of Ports Division who is the senior civil servant with primary responsibility for overseeing the activities of the GLAs.

## 3.2 The General Lighthouse Authorities

- 3.2.1 For the purposes of the GLF, DfT deal with the GLAs as if they were executive Non Departmental Public Bodies (NDPBs) where this does not conflict with the statutory positions of the GLAs or the interest of the GLF. DfT and the Irish Department of Transport liaise on major matters to ensure that there is no conflict between RoI law and practice and the requirements placed by DfT on CIL, as an all-Ireland body.

## General Lighthouse Authority Boards

- 3.2.2 In performing their duties under statute, each of the GLA Boards is to ensure that: -
- a. it is able to discharge its responsibilities under the Acts and with conformity to this document;
  - b. all financial, manpower and other administrative resources are used economically, efficiently and effectively;
  - c. financial considerations are taken fully into account at all stages by its officers in framing and reaching decisions, and in their execution; and
  - d. personnel management policies are developed and used which
    - i) observe the requirements of employment legislation and follow the Codes of Practice issued by the Equality and Human Rights Commission and the Cabinet Office on the employment of disabled people, wherever appropriate;
    - ii) foster good employee relations;
    - iii) provide at least the minimum requirements expected of public service employers; and
    - iv) in the RoI, conform to Irish legislation.
- 3.2.3 Each of the GLA Boards is expected, for the proper stewardship of the GLF, to:
- a. ensure that proper accounting records are maintained and annual accounts are prepared in accordance with the Accounts Direction at [Appendix E](#);
  - b. observe any reasonable conditions laid down by DfT for the administration of the GLF;
  - c. safeguard all GLF funds and assets in its charge;
  - d. ensure that such funds are applied only to the purposes approved by Parliament under MSA 1995 or MSA 1894 as amended as the case may be;
  - e. put in place a sound framework of corporate governance which ensures high standards of propriety and regularity; and
  - f. ensure that it and its staff meet the requirements of Government Accounting Regulations, Financial Reporting Standards, the requirements of the Companies Acts as applicable and good accounting practice, including any appropriate:
    - i) general guidance issued by HM Treasury or the Cabinet Office;
    - ii) recommendations accepted by Government, Parliamentary Select Committees or other Parliamentary authority;

- iii) administrative practices applicable to public funds as DfT may specify;
- iv) advice on NDPB financial management responsibilities as set out in Chapter 7 of Managing Public Money and published NDPB guidance; and
- v) In the Republic of Ireland, the Irish Parliament (known as the “Dail”).

#### DfT Nominations to GLA Boards

3.2.4 The Secretary of State for Transport makes the following nominations to the GLA Boards.

##### Trinity House

Three Non-Executive Members with a commercial or maritime background, following an open competition exercise and who are appointed by the Court of Trinity House as Associate Members of the Corporation to hold office.

##### Northern Lighthouse Board

A Commissioner, with relevant experience, who is elected by the remaining Commissioners. Additionally the Lieutenant Governor of the Isle of Man nominates one Commissioner, who is appointed by the Secretary of State for Transport.

##### Commissioners of Irish Lights

A DfT representative sits on the CIL Board Nominations Committee, as does a representative of the Irish Department of Transport to recommend candidates to the CIL Board for election.

3.2.5 Each GLA Board will also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- take account of the need to ensure a proper balance of professional and financial expertise when considering Board appointments;
- assess the performance of individual Board members when they are being considered for re-appointment to the Board.

3.2.6 Each GLA Board will also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office’s model Code of

Practice for Board Members of Public Bodies. The Code will commit the Chairman and other Board Members to the Nolan seven principles of public life, and shall include a requirement for a comprehensive and publicly available register of Board Members' interests.

- 3.2.7 Communications between the Board and DfT will normally be through the Chairman. The Chairman will ensure that the other Board members are kept informed of such communications.

#### Corporate governance

- 3.2.8 In pursuit of their wider corporate governance responsibilities, each GLA Board will;

- ensure that DfT is kept informed of any changes which are likely to impact on its strategic direction or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with DfT, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by DfT;
- ensure that the Board receives and reviews regular financial information concerning the management of the GLAs; is informed in a timely manner about any concerns about the activities of the GLAs; and provides positive assurance to DfT that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times. This includes setting up independent audit committees as a committee of the GLA Boards to help them address the key financial and other risks they face, in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies and the Treasury's Audit Committee guidance; and
- appoint a Chief Executive and in consultation with DfT, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use of public monies.

- 3.2.9 Individual Board members will act in accordance with their wider responsibility as Members of the Board - namely to:

- comply at all times with the Code of Practice that is adopted by the GLAs and with the rules relating to the use of public funds and to conflicts of interest;

- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the GLA .

### The Chief Executives' role as Accounting Officers<sup>3</sup>

- 3.2.10 The Boards of the GLAs may, as they see fit, delegate their day to day duties in these respects to their Chief Executives as may be appropriate for the purpose.
- 3.2.11 The GLAs' Chief Executives act as the GLA Accounting Officers (AOs) for their respective bodies and have responsibility for compliance with the provisions of "The Responsibilities of an NDPB Accounting Officer", issued by HM Treasury. The responsibilities of a departmental Accounting Officer are set out in more detail in Chapter 3 of Managing Public Money.
- 3.2.12 While the Chief Executives cannot be formally designated as an Accounting Officer, they are expected to carry out the full functions of Accounting Officers for sanctioned expenditure as defined in Managing Public Money and NDPB guidance. As such, the DfT Accounting Officer should write to the Chief Executives confirming their role and responsibilities.
- 3.2.13 The GLA Accounting Officer is responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the Lighthouse Authority.
- 3.2.14 As GLA Accounting Officer the Chief Executive will exercise the following responsibilities in particular:
- i) on planning and monitoring -
    - establish, in agreement with DfT, the GLA's corporate and business plans: taking account of DfT's wider strategic aims
    - ensure that timely forecasts and monitoring information on performance and finance are provided to DfT; that DfT is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DfT as soon as reasonably practicable;

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<sup>3</sup> The Trinity House Executive Chairman combines the role of Chairman and Chief Executive. For the purpose of this document the term "Chief Executive" should be taken to include the Executive Chairman.

ii) on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advise the Board on the GLA's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;
- take action as set out in paragraphs 3.7.5 of Managing Public Money<sup>14-18</sup> of the NDPB Accounting Officer Memorandum if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

iii) on managing risk and resources -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that all public funds made available to the GLA are used for the purpose intended, and that such moneys, together with the assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the GLA including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- ensure that effective personnel management policies are maintained;

iv) on accounting for the GLA's activities -

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by DfT;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the GLA's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about the GLA are established and made widely known within the GLA;
- act in accordance with the terms of this document and with the instructions and guidance in Managing Public Money and other instructions and guidance issued from time to time by DfT, the Treasury and the Cabinet Office - in particular, the Treasury documents "The Responsibilities of an NDPB Accounting Officer" and "Regularity and Propriety", both of which the Chief Executive shall receive on appointment. [Appendix B2](#) of this document refers to other key guidance; and
- give evidence, normally with the DfT Accounting Officer, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the GLA.

#### Other Chief Executive matters

- 3.2.15 Delegation of duties: the Chief Executive may delegate the day-to-day administration of their GLA Accounting Officer responsibilities to other employees in the GLA as per internal practices. However, they cannot assign absolutely to any other person any of the responsibilities set out in this document.
- 3.2.16 The GLF running costs sanction is not to be used by the GLAs on issues that are the Secretary of State's responsibility under the Merchant Shipping Acts 1995 (UK) and 1894 (Republic of Ireland) as amended without the prior agreement of DfT.
- 3.2.17 The Chief Executives are required to report any irregularity or impropriety to DfT with or without the agreement of their Commissioners or Boards.
- 3.2.18 Under the terms of Section 214(4) and (5) of the MSA 1995, the Secretary of State is required to produce the accounts of the General Lighthouse Fund. These consolidate the accounts of the three GLAs, the light dues collection accounts and investment accounts. The GLF Accounts will be signed by the Permanent Secretary of DfT as Accounting Officer for the General Lighthouse Fund and laid before Parliament.

- 3.2.19 Legislation requires the GLAs to supply DfT with information necessary to produce the Accounts. The GLAs produce individual accounts, which are audited by the National Audit Office (NAO) or the Northern Ireland Audit Office (NIAO) in the RoI. The individual GLAs accounts are signed by the Chief Executive and the Chairman for CIL and NLB, and the Executive Chairman and the Director of Finance and Support Services for TH.

**GLF Consolidation Officer**

- 3.2.20 For the purposes of Whole of Government Accounts, the GLF Accounting Officer is deemed to be the GLF Consolidation Officer.

**Parliamentary Ombudsman (Parliamentary Commissioner for Administration)**

- 3.2.21 The activities of the GLAs are subject to review by the Parliamentary Commissioner for Administration (PCA) - Section 1.7 of Managing Public Money refers.
- 3.2.22 The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer they shall inform the Permanent Secretary of DfT of any complaints about the GLA accepted by the Ombudsman for investigation, and about the GLA's proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

## 4 Planning, budgeting and control

### 4.1 Background

4.1.1 Section 4 of the HM Treasury Model Management Statement deals with corporate planning. The GLAs' corporate planning arrangements contain the principal elements of the HM Treasury Model - submission of draft plans annually identified key objectives, performance reviews, performance reporting and consultation with their sponsor Department. However, the GLAs have developed their own planning arrangements in consultation with DfT over time. They reflect the statutory requirements for securing funding from the GLF and not from Grant in Aid. The corporate planning arrangements outlined in the following sections are consistent with the MSAs and the overall control framework for NDPBs as specified in the standard HM Treasury model.

### 4.2 The planning framework and Corporate Plan

- 4.2.1 DfT will, normally by the end of April, set out the financial and other objectives, which it expects the GLAs to meet in exercising their functions under the appropriate legislation, as, for example, within the annual sanctioning of the expenditure for each GLA.
- 4.2.2 Following the receipt of the guidance contained in 4.2.1, the GLAs will submit a Planning Assumptions document to DfT containing details of the assumptions that will be used in the Corporate Plan
- 4.2.3 To enable timely conclusions to be reached, each GLA is to present its Corporate Plan to DfT by the end of September at the latest every year, six months before the Plan will commence.

#### Annual planning framework

- 4.2.4 The annual planning framework will include: -
- a. each GLA's individual Corporate Plan. This should include a review of performance and a forward policy statement, financial overview, targets, running costs, capital expenditure, and manpower plan in sufficient detail for the reader to understand how policies will be put into effect;
  - b. a pay remit for approval of pay negotiations;
  - c. total GLA expenditure proposals to be considered by DfT for the Secretary of State's approval; and
  - d. the annual Sanction letter from DfT, including modifications, if any, of the aforementioned Corporate Plan and expenditure proposals by the 15<sup>th</sup> March each year.

#### Corporate plan

- 4.2.5 Each GLA Corporate Plan will:
- a. be the chief means by which DfT judges the financial performance of each GLA on its own merits and agrees or modifies financial and other targets for the following and future years;

- b. help DfT appraise the past and present performance of each GLA in key areas of business against previously agreed objectives and targets;
- c. be the basis on which DfT decides an appropriate amount of resources (capital expenditure and running cost expenditure) to be made available to fund an agreed programme;
- d. be annually reviewed by DfT to measure the overall effectiveness of each GLA in implementing the agreed programme; and
- e. be the chief means by which each GLA bids for resources each year.

4.2.6 The Corporate Plan is to include:

- a. a forward policy statement covering major trends in expenditure over the next 3 years and a forward look at longer term strategic aims;
- b. the detailed bids for all categories of expenditure for the bid year of the plan;
- c. identification of individual capital projects in excess of the figure set out in Appendix C1 which are likely to impose heavy demands on the GLF, containing a full description with detailed narrative of all aspects of each project including a financial appraisal;
- d. particular attention to the search for savings from the capital investment programme, from the tailoring of manpower to changing circumstances, and from other savings in current expenditure;
- e. a full set of performance indicators including those set out in Appendix C2;
- f. a comparison of expenditure outturn with sanction in the previous financial year;
- h. proposed levels of expenditure for the two financial years following the bid year, using reasonable targets that may be provided by DfT as a base;
- i. explanation of any significant variations from the previous year's Plan, with supporting information; and
- j. a manpower plan, covering the past 2 years, current year, bid year and 2 subsequent years.

4.2.7 The budget categories for the Corporate Plan, each of which is to be accompanied by brief separate supporting narratives, are:

- a. running costs:
  - separately for lighthouses, light vessels, major floating aids, buoys and beacons, ships, depots, head office and redundancy costs showing the division of manpower and non-staff costs;

- b. pensions costs;
  - c. ship leasing;
  - d. capital expenditure:
    - new capital assets (ships, lighthouses, buoys, etc.), major refurbishment, automation, modernisation and other capital procurement; including separate financial appraisals for every scheme in excess of the figure set out in Appendix C1.
  - e. proposed total GLA expenditure:
    - Expenditure to be undertaken on behalf of all GLAs.
  - f. light dues collection costs;
  - g. research costs;
  - h. total expenditure;
  - i. detailed sundry income; and
  - k. asset sales.
- 4.2.8 DfT undertakes to give consideration to the movement in interest rates and their effect on ship leasing charges in determining cash limits. It further recognises the need to adjust the running cost baseline to accommodate the first appearance of a new running cost item.
- 4.2.9 Attention is to be drawn to each individual cost item in excess of the figure set out at Appendix C3. CIL will bid in Euros (€s) and Sterling (£s) with the assumed exchange rate stated.
- 4.2.10 In order to facilitate the Corporate Plan consolidation process, a Financial Summary page for each GLA's Corporate Plan based on an identical format should be attached.

#### **Transfer of funds within budgets**

- 4.2.11 Unless financial provision is subject to specific DfT or HM Treasury controls (for example, where provision is ring-fenced for specific purposes), transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need DfT approval.

#### **Virement**

- 4.2.12 The GLAs may only vire expenditure between expenditure categories (as set out in paragraph 4.2.7) with DfT's written agreement. DfT should be notified immediately if forecast expenditure on any sanctioned heading is likely to be exceeded. DfT should be told the reasons and how abatement of expenditure is proposed, for that or another sub heading, to prevent an overall overspend.

## Grant or loan schemes

- 4.2.13 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme shall be subject to prior approval by DfT, together with the terms and conditions under which such grant or loan is made. If grants or loans are to be made under a continuing scheme statutory authority is likely to be required. Details of the evidence are needed to support a case by the GLA to DfT for an increase in the delegated limit.
- 4.2.14 The terms and conditions shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the GLAs, DfT and the C&AG.

## General conditions for authority to spend

- 4.2.15 Once the GLAs' budgets have been approved by DfT and subject to any restrictions imposed by Statute, by DfT or by this document, the GLAs shall have authority to incur expenditure approved in the budget without further reference to DfT, on the following conditions:
- the GLAs comply with the delegations set out in Appendix C of this document. These delegations shall not be altered without the prior agreement of DfT;
  - the GLAs comply with the conditions set out above regarding novel, contentious or repercussive proposals; and
  - the inclusion of any planned and approved expenditure in the Budget shall not remove the need to seek formal DfT approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed.

## 4.3 Funding arrangements

- 4.3.1 The Corporate Planning cycle (see section 4.2.4 above) underpins the GLAs' funding provision. DfT and the GLAs will agree the operating costs that will be met from the GLF. DfT will, by the end of April each year, indicate to the GLAs the inflation factors, target limits and any other restrictions or conditions that he expects to apply to GLA expenditure in the bid year, which starts in the following April. DfT will also give an indication of factors to be used in the second and third years.
- 4.3.2 The GLAs will use this information in the preparation of their budget proposals. The GLAs will supply lists of the planning assumptions on which their respective Budget bids are based and the conversion rates on old prices that they have used.

## 4.4 Budgetary and funding timetables

- 4.4.1 Subject to the timing constraints outlined at section 4.2.4 above, the GLAs will submit their budget proposals within their Corporate Plan to

DfT no later than 30 September in each year. DfT and the Lights Advisory Committee (LAC) will meet each of the GLAs to discuss their expenditure proposals at bilateral discussions before the end of November.

- 4.4.2 The Lights Finance Committee (LFC), chaired by DfT and comprising representatives from all three GLAs, the Irish Department of Transport, the Lights Advisory Committee and the appointed managers of the GLF's investment portfolios will meet in December to review the overall expenditure requirement. DfT will prepare draft Sanctions in February. They will be finalised once carry forwards have been established.
- 4.4.3 DfT will arrange for a once weekly funding of the GLAs. This will be in accordance with the GLAs' Heads of Finances' as delegated requests for imprest. The GLAs will give 4 days notice of their requirements. This notice will include a forecast of their funding requirements for the following 12 weeks.
- 4.4.4 There is also an obligation to have regard to the guidance in DAO(GEN)14/01 and to the general principle enshrined in Chapter 5 of Managing Public Money that funding should be sought according to need and not in advance of need.
- 4.4.5 Total call down, as adjusted for accruals, for the financial year shall not exceed the sanctioned expenditure, subject to any agreed carry forward. Whilst DfT will consider GLA requests for additional Sanction, there is no guarantee that such requests will be agreed, as there is an expectation that the GLAs will manage their expenditure within the Sanctions set before the start of the year in question. DfT may, or may not, in such circumstances be prepared to grant an additional Sanction. Requests for additional Sanction must be accompanied by an appropriate justification and must, wherever possible, be presented with sufficient time for consideration.
- 4.4.6 Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the GLAs. Sanctioned funds not drawn down by the end of the year shall lapse. However, where draw-down is delayed to avoid excess cash balances at year-end, DfT will make available in the next financial year any such funds as are required to meet any liabilities at year end, such as creditors.

## 5 Financial reporting arrangements

### 5.1 Statutory Consolidated accounts

- 5.1.1 DfT prepares the annual GLF Accounts, for submission to Parliament and for publication. For this purpose, it will require, from each GLA, their accounts presented in a standard format that corresponds to the latest guidance issued by NAO. The accounts of the GLAs will be prepared in accordance with the Accounts Direction (Appendix E to this Document).
- 5.1.2 Each GLA will submit a draft statement of their accounts to DfT as soon as possible after the end of the financial year and not later than 31 July.
- 5.1.3 The NAO issued a standardised Annual Accounts reporting framework in January 2007. The GLAs have agreed to adopt this framework for their own Accounts purposes both as a means of facilitating the NAO's examination and review and the consolidation exercise.
- 5.1.4 DfT will then:
- a. consolidate these into the GLF Accounts;
  - b. prepare, in consultation with the GLAs, a narrative covering the chief areas of activity of the three GLAs that will be included in the GLF Accounts; and
  - c. subject to all necessary information being available by 31 October, reach agreement with auditors on the final version of the GLF Accounts by 31 December following the end of the financial year.
- 5.1.5 Subject to 5.1.4c, and to the NAO / NIAO timetables, the Secretary of State will lay a copy of the GLF Accounts before both Houses of Parliament by the following 28 February. Copies of draft Accounts may be laid in the Library with Final Accounts presented at a later date. DfT will arrange for the GLF Accounts to be published once they have been laid before Parliament.
- 5.1.6 Section 6.5.1 sets out the arrangements for external audit by the NAO and NIAO.

### 5.2 Management Reporting

- 5.2.1 The GLAs will submit monthly reports to DfT, commencing at the end of June (giving the cumulative figures to date). These reports should profile actual expenditure against sanctioned expenditure and provide reprofiled forecasts of expenditure for the remainder of the year, including an update on cash drawdown requirements. These reports should also profile income, on a similar basis. The format for these reports will be agreed between the GLAs and DfT from time to time.
- 5.2.2 DfT and the GLAs have agreed that the provision to Ports Division of the routine financial reports to their respective GLA Boards will satisfy the above requirements. From time to time, DfT and GLAs will review and agree a common format for such reports, consistent with the

requirements of the UK Freedom of Information Act 2000 (FoIA) and any data required for the Government expenditure Monitoring Systems.

## 6 Financial control and financial authorities

### 6.1 Background

- 6.1.1 The following paragraphs set out the provisions of the GLAs' Financial Memorandum, which, with the Management Statement, now forms part of the combined Framework Document for them and with which the GLAs are bound to comply. This section sets out in greater detail certain aspects of the financial framework within which the GLAs are required to operate.
- 6.1.2 The terms and conditions set out in the combined Management Statement and Financial Memorandum may be supplemented by guidelines or directions issued by DfT, the Cabinet Office, the Office of Government Commerce and HM Treasury in respect of the exercise of any individual functions, powers and duties.

#### Expenditure outside of delegated budgets

- 6.1.3 The GLAs shall not, without prior written DfT approval, enter into any undertaking to incur any expenditure which falls outside the GLAs' delegations or which is not provided for in the annual budgets as approved by DfT except in an emergency, in which case the DfT shall be informed as soon as possible thereafter.

#### Systems of financial management

- 6.1.4 Each GLA will establish and maintain systems of financial management to ensure compliance with this Framework Document, relevant legislation and any other Directions given by DfT. In addition the GLAs are to provide adequate safeguards against fraud, collusion and corruption, promote efficiency in the use of resources and secure VFM.
- 6.1.5 The GLAs will make every effort to stay within overall sanctioned expenditure levels. If at any time it appears possible that an overspend on sanctioned expenditure may occur, the GLAs must notify DfT immediately, and at the same time take appropriate interim action to prevent the overspend materialising.
- 6.1.6 The GLAs may carry forward an under spend on the capital Sanction, and running cost expenditure of the amounts set at [Appendix C5](#) subject to written DfT confirmation. A provisional estimate of the likely carry forward should be sent to DfT by the end of February.

#### Losses, special payments and Gifts

- 6.1.7 The GLAs shall keep a record of all losses (whether within the delegated powers or not) of cash, equipment, stores, abandoned claims, etc. All cash losses must be suitably recorded in the Accounting Records.
- 6.1.8 The GLAs may not write off any losses (including income), however arising, or make gifts, donations, extra-contractual, ex-gratia and other compensatory payments which exceed the delegation levels set out in [Appendix C6](#) unless the prior approval of DfT has been obtained.
- 6.1.9 DfT will review the delegation levels set out in [Appendix C](#) by from time to time at the request of either DfT or the GLAs. The GLAs do not need

to provide DfT with an annual statement of all losses, gifts and special payments, as these are set out fully in the Annual Accounts as required.

- 6.1.10 Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

#### **Material financial dealings**

- 6.1.11 The GLAs are to report any matters or financial dealings to DfT that may have an effect on the General Lighthouse Fund Accounts as soon as possible once the risk of the liability materialising becomes clear.

#### **Novel, contentious or repercussive items of expenditure**

- 6.1.12 The GLAs shall notify DfT before:
- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
  - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DfT; or
  - making any change of policy or practice which has wider financial implications (for example, because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

- 6.1.13 DfT should be consulted where there is some doubt as to whether items may fall into that category.

#### **Purchase of property**

- 6.1.14 In respect of their use for the purpose of the provision of AtoNs, the GLAs shall not purchase any freehold or leasehold property or enter into any individual lease or rental agreement of values in excess of the figure at [Appendix C7](#) without the written agreement of DfT.

#### **Leasing**

- 6.1.15 Before entering into any lease (including an operating lease) the GLAs shall demonstrate that the lease offers better value for money than purchase.

#### **Borrowing**

- 6.1.16 The GLAs in common with all NDPBs are required to observe the rules set out in Chapter 5.7 of Managing Public Money when undertaking borrowing of any kind. The approval of the sponsor Department is required to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in Managing Public Money.

- 6.1.17 Any NDPB expenditure financed by borrowing counts in Departmental Expenditure Limits, provided that is the normal budgeting treatment for such expenditure.
- 6.1.18 The GLAs may not, except with the written consent of DfT and the HM Treasury, and within the requirements of the Merchant Shipping Acts, borrow money for the purposes of defraying any expenses incurred or to be incurred by the authority in connection with the discharge of their functions.
- 6.1.19 The aggregate amount for all GLAs of any sums outstanding, with the exception of the Pensions Deficit (which is supported by a Letter of Comfort from the Secretary of State, see Appendix F) will not at any time exceed the equity of the GLF. The GLAs may, in connection with any advance made to them, mortgage any land or other property belonging to them. Any sums payable by a GLA under the terms of an advance by way of principal, interest or otherwise shall be paid out of the GLF.

#### Reserves

- 6.1.20 No Sanction, grant or grant-in-aid may be paid into any cash reserve held by the GLA. Funds in any cash reserve may be a factor for consideration when Sanction is determined.

#### Lending Powers

- 6.1.21 The GLAs have no powers to lend or make use of unconventional financing arrangements. The only exception is an authority to make advances of salary to their staff to assist with home purchase in connection with a compulsory move, the purchase of travel season tickets or bicycles or for the advance of travel and subsistence expenses, Christmas advances and exceptional welfare cases.
- 6.1.22 The GLAs may not lend money, charge any asset or security, give any guarantee or letters of comfort, or incur any other contingent liability (as defined in chapter 5 Annex 5.5 of Managing Public Money, whether or not in a legally binding form) except with the advance written approval of DfT. Any financial guarantees and indemnities given by the GLAs under the MSAs must be adequately covered against undrawn resources or insurance. (See also preceding sections on grant or loan schemes.)

#### Specialist accountancy staff

- 6.1.23 DfT has sanctioned an accountant post to manage the GLF and to prepare the GLF accounts. Although seconded to DfT, this post is added to the complement of TH, who also provide office accommodation. Responsibilities will include preparation of the GLF Accounts, recording of GLA Sanctioning, and management of the GLF's investment managers.

#### Investment Committee

- 6.1.24 An Investment Committee shall be formed consisting of the Head of DfT Ports Lights Navigation and Safety Branch, the GLF Accountant and the three GLA Finance Directors. The Committee will meet three times a year, in addition to a fourth meeting as part of the Lights Finance Committee meeting each December. The Investment Committee will review and question the performance of the GLF Investment Managers and report back to the DfT Head of Ports Division and the GLA Boards.

## Banking

- 6.1.25 The GLAs will ensure that their banking arrangements are in accordance with the requirements of Chapter 5.8 and Annex 5.7 of Managing Public Money.
- 6.1.26 In broad terms these arrangements make the GLA Accounting Officers responsible for ensuring that the banking arrangements are in accordance with the HM Treasury guidance document "Departmental Banking: a Manual for Government Departments". In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.
- 6.1.27 This means that the GLA Accounting Officer will need to ensure that:
- these arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
  - sufficient information about banking arrangements is supplied to the DfT's Accounting Officer to enable the latter to satisfy his/her own responsibilities;
  - the GLAs' banking arrangements shall be kept separate and distinct from those of any other person body or organisation; and that
  - adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

## Procurement

- 6.1.28 The GLAs' procurement policies shall reflect guidance from the Office of Government Commerce including Procurement Policy and Standards. The GLAs must ensure that they comply with any relevant EU or other international procurement rules (see section 6.1.34 below).

## Unconventional financing

- 6.1.29 Unless otherwise agreed with DfT, the GLAs shall not enter into any unconventional financing arrangement.

## Public / Private Partnerships

- 6.1.30 The GLAs shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better VFM than conventional procurement. A full business case including cost benefit analysis must be undertaken and the GLAs shall consult DfT before entering into any such agreement.
- 6.1.31 Any partnership controlled by the GLAs shall be treated as part of the GLAs in accordance with UK GAAP and consolidated with it (subject to any particular treatment required by UK GAAP). Where the judgment over the level of control is a close one DfT will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

## Competition and VFM

- 6.1.32 All procurement of works, goods and services will be based on value for money (including but not limited to quality, fitness for purpose and delivery against price). Unless agreement has been made with DfT regarding alternative procurement policies, contracts of above the figure set out at [Appendix C8](#) will be placed on a competitive tender basis and awarded to those providing demonstrable best value for money overall unless there are justifiable and substantiated reasons to the contrary. Quotations (verbal or written) will be obtained for contracts of values set out at [Appendix C8](#). All documentation including evaluation papers must be retained for all procurement transactions ensuring a full audit trail is provided. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.
- 6.1.33 Proposals to let single-tender or restrictive practice contracts will be subject to a specified delegated authority set out in [Appendix C9](#). The GLAs must seek DfT approval for each contract that exceeds the figure in [Appendix C9](#) providing justification and substantiation for the need to depart from competitive tendering.

## Public Purchasing Policy and European Union Requirements

- 6.1.34 Guidance on good purchasing principles and the requirements of EU procurement legislation may be obtained from DfT Procurement and Estates Division (DfT PED) or DfT Procurement Central (DfT (C)) or from the Office of Government Commerce (OGC) website. DfT's approval should be sought where it is proposed to depart from these principles in any project that exceeds the figure set out at [Appendix C9](#). GLAs should inform DfT when the aggregate of single tender action (STA) for any one contract exceeds the figure at [Appendix C10](#).

## Payments to suppliers and timeliness in paying bills

- 6.1.35 The GLAs will collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or as required by the Prompt Payment Regulations and as provided for in Annex 4.6 of Managing Public Money. The GLAs will also comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), the Late Payment of Commercial Debts (Interest) Act 1998 as amended, and where appropriate the Republic of Ireland Prompt Payments of Accounts Act 1997.
- 6.1.36 The GLAs should state their payment policy by way of a note in their Annual Statutory Accounts.

## 6.2 Theft and fraud

- 6.2.1 The GLAs will draw up a Fraud Response Plan and ensure that their accounting and other procedures contain all reasonable safeguards against theft and fraud. All significant cases of theft and fraud will be reported to DfT as soon as they are discovered, and notified to HM Treasury in the Annual Fraud return. Further guidance is available in the HM Treasury publication "Managing the risk of fraud 2003".

## 6.3 Capital expenditure

- 6.3.1 Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised will include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
- 6.3.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the GLAs' corporate planning process. Applications for approval by DfT and if necessary by HM Treasury must be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to DfT.
- 6.3.3 Within its approved overall resources limit each GLA has delegated authority to spend up to the figure at Appendix C3 on any individual capital project or acquisition. Beyond that delegated limit, DfT's prior authority must be obtained before expenditure on an individual project or acquisition is incurred. Details of the evidence supporting a case by the GLA for an increase in the delegated limits will be needed.

### Asset Register

- 6.3.4 An up-to-date register of all stores, equipment, and fixed assets, and adequate stock and stores accounts, will be kept. Assets with a net book value in excess of the value at Appendix C11 must not be disposed of without the agreement of DfT. The proceeds of every disposal above that figure are to be remitted to the GLF, unless offset against the next cash drawdown from the GLF is agreed with the GLF Accountant.

### Disposal of assets

- 6.3.5 Each GLA will dispose of assets, which are surplus to its requirements. Assets will be sold for best achievable price, taking into account any costs of sale. High value assets shall, be sold by auction or competitive tender unless otherwise agreed by DfT, and in accordance with Managing Public Money, Chapter 4.10 and Annex 4.8.

## 6.4 Lighthouse estate property

- 6.4.1 The GLAs will hold, manage and maintain adequate lighthouse property for the operation of an efficient and economical lighthouse service, seeking GLF Sanction and supplementary grant aid where appropriate. The disposal of redundant lighthouse property shall be undertaken where appropriate by the most beneficial means available, without any due delay after the property has become redundant and wherever possible having due regard to:
- a. the need to transfer or reduce maintenance outgoings;
  - b. the operational, historical and cultural significance of lighthouse buildings (and their equipment) as part of the national industrial

heritage and as a feature of the beauty and amenity of the coast environment;

- c. the 1994 property strategy document "Joint Study on a Framework for the Future of Lighthouse Property" of 14 October 1994 as amended; and
  - d. achieving the best possible disposal price by using open market sales unless there is demonstrable reason to negotiate the sale.
- 6.4.2 Schemes may be developed for the wider utilisation of operational lighthouse property provided that they are viable, self-funding and only developed under arrangements with responsible and self-sufficient conservation, environmental planning and other bodies, taking account of the essential requirements to safeguard the aids to navigation functions and avoid any improper charge on the GLF. These arrangements must comply with the GLAs' powers as laid down by the 1894 and 1995 MSAs, as amended. See also section 8 below (Commercial Services and Contracts).

## 6.5 Audit arrangements

### External Audit

- 6.5.1 The Comptroller and Auditor General (C&AG) audits the GLF and the financial statements of TH, NLB and CIL which DfT lays before Parliament, as part of the consolidated GLF accounts. The NAO currently contracts with NIAO to perform the audit of CIL on behalf of the C&AG. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under section 25(8) of that Act.
- 6.5.2 The C&AG has agreed to consult DfT and the GLAs on who - the NAO or a commercial auditor - will undertake the actual audit on his behalf. The final decision rests with the C&AG.
- 6.5.3 The C&AG has agreed to share with DfT information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. This will apply, in particular, to issues which impact on DfT's responsibilities in relation to financial systems within the GLAs. The C&AG has also agreed, where asked, to provide Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which Departments may request at the commencement of the audit and which are compatible with the independent auditor's role.
- 6.5.4 The GLAs will permit the NAO and NIAO and any person nominated by DfT to inspect the books, accounts, and related documents and records at any time, and will furnish any information relative to them. The NAO and NIAO may also carry out examinations into the economy, efficiency and effectiveness with which the GLAs have used resources to carry out their functions.
- 6.5.5 The GLAs must keep accounting records for at least seven years. The NAO also require the GLAs to retain main ledgers for seven years.

## VFM examinations

- 6.5.6 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the GLAs have used their resources in discharging their functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the GLAs are required to provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and to use their best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

## Internal Audit

- 6.5.7 Each GLA will establish and maintain arrangements for internal audit in accordance with the HM Treasury's Government Internal Audit Standards (GIAS). The GLAs will consult DfT to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with Government Internal Audit Standards (GIAS) 5.2.
- 6.5.8 Where the Internal Audit Service is contracted out, the GLAs will arrange for periodic quality reviews of their internal audit in accordance with GIAS. DfT shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, DfT reserves a right of access to carry out independent reviews of internal audit in the GLAs. Where DfT ARA provides the service, reports on the outcome of the periodic independent quality reviews of ARA will be sent out to the GLAs.
- 6.5.9 DfT's Internal Audit Service will also have a right of access to all documents prepared by the GLAs' internal auditors, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the GLA's Heads of Internal Audit's opinion on risk management, control and governance shall be forwarded as soon as possible to DfT who will consult the Head of Internal Audit as appropriate.
- 6.5.10 In addition, the GLAs shall each forward to DfT (ARA & Ports Division) an annual report on fraud and theft suffered by them (section 6.2 refers); notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit committee's terms of reference or the GLA's Fraud Policy and Fraud Response Plans.
- 6.5.11 In addition to the right of access referred to in paragraph 6.5.8 above, DfT shall have a right of access to all the GLAs' records and personnel for purposes such as sponsorship audits or operational investigations.

## 6.6 Risk management

- 6.6.1 Each GLA will adopt a risk management approach in relation to the range of risks to which it is exposed, carrying out periodic reviews and careful analysis to confirm the basis of its strategy. It will ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the HM Treasury guidance "Management of Risk: A Strategic Overview".

- 6.6.2 Each GLA will adopt and implement policies and practices to safeguard itself against fraud and theft, in line with HM Treasury's guide "Managing the Risk of Fraud."
- 6.6.3 Each GLA will take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.
- 6.6.4 Each GLA will maintain a Strategic Level Business Continuity and Emergency Response Plan for responding to emergencies and incidents that may cause disruption to operational activities. Disaster recovery and business continuity plans shall be routinely tested and updated. An estimate of pension liabilities and an appraisal of risks shall also be prepared for accounting purposes.

#### Insurance

- 6.6.5 UK NDPBs are not usually permitted to take out commercial insurance (Chapter 4.4 and Annex 4.5 of Managing Public Money refers). However, the GLAs will continue their common approach on insurance as agreed by the DfT Secretary of State. Broadly the policy will be to insure commercially where:
  - a. there is a legal requirement; or
  - b. the risk is medium to large; and
  - c. insurance is available and premiums remain cost effective having regard to the amount of indemnity offered and previous losses.
- 6.6.6 Insignificant uninsured losses, not covered by the excess will normally be met from operating budgets. Significant losses will be met from the GLF reserve.
- 6.6.7 The GLAs' Legal & Risk Committee will consider the insurance requirements of the three GLAs and recommend to the Lights Finance Committee, for agreement, distribution between:
  - a. items to be commercially insured, generally comprehensively, at the expense of the GLF; or
  - b. items which might best be insured as part of a joint GLA package or insured by each GLA on an individual basis; or
  - c. items to be carried as a self-insured risk as a liability on the GLF reserve.

#### Risk Management & Insurance review

- 6.6.8 The GLAs will jointly carry out a comprehensive risk management review, which shall include a review of requirements at least every 3 years or earlier at the specific request of DfT. DfT is to be asked to agree any new or revised arrangements proposed.

## Health and safety

- 6.6.9 Each GLA will make known their policy on health and safety in the year end accounts and take steps to ensure the management of the health, safety and welfare of its staff in accordance with all statutory requirements.

## 6.7 Subsidiary companies and joint ventures

- 6.7.1 The GLAs will not establish subsidiary companies or joint ventures without the express approval of DfT and subject to their having the necessary powers to do so. In judging such proposals DfT will have regard to DfT's wider strategic aims and objectives.
- 6.7.2 Any subsidiary company or joint venture controlled or owned by a GLA shall be consolidated with it in accordance with GAAP for public expenditure accounts purposes, subject to any particular treatment required by GAAP. Where the judgment over the level of control is a close one DfT will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with DfT and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this management statement and financial memorandum, and to the further provisions set out in supporting documentation.

## Financial investments

- 6.7.3 The GLAs are not permitted to make any investments in traded financial instruments without the prior written approval of DfT, nor shall they aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of the GLA, shall equally be subject to DfT approval unless covered by a specific delegation. However, as part of the GLF's management arrangements, particular arrangements involving fund investments have been put in place.

## 7 Human resources

### 7.1 Staff costs

7.1.1 Subject to delegated levels of authority the GLAs are required to ensure that the creation of any additional posts does not incur forward commitments, which will exceed ability to pay for them.

### 7.2 Staff appointments

7.2.1 The GLAs have authority to make staff appointments, other than Directors, provided that sanctioned funds are available to meet the full costs. Appointments of Directors are to be made by each GLA in line with their respective constitutions, in consultation with DfT. The arrangements for making staff appointments are specific to each GLA reflecting their respective different constitutions. There are also different arrangements for Board and Director appointments.

7.2.2 Within any cash limits laid down by DfT, manpower plans will be drawn up by each GLA and are subject to DfT approval. The GLAs will provide a statement in their Corporate Plans in accordance with the agreed format. The GLAs will then each submit a Pay Remit to DfT once HM Treasury guidelines are known. These will be considered as part of the Sanction process (section 4 above) in conjunction with the draft Sanction before a final Sanction and Pay Remit is produced. However, due to its link to Irish Civil Service Pay and Conditions, CIL's pay budget bid is included in the Corporate Plan, therefore CIL do not need to submit a separate pay remit.

7.2.3 In general, and in accordance with its responsibility for the recruitment, retention and motivation of its staff, the GLA is required to ensure that:

- rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and their performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the GLA's objectives;
- proper consultation with staff takes place on key issues affecting them;

- adequate grievance and disciplinary procedures are in place;
- whistleblowing procedures consistent with the Public Interest Disclosure Act in the UK are in place; and
- a code of conduct for staff is in place based on current legislation and best practice.

7.2.4 Any monitoring of GLA human resources policies by the DfT shall be carried out via existing audit structures.

### **7.3 Pay and grading**

7.3.1 CIL's grading, conditions of service and pay will continue to be linked to those of the Irish Civil Service and the terms of National Pay Agreements.

7.3.2 TH and NLB will be responsible for determining their pay and grading systems, placing emphasis on matching them closely to their business needs and linking pay to performance as specified in Corporate Plans. DfT approval will be required for the pay and grading systems, for any major structural changes to such systems, and for annual remits for pay settlements. Smaller structural changes do not need DfT approval provided they are within budget and covered by the manpower plan.

7.3.3 Remits will need to comply with Government policy on public sector pay and take account of value for money, probity and regularity issues and affordability. If there is a difference of view as to grading, DfT will arrange for a review, within TH and NLB, of the numbers and grading of staff, and for a report to be made jointly to the GLAs and to DfT. These arrangements shall also apply to Commissioners, Non-Executive Directors and Directors, with actual pay reported.

### **7.4 Conditions of service**

7.4.1 The GLAs will ensure that appropriate provisions covering non-pay related staff matters (for example, recruitment and conduct) are in place, and shall each determine their own pay related terms and conditions (for example, leave arrangements and fringe benefits). Terms and conditions of service determined by the GLAs shall take account of Government policy.

7.4.2 All forms of non-pay benefits, such as the provision of company (GLA) vehicles, will be clearly identified as part of remuneration packages, and costed in money terms for pay bill purposes. The GLAs may be required to provide justification for the use of non-pay benefits on value for money grounds. The GLAs will also each put in place systems to ensure there are no abuses of such benefits.

7.4.3 The Boards of the GLAs will adopt staff rules, which recognise the ultimate accountability of the Secretary of State to Parliament for the GLF, for the financial behaviour of the GLAs and, in consequence for the generality of their conduct and activities, in so far as that is linked to expenditure funded from the GLF.

7.4.4 The staff rules must provide rules and guidance on employment legislation and recognised best practice.

- 7.4.5 A list of staff showing the numbers in each salary grade will be provided to DfT with the budget estimates and at other times if requested. The GLAs will inform DfT of annual settlements and changes to benefits and conditions of service. DfT reserves the right to require the GLAs to justify settlements and changes, which appear to DfT to be excessive.
- 7.4.6 Under NDPB rules, the travel expenses of Board Members are either tied to the rates allowed to senior staff of the NDPB or Departmental rates. Reasonable actual costs are re-imbursable.
- 7.4.7 The GLAs may operate performance-related pay schemes, which forms part of the annual aggregate pay budget approved by DfT.
- 7.4.8 The GLAs are required to comply with all relevant employment legislation.

## 7.5 Pensions

- 7.5.1 Under Section 214 of the Merchant Shipping Act 1995 (Section 665 of the Merchant Shipping Act 1894 in Ireland), the GLAs operate a statutory unfunded pension scheme that operates by analogy to the Principal Civil Service Pension Scheme.
- 7.5.2 DfT will ensure that light dues rates are established at a level that ensures that pension expenditure can be met. A Letter of Comfort from November 2001 (see [Appendix F](#)) commits DfT to informing HM Treasury if the GLF is unable to meet pension expenditure at the earliest possible date and to approach Parliament for supplementary funding.
- 7.5.3 In deciding the level of the investments that support the General Lighthouse Fund, DfT will maintain part of the Fund in a manner that supports pension expenditure. The GLAs will each arrange for a triennial valuation of the pension deficit to inform the required level of funding. The triennial valuation will contain a 20-year forecast of annual pension expenditure.
- 7.5.4 The triennial valuation will also include the invested value of employee pension contributions, employee additional contributions and transfer value payments received on behalf of employees held within the Fund. In the intervening years the invested value of the employee pension contributions, employee additional contributions and transfer payments received will be sought from the GLAs' appointed Actuary. It is expected that part of the Fund will be maintained at that level.
- 7.5.5 Staff of GLAs may opt out of the occupational pension scheme provided by their employers. A regime has been agreed for employer's contributions to appointed Civil Service Stakeholder pension arrangements (TH and NLB) or Personal Retirement Savings Accounts (CIL).
- 7.5.6 Any proposal by the GLAs to move from the existing pension arrangements requires the approval of DfT.
- 7.5.7 Proposals from the GLAs to implement redundancies resulting from major structural changes or compensation for loss of office requires the approval of DfT. Payments will be made in accordance with the Rules of the Civil Service Compensation Scheme.



## 8 Commercial Services and Contracts

- 8.1.1 In the UK, the GLAs are permitted to exploit spare capacity of their assets for the purpose of earning net revenue for the GLF under, and subject to the provisions of, Section 197 of the MSA 1995 (as amended). The GLAs will not enter into commercial arrangements that put at risk the delivery of the core statutory duties of the GLAs or that have a conflicting interest with these core statutory duties.
- 8.1.2 In the Republic of Ireland, CIL are permitted to exploit spare capacity of their assets for the purpose of earning revenue for the GLF subject to the provisions of the Merchant Shipping (Commissioners of Irish Lights) Act 1997, with the consent of the Minister of Transport.
- 8.1.3 The GLAs will each be permitted, without DfT prior approval, to:
- a. provide and maintain Aids to Navigation (AtoNs) on behalf of Third Parties;
  - b. undertake work on the aids to navigation on behalf of Third Parties;
  - c. hire out assets when not required for statutory duties; and
  - d. enter into agreements or lease out property owned by the GLA where it is considered that the property cannot be sold, it needs to be retained for operational reasons or it is not for the time being expedient to realise the asset.
- 8.1.4 Any areas of work outside those listed above must be approved in advance by DfT.
- 8.1.5 The GLAs are not permitted to retain any assets solely for the purpose of undertaking agreements within this section.

### Consultation on contracts

- 8.1.6 To enable DfT to monitor the exposure of the GLF on a continuing basis, each GLA will:
- a. provide DfT with a report of all commercial contracts as per [Appendix C14](#); and
  - b. consult Ports Division before entering into a contract expected to generate more than the limits in [Appendix C15](#).

### Restrictions on contracts

- 8.1.7 Any work so undertaken will be subject to the following restrictions:
- a. spot-hire for assets of specific jobs can be undertaken on an ad hoc basis subject to the conditions stated in [Appendix C13](#);
  - b. agreements or leases may be entered into on a longer term basis provided the GLA is satisfied that such commitments do not detract from its statutory responsibilities;
  - c. each GLA will lodge with DfT:
    - i. a copy of standard contract terms and conditions;

- ii. copies of any contract in excess of the figure in Appendix C15;
  - iii. if requested, a copy of any individual contract;
  - d. the GLA will consult DfT in respect of any contract that will generate in excess of the figure in Appendix C15 (gross of expenses) and provide details to DfT in respect of the proposed agreement and an assessment of the impact on the GLA's resources including details of any additional expenses to be incurred during the contract; and
  - e. copies of agreements made in the RoI will also be lodged with the DoT.
- 8.1.8 Each GLA will have a formal written policy and procedure for assessing; obtaining and managing any contracts under these provisions and such policy and procedures will be agreed with DfT.

## 9 Communications

- 9.1.1 DfT will give notice to the GLAs of any press releases or announcements in Parliament, which are likely to have an effect on the affairs of the GLAs. There will be a mutual exchange between the GLAs and DfT of relevant press or public announcements with prior consultation on matters of major policy.
- 9.1.2 DfT will bring concerns about the activities of the GLAs to the attention of the full Board of the individual GLA in question, and require explanations and assurances from the Board that appropriate action has been taken.

## **A Contact points**

### **A.1 Department for Transport**

Ports Division  
Zone 2/34  
Department for Transport  
76 Marsham Street  
London  
SW1P 4DR

Head of Ports Division on matters of major policy

Head of Ports, Lights Navigation and Safety Branch or Ports, Lights Navigation and Safety Branch (GLF Manager) on other matters

Ports, Lights Navigation and Safety Branch (GLF Accountant) on accounting and financial policy

### **A.2 Trinity House Lighthouse Service**

Trinity House  
Tower Hill  
London  
EC3N 4DH

Executive Chairman on policy matters, service affairs and legislation.

Director of Finance and Support Services on all financial policy management and accounting matters including financial sanctions and light dues, and on, administrative and personnel matters.

### **A.3 Northern Lighthouse Board**

Northern Lighthouse Board  
84 George Street  
Edinburgh  
EH2 3DA

Chief Executive on matters of major policy and service affairs.

Director of Finance on other policy matters, service affairs, legal, administrative, human resource, financial management and accounting and related matters.

### **A.4 Commissioners of Irish Lights**

Commissioners of Irish Lights  
Harbour Road  
Dun Laoghaire

Chief Executive on matters of major policy and service affairs.

Head of Corporate Services on all financial policy management and accounting matters including financial sanctions and light dues, and on legislation, administrative and personnel matters.

## **B Relevant Legislation**

### **B.1 Provision of aids to navigation**

#### **MSA 1995 (UK) and MSA 1894 (ROI) as amended**

B.1.1 The relevant MSAs give the GLAs distinct duties and powers for managing and co-ordinating the provision of marine AtoN within their respective geographical areas. Each of the GLAs is required to operate entirely within their statutory framework when undertaking their work as a GLA.

#### **Safety of Life at Sea Convention (SOLAS) 1974**

B.1.2 The UK and Ireland are signatory States to the International Maritime Organisation (IMO) SOLAS Convention 1974. SOLAS 1974 V/14 places general responsibility on contracting Governments for the adequate provision of AtoN in and around their respective areas for the safe navigation of shipping, according to the degree of risk and the volume of traffic. The UK input at IMO is co-ordinated by the Safety of Navigation Committee (UK-SON) which is chaired by a senior official of DfT and attended, among others, by representatives of the GLAs.

B.1.3 Because of their statutory powers and duties the GLAs assume responsibility for positive discharge of their respective Government's SOLAS 1974 V/14 obligations as regards the provision of AtoN. To assist this process, the GLAs may also take steps to:

- a. observe and record developments at IMO;
- b. actively participate at Council and Committee level as members of International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA), where compatible with their statutory duties;
- c. observe and record maritime developments within the European Union and elsewhere; and
- d. maintain links with the International Telecommunications Union, through the national radio licensing authority and IALA, regarding the allocation of radio frequencies in NW Europe.

#### **Joint User Consultative Group**

B.1.4 The Joint User Consultative Group (JUCG) comprises representatives of the three GLAs and the users of their services to enable a mutual exchange of information and views on major policy matters of common concern within the field of AtoN.

#### **Inspections of Local AtoN**

B.1.5 The GLAs have a legal charge in the UK to inspect lighthouses, buoys and beacons belonging to or under the management of any local lighthouse authorities within their respective areas at regular intervals and communicate to each authority the results of these inspections. Having satisfied itself on relevant issues -annual reports on inspections - are forwarded to DfT before April:

- a. describing the number and nature of any deficiencies;
- b. naming faults which remained unrectified over the period; and
- c. highlighting any trends and recommending action to ensure the safety of shipping in a particular area.

#### **Coast Protection Act 1949 and Continental Shelf Act 1964**

B.1.6 TH are advisors to DfT and NLB are advisors to the Scottish Government on the establishment and variation from time to time of navigational marking in respect of works to which the consent of the Secretary of State is required under Section 34 of the Coast Protection Act 1949, as extended to offshore installations in designated areas by Section 4 of the Continental Shelf Act 1964.

#### **Consultation under the Transport and Works Act 1992**

B.1.7 TH is also a primary consultee on any AtoN matters arising from the application of the Secretary of State for Transport's order making powers for schemes in England and Wales proposed under the Transport and Works Act 1992.

#### **Wreck Powers**

B.1.8 In the United Kingdom, the GLAs have wreck removal powers under Sections 252 & 253 of the MSA 1995. In the Republic of Ireland CIL's powers are set out in the Marine Salvage Act 1995. The GLAs are empowered to take possession, raise, remove, destroy or mark a wreck where there is no harbour or conservancy authority empowered to deal with the wreck. The GLAs are empowered to recover the expenses incurred in the exercise of their wreck powers from the owner of the vessel at the time of the sinking, stranding or abandonment.

#### **Foreign Wrecks**

B.1.9 The relevant GLA is to consult DfT (to enable the Foreign & Commonwealth Office to pursue diplomatic channels) on any action proposed in respect of a wreck of a foreign vessel outside territorial waters, prior to action being taken.

#### **Arrangements for External Audit**

B.1.10 The statement of accounts will be audited by the National Audit Office (NAO) in the UK under the auspices of the Comptroller & Auditor General under the powers conferred by MSA 1995 and Section 3 of the Exchequer and Audit Departments Act 1921, as amended by the National Audit Act 1983. The National Ireland Audit Office (NIAO) has a parallel role in the RoI.

#### **Territorial Waters Issue**

B.1.11 The vires of GLA expenditure outside of territorial waters are unclear. Although the Department views the risk of legal challenge as remote, it will seek an early legislative opportunity to provide clarity.

#### **B.2 Compliance with instructions and guidance - relevant documents**

9.1.3 The GLAs shall comply with the following general guidance documents:

- this combined Framework document;
- *Managing Public Money*, issued by HM Treasury;
- *Non-Departmental Public Bodies - a Guide for Departments (the "NDPB Guide")*, issued by the Cabinet Office;
- *Government Internal Audit Standards*, issued by HM Treasury;
- *Managing the Risk of Fraud*, issued by HM Treasury;
- *Executive NDPBs - Annual Reports and Accounts Guidance*, issued by HM Treasury;
- the *Fees and Charges Guide*, issued by HM Treasury;
- *Departmental Banking: A Manual for Government Departments*, issued by HM Treasury;
- relevant Dear Accounting Officer (DAO) letters;
- *Regularity and Propriety*, issued by HM Treasury;
- the *Consolidation Officer Memorandum*, issued by HM Treasury;
- relevant Dear Consolidation Officer (DCO) letters;
- other relevant guidance and instructions issued by HM Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by DfT;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to NDPB; and
- *Government Financial Reporting Manual (FreM)*, issued by HM Treasury.

## C Delegation table

1	Para 4.2.7(c)	All capital commitments in excess of £250,000 or €325,000 to be identified and a financial appraisal to be produced																					
2	Para 4.2.6(e)	The following performance indicators to be prepared.  Aids to Navigation Availability compared to IALA standards, AtoN Mean Time Between Failure, AtoN Mean Time To Repair  Tender utilisation  Running costs to constant prices  Sickness & accident statistics																					
3	Para 4.2.9  6.3.3	Attention to be drawn to each item of expenditure in excess of £250,000 or €325,000.																					
4		Permitted expenditure overspends, subject to notification to DfT.  Running costs           Up to 5%  Capital costs            Up to 10%																					
5	Para 6.1.6	Permitted expenditure carry forwards, subject to notification to DfT  Running costs           Up to 1%  Capital costs            Up to 10%																					
6	Para 6.1.8	Maximum write off value permitted without reference to DfT of £65,000 or €84,500.																					
7	Para 6.1.14	Limit for the GLAs acquisition of freehold or leasehold property without reference to is £250,000 (€325,000).																					
8	Para 6.1.32	The Procurement limits should be in line with DfT as follows:- <table border="0" style="margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: right;">£000's</th> <th style="text-align: right;">€000's</th> </tr> </thead> <tbody> <tr> <td>1 Oral Quote</td> <td style="text-align: right;">&lt;3</td> <td style="text-align: right;">&lt;4</td> </tr> <tr> <td>3 Oral Quotes</td> <td style="text-align: right;">&lt;10</td> <td style="text-align: right;">&lt;13</td> </tr> <tr> <td>3 Written Quotes</td> <td style="text-align: right;">&lt; 50</td> <td style="text-align: right;">&lt;65</td> </tr> <tr> <td>Competitive Tender</td> <td style="text-align: right;">&gt;50</td> <td style="text-align: right;">&lt;65</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">But below EU threshold</td> </tr> <tr> <td>EU Tender</td> <td></td> <td style="text-align: right;">Over EU threshold</td> </tr> </tbody> </table>		£000's	€000's	1 Oral Quote	<3	<4	3 Oral Quotes	<10	<13	3 Written Quotes	< 50	<65	Competitive Tender	>50	<65			But below EU threshold	EU Tender		Over EU threshold
	£000's	€000's																					
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EU Tender		Over EU threshold																					

- |    |                       |                                                                                                                                                                                                            |
|----|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9  | Para 6.1.33<br>6.1.34 | GLAs to seek DfT approval when proposing to depart from good purchasing principles in any project exceeding £50,000 (€65,000).                                                                             |
| 10 | Para 6.1.34           | GLAs to seek DfT approval when the aggregate of single tender action in any project exceeds £50,000 (€65,000).                                                                                             |
| 11 | Para 6.3.4            | Assets with a net book value exceeding £250,000 (€325,000) must not be disposed of without the agreement of DfT.                                                                                           |
| 12 |                       | The GLAs shall individually include targets for contractual income in their respective Corporate Plans. (This means they will be subject to DfT agreement as per all other matters in the Corporate Plan). |
| 13 |                       | Spot Hire contracts to be reported to DfT every six months                                                                                                                                                 |
| 14 | Para 8.1.6(a)         | Commercial contracts to be reported to DfT every six months                                                                                                                                                |
| 15 | Para 8.1.7(d)         | Commercial contracts with an income in excess of £400,000 (€520,000) must be reported to DfT prior to agreement of the contract.                                                                           |

Note: the Euro figures above are based on an exchange rate of £1: €1.3. Were the exchange rate to differ markedly from this value, the limits above would need to be recalculated.

## D Constitutional Background

### D.1 The Secretary of State for Transport and the UK Department for Transport (DfT) - DfT sponsoring Team

D.1.1 The sponsoring team shall advise the Secretary of State for Transport on:

- an appropriate budget for the GLAs in the light of the Department's overall public expenditure priorities; and
- how well the GLAs are achieving their strategic objectives and whether they are delivering value for money.

In support of the departmental Accounting Officer, the sponsoring Team shall on performance and risk management -

- monitor the GLA's activities on a continuing basis through an adequate and timely flow of information from the GLAs on performance, budgeting, control and risk management, including early sight of the GLA's Statements on Internal Control;
- address in a timely manner any significant problems arising in the GLAs, whether financial or otherwise; and
- periodically carry out a risk assessment of the GLA's activities to inform the Department's oversight of the GLAs; strengthen these arrangements if necessary; and amend the management statement accordingly. The risk assessment shall take into account the nature of the GLA's activities; the public monies at stake; the bodies' corporate governance arrangements; financial performance; internal and external auditors' reports, the openness of communications between the GLAs and the Department; and any other relevant matters.

### D.2 The GLAs

#### The Corporation of Trinity House (TH)

D.2.1 TH is a private Corporation constituted by Royal Charter. Parliament has vested a statutory duty in TH, within the scope permitted by its various Charters and Grants, to carry on a public undertaking as a General Lighthouse Authority (GLA) according to Parts VIII & IX of MSA 1995.

#### Trinity House Lighthouse Board

D.2.2 The lighthouse function of TH is financed and operated separately from the Corporation's charitable, and deep sea pilotage activities. The Court of TH has overall responsibility for conduct of all elements of the Corporation's business and has delegated the responsibility for effective control of its functions and finances as a GLA to the Trinity House Lighthouse Board.

#### The Commissioners of Northern Lighthouses (NLB)

D.2.3 The NLB owe their origin to The Act 26 George III Cap 101, dated 1786. NLB is a corporate body now constituted by Section 193 (3) of MSA 1995 as a GLA under Part VIII of MSA 1995. It comprises the persons holding the following offices: -

- a. The Lord Advocate and the Solicitor General for Scotland
- b. The Lords Provosts of Edinburgh, Glasgow and Aberdeen, and the convenors of the councils for Highland and Argyll & Bute
- c. The Sheriffs Principal of all the Sheriffdoms in Scotland, namely:
  - The Sheriff Principal of Grampian, Highlands and Islands
  - The Sheriff Principal of Tayside, Central and Fife
  - The Sheriff Principal of Lothians and Borders
  - The Sheriff Principal of Glasgow and Strathkelvin
  - The Sheriff Principal of North Strathclyde
  - The Sheriff Principal of South Strathclyde, Dumfries and Galloway
- d. A person nominated / re-nominated by the Lieutenant Governor of the Isle of Man and appointed / re-appointed by the Secretary of State for a period of 3 years.
- e. The Convenor of any Council whose area includes any part of the Coast of Scotland
- f. Up to 5 other persons and one co-opted member each of whom holds office for three years and is eligible for re-election (in electing such persons the Commissioners are required to ensure that at least three members of the Board have special knowledge and experience of nautical matters)
- g. Under arrangements for the approval to remunerate the six Commissioners appointed under paragraph d and f, the Board gave an undertaking that one place in its co-opted membership would be filled by a nominee of the Department's choice.

#### **The Commissioners of Irish Lights (CIL)**

D.2.4 The origins of CIL date back to 1786. CIL became a distinct corporate body constituted by the Dublin Port Act of 1867. CIL is now a GLA under the provisions of the MSA 1894, which has been adopted unchanged by RoI by virtue of the constitution of the Irish Free State 1937. CIL are governed by the MSA 1995 in respect of Northern Ireland. There is provision for twenty one Commissioners including the Lord Mayor of Dublin, three Aldermen and seventeen co-opted members, all of whom are unpaid.

#### **Inter-GLA co-operation**

D.2.5 A Joint Co-ordinating Group (JCG) of the Chairmen and Chief Executives of the GLAs was established in 1992 to review high level policy matters including

those that concern the relationships between the GLAs and DfT / RoI Department of Transport. The JCG also considers the reports and recommendations of the Chief Executives and keeps under constant review the GLAs' joint strategy on matters of mutual interest, to agree joint or complementary policies relating to the management of the GLAs subject to consideration and approval by each GLA Board. The JCG is the main decision-making body on inter-GLA co-operation and the co-ordination of common policies.

D.2.6 The JCG arrangements are supported by Inter-GLA Committees (IGCs), a series of specialist Committees on which representatives of the GLAs sit. The IGCs progress tasks referred to them by the Chief Executives and make decisions where they have the delegated authority to do so in their terms of reference. Information is exchanged on matters relating to the effective management of the three GLAs, including

- preparation of joint proposals and programmes on marine, engineering and operations topics; and
- agreement on a mutually consistent approach on legal, risk, general administrative and personnel matters, and on financial planning and management information systems.

## E Accounts direction

ACCOUNTS DIRECTION GIVEN BY THE UNITED KINGDOM SECRETARY OF STATE FOR TRANSPORT WITH THE CONSENT OF HER MAJESTY'S TREASURY, IN ACCORDANCE WITH SECTION 218(1) OF THE MERCHANT SHIPPING ACT 1995 (SECTION 664 OF THE MERCHANT SHIPPING ACT 1894 FOR IRELAND).

1. The annual accounts of Trinity House Lighthouse Service, Northern Lighthouse Board The Commissioners of Irish Lights (hereafter in this accounts direction referred to as "the Authority") shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts shall be prepared in accordance with: -

(a) the accounting and disclosure requirements given in the Treasury guidance *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance* (issued July 2000), as amended or augmented from time to time, and subject to Schedule 1 to this direction;

(b) any other relevant guidance that the Treasury may issue from time to time in respect of accounts that are required to give a true and fair view;

(c) any other specific disclosure requirements of the Secretary of State;

(d) any particular provisions that may be required under legislation or accounting standards applicable to the Republic of Ireland.

Insofar as these requirements are appropriate to the Authority, which does not contradict Merchant Shipping Act Legislation and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act 1985 and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State are set out in Schedule 2.

3. This direction shall be reproduced as an appendix to the annual accounts.

Signed by authority of the Secretary of State for Transport.

.....

A grade 5 officer in  
the Department for Transport

Date .....

## SCHEDULE 1

1. Expenditure in the income and expenditure account shall include a notional cost of capital, at 6% of the average net assets during the year. This amount shall be reversed after the line showing the surplus or deficit for the year.
  2. Stocks are recorded in the accounts at weighted average cost. Stocks are however continually reviewed for potential obsolescence and are adjusted to reflect net realisable cost where this is lower.
  3. The Directors Report shall be signed and dated by the:
    - TH: The Executive Chairman.
    - NLB: Chairman
    - CIL: Chairman
- The Balance Sheet shall be signed by:
- TH: The Executive Chairman and Director of Finance
  - NLB: The Chairman and Chief Executive
  - CIL: The Chairman and Chief Executive
4. The Statement on Internal Control shall be signed by:  
The Executive Chairman /Chief Executive.
  5. Tangible Fixed Assets in use are valued at Depreciated Historic Cost. Land and assets under construction are not depreciated.

## SCHEDULE 2

### ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraph 1 of this direction.

#### 1. The income and expenditure account

Income shall be analysed between funding from the General Lighthouse Fund and other income.

#### 2. The balance sheet

Part of the accumulated reserves shall be designated as a pension reserve. The balance on the pension reserve shall represent accumulated staff contributions in respect of widows' benefit. An updated valuation of these liabilities shall be made every three years, in line with the General Lighthouse Authorities' policy on actuarial valuations. In the intervening years, an approximate valuation shall be made, based on a formula provided by the actuaries

#### 3. The notes to the annual accounts

\*(a) a report on the emoluments of the chief executive and of each individual board member and senior manager during the year (with separate disclosure where more than one person occupied an office). The report shall include full details of all elements in the remuneration package of each person, such as fees, salary, annual bonuses, payment on termination of office, other taxable benefits, pension contributions, and the performance related elements of these (for which the basis on which the performance is measured shall be explained). For each paid board member, the report shall also show the time commitment in terms of days per month;

\*(b) if a board member, the chief executive or a senior manager has been appointed for a fixed term or is on a fixed-term service contract, the term shall be stated together with details of any predetermined compensation on termination of office;

\*(c) a statement of the pension entitlements earned by the chief executive and by each individual board member and senior manager during the year, disclosed on a basis agreed with the Treasury;

(d) details of employees, other than board members, showing:

(i) the average number of persons employed during the year, including part time employees and secondees, analysed between appropriate categories

(ii) the total amount of loans to employees

(e) an analysis of liquid resources, as defined by United Kingdom accounting standard FRS1 (revised);

(f) in the note on debtors, prepayments and payments on account shall each be identified separately;

(g) particulars of any transaction, arrangement or contract (other than a contract of service or of employment with the Authority), including transactions at arm's length, entered into by the Authority with another party, exceeding £5,000 in value, in which party a board member, an executive, a senior employee, or a person connected with any of the foregoing, at any time during the year, had a direct financial interest that was notified to the Authority. For these purposes, a senior employee means someone whose emoluments in the year (excluding pension contributions but including the other elements mentioned in sub-paragraph 3(a), above) exceeded £50,000; and a connected person shall be as defined in section 839 of the United Kingdom Income and Corporation Taxes Act 1988 or superseding legislation and including a member of the same household;

(h) a statement of losses and special payments during the year, being transactions of a type which the United Kingdom Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £100,000, with separate disclosure and particulars of any individual amounts in excess of £100,000. Disclosure shall also be made of any loss or special payment of £100,000 and below if it is considered material in the context of the Authority's operations.

\* 3(a), 3(b) and 3(c). Under the United Kingdom Data Protection Act 1998 and the Republic of Ireland Data Protection Act 1998, individuals may need to give their consent for some of the information in these sub-paragraphs to be disclosed. If so, and if consent is withheld, this should be stated next to the name of the individual.

## **F Letter of comfort**

### **THE DEPARTMENT FOR TRANSPORT, LOCAL GOVERNMENT AND THE REGIONS**

#### **LETTER OF COMFORT IN RESPECT OF GENERAL LIGHTHOUSE FUND PENSIONS, CONTINGENT LIABILITIES, TO BE GIVEN TO THE GENERAL LIGHTHOUSE AUTHORITIES**

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

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

Signed by: David Jamieson

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

Date 17 December 2001