



**COMMISSIONERS OF NORTHERN LIGHTHOUSES
REPORT AND ACCOUNTS TO 31 MARCH 2014**



The Commissioners as at

Captain Mike Close (Chairman)
Captain Alistair Mackenzie (Vice-Chairman)
Rt Hon Frank Mulholland QC
Lesley Thomson QC
Sheriff Principal Alastair Dunlop QC
Sheriff Principal Bruce Kerr QC
Sheriff Principal Brian Lockhart
Sheriff Principal Derek Pyle
Sheriff Principal Craig Scott QC
Sheriff Principal Mhairi Stephen
Graham Crerar
Captain Michael Brew
Captain Alastair Beveridge
John Ross CBE FRAGS
Councillor Donald Wilson
Councillor Sadie Docherty
Councillor George Adam
Councillor Jimmy Gray
Councillor Len Scoullar

Chief Executive

Mike Bullock MBE

Secretary to the Board

Jill Bennett

We must draw your attention to the note under the heading "Audit" on Page xx of the Annual Report and Accounts. This note states that:

"The accounting records of the Commissioners' of Northern Lighthouses are examined by the UK Comptroller and Auditor General prior to consolidation in the accounts of the General Lighthouse Fund. The General Lighthouse Fund Accounts are formally certified by the UK Comptroller and Auditor General under the terms of Section 211 of the Merchant Shipping Act 1995 and Section 3 of the Exchequer and Audit Departments Act 1921, as amended by the National Audit Act 1983. There is no provision for a separate audit certificate to be appended to these accounts".

This means that an audit opinion has not been expressed upon them.

At the time of approval of these Accounts the Report and Accounts for the General Lighthouse Fund for the year ended 31st March 2014 have not been laid before Parliament.

Office and advisers

Office

84 George Street
Edinburgh
EH2 3DA

Bankers

Royal Bank of Scotland PLC
36 St Andrew Square
Edinburgh EH2 2YB

Auditors

Comptroller and Auditor
General
157 - 197 Buckingham Palace
Road
Victoria
London SW1W 9SP

Solicitors

Anderson Strathern LLP
1 Rutland Court
Edinburgh
EH3 8EY

Insurance Brokers

Willis Limited
The Willis Building
51 Lime Street
London C3M 7DQ

Bluefin Insurance Services Ltd
1 Pinkhill
Edinburgh
EH12 7BA

Actuaries

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB



The Patron
Her Royal Highness
The Princess Royal LG LT GCVO QSO

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Chairman
Captain Mike Close

Chairman's Introduction

The Chief Executive's review more than adequately summarises the principal financial and administrative matters which have been the focus of the Board's attention over the preceding year and I will just add some brief thoughts of my own.

The NLB continues to set itself quite challenging cost reduction targets and over the past few years has achieved or exceeded these objectives, outcomes much appreciated by our pay-masters, the ship-owning community. It must always be recognised, however, that the organisation does have a statutory obligation to ensure that the aids to navigation around the coasts of Scotland and the Isle of Man are maintained and operated in accordance with international standards. There will therefore be a limit to any further savings which can be made whilst still fulfilling these obligations and, as this is approached, further benefits will be increasingly difficult to realise. The challenge to the Board will then become one of continually testing itself to ensure that it is delivering the service in the most efficient manner.

Commercial work undertaken by the Board continues to provide interest to those involved and welcome income to offset operating expenses. Over the last year the business development team have concluded some valuable longer term contracts with a variety of clients. In many instances the NLB's resources are uniquely suitable for supporting their operational requirements, both in terms of availability and technical capability. Again, however, opportunities for commercial work must always take into account the statutory obligations referred to above.

The transfer of the staff pension arrangements to the PCSPS has been one of the major success stories of the year. This involved the team concerned in some long and sometimes frustrating negotiations but, with the welcome assistance of the Department for Transport, a satisfactory outcome has now been achieved. The Vice Chairman and myself were therefore able to formally approve the closure of the present scheme and transfer to the new one in April, 2014. The benefits of effecting this transfer are many, not least being that one of the major hurdles in the Irish Lighthouse Service moving to self-funding has now been removed.

After some initial hiccups designation of the GLA's to the Department for Transport is now an accepted fact which the NLB's finance department is now working with.

We would hope that through the continuing co-operation with the Department any remaining matters can be resolved.

2014 is a year of change within the Northern Lighthouse Board in particular and Scotland in general.

Towards the end of last year Roger Lockwood, the Chief Executive, gave notice that he wished to step down early for personal reasons, triggering the process of recruiting his successor.

Roger's contribution to this organisation cannot be over-emphasised. Under his stewardship the reputation of the Northern Lighthouse Board as the custodian of best practice in the provision of aids to marine navigation has been significantly enhanced. As a result Scotland now speaks in the international forums where this matter is discussed with an authority beyond that warranted by a nation of its size.

The Board was delighted to select Mike Bullock as Roger's successor and I look forward to working with him over the incoming year.

Later in the year the residents of Scotland will have a chance to express their views as to the future status of the country,. The Board has no view on this matter, other than to hope that the voter turn-out on the 18th September is sufficient to ensure that the overall wishes of the electorate are properly represented. It will continue to ensure that the availability of the aids to navigation around the Scottish and Manx coasts for which it is responsible comply with the standards established by the International Association of Lighthouse Authorities.

A handwritten signature in black ink, appearing to be 'M Close', written in a cursive style.

Captain Mike Close
Chairman, Northern Lighthouse Board



Chief Executive
Mike Bullock

Chief Executive's review

Financial year 2013/14 has seen considerable progress towards the Northern Lighthouse Board's stretch savings target against that agreed with the Shipping Minister in 2011, Government approval to transfer the Northern Lighthouse Pension Scheme (NLPS) to the Principal Civil Service Pension Scheme (PCSPS), and continued work to embed the requirements placed on the Board in the wake of Designation to the Department of Transport.

When the NLB agreed its RPI-X targets with the then Shipping Minister in March 2011 (2.68% or 3.12% if commercial work is offset against running costs) it also set itself an internal stretch target of 6%. At the end of the 2013/14 financial year, with two years yet to run, this target has very nearly been reached (and significantly exceeded when commercial income is taken into account). This has been achieved by a continued drive for savings and a faster than forecast reduction in manning levels. As this successful arrangement which has given both rigorous financial discipline and provided stability through a clear and unequivocal five year planning period draws to a close, the NLB is working closely with the other GLAs through the Joint Strategic Board's Inter-GLA Committee (IGC) on Finance to examine the potential options for financial year 2016/17 onwards. Separately income has also exceeded forecasts during the year with both commercial income and the sale of non-operational property each delivering more than £1 million. As the Chairman has clearly articulated the level of further savings must be carefully balanced against the statutory requirement to provide the Aids to Navigation necessary for Scottish and IoM waters; the safety of the mariner and protection of the environment must not be compromised.

The transfer of the NLPS to the PCSPS represents a significant milestone for the NLB. The individual pensioner will now see his or her pension paid from the security of the PCSPS rather than relying on the General Lighthouse Fund (GLF), while the GLF itself will no longer need to rely on the backing of the Ministerial Letter of Comfort. As from 1 April 2014 the NLB is no longer paying its pensioners through the NLPS but paying employer's contributions instead; this has a concomitant impact on Running Costs.

Designation of the General Lighthouse Authorities to the Department of Transport following the Office of National Statistics reclassification of Light Dues as a tax has brought with it additional administrative burden during the year. A significant bow-wave of additional effort and time has been necessary to conform with the requirement to present two different sets of accounts to two different organisations (GLF and DfT) but the intellectual investment made has resulted in the successful establishment of a manageable process. Other consequences of Designation, most notably the increased administrative burden, created by the requirement to submit new reports and returns to the DfT, are still being worked through and the engagement and ongoing work by Senior DfT Officials to ensure this is reduced to only what is wholly necessary is most welcome.

The forthcoming year is full of challenges; the Fleet Review, the five yearly AtoN Review and the preparations to mobilise the new Tri-GLA Helicopter contract to name but a few, but thanks to the quality and commitment of the NLB's people I am confident that the organisation is ready to meet what is ahead. Finally I would like to publicly thank my predecessor for his leadership and vision over the last eight years.

Mike Bullock
Chief Executive

The Commissioners

Captain H Michael Close (B, M, R, N, Nav)
Elected by the Commissioners.
Commissioner since 1 July 2008 and
co-opted until 30 June 2017
Chairman since 1 April 2013

Senior Principal Consultant with DNV-GL, providing specialist advice and project management support to the global offshore industry; Member of Royal Institution of Naval Architects, Chartered Institute of Logistics and Transport, Chartered Management Institute.



Rt Hon Frank Mulholland QC (B, A, N)
Lord Advocate for Scotland
Commissioner since 30 May 2007

Procurator Fiscal Service 1984-1997 (Greenock, Glasgow, Edinburgh, Crown Officer High Court Unit, Crown Office Appeals Unit). Advocate Depute 1997-1999. Assistant Procurator Fiscal & District Procurator Fiscal (Edinburgh) 1999-2002. Senior Advocate Depute 2002-2006. Area Procurator Fiscal (Edinburgh & Lothian) 2006-07. Solicitor General for Scotland 2007-2011. Appointed Lord Advocate 25 May 2011.



R Alastair Dunlop QC (B, M, Nav, HSE)
Sheriff Principal of Tayside, Central and Fife.
Commissioner since 28 April 2000.

Advocate 1978; Advocate Depute 1985-1988; Standing Junior counsel to Department for Transport 1988-90; QC 1990; Chairman part-time, Employment Tribunals 1998-00; Chairman part-time, Pensions Appeal Tribunal 1991-2000; Procurator of the General Assembly of the Church of Scotland 1991-00.



Captain Alistair Mackenzie (B, M, R, Nav, HSE)
Elected by the Commissioners from 1 August 2009
and co-opted until 31 July 2015
Vice-Chairman since 1 April 2013

Master Mariner currently Director, Oil & Gas for the Achilles Group companies and a non-executive member of the Achilles Board, and Vice-Chairman Aberdeen Harbour Board.



Lesley Thomson QC (B, R)
Solicitor General for Scotland.
Commissioner since 25 May 2011

Solicitor SoSEB (1981-1985). Procurator Fiscal Service 1985-2008 (Greenock, Paisley, Glasgow, District Procurator Fiscal for Selkirk, District Procurator Fiscal for Edinburgh, and Interim Area Procurator Fiscal for Lothian & Borders). Area Procurator Fiscal Glasgow & Strathkelvin (2008-2011). Appointed Solicitor General on 25 May 2011.



Bruce Kerr QC (B, M, N)
Sheriff Principal of North Strathclyde.
Commissioner since 31 December 1998

Advocate 1973; Standing Junior counsel to Home Office in Scotland 1982-85; QC 1986; Advocate Depute 1986-89; Chairman (part-time), VAT Tribunals 1992-94; Trustee, National Library of Scotland 1994-99; Sheriff of Glasgow and Strathkelvin 1994-98; Sheriff Principal of North Strathclyde since 1999.



Brian Lockhart (B, N)
Sheriff Principal of South Strathclyde, Dumfries and Galloway.
Commissioner since 1 November 2005

Partner, Robertson Chalmers and Auld, Solicitors, Glasgow 1967-1979; Sheriff of North Strathclyde at Paisley 1979-1981; Sheriff of Glasgow and Strathkelvin 1981-2005; Member of Parole Board for Scotland 1999-2003; President Sheriffs' Association 2003-2005; Temporary Judge in the Court of Session since 2008.



Derek Pyle (B, N)
Sheriff Principal of Grampian, Highland and Islands.
Commissioner since 1 June 2012

Solicitor from 1976. Solicitor Advocate from 1994. Latterly senior partner and head of litigation in Henderson Boyd Jackson WS, Edinburgh. Sheriff from 2000 to 2012 in Tayside, Central and Fife and Grampian, Highland and Islands.



Craig Scott QC (B, A)
Sheriff Principal of Glasgow and Strathkelvin.
Commissioner since 1 May 2011

Solicitor 1984; admitted to the Faculty of Advocates in 1986; Advocate 1986-99; Advocate Depute 1994-97, Standing Junior Counsel to the Scottish Office Environment Department 1994-97, and to the Scottish Office Development Department 1997-1999; Sheriff of Glasgow and Strathkelvin 1999-2011; Specialist Sheriff in the Commercial Court in Glasgow.



Mhairi Stephen (B, R)
Sheriff Principal of Lothian and Borders.
Commissioner since 7 May 2011

Admitted as a solicitor in 1978 and practised in civil litigation as a partner with Allan MacDougall Solicitors; appointed as an all Scotland floating sheriff based at Edinburgh in 1997; resident sheriff at Edinburgh in 2000; Insolvency Sheriff from 2000-07; Personal Injury Sheriff, appointed by the Sheriff Principal to oversee the new Personal Injury Procedure in the Sheriff Court at Edinburgh 2007-11; member of the Board of the Scottish Civil Courts Review which reported in September 2009.



Alastair Beveridge (B, Nav, HSE)
Elected by the Commissioners. Commissioner since 1 March 2013
and co-opted until 29 February 2016

Master Mariner, latterly Head of Surveillance operations for Marine Scotland after service with Scottish Fishery Protection Agency/Marine Scotland as Commanding Officer, the European Commission- Director General (Fisheries) and a short spell with NLB as marine officer in the early 1980's.



Graham Crerar (B, M, A)
Elected by the Commissioners. Commissioner since 1 April 2012
and co-opted until 31 March 2015

Chairman Crerar Hotel Group. Non Executive Director, NHS Highland since 2014. Deputy Chair NHS Suffolk (2007-2011). Fund Manager with Henderson Group (2000-2005), Morley Fund Management (1994-2000), GAM (1992-94), Ivory & Sime (1984-1992).



John Ross CBE FRAGS DL (B, A)
Elected by the Commissioners. Commissioner since 1 October
2008 and co-opted until 30 September 2017

Deputy Lord Lieutenant of Wigtownshire since 2011; Senior Partner Auchensee Farms; Chairman Care Farming Scotland; Chairman Moredun Foundation 2001-2012; Director NFU Mutual 1996-2006; Chairman NFU Mutual Scottish Board 2006-2012; Chairman NHS Dumfries and Galloway 1997-2008; President NFU Scotland 1990 - 1996.



Captain Michael Brew (B)
Commissioner nominated by the Lieutenant Governor of the Isle
of Man. Commissioner since 1 June 2013 and co-opted until 31
May 2016

Master Mariner. Director of Harbours and Harbour Master with Isle of Man Harbours (1982-2013). Merchant Navy officer (1969-1982).



The Rt Hon Donald Wilson (B)
Lord Provost of Edinburgh.
Commissioner since 17 May 2012

A former teacher of Computing, ICT Curriculum Development Officer and Adult Education Tutor. Elected councillor in 1999. Chair of Edinburgh & Lothians Tourist Board and Edinburgh Convention Bureau (2003 to 2005), Chair of the Edinburgh International Science Festival (1999 to 2007) and Chair of the Edinburgh South West Neighbourhood Partnership (2007 to 2012). Other active interests include the Edinburgh Institute for Mathematical Sciences.



Councillor Jimmy Gray (B)
Convener of Highland Council.
Commissioner since 17 May 2012

Councillor for 10 years. Provost of Inverness since August 2008. Labour representative on The Highland Council since June 2000. Former Chair of Cromarty Firth Port Authority. Served on the boards of Caledonian Community Leisure Ltd., Citizens Advice Bureau, Highlands and Islands Enterprise. Chairman, Inverness City Heritage Trust. Worked in the oil industry for 25 years where he was the union convener at Ardersier. Appointed as Convener of Highland Council May 2012.



Councillor Len Scoullar (B)
Provost, Argyll and Bute Council.
Commissioner since 1 November 2013

Independent Councillor since 1999. Retired Businessman (after 33 years). Former Chair of Rothesay Winter Garden Trust and former Vice Chair of Bute Community Council.



Councillor Sadie Docherty (B)
The Rt Hon Lord Provost of Glasgow.
Commissioner since 17 May 2012

Before entering local government, worked as a Housing Manager. Elected in 2007 Served as Executive Member for Communities and Housing and chaired Policy Development Committees responsible for Sustainability and the Environment, and Children and Families before becoming Lord Provost.



Councillor George Adam (B)
Lord Provost of Aberdeen.
Commissioner since 16 May 2012

Worked in the corporate communications sector for more than 30 years, as a designer, event organiser and video producer. Elected member on Aberdeen City Council since 1999 and is the councillor for the Hilton, Stockethill and Woodside Ward. Served on the Boards of Aberdeen Performing Arts, Aberdeen Greenspace and Peacock Visual Arts. Appointed as Lord Provost and Lord-Lieutenant of Aberdeen in May 2012.



B	Board of Commissioners
M	Managing Board
Nav	Navigation Committee
N	Nomination Committee
R	Remuneration Committee
A	Audit & Risk Committee

The Commissioners of Northern Lighthouses have pleasure in presenting their Report and Accounts for the year ended 31 March 2014. These Accounts are prepared by the Commissioners in respect of their function as the General Lighthouse Authority for Scotland and adjacent seas and islands and the Isle of Man in accordance with a directive made by the Department for Transport under the powers of the Secretary of State contained in Section 218 of the Merchant Shipping Act 1995 and are subsequently consolidated to form part of the General Lighthouse Fund Accounts which are prepared pursuant to Section 211(5) of the Merchant Shipping Act 1995.

Governance Statement

Strategic Report

Statutory background

The Commissioners owe their origin to the Act 26 George III Cap 101 dated 1786 which appointed nineteen Commissioners to carry out the Act which stated in its preamble that "it would conduce greatly to the security of navigation and the fisheries if four lighthouses were erected in the northern parts of Great Britain". The Act gave the Commissioners the necessary powers to purchase land, levy dues and borrow funds. Further legislation widened the Commissioners' powers and they were given the power to erect lighthouses on the Isle of Man in 1854.

The Commissioners were incorporated by Act of Parliament in 1798 under the title "The Commissioners of the Northern Lighthouses". This title was altered to its present form by the Merchant Shipping Act 1853.

Under Section 193 of the Merchant Shipping Act 1995 the Commissioners of Northern Lighthouses are appointed as the General Lighthouse Authority for Scotland and adjacent seas and islands and the Isle of Man, and under Section 195 are vested with responsibility for the superintendence and management of all lighthouses, buoys and beacons.

The Commissioners, within the area of jurisdiction for which they are the General Lighthouse Authority, have various powers and responsibilities in connection with the provision, maintenance, alteration, inspection and control of lighthouses, buoys and beacons, under Section 197 of the 1995 Act as amended. They also have Wreck Removal powers under Section 253 of the Act.

The Northern Lighthouse Board carries out the functions of the Commissioners of Northern Lighthouses who are constituted in terms of, and are given certain powers and duties by, Part VIII of and Schedules 8 and 9 to the Merchant Shipping Act 1995. The subject matter of that Act is a reserved matter under Section 30 of and Schedule 5 to the Scotland Act 1998 and in terms of Section 29 of the Scotland Act 1998. The Board's affairs will continue to be subject to legislation passed by the United Kingdom Parliament. Ministerial responsibility will remain with the Department for Transport.

The Merchant Shipping and Maritime Security Act 1997 amended the Merchant Shipping Act 1995 to give the Board the powers to enter into, and perform, contracts with third parties utilising spare capacity, with the permission of the Secretary of State. The Commencement Order for this and other provisions came into force on 17 July 1997.

The General Lighthouse Authorities (Beacon: Maritime Differential Correction System) Order 1997 came into force on 12 January 1998 and states that the definition of "Beacon" in Part VIII of the Merchant Shipping Act 1995 includes equipment for a Differential Global Positioning System (DGPS).

The General Lighthouse Authorities (Beacons: Automatic Identification System) Order 2006 came into force on 21 July 2006 and states that the definition of "Beacon" in Part VIII of the Merchant Shipping Act 1995 includes Automatic Identification System equipment used to provide aids to navigation.

The Corporation of Trinity House (England, Wales, Channel Islands and Gibraltar), the Commissioners of Northern Lighthouses (Scotland and the Isle of Man) and the Commissioners of Irish Lights (the whole of Ireland) are the General Lighthouse Authorities (GLAs) for the British Isles.

The Commissioners are defined as an “Executive Non-Departmental Public Body” by the Department for Transport. On 30th December 2011 the Office for National Statistics announced that the Commissioners, along with the other General Lighthouse Authorities, were re-classified for National Accounts purposes from a “Public Corporation” to a “Central Government Body”. As a consequence the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013 made the Commissioners of Northern Lighthouses a designated body to the Department for Transport for the financial year which ends on 31 March 2014.

Marine Navigation Act 2013

The Marine Navigation Act 2013 received Royal Assent on 29 April 2013 a commencement was laid for the area of jurisdiction for the General Lighthouse Authorities to be to the extent of the UK Pollution Control Zone that in turn is designated by orders under section 1(7) of the Continental Shelf Act 1964. The previous powers of the General Lighthouse Authorities to undertake commercial work have been deleted from the Merchant Shipping Act 1995 - Section 197 (8) to (11) – and have been replaced with new powers.

Responsibilities

General

As the General Lighthouse Authority for Scotland and the Isle of Man the Board has responsibility, subject to certain provisions, for the superintendence and management of “all lighthouses, buoys and beacons” throughout Scotland and the Isle of Man including “the adjacent seas and islands...” within and beyond territorial waters. In all, the Board provides over 400 physical aids complemented by a mix of radio navigation aids for the safety of all mariners engaged in general navigation irrespective of who pays for the service, the size or type of the vessel, equipment fit, the competence of crew or flag.

Safety of Life at Sea Convention

Because of its powers and duties under public law, the Board assumes responsibility for positive discharge of the Government’s obligations under the Safety of Life at Sea Convention 1974 (Chapter V, Regulation 13) for the provision and maintenance of aids to navigation within its area of jurisdiction. To assist this process, the Board, together with General Lighthouse Authorities for England & Wales and Ireland, takes steps to:

- observe and record developments at the International Maritime Organisation (IMO);
- actively participate at Council and Committee level at the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA);
- observe and record maritime developments within the European Union and elsewhere;
- maintain links with the International Telecommunications Union through the national radio licensing authority and IALA, regarding the allocation of radio frequencies in NW Europe;

Marking of works below High Water

The Board acts as an adviser to the Scottish Government on the establishment and variation, from time to time, of navigational marking for certain works to which the consent of the Secretary of State has been issued under Part 4 Marine Licensing of the Marine (Scotland) Act 2010 - as extended to offshore installations in designated areas by Section 4 of the Continental Shelf Act 1964.

Wreck removal powers

The Board has a statutory responsibility for wrecks. Where the wreck is an obstruction to navigation the Board has powers to “mark, raise, remove or destroy” any vessel “sunk, stranded or abandoned in any fairway, or on the seashore or on or near any rock, shoal or bank, in its area of jurisdiction or any of the adjacent seas or islands” where there is no harbour or conservancy authority with power to raise, remove, or destroy the vessel.

Local Lighthouse Authorities

Local Lighthouse Authorities are required to obtain the sanction of the appropriate General Lighthouse Authority for their area to establish, alter or discontinue any aids to navigation within their local jurisdiction. As part of their statutory responsibilities, the Board inspects over 1,700 local aids to navigation in ports and harbours and carries out seaward inspections of offshore installations to ensure that the aids conform to the approved standards and are working properly.

Performance Against Key Performance Indicators

The detailed report can be found on pages 27, 28, 43 and 44.

Management Commentary

This commentary can be found on pages 28 and 29.

Going Concern

This statement can be found on page 36.

Management

Board membership

The Commissioners were established as a corporate body in 1786. Their incorporation is set out in Section 193 of and Schedule 8 to the Merchant Shipping Act 1995 and, is as follows:-

- (a) The Lord Advocate and the Solicitor-General for Scotland;
- (b) The Lords Provosts of Edinburgh, Glasgow and Aberdeen and the Conveners of Highland and of Argyll & Bute Councils;
- (c) The Sheriffs Principal of all the Sherifffdoms in Scotland;
- (d) a person nominated by the Lieutenant Governor of the Isle of Man and appointed by the Secretary of State;

In addition, the Commissioners may elect;

(e) not more than five other persons elected by the Commissioners under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Act;

(f) the convener of any council whose area includes any part of the coast of Scotland.

The ex-officio appointments are for duration of the occupancy of the qualifying office. Persons appointed under (d) and (e) hold office for three years but may be re-appointed for further terms.

The Commissioners have also agreed with the Department for Transport that the Secretary of State will nominate one person for election under (e).

The membership of the Northern Lighthouse Board in 2013/2014 was as follows:-

Law Officers for Scotland

The Rt Hon Frank Mulholland QC, the Lord Advocate
Commissioner since 30 May 2007

Lesley Thomson QC, Solicitor General for Scotland
Commissioner since 25 May 2011

Sheriffs Principal of the Sherifffdoms in Scotland

Sheriff Principal R Alastair Dunlop QC, Sheriff Principal of Tayside,
Central & Fife
Commissioner since 28 April 2000. Chairman from 1 April 2011

Sheriff Principal Bruce A Kerr QC, Sheriff Principal of North
Strathclyde
Commissioner since 31 December 1998

Sheriff Principal Brian Lockhart, Sheriff Principal of South Strathclyde,
Dumfries and Galloway.
Commissioner since 1 November 2005

Sheriff Principal Derek Pyle, Sheriff Principal of Grampian, Highland and Islands

Commissioner since 1 June 2012

Sheriff Principal Craig Scott QC, Sheriff Principal of Glasgow and Strathkelvin

Commissioner since 1 May 2011

Sheriff Principal Mhairi Stephen, Sheriff Principal of Lothian and Borders

Commissioner since 7 May 2011

Nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State and receives a remuneration

Captain Michael Brew

Commissioner since 1 June 2013 and appointed until 31 May 2016

Robert Quayle

Commissioner from 26 May 2004 until 25 May 2013

Elected by the Commissioners and receive a remuneration

Alastair Beveridge

Commissioner since 1 March 2013 and co-opted until 29 February 2016

Graham Crerar

Commissioner since 1 April 2012 and co-opted until 31 March 2015

Nominated by the Secretary of State and elected by the Commissioners

Captain Mike Close

Commissioner since 1 July 2008 and co-opted until 30 June 2017.

Chairman since 1 April 2013

Alistair Mackenzie

Commissioner since 1 August 2009 and co-opted until 31 July 2015

Vice Chairman since 1 April 2013

John Ross CBE FRAGS

Commissioner since 1 October 2008 and co-opted until 30 September 2017

Lord Provosts

The Rt Hon Donald Wilson, Lord Provost of Edinburgh

Commissioner since 17 May 2012

Councillor Sadie Docherty, The Rt Hon Lord Provost of Glasgow

Commissioner since 17 May 2012

Councillor George Adam, Lord Provost of Aberdeen

Commissioner since 16 May 2012

Provost of Argyll & Bute Council

Councillor Len Scoullar

Commissioner since 1 November 2013

Councillor Isobel Strong

Commissioner from 22 May 2012 to 31 October 2013

Convener of Highland Council

Councillor Jimmy Gray

Commissioner since 17 May 2012

The average number of years service for Commissioners in post on 31 March 2014 was 4.4 years.

Patron

Her Royal Highness The Princess Royal LG LT GCVO QSO continues to act as the Patron of the Northern Lighthouse Board.

Senior management in 2013/2014

Roger Lockwood CB BA Chief Executive

Moray Waddell B.Sc.(Hons) MSc MIEE MIMechE MCIBSE FIoD

Director of Engineering

Captain Phillip Day AFNI Director of Marine Operations

Douglas Gorman ACMA CGMA CFIIA Director of Finance and Administration

Corporate Governance

Organisation structure

The Commissioners form the Board of Commissioners that leads and controls the Northern Lighthouse Board. The Board of Commissioners meet on three occasions each year and has a formal schedule of matters reserved to it for decision. There are five Committees of the Board that also meet frequently and regularly and deal with specific aspects of the management of the Northern Lighthouse Board.

The Board has delegated authority to these Committees and each has defined terms of reference, subject to annual review. In the year all terms of reference have been reviewed and where necessary amended.

The Commissioners are all independent, i.e. they have no personal financial interest, other than as Commissioners, in the affairs of the Board, no potential conflict from cross-directorships, and no day-to-day involvement in the running of the Northern Lighthouse Board other than as members of the Managing Board.

Only co-opted Commissioners and the Isle of Man Nominee receive remuneration for their services. The arrangements are set out in an agreement with DfT. The level of remuneration and annual increase are notified to the Board by the DfT and are based on remuneration paid to similar non-executive posts in other public bodies.

The Board of Commissioners has vested responsibility for the overall management of activities in a Managing Board. It is made up of the Chairman, Vice Chairman, four other Commissioners, the Chief Executive and the three Directors. The Managing Board meets on six occasions each year. The Board of Commissioners has also established five other committees to deal with specific topics:

Audit and Risk Committee - to review the effectiveness of the internal control systems including corporate governance

Navigation Committee - to formulate policies for the provision of Aids to Navigation

Health, Safety and Environmental Committee - to support the line management in complying with its responsibilities

Nomination Committee - to recommend individuals to be appointed as Commissioners under Paragraph 2 & 3 of Schedule 8 to the Merchant Shipping Act 1995, and to recommend Commissioners for appointment to the Board's Committees.

Remuneration Committee - to determine remuneration for the Chief Executive and executive directors and to propose the remuneration for Co-opted Commissioners.

The Board of Commissioners and all its committees receive papers for meetings one week prior to all meetings. To ensure that the Commissioners are properly briefed a number of arrangements have been put in place, for example:

- attendance at Board of Commissioners' meetings by the Chief Executive and Directors;
- attendance at Board of Commissioners and Committee meetings by managers who can provide specialist and professional advice to Commissioners.

Board Committee Structure



Board performance and activity

Board of Commissioners

At its meetings, the Board of Commissioners receives reports from the various committees and considers matters specifically reserved to the Board. During the year, the Board has approved the Corporate Plan; the Annual Report and Accounts; and had been involved in the work of the tri-GLA Joint Strategic Board.

Number of Meetings held in 2013/2014 5

Committee Members Attendance

Commissioners

Captain Mike Close (Chairman)	5/5
Rt Hon Frank Mulholland	1/5
Lesley Thomson	2/5
Sheriff Principal Mhairi Stephen	4/5
Sheriff Principal R Alastair Dunlop	5/5
Sheriff Principal Bruce A Kerr	3/5
Sheriff Principal Derek Pyle	1/5
Sheriff Principal Craig Scott	2/5
Sheriff Principal Brian Lockhart	2/5
Councillor Sadie Docherty	0/5
Rt Hon Donald Wilson	0/5
Councillor Isobel Strong	2/4
Councillor Len Scoullar	0/1
Councillor George Adam	0/5
Councillor Jimmy Gray	2/5
Robert Quayle	1/1
John Ross	5/5
Alistair Mackenzie	4/5
Graham Crerar	4/5
Alastair Beveridge	5/5
Captain Mike Brew	4/4

Information provided

Aids to Navigation performance report
Financial Report
Quality, Health & Safety Report

Key issues in the year

Designation to the Department for Transport
Recruitment of new Chief Executive
Annual Report and Accounts for the year ended 31 March 2013 approved
Corporate Plan 2014-2019 approved
Pensions
GLA Triennial Review

Managing Board

The Managing Board meeting has a standing agenda which includes:

- financial performance and forecast review;
- review of performance indicators of Aids to Navigation;
- Quality, Health, Safety and Environment matters;
- Estate matters

Number of Meetings held in 2013/2014 6

Committee Members and Attendance

Commissioners

Mike Close (Chairman)	6/6
Graham Crerar	6/6
Bruce Kerr	6/6
Alistair Mackenzie	5/6
John Ross	5/5
Mhairi Stephen	3/4
Mike Brew	3/3
R Alastair Dunlop	1/1
Robert Quayle	1/1

Information provided

Aids to Navigation performance
Financial performance
Briefing from the Chief Executive and Directors on current issues
Joint Strategic Board

Key issues in the year

Agreement of the Objectives and Business Plan for Financial Year 2014/15
Annual Report and Accounts for the year ended 31 March 2013
Health and Safety
Corporate Plan 2014-2019
Staff Plan 2014-2019
Pay Remit 2013
Pensions
Estate Issues

Audit and Risk Committee

The Audit and Risk Committee, which is comprised entirely of Commissioners and is advised as necessary by the Chief Executive and Director of Finance and Administration, has been given wide terms of reference by the Board of Commissioners to review all areas of financial control and probity. The Committee meets four times annually, to discuss findings, and to consider detailed audit reports and recommendations for the improvement of the Board's systems of internal control, together with management's response and implementation plans. It reviews the Board's annual financial statements together with the accounting policies. On at least one occasion each year the Committee is joined by the National Audit Office. The Audit Manager from the Department for Transport's Audit and Risk Assurance Division (who provide an independent internal audit service to the Board) attends every meeting.

The responsibility for auditing the accounting records lies with the Comptroller and Auditor General under Section 211 of the Merchant Shipping Act 1995. The Committee is not therefore involved in the re-appointment of auditors.

Only in exceptional circumstances will the Board engage the auditors to undertake non-audit work. In these circumstances approval will be sought from the Department for Transport to avoid any potential conflict of interest. During the year there was no non-audit work completed.

The Audit & Risk Committee reports directly to the Board of Commissioners.

Number of Meetings held in 2013/2014 4

Committee Members Attendance

John Ross (Chairman)	2/2
Alastair Dunlop (Chairman)	2/2
Frank Mulholland	4/4
Craig Scott	2/4
Graham Crerar	4/4

Information provided

Internal Audit Reports
Future Audit Plan
Business Riskcard Reviews
Annual Report and Accounts
Bribery Act 2010 Compliance
GLA Framework Document
GLA Triennial Risk Management Review
Information Assurance Review

Key issues in the year

During the year the Committee reviewed the findings of internal audits carried out covering Commercial Activities; Collection of Light Dues; Assurance Testing; Central Fleet Management Thematic Review; MIS System Implementation; Helicopter Contract Management Part 1; and Helicopter Contract Management Part 2. The Commissioners also considered the going concern statement. The National Audit Office joined the Committee for four meetings in 2013/2014. All meetings include a separate session between the Committee Members and the Head of Internal Audit and National Audit Office representative but without the Executive present.

Navigation Committee

The Navigation Committee is responsible for determining the requirements for specific Aids to Navigation and reviewing the plans and financial projections for any changes to the Board's network of Aids to Navigation and managing, on behalf of the Board, the consultation process with the maritime community.

Information provided

AtoN Review
Notice to Mariners

Key issues in the year

During the year the Committee continued to monitor and approve the capital works programme.

The Committee reports directly to the Managing Board.

Number of Meetings held in 2013/2014 4

Committee Members Attendance

Alistair Mackenzie (Chairman)	3/4
R Alastair Dunlop	3/4
Mike Close	4/4
Alastair Beveridge	4/4

Health, Safety & Environment Committee

The safety of all personnel involved in any activities undertaken by the Board is primarily the responsibility of the individual employee and line management. Recognising this primary responsibility the purpose of the Health, Safety and Environmental Committee is to support the line management in complying with its responsibilities, to support initiatives developed by line management, to monitor developments in HSE policies or practices in wider industry, to review information relating to incidents and to provide the Quality Health, Safety and Environmental Manager direct access to the Board.

Information provided

Health, Safety and the Environment Report

Key issues in the year

Agreeing Terms of Reference and formats of reports

Number of Meetings held in 2013/2014 2

Committee Members Attendance

Alistair Mackenzie (Chairman)	2/2
Alastair Beveridge	2/2
R Alastair Dunlop	2/2

Nomination Committee

The Nomination Committee is responsible for the appointment process for Co-opted Commissioners under Paragraph 2 and 3 of Schedule 8 of the Merchant Shipping Act 1995. Part of the process is to identify the specific skills required by new Commissioners to balance the existing skills within the Board and to complement the skills within the Executive. The Committee also made recommendations on the membership of the Board's Committees.

The Committee reports directly to the Board of Commissioners. The decision on individual appointments is reserved to the Board who make the decision based on the recommendation made by the Committee.

Information provided

CV's of potential Commissioners
Commissioners Handbook

Key issues in the year

Committee memberships following the departure or potential departure of current Commissioners

Number of Meetings held in 2013/2014	2
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Committee Members Attendance

Bruce Kerr (Chairman)	2/2
Mike Close	2/2
John Ross	2/2
Derek Pyle	0/2
Brian Lockhart	1/2
Frank Mulholland	1/2

Remuneration Committee

The salary and bonuses of the Chief Executive and Directors are determined by a Remuneration Committee consisting of the Chairman and Vice Chairman and two other Commissioners. The Committee also makes proposals to the Board of Commissioners on Co-opted Commissioners remuneration.

The Committee reports directly to the Board of Commissioners.

Information provided

Executive personal Reports and Objectives

Key issues in the year

Discussion on annual bonuses for the Executive
Remuneration for the incoming Chief Executive

Number of Meetings held in 2013/2014	1
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Committee Members Attendance

Captain Mike Close	1/1
Mhairi Stephen	1/1
Alistair Mackenzie	1/1
Lesley Thomson	1/1

Risk assessment

Principal risks and uncertainties

As part of the joint GLA risk management review each of the individual GLA risk registers have been analysed having regard to current best practice to produce 12 risks, which are considered to pose the greatest threat to the GLAs and their stakeholders including the GLF. In this context their stakeholders are seen as:

- the mariner and shipowner
- their staff
- suppliers
- customers of commercial work
- Government / GLF
- society as a whole
- the environment

In compiling the document it was noted that certain other risks would have a significant impact on the General Lighthouse Authorities but posed a lesser threat to the General Lighthouse Fund – for example a change in Government policy regarding responsibility for the operation of the three lighthouse services. It was considered that the GLAs had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. The risks were grouped in accordance with the UK Risk Management Standard under the four headings of ‘Strategic’, ‘Financial’, ‘Operational’ and ‘Hazard’, together with the control measures in place to mitigate their effects, following also HM Treasury document ‘Management of Risk – A Strategic Overview’ known as the ‘Orange Book’. More general risk protections and controls are summarised at Annex II of the ‘Orange Book’.

Strategic Risks

Pension Funding

Long Term Funding of “pay-as-you-go” pension arrangements but this has been reduced.

Financial Risks

Resourcing

Reduction in resources for running Lighthouse Services (through pressure on Government from ship owners, review of funding arrangements, change in public spending policy, dock strike, breakdown in light dues system or similar).

Operational Risks

AtoN Provision

Failure to provide or adequately maintain an aid to navigation with the appropriate characteristics and/or in the correct location. Failure of monitoring staff to react appropriately. Failure to inspect inoperative or incorrectly operating aids to navigation, whether maintained by the GLAs, local ports or offshore industry.

Operational Staffing

Inability to recruit/retain suitable staff; industrial action taken by staff.

Information Technology

Major IT System failure. Unavailability of data. Loss of data/corruption of data. Inappropriate use of Internet/Email (Including loss through viruses or hacking).

Corporate Governance & Financial Control

Inadequate or improper financial and other controls including fraud and improper practice.

Legislation

Non-compliance with legislation or public policy.

Exploitation of Reserve Capacity

Non-compliance with contractual obligations including those arising from core or commercial activities. (Also a hazard risk)

Technological Change

Failure to review and adapt or inadequately to implement changes in technology (Also a strategic and hazard risk).

Hazard Risks

Natural Events

Natural Events leading to wide scale disruption.

Health, Safety & the Environment

Failure to secure the health and safety of employees and third parties.

Accidental damage to the environment, lighthouse or contract helicopter (Temporarily or permanently).

Wreck Marking

Requirement to disperse a wreck where the costs cannot be recovered from the owner at the time.
(Also an operational risk)

The risk management process is led by the Board of Commissioners. The Board has approved a process for the identification, assessment and management of key business risks.

Scope of Responsibilities

As Chief Executive I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Lighthouse Board's policies, aims and objectives whilst safeguarding the public funds and assets for which the Chief Executive is personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

My responsibilities as Chief Executive are set out in the Commissioners' Handbook.

As Chief Executive I also have the responsibility to act as the Accounting Officer for the Northern Lighthouse Board.

The Accounting Officer for the General Lighthouse Fund has delegated Accounting Officer responsibility to me in a letter dated 4th February 2010. I understand that the Accounting Officer for the General Lighthouse Fund will rely on my Governance Statement on internal control in preparing the Governance Statement for the General Lighthouse Fund. I have also been given accounting responsibilities by the Board of Commissioners as they discharge their responsibilities under the Merchant Shipping Act 1995.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Lighthouse Board for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Leadership

Risk management policy

The General Lighthouse Authorities' (GLAs) policy on risk management is to promote a culture of risk awareness and responsibility within their respective organisations at all levels. The authorities identify, evaluate, control, monitor and review the risks which may adversely affect delivery of their statutory duties and corporate objectives as GLAs or threaten them with prosecution, loss of reputation, legal liability or financial loss. Where appropriate additional controls may be put in place to reduce those risks further.

The GLAs' policy is to transfer, where possible, risks which are assessed as medium to large through insurance where it is economic to do so, having regard to the amount of indemnity offered and previous losses. Risks are tolerated where the cost of transfer is disproportionate to the benefit gained or they cannot be transferred, such as in the case of fines and punitive damages. Risks are treated through internal control where possible to contain them to acceptable levels. Internal control mechanisms include the adoption of sound codes of corporate governance, an ongoing awareness of public affairs, accreditation to internationally recognised quality standards, staff training and robust business continuity and emergency response plans. Occasionally, the risk response may be to terminate an activity.

Description of responsibilities

The Board of Commissioners decides policy and provides the strategic direction for the Northern Lighthouse Board.

The Managing Board reviews progress on the achievement of aims and objectives and to maintain operational efficiency.

The Audit & Risk Committee monitors the effectiveness of internal control and reports on its work to the Board of Commissioners. The Head of Internal Audit, to standards defined in the Government Internal Audit Standards, agrees an Audit Plan with the Audit & Risk Committee and then through a programme of reviews gives an independent opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement.

The Directors' Group, led by the Chief Executive, is responsible for reviewing the 12 business risks and the controls in place. It reports its findings to the Audit & Risk Committee.

Staff training

Senior management accountability

Each of the twelve Business Risks is the responsibility of one of the Chief Executive, a Director or a Senior Manager. That person acts as "Risk Owner" and leads the review at the Directors' Group meeting.

Risk management training

Briefings and training on risk management has been organised for Senior Managers.

Other issues

Independent review

The Head of Internal Audit conducted a review of risk management in March 2008 with a follow-up audit conducted in July 2009. The findings and recommendations were reported to the Audit & Risk Committee on 11 April 2008 and 22 July 2009 respectively. The recommendations made have been fully implemented.

Risk management maturity

The three GLAs regularly review and exchange best practice on risk management through the Inter GLA Committee structure. The GLAs conduct a triennial risk review. This review and the resulting recommendations and actions are discussed with key stakeholders through the Lights Finance Committee. The review includes an assessment by external risk management consultants.

The process involves a timetable for the committees of the Board and the Chief Executive and Directors to review and update the assessment of these business risks throughout the year and then to report to the Board of Commissioners on these reviews. At most meetings of the Directors' Group one of the 12 Business Risks is reviewed. All 12 Business Risks are reviewed in a Financial Year. The outcomes of these reviews are documented and changes are made to the risk assessment. The Audit and Risk Committee meet four times a year and at each meeting it considers all the reviews completed by the Directors' Group since its last meeting. Progress on implementing the recommendations is monitored by the Audit and Risk Committee.

The risk and control framework

Risk management framework

The risk management framework consists of identified risks, the consequence to the Board if the risk materialises and the control measures in place. It also includes a risk rating of the risk materialising if controls were not in place and a second rating based on controls being fully functioning. Risks are regularly reviewed throughout the year. The Audit and Risk Committee also invites managers to discuss risk management issues at committee meetings.

Risk identification, evaluation and control

Risk management forms an integral part of the GLAs' strategic management. This overall strategy is:-

- to identify significant risks against key organisational aims and objectives within a defined process so that each element or level of risk identification fits within an overall framework;
- to assign ownership of organisational risks at a strategic level;
- to evaluate the significance of those risks using recognised standards;
- to respond effectively to risk through the use of controls, risk transfer and risk financing mechanisms;
- to review and report on those risks against the GLAs' unique nature and funding regime and where appropriate put in place additional measures to further mitigate the impact of any residual risk;
- to ensure that their risk management strategy is operating effectively;
- to embed risk management as an intrinsic part of the GLAs' organisational processes.

Risk tolerance/ "risk appetite"

The GLAs will normally only tolerate a risk after the application of controls and treatment so that the overall residual risk level is brought within acceptable parameters. The "risk appetite" of the GLAs, particularly in financial terms, is different to both private companies and government / public sector bodies due to their unique ring-fenced funding regime and the resources available to finance loss.

The GLAs undertake a triennial risk management review. The last review was in 2012. The outcome of each review is endorsed by the Joint Strategic Board and the Lights Advisory Committee - representing shipping, ports and cargo interests.

The GLAs, like other organisations, describe their “risk appetite”. This is the amount of risk that we are prepared to accept, tolerate, or be exposed to at any point in time.

The GLAs risk appetite is assessed in line with HM Treasury guidance and its associated five point “averse”, “minimalist”, “cautious”, “open” and “hungry” descriptors.

The risk appetite of the GLAs is broadly considered to be “averse”. This is more fully described as “avoidance of risk and uncertainty is a key organisational objective”. This is particularly the case for hazard risks such as health & safety and the environment. In respect of the exploitation of commercial opportunities it is considered to be more “cautious” but always within a robust framework of loss control. “Cautious” is more fully described as “preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward”.

As a minimum the GLAs seek to ensure:-

- compliance with laws and regulations (domestic, IALA and EU);
- the efficient and cost effective operation of their respective organisations;
- effective internal control and corporate governance.

The GLAs’ risk response seeks however to achieve an appropriate balance between the potential realisation of risk and the cost of limiting that risk. They consider each risk in terms of whether it should be transferred, tolerated, where it cannot be transferred or the cost of transfer would be disproportionate to the potential benefit gained, treated to an acceptable level, or in exceptional cases discontinued.

Embedding risk management

The management of risk is embedded through the assignment of “risk owners” and the rolling review process use to review the twelve business risks.

Evidence of effectiveness

Assurance about the effectiveness of the Board’s risk management strategy is obtained through robust review and reporting mechanisms that report to the Audit and Risk Committee, Board of Commissioners, the Department for Transport and the Lights Finance Committee. Reporting is carried out by in-house risk managers, internal and external auditors and external consultancy.

Changes

During the Financial Year changes to the assessment of the likelihood of specific events occurring and the control measures in place have been made following the Directors’ Group rolling review process.

Most of these changes have resulted from the implementation of the recommendations made in the Final Report of the Assessment of the Provision of Marine Aids to Navigation around the United Kingdom & Ireland published in March 2010 – “the Atkins Review” - and the financial pressures on the General Lighthouse Fund.

Review of effectiveness

The Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive managers within the Northern Lighthouse Board. They have responsibility for the development and maintenance of the internal control framework. The Chief Executive also benefits from comments made by the external auditors in their management letter and other reports. The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Board of Commissioners, the Managing Board and the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In his annual report the Head of Internal Audit was able to provide an overall “Reasonable” assurance rating. She said "Systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified".

The key processes in place are:

- the Board decides policy and provides the strategic direction for the Northern Lighthouse Board;
- the Managing Board reviews progress on the achievement of aims and objectives and to maintain operational efficiency;
- periodic reports from the Chairman of the Audit and Risk Committee to the Board of Commissioners concerning internal control;
- regular reports by the Head of Internal Audit, to standards defined in the Government Internal Audit Standards, giving independent opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement;
- regular reviews of compliance with the Framework Document for the General Lighthouse Authorities - last revised August 2013 - that governs the relationship between the Department for Transport and the General Lighthouse Authorities. The results of these reviews are reported to the Audit & Risk Committee;
- a separate statement within the Head of Internal Audit’s annual report giving his opinion on the effectiveness of the internal control process; this report, which is reviewed by the Audit and Risk Committee, then forms the basis for a review of Internal Control by the Board of Commissioners;
- regular reviews of the 12 Business Risks at the Directors’ Group meetings;
- compliance with the applicable best practice principles set out in HM Treasury’s July 2011 Code of Good Practice for Corporate Governance.

Data Handling

Data handling training continued to be rolled out and targeted to those handling personal data where information is most sensitive and shared most often. Opportunities to improve controls are being identified through the training process and in the creation of individual Risk Registers.

Work continues to further embed the principles of good data handling within the day to day business of NLB and the role/responsibilities of the Information Asset Owner. The IAO role is about providing assurance and making sure that action is taken. Although that does not mean they have to do everything themselves, it is now more of a defined ‘responsibility’ and a culture change.

Work has continued to manage the risks related to the use, processing, storage and transmission of information and data and the systems and processes used for those purposes.

Regular assurance returns to DfT.

A number of good security controls have been implemented i.e. encrypted laptops being issued.

Working to the requirements of the HMG IA Standard No. 6

There have been no incidents of data loss in the financial year.

Ministerial direction

The GLAs’ primary aim is to deliver a reliable, efficient and cost effective Aids to Navigation service for the benefit of all mariners.

The Minister has directed that increases in our Running Costs – both with and without commercial work income & costs netted off – are limited to no more than general price inflation (as measured by the Retail Price Index – All Items), less an X value set by the Minister, for a five-year period and measured from a Baseline.

The current X values, expressed as an annual average, are set for the five financial years starting in 2011/12 and ending in 2015/16. The following tables show :

- The Baseline
- the target set by the Minister.

	BASELINE
Running Costs	£15,124,000
Running costs with commercial income/ costs netted off	£14,707,000
RETAIL PRICE INDEX - ALL ITEMS	226.5

X Values	Minister's Target
Running Costs	2.68% pa
Running Costs with commercial income/ costs netted off	3.12% pa

Significant internal control problems

There have been no significant internal control problems in the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.



Mike Bullock
Chief Executive

Commissioners' Report

Key performance indicators

Aids to Navigation availability

Purpose

The key performance indicator used to measure, analyse and monitor the service actually provided to the mariner is 'Aids to Navigation Availability'. This indicator measures the actual availability of AtoNs (eg whether the light is flashing correctly or a buoy is on station) over a 3-year continuous period.

Definition, calculation and targets

The method of measurement and the recognised availability standards are set for each category by the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA). They are published in the IALA Aids to Navigation Guide (NAVGUIDE – Edition March 2010).

Availability is measured by dividing total time (i.e. the sum of the total number of hours in a year multiplied by the number of Aids to Navigation in each category) into the difference between total time and the number of hours that the Aids were not available to the mariner. This calculation is then expressed as a percentage. Each of the physical Aids to Navigation operated is allocated a category and each category has an availability target:

Category 1 Availability Target 99.8%

An Aid to Navigation that is considered to be of primary navigational significance. It includes the lighted aids to navigation and racons that are considered essential for marking landfalls and primary routes.

Category 2 Availability Target 99.0%

An Aid to Navigation that is considered to be of navigational significance. It includes lighted aids to navigation and racons that mark secondary routes and those used to supplement the marking of primary routes.

Category 3 Availability Target 97.0%

An Aid to Navigation that is considered to be of less navigational significance than Category 1 and 2.

Source of data

The performance data is provided from the monitoring software.

Performance

See Section “Aids to Navigation Availability” on page 43.

Changes to data or calculation

There have been no changes to the data or method of calculation.

Running Costs

Purpose

This indicator measures the annual running costs of the Board on a year-to-year basis on a normal cash basis and also adjusted to constant prices by use of the Retail Price Index - All Items.

Definition, calculation and targets

Running Costs are defined as pay and overhead costs, including travel & subsistence and redundancy costs. The costs are measured as “Running Costs” i.e. the costs actually incurred and “Running Costs at Constant Prices” i.e. the costs after adjustment for the change in the Retail Price Index - All items.

Source of data

The source of the data is Note 5 to the Accounts and the Retail Price Index – All Items.

Performance

See Section “Running Costs in cash and constant prices” on page 44.

Changes to data or calculation

There have been no changes to the data or method of calculation.

Management Commentary

Operating facilities

The Board operates from a corporate head office in Edinburgh, an operating base in Oban and three smaller facilities in Shetland, Orkney and Inverness. The Board also has two ships, a leased helicopter and a small fleet of vehicles which helps mobilise the team of technicians, engineers and navigation experts to manage, maintain and inspect the network of aids to navigation around the coast.

Physical environment

The Board’s area of jurisdiction or operation covers over half the waters and coastline of the United Kingdom together with the majority of offshore and gas installations. The area contains numerous environmentally sensitive locations (for example, Pentland Firth and the Minches) as well as recognised traffic routes for many ships carrying hazardous or potentially polluting cargoes. The UK Government has recognised this by creating a number of Marine Environmental High Risk Areas around Scotland. Severe weather conditions can be experienced at any time of the year and some of the strongest tidal streams are found in our waters.

Length of coastline 10,000 km/6,214miles

Land area 77,700 sqkm/30,405sq miles

Number of islands 790 (130 inhabited)

Management

A description of this can be found on pages 12-13.

Data Handling

A report on data handling can be found on page 25.

Economic environment

Funding

The costs of the Board's services are met from the General Lighthouse Fund (GLF). The income to the GLF comes mostly from light dues which are charged on commercial shipping at United Kingdom and Republic of Ireland ports. There is no provision for Exchequer funding except in the Republic of Ireland and in relation to guarantees under the GLAs' borrowing powers. A Letter of Comfort relating to pension liabilities has been provided - see Appendix A.

The Secretary of State for Transport has a duty to ensure the effective management of the GLF and enable the adequate provision of aids to navigation at the minimum cost.

Light dues

In the report from W S Atkins in March 2010 (Assessment of the Provision of Marine Aids to Navigation around the United Kingdom & Ireland) they reviewed the methods of funding of aids to navigation around the world. The report said:

"The case studies represent a relatively small sample of maritime states around the world, so any observations drawn are indicative only. However, based on this sample, it is possible to make the following observations:

- even within the small sample there are a wide range of approaches in relation to administrative structure and financing for AtoN provision;
- within the sample there is more emphasis on integrated administration of maritime safety: e.g. Denmark, Canada, France, Spain, although the overall responsibility varies between the Navy (US), Public Works (Spain), Fisheries (Canada);
- the approach to charging users for AtoN varies – from no charges in Denmark to full cost charging in India. In the US the Harbour Maintenance Tax generates a substantial surplus;

- where user charges exist, they are unpopular and there are calls to abolish them;
- the responsibility for 'local' lights varies – in India and Denmark it is similar to the UK;
- in the US, the State is responsible;
- the degree of devolution varies: in Canada and the USA, the Federal Government takes a lead; in Spain, regulation is done at the national level, but provision is regional/local."
- UK Government remains committed to the present system of recovering costs through light dues but is determined to minimise the cost burden on the shipping industry.

Business objectives

Board Objectives 2013/2014

- To improve the Health and Safety of NLB staff, while retaining an open and transparent Health and Safety culture, and reduce the All Accident Frequency Rate (Injuries Only) by at least 10% by 31 March 2014.
- In 2013/14 to limit Running Costs (with commercial income and costs netted off) to no more than £14,058,000 in order to achieve and improve significantly upon the Real Cost Reduction target of 2.68% (3.12% including commercial income/costs) for the five year plan period 2011 - 2016 agreed with the Secretary of State for Transport.
- By 31 March 2014 to have posted the Contract Notice in the Official Journal of the European Union to start the tendering process for a collaborative GLA helicopter contract to harmonise the requirements for helicopter services across the GLAs to achieve greater efficiencies and financial savings.

- To complete the installation works, commissioning and acceptance into operational service of the tri-GLA re-engineered DGPS system by 31 December 2013.
- To achieve the plan to roll out the on-line purchase, requisition and staff travel claims processes to all teams and sections by 31 March 2014.
- To undertake work to ensure 84 George Street provides a comfortable, efficient and healthy place of work for all staff and initially by relocating the Commercial Department to the old Monitor Centre by 31 December 2013.
- To complete the second phase of property sales in 2013/14, to achieve sales of at least £300,000 in 2013/14 and to have the third and final phase of sales ready for active marketing by 31 March 2014.

Board Objectives 2014/2015

- To demonstrate the Commissioner's commitment to the Health and Safety of its staff by each Commissioner carrying out, during the annual Inspection Tour, at least one recorded Health, Safety and Environmental inspection, and by the Chief Executive and Directors conducting at least three HSE leadership tours with the QHSE Manager.
- In 2014/15 to limit Running Costs (with commercial income and costs netted off) to no more than £13,578,000 in order to achieve and improve significantly upon the Real Cost Reduction target of 2.68% (3.12% including commercial income/costs) for the five year plan period 2011 - 2016 agreed with the Secretary of State for Transport.
- By 31 March 2015 to have completed the procurement process and signing of a tri-GLA helicopter service contract, preparations having commenced for implementation on 1st December 2015.
- To continue work to ensure 84 George Street provides a comfortable, efficient and healthy place of work for all staff by relocating the Commercial section to the old Monitor Centre and commencing the second phase of improvements.

- Ensure that the NLB provides and continues to provide into the future suitable and sufficient Aids to Navigation for the volume of traffic and degree of risk by meeting IALA availability standards and undertaking and completing the 2015 AtoN Review.
- To implement the accepted findings of the Triennial Review and contribute to the 2015 Fleet Review to ensure an honest and realistic appraisal of the tri GLA future fleet requirement is undertaken.
- To complete the Aids to Navigation Capital Works Programme as defined and set out in the Business Plan for Financial Year 2014/2015.

Current and future developments and performance

Joint Strategic Board

The Joint Strategic Board was established in 2010 as a recommendation of the Assessment of the Provision of Marine Aids to Navigation around the United Kingdom and Ireland (the "Atkins Review"). The Board, consisting of representatives from all three General Lighthouse Authorities, is now delivering on its main purpose to foster tri-GLA cooperation and coordination and to realise the resulting savings. All three GLAs are exceeding the RPI-X targets they agreed with the Shipping Minister for the five year period 2011/12 to 2015/16 and it is expected that this will be followed by a further five year period.

The JSB introduced a strategic "Road Map" to track the final recommendations of the Atkins Review and has since developed this to encompass a schedule of activities to drive further tri-GLA coordination in the most effective way.

AtoN Review

Following publication of the Tri GLA 2010 AtoN Review on 12 May 2010 implementation of the changes recommended have continued.

In 2010/11 lights identified for closure in Caithness and on the Isle of Man were extinguished. Seven buoy stations were discontinued, a new buoy station established and three beacons lit.

In 2011/12 Covesea Skerries and Strathy point lights were discontinued after a review of major lights identified for further consideration. A buoy was established at Halliman Skerries.

In 2012/2013 range reductions of lights identified in the review were implemented as part of the routine engineering programme of works and negotiations on transfer of two lights progressed. New buoy stations at Otter Gander and Gearsdan were established. AIS was established at Flannan Isles, Brough of Birsay. The Branra rocks beacon was replaced and lit. Initial planning work on the 2015 AtoN Review was undertaken.

During Financial year 2013/14 AIS was established at Dubh Artach, Eilean Trodday, Lady rock, Barra Head, Inner Voder, Pentland Skerries, Sanda, Oigh Skeir, Bogha Nuadh, Skerryvore, Calvay East, Haskeir and Riff Bank east. New replacement lit beacons were installed at Bogha Dubh Sgeir and Sgeir Golach in Loch Carron. Turnberry was altered to a minor light. Fidra, Inchkeith and Elie Ness were transferred to Forth Ports and negotiation on two further lights elsewhere continued. The 2015 AtoN review was commenced.

Head Office Review

Work on the HQ building in George Street, Edinburgh, has been restricted to essential maintenance and some minor improvements. Work started in March 2014 to convert the old Monitor Centre into a Commercial Hub to house those staff who were otherwise required to work in unsatisfactory and cramped conditions. Their move will allow greater flexibility and better conditions for the remaining staff on the third floor. The next stage of work will involve replacement of the old oil fired boiler with an efficient modern gas fired one, replacement of windows and modernising of ventilation and insulation.

Monitoring

Since October 2011, out-of-hours monitoring service centred on Trinity House Harwich via computer networks has provided continued timely warnings of AtoN failure to the mariner and point of contact for third parties and technicians outside of office hours. Office hours monitoring in Edinburgh provides these services and the diagnostic information essential to ensuring timely maintenance is carried out to prevent AtoN failure. The AtoN themselves remain fully automated to operate independent of external control and are highly reliable. As General Lighthouse Authority for Scotland and the Isle of Man the Board remains solely responsible for its network of lights and buoys.

E Navigation

The Board has continued to contribute to the development of e-Navigation through involvement with IALA which feeds into the International Maritime Organisation (IMO).

The key building blocks of eNavigation; secure and reliable communications, and secure and reliable charting and chart displays are developing but universal carriage remains uncertain and the IMO implementation plan is further delayed. GNSS back up is also essential. NLB with its partner GLAs is contributing to Position Navigation and Timing resilience through the pan European trial of e-Loran. NLV Pole Star has undertaken Additional Secondary Factor surveys on the Tees, Forth and in Aberdeen Harbour. The Board has also taken a full part in the EU project ACCSEAS as well as being involved in IMO correspondence groups.

It is becoming apparent that the development of eNavigation will not substantially affect physical Aids to Navigation which continue to be required to support mariners. The AtoN provision will continue to be adjusted through successive AtoN reviews.

Commercial Work

Financial year 2013/2014 has been another successful year for third party commercial work with an above budget contribution to the GLF. This 3 year period is the highest earning to date for the NLB since commencing commercial activities. Reliance on the North Sea

market has been avoided, whilst a number of work areas that have been developed in recent years have continued to deliver.

Along with Local Lighthouse Authority (LLA) and third party navigation buoy hire and contract work, the growth in renewable energy research equipment deployment and guard buoy work has added to NLB's core activities. Public utility AtoN maintenance, along with a full program of cruise ship berthing activity at Oban, continued to bring welcome income.

Significant income was generated from vessel hire. NLV Pharos carried out a number of taskings for the Met Office for the deployment, maintenance and recovery of UK ODAS buoys and moorings in an area extending from west of Shetland to west of Brittany. The vessel also provided a work platform for British Geological Survey to operate and test its new sub-sea sampling/coring equipment. An MoA with UK MOD has led to a programme of work to support MOD Salvage and Marine Operations and the NATO Submarine Rescue Service.

NLV Pole Star continues to be an effective survey platform operating under the auspices of a MoU with Marine Scotland, which allows multi agency access to NLB vessels. A large proportion of income has been generated through this arrangement on a number of multi beam surveys, bottom sampling and camera sled operations since its inception. Pole Star also supported the final phases of the EU funded INIS Hydro Project.

Automatic Identification System (AIS)

AIS AtoNs are a key component of e-Navigation. In the longer term secure and reliable broadband delivered by satellite or in coastal waters by 4G mobile communications coverage is envisaged. It will deliver to the mariner a continuously updated electronic chart which communicates AtoN status, navigational warnings etc. This though is universally some years away. AIS AtoN fills the gap with respect to AtoN status communication by allowing confirmation of position (in the case of buoys) and light functionality of key AtoN to be broadcast and displayed on ECDIS and or radar. It also allows the physical world to be linked to the electronic world which is becoming more and more the focus of the modern navigator.

NLB currently has 28 AIS AtoNs and this number is scheduled to rise to 37 over the next 12 months. The AIS AtoN units are procured via a tri-GLA contract.

Capital Investment

As part of the Board's business planning process a long-term capital investment programme is prepared. The main element of the programme is capital investment in the lighthouse estate where individual projects are assessed for inclusion on the navigation and engineering importance of the project. Other elements of the plan cover investment on buoyage, ships, plant & equipment and vehicles. All projects included in the plan are assessed on strategic impact, economic rationale, financial affordability and achievability.

International Representation

The Board is required to operate Safety of Life at Sea (SOLAS) in accordance with international standards and recommendations. In the case of AtoN provision these are set by the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA). The Board has a close and influential involvement with IALA. NLB staff continue to lead, or to be closely involved in, work on AtoN Management, E-Navigation and AtoN Engineering ensuring, along with Trinity House, that UK interests are represented in this area. NLB provides the current Chair of the pivotal IALA Aids to Navigation Management Committee.

Certifications and Awards

The Board is certificated to the following International and business standards that are recognised throughout the world as indicating best practice in their respective areas. These are:-BS EN ISO 9001:2008; BS EN ISO 14001:2004; BS OHSAS 18001:2007; ISO/IEC 27001:2005 (in respect of their IS Dept.); ISPS Code and the ISM Code meeting the requirements of SOLAS Chapter 9. The Board is also a holder of the Silver level of the Healthy Working Lives (Scotland) Award Scheme. Certification to these standards has been successfully maintained during 2013-14 and this has been verified through external audit by relevant third party auditors.

Differential Global Positioning System (DGPS) Re-engineering

The re-engineering of the tri-GLA DGPS System on a joint basis with the Commissioners of Irish Lights and Trinity House has been completed. This work addressed existing system equipment obsolescence and technical upgrades that were required to meet the ongoing service provision goals. It involved work on DGPS sites at the lighthouses at Sumburgh Head (Shetland), Butt of Lewis (Western Isles) and Girdle Ness (East Coast of Scotland) as well as the central Scotland site at Earls Hill (Stirling).

Resources

Ships

NLV Pharos continues to be a safe, reliable and effective vessel undertaking support of engineering project and maintenance work throughout the year. Pharos has also been engaged in statutory and commercial buoy work, ODAS buoy maintenance, MOD ROV and submarine rescue training work, local light authority inspection and off-shore installation inspection.

NLV Pole Star, throughout the year, has operated safely, effectively and efficiently undertaking the majority of the Board's statutory and commercial buoy work as well as inspection of third party AtoN and a Marine Scotland charter. The ship also assisted Trinity House responding to Buoy casualties off the Farne Islands.

Management and operational control of the vessels continued to be co-ordinated with partner GLA to provide as efficient as possible joint operational utilisation of the vessels.

Bases

The Oban support base is a key resource in the activities of the NLB. The base is run by a small well trained, multi skilled flexible workforce. More than just a buoy yard, the base provides for:

- preparation of helicopter loads both of NLB and contractor materials and equipment

- principal stores of spares and consumable items
- safe and secure berth for NLB vessels.

Engineering Area maintenance staff for the west coast and the Engineering Support and Testing Facility also operate from the base. The base is a key source of income from a full cruise vessel berthing programme, field support of interim AtoN and rig watcher units, overhaul of third party AtoN and other vessel berthing.

People

Reductions in staff numbers continued throughout 2013/14, every vacancy, whether caused by retirement or resignation, is carefully assessed at Chief Executive and Director level to ensure the post is essential to the Board.

Salary levels were increased by one per cent in line with government pay guidance.

The following table shows the gender and work function analysis of staff in post (headcount) at 31 March 2014 (at 31 March 2013)

	Female	Male	Total
Director	0(0)	6(6)	6(6)
Manager	2(2)	15(16)	17(18)
Employee	33(32)	143(149)	176(181)
Total	35(34)	164(171)	199(205)

Sick Absence

	2013/14	2012/13
Total number of days lost due to sickness	1,302	1,642
Average number of days lost per employee	7.46	8.90

There has been a reduction in Sick Absence since 2012/13, this is due to a reduction in the amount of long term absences. The Board also implemented a new Sick Absence Policy in April 2013 which has seen a more formal process being implemented in relation to managing absence.

Disabled employees

The policy of the Board towards the employment of disabled people is that a disability is no bar to recruitment or advancement. However, the nature of the duties at lighthouses and ships impose some limitations on the employment of disabled staff. When dealing with employee absence, compliance with the Equality Act is ensured by always seeking expert advice through our Occupational Health Service.

Equal opportunities

The Board is an equal opportunity employer and at every stage of recruitment, staff transfer and promotion, carefully ensures that the selection processes used in no way give any preference on the basis of gender, age, race, disability, sexual orientation or religion.

Employee involvement

The Board is committed to effective communications, which it maintains through formal and informal briefings, the Board's magazine ('The Journal'), newsletters and electronic media, including its Intranet service and Facebook.

Consultation with employees is undertaken through the recognised Trade Unions and various committees which cover all staff. The Chief Executive also chairs a Staff Council which meets four times a year.

Employees are informed of matters of concern to them; they are consulted frequently and regularly so that account may be taken of their interests. In 2011 the Board undertook a stress survey; results from the survey have been turned into an action plan which is being progressed during 2012 and 2013. As in previous years, the Chief Executive held general staff meetings to develop items for incorporation in the Board's strategic objectives and to ensure openness and accountability.

Human Resources Policies

The Human Resources section continues to review and create HR policies which both ensure compliance with employment law along with supporting managers and staff in dealing with people issues. During this year the section has created a new Drug and Alcohol Policy.

Health and Wellbeing

The Board is pleased to have been successful in renewing its Silver Healthy Working Lives Award which is an endorsement of its commitment to improving the health and wellbeing of its staff.

Health and Safety

The health, safety and welfare of employees and contractors working for us are our main concern to ensure that they are not exposed to any risk which could compromise and adversely affect their wellbeing. Of equal importance, where our operations interface with the public, surrounding environment and wildlife we will control our operations to prevent harm. Our internal systems meet the requirements of the British Standard Occupational Health and Safety Assessment Series (OSHAS) 18001:2007 and the International Management Code for the Safe Operation of Ships and for Pollution Prevention also known as the ISM Code complying with relevant statutory obligations. These systems are under continual review. Regular monitoring and auditing against the Board's business processes and work activities occurs both internally by a dedicated team of Quality, Health, Safety and Environment professionals and externally by independent, third party, auditors to maintain and demonstrate compliance.

Research and Development

Regular inter-GLA contact ensures that industry best practice is adopted, where at all possible, thus enabling the Board to meet its obligations with proportionate, cost effective and pragmatic management controls.

Research and Development is conducted for all three GLAs by the Research and Radionavigation Directorate (R&RNAV) based at Harwich. While R&RNAV continues to concentrate on a wide field of research and to provide advisory and technical services to the individual GLAs, effort has also been given to the promotion of enhanced Loran (eLoran). Despite continued uncertainty in some

countries over funding, , recent GNSS jamming activity by the government of North Korea has emphasised the vulnerability of satellite navigation systems. The GLAs see e-Loran as a vitally important terrestrial complement to GNSS and a significant enabler in reducing the number of traditional Aids to Navigation.

Relationships

Department for Transport

The General Lighthouse Fund is administered by the Department for Transport who sponsor the three General Lighthouse Authorities. The relationship between the Board and the Department for Transport is set out in a Framework Document.

On 30 December 2011 the Board was re-classified by the Office for National Statistics from a “non-financial public corporation” to a “central government body”. This classification is for National Accounts purposes.

As a result of this re-classification the Board was designated to the Department for Transport under powers in Section 4A of the Government Resources and Accounts Act 2000. This order gives effect to part of the Clear Line of Sight (CLOs) reforms by specifying which bodies form part of departmental groups for the purposes of Estimates and resource accounts.

The CLOs reforms make it clear that the distinctive characteristics of the GLAs will remain unchanged as a result of consolidation into the DfT departmental group. The GLAs will continue to be separate corporate entities with statutory responsibilities under the Merchant Shipping Act 1995, as amended. They will continue to be independent in their executive decision-making in accordance with those responsibilities. A revised version of the Framework Document came into effect from 30 July 2013 to take account of these changes.

Scottish Government

The work of the Board is a reserved matter under Section 30 of and Schedule 5 to the Scotland Act 1998. However, the Board maintains a

close relationship with the Scottish Government as does the Department for Transport under the terms of a concordat. Responsibility for matters relating to Section 34 of the Coast Protection Act 1949 has been devolved to the Scottish Government (replaced by Marine (Scotland) Act 2010 licensing process in April 2011). The Board are consulted and advise the Scottish Government on these applications.

Isle of Man Government

The work of the Board also covers the Isle of Man and as a result the Board has a relationship on aids to navigation matters with the Department of Infrastructure of the Isle of Man Government.

Other General Lighthouse Authorities

The Corporation of Trinity House (England, Wales, Channel Islands and Gibraltar), the Commissioners of Northern Lighthouses (Scotland and the Isle of Man) and the Commissioners of Irish Lights (the whole of Ireland) are the General Lighthouse Authorities (GLAs) for the British Isles.

The Joint Strategic Board (JSB) consists of the Secretary of State’s nominated Non Executive Directors, Chairmen and Chief Executives of all three GLAs. The JSB has been directed to drive the coordination of tri-GLA activities and programmes and to realise the savings that will accrue. The JSB continues to lead on the implementation of the Atkins Review and, in addition to delivering on the recommendations within their purview, have also held the UK and Irish Government Departments to deliver on theirs.

Users

The Joint User Consultative Group (JUCG) was formed in 1988 comprising representatives of the three GLAs and the users of their services to enable a mutual exchange of information on major policy matters of common concern within the field of aids to navigation. The JUCG assists in advising the Secretary of State for Transport on the changing requirements of marine aids to navigation. The NLB also holds a Scottish Users’ Consultation Group meeting in November each year to exchange views and information with its Scottish and Manx customers.

The NLB also enjoys a close and open relationship with the Lights Advisory Committee who represent the interests of the shipping and ports industries.

Charitable

The Board has a relationship with five charitable organisations:

- James Coats, Junior, “Ferguslie” Paisley Memorial Fund - for former lightkeepers and their dependents
- Northern Lighthouses 2000 Trust - to support the training of Merchant Navy Officer Cadets
- The Northern Lighthouse Heritage Trust - supporting the preservation and conservation of lighthouse heritage
- The Museum of Scottish Lighthouses - preserving the identity and social history of Scotlands lighthouses
- The North Ronaldsay Trust - preserving the natural and built heritage of the island.

Financial position

Source of finance

The Board is financed by advances made by the Department for Transport from the General Lighthouse Fund whose principal income is from Light Dues levied on shipping using ports in the British Isles. These advances, based on the annual cash requirements of the Board, finance both Revenue and Capital Expenditure and are credited as Income in the Accounts of the Board.

In addition, the Board has sundry receipts in the form of buoy maintenance, external contract, use of the berth at NLB Oban, work and property rents together with the proceeds from the sale of assets surplus to requirements. All proceeds are transferred to the General Lighthouse Fund.

Going Concern

The Commissioners’ business activities, together with the factors likely to affect its future development and position, are set out in pages 28 to 36.

The Commissioners are expecting to continue to draw down funds from the General Lighthouse Fund in line with spending plans agreed with the Department for Transport.

The Commissioners, together with the other General Lighthouse Authorities, are involved in regular discussions with the Department for Transport and the Lights Advisory Committee (representing ships and ports industries) on spending plans, the General Lighthouse Fund and the light dues rates charged on commercial shipping using UK and Irish ports. The Commissioners have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the General Lighthouse Fund to continue as a going concern and to fund the Commissioners’ activities.

The Commissioners have particularly noted:

- Because of its powers and duties under public law, the Board assumes responsibility for positive discharge of the United Kingdom Government’s obligations under the Safety of Life at Sea Convention 1974 (Chapter V, Regulation 13) for the provision and maintenance of aids to navigation within its area of jurisdiction.
- The undertaking given by the Secretary of State that light dues rates will be set at a rate to ensure sufficient income is generated to meet pension liabilities as they fall due.
- The Letters provided by the Secretary of State giving an assurance on the funding of pension contributions to the Principal Civil Service Pension Scheme.
- The undertaking provided by the Secretary of State to Lombard Business Leasing Limited and Williams & Glyn’s Leasing Company Limited that the funds will be provided to the Commissioners to meet the bi-annual lease payments for NLV Pole Star and NLV Pharos as they fall due.

On the basis of their assessment of the Board's financial position and of the enquiries made of the Department for Transport, the Commissioners have a reasonable expectation that the Northern Lighthouse Board will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Pension Liability

As at the 31 March 2014 there was a substantial deficit on the Board's pension scheme and this is reflected in the Accounts. The total liability, which was recognised on the Statement of Financial Position for the first time in 2003/2004 amounted to £94.7M as at 31 March 2014 - see Note 18 Pension Liabilities. As noted in the Accounts, the Department for Transport will seek to ensure that annual revenue into the General Lighthouse Fund will be sufficient to meet pension liabilities as they fall due. The liability is also covered by a letter of comfort from the Department for Transport. This letter of comfort is very valuable and could reasonably be considered to provide the security to the members of the Scheme that assets held separately to specifically meet pension benefits would give. In fact, it goes further than this as it effectively also underwrites the investment and life expectancy risks associated with funded pension schemes. However, this guarantee is only a backstop position and there is a clear expectation that the liability will be discharged from the General Lighthouse Fund.

The Board has been very concerned with the increasing pension liability position and it has, together with the other GLAs and the Department for Transport, made arrangement for the transfer of the membership of the Northern Lighthouse Pension Scheme (NLPS) to the Principal Civil Service Pension Scheme (PCSPS). Members' final day of accrual in the NLPS was be 31 March 2014 and their first day of accrual in PCSPS was 1 April 2014. From 1 April 2014 the Board has the responsibility of paying the Accruing Superannuation Liability Charge (the employer's contribution) to the Cabinet Office. The responsibility for the payment of the bulk transfer payment for the pension liability of the NLPS as at 31 March 2014 rests with the General Lighthouse Fund.

Operating Results

The results for the year to 31 March 2014 are contained in the attached Accounts and Notes and show a deficit (including Depreciation) on the Statement of Comprehensive Net Expenditure transferred to the Accumulated Reserve.

	2013/14	2012/13
	£000	£000
Net Expenditure after interest	2,775	11,480

For 2013/2014 the Board's performance against the Cash Limits set by the Department for Transport is summarised as follows:

	Cash Limits	Actual Expenditure	Variance
	£000	£000	£000
Running costs	14,553	14,107	-446
Redundancy costs	0	0	0
Expenditure on behalf of all GLAs	148	148	0
Other costs	6,058	5,680	-377
Capital expenditure	2,720	2,484	-235
TOTAL	23,479	22,419	-1,059

The actual expenditure calculated against these Cash limits is reconciled with the Accounts, prepared on an “accruals” basis, as follows:

	£000
Total expenditure on Statement of Comprehensive Net Expenditure	
Total expenditure on Statement of Comprehensive Net Expenditure	20,307
Adjustments to reconcile with Running Costs	
Deduct expenditure on behalf of all three GLAs	-148
Deduct cost on commercial work	-299
Provisions utilised and written back	441
Pension payments other schemes	-107
Add back the profit/loss on Sale of property, plant and equipment	262
Pension costs	-1,650
Write-off of stock losses	-29
Other property, plant and equipment	455
Depreciation	-4,032
Amortisation	-39
Loss on revaluation of Property, Plant & Equipment	-1,053
Running Costs in Management Accounts	14,107

Expenditure on Property, Plant and Equipment

During the year to 31 March 2014 the Board’s expenditure on tangible fixed assets was :-

	2013/14	2012/13
	£000	£000
Land	0	0
Buildings	284	7
Dwellings	0	0
Ancillary craft	0	0
Tenders	222	41
Buoys	19	20
Information Technology	102	6
Plant & Machinery	1,112	599
Furniture and Fittings	0	0
Payments on Account & Assets under Construction	718	1,212
	2,457	1,885

Cash position and liquidity

Cash funding through the GLF Imprest System

The Board relies primarily on advances from the General Lighthouse Fund for its cash requirements and is therefore not exposed to significant liquidity risks although it is dependent on the liquidity of the General Lighthouse Fund.

	2013/14	2012/13
	£000	£000
Cash withdrawn from the General Lighthouse Fund	20,610	21,670

Finance Leasing Arrangements

There is exposure on the finance leases for the ships to a change in the main rate of Corporation Tax. During the setting up of the finance lease for NLV Pole Star, the Board evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant. This option was not used for the lease for NLV Pharos.

Post Statement of Financial Position Events

The liability of the Northern Lighthouse Pension Scheme (NLPS) and the future accrual for members of the scheme were transferred, with the membership to the Principal Civil Service Pension Scheme (PCSPS), as planned, on 1st April 2014. The liability of the NLPS as at 31 March 2014 was £94,743,000 and this has been removed from the Statement of Financial Position following the transfer on 1 April 2014. This is a non-adjusting event in accordance with IAS10.

The pension schemes of the other General Lighthouse Authorities (GLAs) have also been closed and the membership and accrued service transferred to the PCSPS from the same date. From 1 April 2014 the Board will be liable to pay an Accrued Superannuation Liability Charge (the Employers' Contribution) to the PCSPS. This will be charged to the Statement of Comprehensive Net Expenditure as it arises. The General Lighthouse Fund will similarly eliminate the combined GLA pension liability as at 31 March 2014 of £415M. However, it is required to pay the value of the GLAs accrued superannuation liability as at the 31 March 2014 to the PCSPS. It has done this by making a cash payment and agreeing a loan facility with the Department for Transport whereby the second element will be repaid over 10 years.

The method of calculating the pension liability for accounting purposes and the method for calculating the bulk transfer payment are different. The accounting valuation is in accordance with IAS19 (£415M). The bulk transfer payment is calculated in accordance with instructions from the Government Actuary's Department (£360M). The main reason for a difference in valuation is the Real Discount Rate applied to each calculation. The final valuation of the bulk

transfer payment will not be known until after the publication of these Accounts, however, any difference between the current estimate and the final valuation is expected to be extremely small.

Payment of creditors' policy

The Board seeks to adopt the conventions within the British Standard BS 7890, 'Method for achieving good payment performance in commercial transactions' which are reflected within the Board's internal practices.

Payment of all creditors, accounts are arranged by the date stipulated within the contract or other agreed terms of credit. Exceptions to this are as follows:

1. Payment within a shorter timescale where a discount may be available;
2. Where there is a genuine dispute in respect of the invoice concerned. In all such cases the supplier is immediately informed of the details of the query and that the payment will be withheld pending resolution.

Suppliers are informed of our policy via a supplementary notice within contracts and are asked to provide any comments on this issue to the Commercial Manager.

Audit

The accounting records of the Commissioners of Northern Lighthouses are examined by the UK Comptroller and Auditor General prior to consolidation in the accounts of the General Lighthouse Fund. The General Lighthouse Fund Accounts are formally certified by the UK Comptroller and Auditor General under the terms of Section 211 of the Merchant Shipping Act 1995 and Section 3 of the Exchequer and Audit Departments Act 1921, as amended by the National Audit Act 1983. There is no provision for a separate audit certificate to be appended to these accounts.

Remuneration Report

Composition

The Board's Remuneration Committee is made up of four Commissioners who have no personal financial interest, other than as Commissioners, in the matters to be decided, no potential conflicts of interest arising from cross-directorships, and no day-to-day involvement in running the Northern Lighthouse Board other than as members of the Board of Commissioners and the Managing Board.

The Committee consults the Chief Executive about its proposals, other than in relation to his own remuneration, and has access to professional advice from inside and outside the Board.

Arrangements are in place for the Remuneration Committee to ask for and receive legal advice from the Board's solicitor. The Committee has used external advice to provide comparison pay information and to recommend new structures.

Background

The remuneration of the Chief Executive and Directors is determined by the Remuneration Committee now consisting of the Chairman and Vice Chairman of the Board and two other Commissioners, under powers delegated by the Board of Commissioners.

The current pay structure was implemented with effect from 1 April 2004 following a review by a firm of external consultants. The new structure was agreed by the Department for Transport.

General

The creation of long-term effectiveness depends on the talents, contribution and commitment of the Chief Executive and Directors (the "executive directors"); so the Board must be able to attract and retain people of high quality. It is essential that the remuneration structure should be competitive with those of comparable organisations.

Pay Approach

The remuneration of Executive Directors was recalibrated in 2004 in the light of consultant advice against the following criteria:

- job weight
- market pay comparisons
- performance

All Directors have a base pensionable salary which is annually reviewed, and in addition can earn a non pensionable and non-consolidated performance bonus paid retrospectively in the light of performance in the previous year, as measured against objectives set by the Remuneration Committee.

These objectives reflect both the corporate objectives agreed by the Board for NLB as a whole and the personal contribution which can be made by each Director.

Executive Directors' Pensions

The Executive Directors are members of the Northern Lighthouse Board Pension Scheme which is an unfunded defined benefit scheme. The following table show the cash equivalent transfer value (CETV) of the director's pension benefits accrued at the beginning and the end of the reporting period. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Northern Lighthouse Board Pension Scheme, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The table shows the real increase in the value of the CETV. It takes account of the increase in accrued pension due to inflation and contributions paid by the director and is calculated using common market valuation factors for the start and end of the period.

	2013/14					2012/13				
	Salary £000	Bonus £000	Benefits in Kind £000	Pension Benefits £000	Total £000	Salary £000	Bonus £000	Benefits in Kind £000	Pension Benefits £000	Total £000
Roger Lockwood	85-90	5-10	0	20-25	120-125	85-90	5-10	0	20-25	120-125
Douglas Gorman	75-80	5-10	0	20-25	110-115	75-80	5-10	0	20-25	105-110
Phillip Day	75-80	5-10	0	30-35	110-115	75-80	5-10	0	40-45	120-125
Moray Waddell	75-80	5-10	0	20-25	105-110	75-80	5-10	0	20-25	100-105

	Accrued pension and Lump Sum at age 65 as at		Real increase in pension and Lump Sum at age 65 £000	CETV at 31 March 2014 £000	CETV at 31 March 2013 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
	31/3/14 £000	2013/14					
Roger Lockwood	10-15	0-2.5	0-2.5	221	196	17	0
Douglas Gorman	20-25/65-70	0-2.5	2.5-5	502	454	10	0
Phillip Day	25-30	0-2.5	0-2.5	259	234	6	0
Moray Waddell	30-35/50-55	0-2.5	(2.5)-0	511	474	4	0

Service Agreements

Each of the Executive Directors has a Service Agreement which can be terminated by either the Board serving notice or the Executive Director serving notice. These notice periods are three/twelve months and three/six months respectively.

Remuneration of Commissioners

Commissioners:

1. elected by the Board under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Merchant Shipping Act 1995 (the "Co-opted Commissioners"); or
2. nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State;

Co-opted Commissioners are paid a basic remuneration per annum and with the exception of the Chairman and Vice-Chairman are eligible for an additional daily payment for each day exceeding 20 days in the year

	£
Basic annual remuneration	9,900
Additional daily payment	495
Chairman's remuneration	19,800
Vice-Chairman's remuneration	13,200
Total amount paid in 2013/14 including National Insurance Contributions	76,237
Total amount paid in 2012/13 including National Insurance Contributions	64,593

Co-opted Commissioners' remuneration is set by the Board as a whole on the advice of the Department for Transport.

Co-opted Commissioners are appointed for three years but may be re-appointed for further terms up to a normal limit of 10 years in accordance with guidance from the Commissioner of Public Appointments.

Ex-Officio Commissioners hold office for the duration of their qualifying office and are not paid.

Commissioners are not members of the Northern Lighthouse Pension Scheme and are not entitled to receive compensation for loss of office. Commissioners are entitled to reclaim travel and subsistence costs at the same rates and under the same regulations that apply to employees.

The remuneration of the Commissioners is analysed as follows:

	£	£
Alistair Whyte(left 27 February 2013)	0	8,957
Robert Quayle (left 25 May 2013)	1,475	9,804
Mike Brew (started 1 June 2013)	8,250	0
Mike Close	19,800	13,068
Alistair MacKenzie	13,200	9,804
John Ross	9,900	9,804
Graham Crerar (started 1 April 2012)	9,900	9,804
Alastair Beveridge (started 1 March 2013)	9,900	817

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The Commissioners are Non-Executive Directors in this context.

The annualised remuneration, i.e. the full-time equivalent salary, of the highest-paid director in the Board in the financial year 2013-2014 was £108,653 (2012-2013 £107,599). This was 3.6 times (2012-2013, 3.6 times) the median remuneration of the workforce, which was £30,012 (2012-2013 £29,724).

In 2013-2014 (2012-2013 nil) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,281 to £99,596 (2012-2013 £15,708 to £97,799).

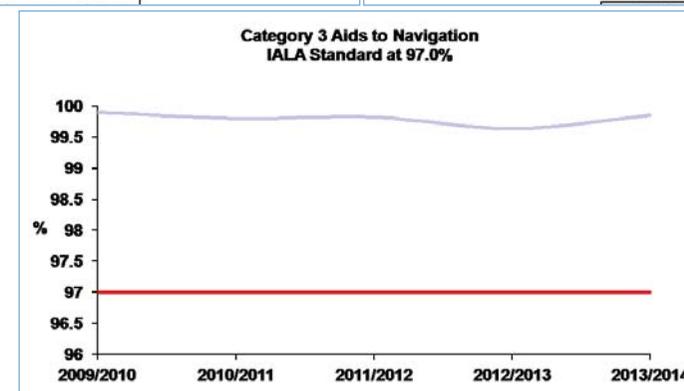
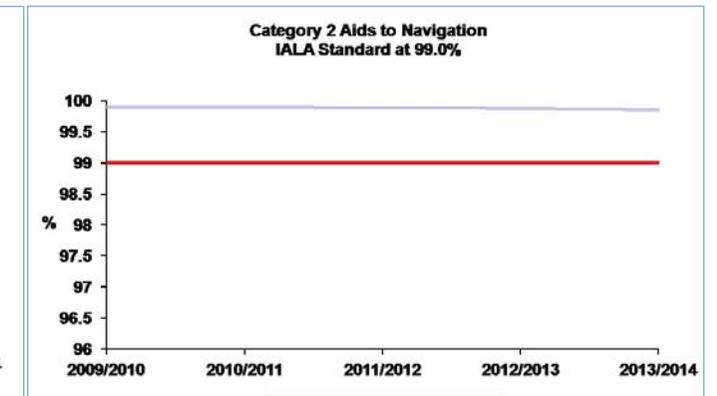
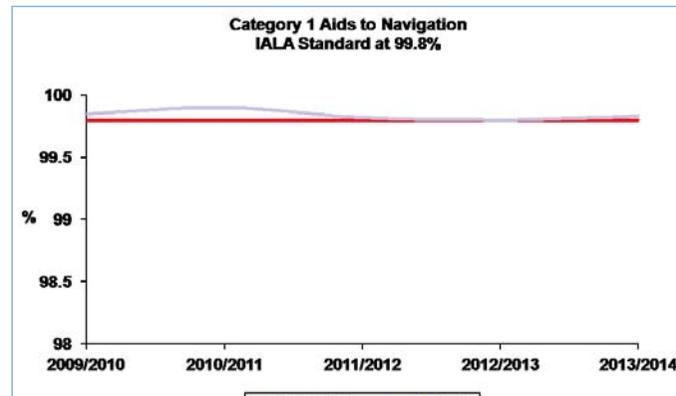
Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.



Mike Bullock
Chief Executive

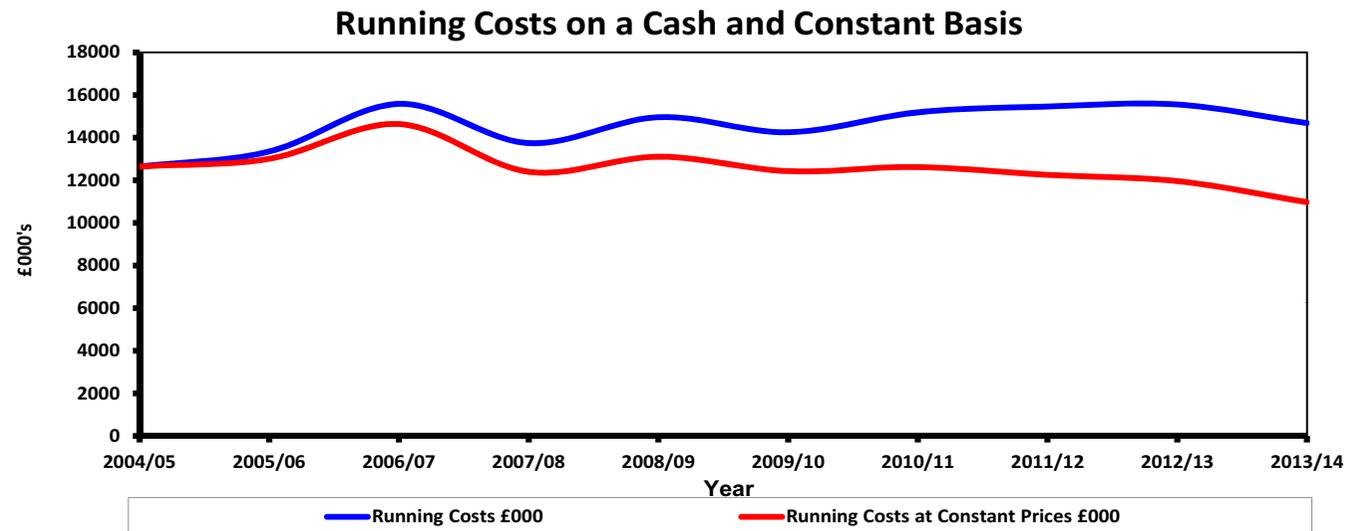
AtoN availability compared to International Association of Marine Aids to Navigation and Lighthouse Authorities minima

ATON TYPE	CAT	IALA MIN	2009/2010		2010/2011		2011/2012		2012/2013		2013/2014	
			ACT	DIFF	ACT	DIFF	ACT	DIFF	ACT	DIFF	ACT	DIFF
BUOYS	1		99.9%	0.1%	99.9%	0.1%	99.95%	0.01%	99.92%	0.12%	99.92%	0.12%
BUOYANT BEACON	1		99.8%	0.00%	-	-	-	-	-	-	-	-
LIGHTS	1		99.8%	0.00%	99.8%	0.00%	99.79%	-0.06%	99.76%	-0.04%	99.79%	-0.01%
RACONS	1		99.8%	0.00%	99.8%	0.00%	99.77%	-0.02%	99.82%	0.02%	99.89%	0.09%
TOTAL	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.82%	-0.04%	99.80%	-	99.83%	0.03%
BUOYS	2		99.9%	0.9%	100.0%	1.0%	99.97%	-0.01%	99.96%	0.96%	99.92%	0.92%
LEADING LIGHT	2		100.0%	1.0%	100.0%	1.0%						
LIGHTS	2		99.8%	0.8%	99.9%	0.9%	99.78%	-0.09%	99.77%	0.77%	99.78%	0.77%
TOTAL	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.89%	-0.05%	99.88%	0.88%	99.86%	0.86%
AIS	3				96.9%	n/a	97.96%	6.79%	98.67%	1.67%	99.56%	2.56%
BUOYS	3		99.9%	2.9%	99.9%	2.9%	99.93%	-0.01%	99.97%	2.97%	99.98%	2.98%
BEACON	3		100.0%	3.0%	100.0%	3.0%	100.0%	-	100%	3.00%	100%	3.00%
TOTAL	3	97.0%	99.9%	2.9%	99.8%	2.8%	99.82%	-0.03%	99.64%	2.64%	99.85%	2.85%



Running Costs in Cash and Constant Prices

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Running Costs £000	12,647	13,352	15,586	13,746	14,961	14,254	15,192	15,460	15,556	14,736
Variance %		5.57%	16.73%	-11.81%	8.84%	0.08838	6.58%	1.76%	0.62%	-5.27%
Running Costs at Constant Prices £000	12,647	13,009	14,639	12,398	13,105	12,429	12,621	12,255	11,962	11,013
Variance %		2.86%	12.53%	-15.30%	5.70%	-5.16%	1.54%	-2.90%	-2.39%	-7.93%
Average RPI	188.15	193.11	200.32	208.59	214.78	215.77	226.47	237.34	244.67	251.73
Annual Change %		2.64%	3.73%	4.13%	2.97%	0.46%	4.96%	4.80%	3.09%	2.88%



Statement of Comprehensive Net Expenditure 2013/14

	<u>Note</u>	2013/14 £000	2012/13 £000
Expenditure			
Staff costs	4	7,435	7,642
Depreciation	10	4,032	3,657
Amortisation	9	39	70
Pension cost - current service	18	1,184	1,046
Pension cost - past service	18	132	135
Other expenditure	5	6,432	7,204
Loss on revaluation of Property, Plant and Equipment		1,054	0
Revaluation of Property, Plant and Equipment	1(e)	0	9,545
		20,308	29,299
Income			
Advances from the General Lighthouse Fund		20,610	21,670
Other income	3	1,157	1,454
		21,767	23,124
Net Expenditure/(Income)		-1,459	6,175
Interest payable/receivable	6 and 7	4,234	4,626
Revaluation of investment properties	11	0	679
Net Expenditure after interest		2,775	11,480
Reversal of Cost of Capital	1(l)	0	0
Remeasurement of defined benefit pension plans		5,636	6,470
Unrealised gains/losses from revaluations		-6,795	0
Total Comprehensive Expenditure		1,616	17,950

In accordance with IAS19 (revised) the actuarial adjustment have been shown within Other Comprehensive Expenditure.

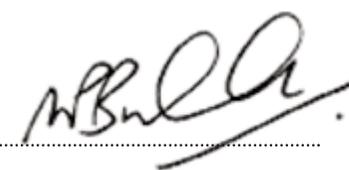
Statement of Financial Position as at 31 March 2014

	<u>Note</u>	31 March 2014 £000	31 March 2013 £000
Non-Current Assets			
Property Plant & Equipment	10	90,693	86,275
Intangible Assets	9	41	60
Investment Assets	11	150	150
Trade and other receivables	14	15	28
Total Non-Current Assets		90,899	86,513
Current Assets			
Assets classified as held for sale	10	0	164
Inventories	13	630	608
Trade and other receivables	14	495	721
Other current assets		0	0
Financial assets		0	0
Cash and cash equivalents	15	995	720
Total Current Assets		2,120	2,213
Total Assets		93,019	88,726
Current Liabilities			
Trade and other payables	16	3,040	2,988
Other liabilities	17	0	95
Total Current Liabilities		3,040	3,083
Non Current Assets plus / less Net Current Assets / Liabilities		89,979	85,643
Non-Current Liabilities			
Provisions	17	1,353	1,700
Pension Liabilities	18	94,743	87,281
Other payables	19	14,401	15,958
Financial liabilities		0	0
Total Non-Current Liabilities		110,497	104,939
Assets less Liabilities		-20,518	-19,296
Reserves			
Accumulated Reserve	2	-75,711	-67,694
Revaluation Reserve	2	55,193	48,398
Total		-20,518	-19,296

The financial statements on pages 45 and 46 were approved by the Commissioners of Northern Lighthouses on 29 July 2014, and signed on its behalf by:



Chairman



Chief Executive

Statement of Cash Flows for the year ended 31 March 2014

	<u>Note</u>	2013/14 £000	2012/13 £000
Cash flows from operating activities			
Net Deficit after interest		-2,774	-11,480
Pension Benefits Outflow		-3,368	-3,534
Pensions - Current Service Cost	18	1,650	1,486
Loss on sale of assets		-262	248
Depreciation		4,032	3,657
Amortisation		39	70
Loss on revaluation of Property, Plant and Equipment		1,054	0
Downward revaluations		-455	9,545
(Increase)/Decrease in trade and other receivables		239	-375
(Increase)/Decrease in inventories		-22	69
Increase/(Decrease) in trade payables		16	187
Revaluation of Investment properties		0	679
Use of provisions		-442	-343
Net cash outflow from operating activities		-293	209
Cash flow from investing activities			
Purchase of property, plant and equipment		-2,465	-2,221
Purchase of intangible assets		-19	-8
Proceeds of disposal of property, plant and equipment		1,022	65
Proceeds of disposal of intangibles		0	0
Loans to other bodies		0	0
(Repayments) from other bodies		0	0
Net cash outflow from investing activities		-1,462	-2,164
Cash flows from financing activities			
Movement in Government Grant Reserve		0	0
Pension Financing Cost		3,544	3,786
Capital element of payments in respect of finance leases		-1,514	-1,408
Net cash flow from financing activities		2,030	2,378
Net cash flow from all activities		275	423
Net increase/(decrease) in cash and cash equivalents in the period		275	423
Cash and cash equivalents at the beginning of the period		720	297
Cash and cash equivalents at the end of the period		995	720

Notes to the Accounts for the year ended 31 March 2014

1. Statement of Accounting policies

(a) Accounting convention

These Accounts have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Board for the purpose of giving a true and fair view has been selected. The Board's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

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

(b) Going concern

	£000
Net Liabilities on Statement of Financial Position at 31 March 2014	20,518

This reflects the inclusion of pension liabilities falling due in future years. The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (Appendix A). The letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department for Transport will request funds from Parliament to make the necessary payments.

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

(c) Pension benefits

Pension benefits are accounted for in line with the requirements of IAS 19 Employee Benefits. All pension assumptions are set out in Note 18.

(d) Intangible assets and amortisation

Computer software has been capitalised and is amortised on a straight-line basis over the useful economic life of between 3-5 years dependant on the expected operating life of the asset. Intangible assets are shown at cost less amortisation. Amortisation is calculated on a monthly basis and is commenced in the month after original purchase or when the asset is brought into use and is continued up to the end of the month prior to disposal.

(e) Non-current assets and depreciation

Capitalisation Policy

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

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

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

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

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

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

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

Valuation

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

Asset Class	Valuation Method	Valued by
Non Specialised Land and Buildings	Fair Value, using Existing Use Valuation principles	RICS Valuation Statement (UKVS) 1.1 Professional valuation every 5 years. Value plus indices in intervening years
Specialised Property	Fair Value, using Depreciated Replacement Cost principles	RICS Valuation Statement (UKVS) 1.1 (valued at DRC if specialised and defined as such under the RICS Red Book) Professional valuation every 5 years. Value plus indices in intervening years
Non Operational Property*	Market Value	Specified as Obsolete, Assets Held for Sale or Investment Assets. Professional valuation annually
Tenders, Ancillary Craft & Lightvessels	Fair Value	Professional valuation annually
Buoys	Fair Value	Internally using market value of recent purchases, then on an annual basis using market value of recent purchases, or recognised indices as appropriate
Beacons	Fair Value, using Depreciated Replacement Cost principles	RICS Valuation Statement (UKVS) 1.1 (valued at DRC if specialised and defined as such under the RICS Red Book). Professional valuation every 5 years. Value plus indices in intervening years
Plant & Machinery - low value or short life	Depreciated Historic Cost	No additional valuation required
Plant and machinery - not included above	Fair Value	Professional valuation as at 31/03/13 used as base cost. Base Cost plus indices annually thereafter

Asset Class	Valuation Method	Valued by
Plant and machinery - at lighthouses	Fair Value using Depreciated Replacement Cost principles	RICS Valuation Statement (UKVS) 1.1 (valued at DRC if specialised and defined as such under the RICS Red Book). Professional valuation every 5 years. Value plus indices in intervening years

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

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

Balances transferred to the revaluation reserve are held in a pool for that class of asset.

1) Non Specialised Land and buildings

Valued every 5 years on an individual basis by a professional valuer. Intervening years are re-valued using value plus appropriate indices.

2) Specialised Property

Specialised properties are defined in the RICS Red Book as “a property that is rarely, if ever, sold in the market, except through a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location

or otherwise” (RICS Red Book Glossary). It is considered that Lighthouses fall within this category.

The RICS Red Book also states that for specialised property it is appropriate to use DRC as the valuation method (UKVS 1.1).

Given the location and advances in technology, a modern equivalent of a lighthouse would be very different from many of the existing structures. The existing Lighthouses have therefore been categorised according to where they are and the range of Aids to Navigation (AtoNs) required, to determine the cost of a modern replacement as follows:

- Onshore : Sited on the mainland of the UK or the mainland of Ireland.
- Island: Not onshore. Vehicular access by ship or Bridge to the island, and roads on the island.
- Remote Island: Not onshore or Island. No vehicular roads on the Island.
- Offshore : Anything not classified as Onshore, Island or Remote Island.

The GLA engineers have drawn up a modern replacement structure for each of the above categories to be used solely for IAS16 valuation purposes. FV valuations of each of these structures are then carried out by professional valuers every 5 years using the appropriate method according to the RICS Red Book. Intervening years are re-valued using appropriate indices.

3) Non Operational Property

Valued annually on an individual basis by a professional valuer.

4) Tenders, Ancillary Craft and Lightvessels

Valued individually on an annual basis by professional valuer

5) Buoys

Buoys and Beacons are classified into the following categories for the purpose of valuations:

Buoys:

- Class 1 buoy body & tail tube
- Class 1 Superstructure
- Class 2
- Class 3 & 4 (plastic buoys)

The cost of buoys are indexed annually to determine the Open Market Value.

6) **Beacons**

Specialised properties are defined in the RICS Red Book as “a property that is rarely, if ever, sold in the market, except through a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise” (RICS Red Book Glossary). It is considered that Beacons fall within this category.

The RICS Red Book also states that for specialised property it is appropriate to use DRC as the valuation method (UKVS 1.1).

Given the location and advances in technology, a modern equivalent of a Beacon may be very different from the existing structures. The existing Beacons have therefore been categorised according to the type of replacement structure required, its foundation base and its location, to determine the cost of a modern replacement.

7) **Plant and machinery Low Value/Short Life**

Depreciated Historic cost, no valuations required.

8) **Plant & machinery not Low Value/Short Life**

Valued on an individual basis calculated by a professional valuer at Fair Value for the base year 2012/13, thereafter a cost base plus indices valuation method is used.

Indices

Where indices are used they will be applicable for the type of asset being valued and will be the most appropriate for 31st March of the relevant financial year.

Depreciation

Depreciation is calculated on an annual basis and is commenced in the financial year after original purchase or when the asset is brought into use and is continued up to the end of the financial year in which the sale or disposal takes place. Assets in the course of construction are not depreciated.

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

CATEGORIES	DEPRECIATION LIVES
Land and Buildings	
Land	Not Depreciated
Lighthouse (building structures)	75 to 300 years
Lighthouse improvement	25 years or remaining life if less
Buildings	50 years
Tenders & Ancillary Craft	
Tenders*	25 years or remaining life if less
Tenders (Dry Dock and Repair)	
NLV PHAROS	5 years
NLV POLE STAR	2 years or 3 years depending on dry-docking schedule
Work Boats	10 years
Buoys	
Steel Buoy Bodies	50 years or remaining life if less
Plastic Buoys	10 years
Superstructures	5 to 15 years
Plant and Equipment	
Lighthouses	15 to 25 years
Automation Equipment	15 to 25 years
Racons	15 to 25 years
AIS equipment	7 years
DGPS equipment	10 years
Depot/Workshops	10 to 25 years
Office Equipment	10 years
Vehicles	5 to 15 years
Computers - major systems	5 years
Computers - other	3 years
* Tenders held under finance leases	25 years being the expected useful life. The primary lease period is less than this, but a secondary period sufficient to cover the balance is available

(f) Inventories

Inventories of consumables, moorings and chain, engineering stores and fuel stocks on tenders are valued at weighted average cost in line with the Accounts Direction.

(g) Research and development

The Board co-operates with other Lighthouse Authorities through the Research and Radio Navigation Committee for major research and development. Direct expenditure incurred through this channel, or on any other research and development activity, is charged to revenue as it is incurred.

(h) Leasing commitments

Assets obtained under finance leases are capitalised in the Statement of Financial Position and depreciated as if owned. The interest element of the rental obligation is charged to the Statement of Comprehensive Net Expenditure over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding at the beginning of the year. The capital element of the future lease payments is stated separately under Trade and Other Payables, both within one year and over one year.

Expenditure incurred in respect of operating leases is charged to Net Expenditure on a straight line basis over the period of the lease. Rentals received under operating leases are credited to income.

(i) Foreign currency

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

Any monetary assets or liabilities existing as at 31 March 2014 are translated at the rate ruling at the Statement of Financial Position date.

(j) Taxation

The GLA is an exempt body from Corporation Tax under the provisions of Section 221 the Merchant Shipping Act 1995. The GLA is liable to account for VAT on charges rendered for its services and is able to reclaim VAT on all costs under the provisions of the Value Added Tax Act 1983.

(k) Transactions on behalf of other General Lighthouse Authorities

The General Lighthouse Authorities generally account for all aspects of their responsibilities as statutory authorities. However, as a result of close co-operation, the GLAs may agree that it is either more economic or practical for one GLA to be responsible and account for the costs of particular areas of work. The costs incurred by the Board on behalf of other GLAs are detailed at note 8.

(l) Investment properties

The Board currently has two former lightkeepers' cottages that have operated as holiday cottages. It has been agreed that this alternative use is in the best interests of the General Lighthouse Fund through the generation of rental income. However, it also considers that these properties fall within the definition of "Investment Properties" under IAS 40 in that they could be disposed of without affecting the operation of the lighthouse and they are not retained to fulfill the Board's statutory responsibilities.

Open market valuations have been completed in March 2014 by the District Valuation Service as the properties continued to fall within the definition of "Investment Properties" in 2013/2014. These properties are included in the Statement of Financial Position at the open market valuation.

(m) Provisions

The Board makes provisions for liabilities and charges in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets where, at the Statement of Financial Position date, a legal or constructive liabilities (ie a present obligation from a past event) exists, the transfer of economic benefits is probable and a reasonable estimate can be made.

(n) Financial Assets and Liabilities

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

Financial Assets

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

Financial Liabilities

Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost. Financial liabilities are de-recognised when extinguished.

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is split out and reported at fair value with gains and losses being recognised in the Statement of Comprehensive Net Expenditure. The Board has carried out a review of its contracts and has determined that, as at 31 March 2014, no contracts contained embedded derivatives.

Determining Fair Value

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

(o) Government Grants

The option provided under International Accounting Standard 20 (IAS20) to defer grant income relating to an asset is restricted to income where the funder imposes a condition. If the condition is specific to a future event then the return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant being recognised as income in the Statement of Comprehensive Net Expenditure.

(p) Income

In accordance with the Merchant Shipping Act 1995 the Board is permitted to sell surplus capacity. Income from these activities is recognised in the period to which it relates. Income received in advance of provision of services in respect of contracts is deferred to match the related expenditure.

(q) International Financial Reporting Standards adoption policy

The Board has chosen not to adopt early any new standards or interpretations.

The standards listed below are not yet effective for the year ended 31 March 2014 and has not been applied in preparing these financial statements but will be adopted in subsequent periods:

IFRS 10 (Consolidated Financial Statements)
IFRS 12 (Disclosure of Interests in Other Entities)
IAS 28 (Investments in Associates and Joint Ventures)

These standards will become effective in Financial Year 2014/15 but are expected to have a limited impact.

IFRS 13 (Fair Value Measurement). This is likely to be applied from Financial Year 2015/16 and will affect Fair Value Disclosure IAS 17 (Leases). No application date has been set but will have a impact on the Accounts.
IAS 18 (Revenue Recognition and Liabilities Recognition). No date has been set for application but will impact on the Accounts.

2. Change in General Lighthouse Fund equity for 2013/2014

	Accumulated Reserve 2013/14 £000	Revaluation Reserve 2013/14 £000	Accumulated Reserve 2012/13 £000	Revaluation Reserve 2012/13
Balance at 1 April 2013	-67,694	48,398	-49,744	0
Release of reserves to the Statement of Comprehensive Net Expenditure	-5,636		-6,470	
Revaluation of Property, Plant & Equipment		7,188		48,398
Transfers between reserves	393	-393		
Retained Surplus/(Deficit)	-2,774		-11,480	
Balance at 31 March 2014	-75,711	55,193	-67,694	48,398

3. Other income

	2013/14 £000	2012/13 £000
Buoy Rental	335	274
Property Rental	27	32
Other Commercial Income	707	1,063
Use of berth at NLB Oban	62	50
Sundry Receipts	26	35
TOTAL	1,157	1,454

4. Staff numbers and related costs

	2013/14			2012/13
	Total £000	employed staff £000	Others £000	Total £000
Wages and salaries	6,862	6,712	150	7,075
Social security costs	573	573	0	586
Sub-Total	7,435	7,285	150	7,661
Other pension costs	0	0	0	0
Redundancy costs	0	0	0	0
Annual Compensation Payments	0	0	0	-19
Less recoveries in respect of outward secondments	0	0	0	0
Total net costs	7,435	7,285	150	7,642

	2013/14			2012/13
	Total	Permanent Staff	Others	Total
The average number of whole-time equivalent persons employed during the year was as follows:				
Directly Employed	177.4	177.4	0	182.4
Other	2.3	0	2.3	3.3
Staff engaged on capital projects	0	0	0	0
TOTAL	179.7	177.4	2.3	185.7

Exit package cost band	Number of compulsory redundancies - 2012/13 in brackets	Number of other departures agreed - 2012/13 in brackets	Total number of exit packages by cost band - 2012/13 in brackets
<£10,000	0(0)	0(0)	0(0)
£10,000 - £25,000	0(0)	0(0)	0(0)
£25,000 - £50,000	0(0)	0(0)	0(0)
£50,000 - £100,000	0(0)	0(0)	0(0)
£100,000- £150,000	0(0)	0(0)	0(0)
£150,000- £200,000	0(0)	0(0)	0(0)
Total number of exit packages	0(0)	0(0)	0(0)
Total Cost	£0/(£0)	£0/(£0)	£0/(£0)

5. Other expenditure

	2013/14 £000	2012/13 £000
Running Costs	6,072	6,174
(Gain)/Loss on sale of property, plan and equipment	-797	-59
(Gain)/Loss on disposal of property, plant and equipment	535	307
Rentals under operating leases	622	782
Other Expenditure	6,432	7,204
Interest charges	4,234	4,625
PFI service charges	0	0
Research and Development expenditure	0	0
Non-cash items		
Depreciation	4,032	3,657
Amortisation	39	69
Cost of Capital charges	0	0
Provision provided for in year	0	0
Unwinding of discount on provisions	0	0
TOTAL	14,737	15,555

Analysis of other expenditure

	2013/14	2012/13
	£000	£000
Communications	513	443
Fuel, Water, Heat and Light	397	392
Helicopter Flying	789	1,012
Information Technology	331	227
Insurance	291	174
Legal and Consultancy Costs	301	161
Other Staff-related Costs	483	415
Others	-206	303
Repairs and Maintenance	1,908	1,926
Ships' Fuel	1,067	1,189
Travelling, Subsistence and Hospitality	820	714
Disposal of Sale of Property, Plant and Equipment	-262	248
TOTAL	6,432	7,204

6. Interest receivable

	2013/14	2012/13
	£000	£000
Bank deposits	1	0
Other short-term deposits	0	0
TOTAL	1	0

7. Interest payable

	2013/14	2012/13
	£000	£000
Pension financing cost	3,544	3,786
On lease of NLV Pole Star	238	276
On lease of NLV Pharos	453	564
TOTAL	4,235	4,626

8. Net expenditure on behalf of all General Lighthouse Authorities

	2013/14	2012/13
	£000	£000
Actuarial support	138	54
Legal fees for the collection of light dues	10	5
TOTAL	148	59

9. Intangible assets

	2013/14 £000	2012/13 £000
Cost		
At 1 April 2013	723	716
Additions	20	7
Transfers	0	0
Disposals	-58	0
Impairments	0	0
Revaluation	0	0
At 31 March 2014	685	723
Amortisation		
At 1 April 2013	663	595
Charged in year	39	70
Disposals	-58	0
Impairments	0	0
Revaluation	0	0
At 31 March 2014	644	663
Net book value at 31 March 2014	41	60

10. Property, plant and equipment

Financial Year 2013/14	Land £000	Buildings £000	Dwellings £000	Ancillary craft £000	Tenders £000	Buoys £000	Information Technology £000	Plant & Machinery £000	Furniture and Fittings £000	Payments on Account & Assets under Construction £000	Total £000
Cost											
At 1 April 2013	1,189	42,769	0	0	24,700	2,766	514	13,951	0	2,682	88,571
Additions	0	284	0	0	222	19	102	1,112	0	718	2,457
Write-offs	0	-255	0	0	-39	0	-16	-303	0	0	-613
Disposals	0	-74	0	0	0	0	0	-1	0	0	-75
Transfers to assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0	0	0
AUC transfers	0	31	0	0	0	39	0	404	0	-474	0
Adjustments for additions/disposals	0	23	0	0	0	176	0	15	0	0	214
Revaluations	35	2,776	0	0	351	2	0	-435	0	0	2,729
At 31 March 2014	1,224	45,554	0	0	25,234	3,002	600	14,743	0	2,926	93,283
Depreciation											
At 1 April 2013	0	68	0	0	0	258	408	1,562	0	0	2,296
Charged in year	0	1,087	0	0	1,466	200	44	1,235	0	0	4,032
Write-offs	0	0	0	0	-40	0	-16	-23	0	0	-79
Disposals	0	-13	0	0	0	0	0	0	0	0	-13
Transfers to assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0	0	0
Adjustments for additions/disposals	0	0	0	0	0	0	0	0	0	0	0
Revaluations	0	-1,061	0	0	-1,385	-173	0	-1,027	0	0	-3,646
At 31 March 2014	0	81	0	0	41	285	436	1,747	0	0	2,590
At 31 March 2014	0	81	0	0	41	285	436	1,747	0	0	2,590
Net book value at 31 March 2013	1,189	42,701	0	0	24,700	2,508	106	12,389	0	2,682	86,275
Net book value at 31 March 2014	1,224	45,473	0	0	25,193	2,717	164	12,996	0	2,926	90,693
Owned	1,223	45,473	0	0	0	2,717	163	12,996	0	2,927	65,499

Financial Year 2012/13	Land £000	Buildings £000	Dwellings £000	Ancillary craft £000	Tenders £000	Buoys £000	Information Technology £000	Plant & Machinery £000	Furniture and Fittings £000	Payments on	Total £000
										Account & Assets under Construction £000	
Cost											
At 1 April 2012	113	30,880	0	5	28,353	3,659	532	23,709	0	3,365	90,616
Additions	0	7	0	0	41	20	6	599	0	1,213	1,886
Donations	0	0	0	0	0	0	0	0	0	0	0
Disposals	0	-1,224	0	-5	-21	-53	-23	-1,403	0	-4	-2,733
Transfers to assets held for sale	-1	-22	0	0	0	0	0	-66	0	0	-89
Impairments	0	0	0	0	0	0	0	0	0	0	0
Reclassifications	0	610	0	0	0	20	0	1,261	0	-1,892	-1
Revaluations	1,077	12,518	0	0	-3,673	-879	0	-10,150	0	0	-1,107
At 31 March 2013	1,189	42,769	0	0	24,700	2,767	515	13,950	0	2,682	88,572
Depreciation											
At 1 April 2012	11	14,791	0	5	8,014	2,664	373	15,252	0	0	41,110
Charged in year	0	915	0	0	1,248	126	59	1,309	0	0	3,657
Disposals	0	-1,101	0	-5	-14	-15	-23	-1,263	0	0	-2,421
Transfers to assets held for sale	0	-22	0	0	0	0	0	-66	0	0	-88
Impairments	0	0	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0	0	0
Revaluations	-11	-14,515	0	0	-9,248	-2,517	0	-13,670	0	0	-39,961
At 31 March 2013	0	68	0	0	0	258	409	1,562	0	0	2,297
Net book value at 31 March 2012	102	16,089	0	0	20,339	995	159	8,457	0	3,365	49,506
Net book value at 31 March 2013	1,189	42,701	0	0	24,700	2,509	106	12,388	0	2,682	86,275
Owned											
Owned	1,189	42,701	0	0	0	2,509	106	12,388	0	2,682	61,575
Finance Leased	0	0	0	0	24,700	0	0	0	0	0	24,700
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0	0	0
Net book value at 31 March 2013	1,189	42,701	0	0	24,700	2,509	106	12,388	0	2,682	86,275

Changes have been made to cost and depreciation figures under categories, Tenders and Information Technology to reflect disposals in year 2011-2012.

Following the reclassification of the Board as a Central Government Body, the Department for Transport issued a new Accounts Direction in February 2013, requiring that Property Plant and Equipment is valued at Fair Value as per IAS16 and the Government Financial Reporting Manual (FRM). As a result the Board has carried out an extensive exercise to obtain valuations for all items of Property Plant and Equipment on the basis outlined in note 1 (e). As part of this exercise professional valuations as at 31 March 2013, were obtained from DVS Property Specialists and Braemar Seascope Valuations Limited. The work by DVS Property Specialists was co-ordinated and managed by John McClimens MRICS.

Asset	Valuer	Organisation
Land & Buildings North of Scotland North East of Scotland Isle of Man	Norman H Clark BA Dip Land Econ MRICS Ruairidh MacLennan MRICS Kate Paton MA(Hons) MLE MRICS Alex Wheldon Bsc (Hons) DipConsHistEnv(RICS) MRCS	DVS Property Specialists
Oban	Frances Hay MRICS	DVS Property Specialists
Lighthouses	Richard Bryan MRICS	DVS Property Specialists
Plant and Machinery	Andrew Lloyd MRICS	DVS Property Specialists
Ships	Braemar Seascope Valuations Limited	

These valuations have been undertaken for capital accounting purposes in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by current HM Treasury guidance to the United Kingdom public sector. The valuations accord with the requirements of the Royal Institution of Chartered Surveyors (RICS) – Professional Standards 8th Edition (known as the Red Book) insofar as these are consistent with IFRS and Treasury guidance. Navigation Buoys were valued internally by Board staff based on evidence of recent purchases, and taking into account the age of the asset. In accordance with IAS 8 prior year figures are not restated and are shown at historic cost.

Assets held for sale

No property, plant and equipment was held for sale at 31 March 2014 (£164,000 - 31 March 2013)

- Open market sale of investment property
- Sale of investment property under Community Right to Buy legislation
- Sale of property under Community Right to Buy legislation
- Open market sale
- Transfers to Harbour Authorities under powers in S.203 Merchant Shipping Act 1995

31 March 2014

31 March 2013

0

£2,000

0

£161,000

0

£0

0

£1,000

0

£0

In accordance with IFRS 5 assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on these assets has ceased. All assets held for sale have measured at remaining book value.

Investment Properties

Investment properties have been revalued downwards from open market value to remaining book value £163,000

	31 March 2014	31 March 2013
Market Value	£0	£830,000
Revalue to Net Book value	£0	£667,000
Remaining Book Value	£0	£163,000
Investment properties are analysed between those subject to sale by open market and community right to buy legislation as follows:		
<i>Open market sale of investment property</i>		
Stoer Head holiday cottages	£0	£2,000
<i>Sale of Investment property under Community Right to Buy legislation</i>		
Covesea Skerries holiday cottages	£0	£91,000
Mull of Galloway holiday cottages	£0	£70,000

Other Property, Plant and Equipment

Other property, plant and equipment held for sale (remaining book value £1,000) is analysed between those subject to sale by open market and community right to buy legislation as follows:

Sale of property under Community Right to Buy legislation

	31 March 2014	31 March 2013
Cape Wrath Land	£0	£0
<i>Open market sale</i>		
Port St Mary's boathouse	£0	£0
Start Point Accommodation	£0	£0
Covesea Skerries lighthouse	£0	£1,000
Vehicle	£0	£0

Transfer to Harbour Authorities under powers in S.203 Merchant Shipping Act 1995

	31 March 2014	31 March 2013
Elie Ness to Forth Ports	£0	£0
Fidra to Forth Ports	£0	£0
Inchkeith to Forth Ports	£0	£0
Bressay to Lerwick Port Authority	£0	£0

11. Investment assets

	2013/14 £000	2012/13 £000
Holiday cottages and Interpretation Centre		
As at 1 April	150	992
Additions	0	0
Depreciation	0	0
Transfers to assets held for sale	0	-163
Revaluations	0	-679
As at 31 March	150	150

12. Impairments

Following the revaluation of property, plant and equipment to Fair Value there are no impairments to assets but there is a downward revaluation of £1,054,000 which has been charged to the Statement of Comprehensive Net Expenditure.

13. Inventories

	2013/14	2012/13
	£000	£000
Mooring Chain	153	96
Base Stores	94	73
Workshop Stores	160	253
Fuel Oil	223	186
TOTAL	630	608

14. Trade and other receivables

	2013/14	2012/13
	£000	£000
Amounts falling due within one year:		
Trade receivables	69	382
Deposits and advances	23	26
Prepayments and accrued Income	289	184
VAT Recoverable	114	129
TOTAL	495	721
	2013/14	2012/13
	£000	£000
Amounts falling due after more than one year:		
Trade receivables	0	0
Deposits and advances	0	0
Other receivables	0	0
Prepayments and accrued Income	15	28
TOTAL	15	28

Amounts included above that fall within the Whole of Government Accounting boundary are:

	2013/14	2012/13
Central Government	292	283
Local Authorities	0	0
NHS Trusts	0	0
Public Corporations	0	0
Bodies external to Government	218	466
TOTAL	510	749

15. Cash and cash equivalents

	2013/14	2012/13
	£000	£000
Balance at 1 April 2013	720	297
Net change in cash and cash equivalent balances	274	423
Balance at 31 March 2014	995	720
The following balances at 31 March were held at:		
Commercial banks and cash in hand	995	720
Short term investments	0	0
Balance at 31 March 2014	995	720

16. Trade payables and other current liabilities

	2013/14 £000	2012/13 £000
Amounts falling due within one year		
VAT	0	0
Other taxation and social security	201	208
Trade payables	584	633
Other payables	0	225
Accruals and deferred Income	715	479
Current part of finance leases	1,540	1,443
TOTAL	3,040	2,988
Amounts falling due after more than one year:		
Other payables, accruals and deferred Income	0	0
Finance leases	14,401	15,958
Imputed finance lease element of on-balance sheet PFI contracts	0	0
NLF loans	0	0
TOTAL	14,401	15,958
Amounts included above that fall within the Whole of Government Accounting boundary are:		
Central Government	341	374
Local Authorities	0	0
NHS Trusts	0	0
Public Corporations	0	0
Bodies external to Government	17,100	18,572
TOTAL	17,441	18,946

17. Provisions for liabilities and charges

	Annual Compensation Payments £000	Merchant Navy Officers Pension Fund £000	Total £000
Balance at 1 April 2012	38	2,100	2,138
Provided in the year	0	95	95
Provisions not required written back	-18	-400	-418
Provisions utilised in the year	-20	0	-20
Unwinding of discount	0	0	0
Balance at 31 March 2013	0	1,795	1,795
	Annual Compensation £000	Merchant Navy Officers £000	Total £000
Balance at 1 April 2013	0	1,795	1,795
Provided in the year	0	0	0
Provisions not required written back	0	-347	-347
Provisions utilised in the year	0	-95	-95
Unwinding of discount	0	0	0
Balance at 31 March 2014	0	1,353	1,353
	Annual Compensation £000	Merchant Navy Officers £000	Total £000
To 31 March 2015	0	0	0
Between 2015+1 And 2015+5	0	1,353	1,353
Between 2015+6 And 2015+10	0	0	0
Thereafter	0	0	0
Balance at 31 March 2014	0	1,353	1,353
Included in the amounts not expected to be called until after 2014+10 are:			
Amounts not expected to be called until the period beginning 2014+50	0	0	0
Amounts not expected to be called until the period beginning 2014+75	0	0	0

18. Pension liabilities

Summary

The Board incurs expenditure with three post-employment benefit schemes for staff:

Northern Lighthouse Pension Scheme (NLPS) – an unfunded, defined benefit pension scheme that operates four sections and applies the same rules, benefits and increases as the Principal Civil Service Pension Scheme. The pension liability is accounted for under International Accounting Standard 19 (revised). This scheme has been closed to future accrual on 31st March 2014 and membership and pension liability has been transferred to the Principal Civil Service Pension Scheme.

Merchant Navy Officers Pension Fund (MNOFF) – the Board is a Participating Employer in the Merchant Navy Officers Pension Fund that is a funded multi-employer scheme. Employer contributions are charged to the Statement of Comprehensive Net Expenditure when they are paid. However, a provision is held for a debt that could arise under Section 75 of the Pensions Act 1995.

Partnership Pension Accounts (PPA) – a stakeholder pension with employer's contribution operated by several insurance companies. Employer contributions are charged to the Statement of Comprehensive Net Expenditure when they are paid.

The following table shows the membership details as at 31st March 2014.

	Northern Lighthouse Pension Scheme				Merchant Navy Officers Pension Fund	Partnership Pension Accounts
	Classic	Premium	Classic Plus	Nuvos		
Actives	85	42	1	46	1	14
Deferreds	76	21	0	4	n/a	n/a
Pensioners	465	2	1	1	n/a	n/a

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

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

This is treated as a pension cost.

	NLPS £000's	MNOFP £000's	PPA £000's	CEP £000's	Total £000's
Statement of Comprehensive Net Expenditure					
Pension cost – current cost	1,485	-325	21	3	1,184
<i>Made up of:</i>	0	0	0	0	0
Operating Cost	1,518	-	-	-	1,518
<i>“Public sector club” transfers – see note</i>	0	0	0	0	0
Transfer in	-36	-	-	-	-36
Transfer out	3	-	-	-	3
Employer's contributions/payments due in year	-	22	21	3	46
Employer's deficit contribution	-	95	-	-	95
Provision utilised	-	-95	-	-	-95
Provision unused and written back	-	-347	0	0	-347
Pension cost – past service	132	-	-	-	132
Interest payable/receivable	3,544	-	-	-	3,544
Other Comprehensive Expenditure					
Remeasurement of defined benefit pensions	5,636	-	-	-	5,636
<i>Made up of:</i>	0	0	0	0	0
Experience arising on the scheme liabilities	1,394	-	-	-	1,394
Changes in assumptions on the scheme liabilities	-6,996	0	0	0	-6,996
<i>“Public sector club” transfers – see note</i>	0	0	0	0	0
Transfer in	-37	-	-	-	-37
Transfer out	3	-	-	-	3
Statement of Financial Position					
Provisions at 1st April 2013	-	1,795	-	-	1,795
Provision utilised	-	-95	-	-	-95
Provision unused used and written back	-	-347	-	-	-347
Provisions at 31st March 2014	-	1,353	-	-	1,353
Pension liabilities at 1st April 2013	87,281	-	-	-	87,281
Change in pension liabilities	7,462	-	-	-	7,462
Pension liabilities at 31st March 2014	94,743	-	-	-	94,743
Statement of Cash Flows					
Pension Benefits Outflow	3,368	-	-	-	3,368
Pensions – current service cost	1,650	-	-	-	1,650
Use of provisions	-	-442	-	-	-442
Pension Financing Cost	3,544	-	-	-	3,544

Note: Public Sector “club” transfers are made on a straight “year-for-year” arrangement with no actuarial adjustment for the difference between benefits, etc of the paying and receiving schemes. As a consequence transfers made under these arrangements are shown separately.

Northern Lighthouse Pension Scheme

The Northern Lighthouse Pension Scheme (NLPS) is an internally defined benefit pension scheme. The pension benefits of the Scheme are determined by the Secretary of State under Section 214 of the Merchant Shipping Act 1995. The Secretary of State has determined that the rules of the Principal Civil Service Pension Scheme (PCSPS) shall apply. Compensation for premature loss of office is determined by the terms of the Northern Lighthouse Compensation Scheme, operated by direct analogy with the Civil Service Compensation Scheme.

Under Section 214 of the Merchant Shipping Act 1995 the Secretary of State has approved the closure of the NLPS and the transfer of the membership and the accrued superannuation liability to the PCSPS. Pension accrual to the NLPS ceased on 31 March 2014 and accrual to the PCSPS started on 1 April 2014.

As there is no change in pension benefit to members the transfer could be made without members’ consent although the Board had a responsibility to clearly explain to members what changes are being made. As part of the process the Board was required to obtain a certificate from an actuary who had to examine the details of the transfer and the effect on members. That certificate could only be issued if the actuary is assured from his/her examination that there is no material effect on members’ benefits. The transfer could not have proceeded without that certificate.

The bulk transfer payment to be paid to PCSPS is the responsibility of the General Lighthouse Fund and no liability is retained by the Board. From 1st April 2014 the Board will become liable for paying an employer’s contribution in respect of staff who are members of PCSPS.

The Scheme falls within the definition of a "Public Service Pension Scheme" in Section 1 of the Pension Schemes Act 1993 and is not required to be separately funded. The Scheme is therefore operated on a non-contributory basis with the exception of contributions made to provide Widows' and Widowers' pensions and in a number of cases voluntary contributions made by employees for the purchase of added years of service.

The pension payments of the Northern Lighthouse Pension Scheme, along with the other Lighthouse Authorities, are paid by the General Lighthouse Fund as they fall due on the following basis:-

1. Payments to pensioners/widows/widowers/children for the financial year under review;
2. Lump sums paid to new pensioners and preserved lump sums coming into effect during the year;
3. Annual compensation payments paid to those members who are made redundant in advance of minimum retirement age (60);
4. Accrued benefits due to employees who leave and who opt to have such benefits transferred to another pension scheme;
5. Injury benefits;
6. Refunds of widows'/widowers' pension contributions at leaving and/or age 60/65;

Reduced by:

7. Contributions made by employees during the year in respect of widows/widowers and added years;
8. Accrued benefits transferred from other pension schemes in respect of new employees.

	Full Assets	Full Liabilities	Net Asset/Liability
	£000	£000	£000
Fair value of plan assets			
Present value of funded liabilities	0	0	0
Present value of unfunded liabilities	0	87,281	-87,281
Opening position at 1st April 2013	0	87,281	-87,281
Service cost			
Current Service Cost	0	1,518	-1,518
Past Service Cost (including curtailments)	0	132	-132
Effect of settlements	0	0	0
Total Service Cost	0	1,650	-1,650
Net Interest			
Interest income on Plan assets	0	0	0
Interest income on Defined Benefit Obligation	0	3,544	-3,544
Impact of Asset ceiling on Net Interest	0	0	0
Total Net Interest	0	3,544	-3,544
Total Defined Benefit Obligation recognised in SCNE	0	5,194	-5,194
Cashflows			
	0	374	-374
Employer contributions	0	0	0
Transfers in (excl. Club transfers)	0	105	-105
Transfers out (excl. Club transfers)	0	-3	3
Club Transfers in	0	37	-37
Club Transfers out	0	-3	3
Unfunded benefits paid	0	-3,844	3,844
Expected closing position	0	89,141	-89,141
Remeasurements			
Change in demographic assumptions	0	0	0
Change in financial assumptions	0	6,996	-6,996
Other experience	0	-1,394	1,394
Return in assets excluding amounts included in net interest	0	0	0
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income	0	5,602	-5,602
Exchange differences	0	0	0
Effect of business combinations and disposals	0	0	0
Fair value of Plan assets	0	0	0
Fair value of Funded Liabilities	0	0	0
Fair value of Unfunded Liabilities	0	94,743	94,743
Closing Position as at 31 March 2014	0	94,743	94,743

Information about the Defined Benefit Obligation

	Unfunded liability split at 31 March 2014		Duration years	Unfunded liability split at 31 March 2013	
	£000	%		£000	%
Active members	33,503	35	22	31,934	37%
Deferred pensioners	6,056	8	23	6,982	8%
Pensioners	53,184	56	11	48,365	55%
Total	94,743	100	16	87,281	100%

Risks

The Board is subject to a number of risks in the operation of the Scheme. The major risks are:

Price inflation – the defined benefit obligation is linked to price inflation. An increase in the rate of inflation will increase liabilities and vice versa.

Life expectancy – the majority of the defined benefit obligations are to provide benefits for the life of the member. An increase in life expectancy will increase liabilities and vice versa.

Real Discount Rate – the real discount rate used to value the defined benefit obligation is set annually by HM Treasury and are based on market conditions at 30 November immediately preceding the end of the financial year. It takes account of discount rates and price inflation to calculate a real discount rate. An increase in the real discount rate will reduce the pension liability and vice versa.

Funding – The principal revenue of the General Lighthouse Fund is light dues the rates for which are fixed by the Secretary of State by orders under Section 205 of the Merchant Shipping Act 1995 (which are subject to negative resolution of Parliament). Subject to Parliamentary approval of such orders, the Secretary of State will seek to ensure that annual revenues are maintained at a sufficient level to meet the schemes liabilities as they fall due. The Department has provided a letter of comfort to the General Lighthouse Authorities that states that in the unlikely event that the General Lighthouse Fund has insufficient funds to meet these liabilities as they fall due then the Department would request funds from Parliament to meet the shortfall.

Assumptions

The significant actuarial assumptions are as follows:

	31 March 2014 £000	31 March 2013 £000
Real Discount Rate	1.80%	2.35%
Inflation Rate	2.50%	1.70%
Discount Rate	4.35%	4.10%
Salary increase assumption	4.50%	3.70%
Rate of increase for pensions in payment	2.50%	1.70%
Rate of increase for pensions in deferment	2.50%	1.70%

The salary increase rate is assumed to be 1.30% pa for 2014/15, 2.00% pa for 2015/16 & 2016/17 reverting to the long term assumptions thereafter.

Life expectancy is based on the Self-administered Pension Schemes (SAPS) tables with a medium cohort and minimum improvement of 1% pa from 2007 applied. Based on these assumptions average future life expectancy are summarise below:

	Male	Female
Current pensioners *	26.0 years	28.4 years
Prospective pensioners **	29.4 years	31.8 years

* Current Pensioners are assumed to be 62 at 31 March 2014

**Prospective Pensioners are assumed to retired at age 60 in 2025

Mortality loadings were applied to the SAPS tables based on membership class.

Sensitivity of assumptions

The sensitivities of the Defined Benefit Obligation is changes in assumptions is set out below.

	Change in assumption by	Effect on pension liability if change in assumption:	
		Increases	Decreases
Real discount rate	0.50%	87,621	102,525
Real salary growth	0.50%	96,321	93,213
Inflation	0.50%	100,902	88,914
Life expectancy	2 years	98,055	91,297

	Change in assumption by	Effect on pension liability if change in assumption:	
		Increases	Decreases
Real discount rate	0.50%	-8%	8%
Real salary growth	0.50%	2%	-2%
Inflation	0.50%	7%	-6%
Life expectancy	2 years	3%	-4%

Remeasurement of the scheme's liability over the last five years is shown in the following table.

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £001
Experience Gains and Losses on Scheme Liability amount	-1,394	578	-677
	-1%	1%	-1%
Total amount recognised in the Accumulated Reserve	5,635	6,470	-1,351
	7%	-8%	-9%

The Department for Transport reports the contingent liability for the General Lighthouse Authorities' pensions in its Departmental Resource Accounts. In 2012/13 a liability of £410,000,000 was reported. The note states: "The Department has guaranteed benefits payable from this unfunded pay-as-you-go scheme, in the event that the Authorities' current operational revenues and investment returns prove insufficient. The value given is the most recent deficit on the scheme and thus reflects the Department's exposure if the Authorities receive no further operational revenues or investment returns, an outcome which is thought unlikely to materialise".

Merchant Navy Officers Pension Fund

The Board is a Participating Employer of the Merchant Navy Officers Pension Fund (MNOFF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOFF is a funded multi-employer scheme but the Board is unable to identify its share of the underlying assets and liabilities. Formerly officers who started employment with the Board and were members of the MNOFF were given the option of continuing MNOFF membership or joining the Northern Lighthouse Pension Scheme. This option is no longer given to new entrants. The assets of the scheme are held separately from the General Lighthouse Fund, being held in separate funds managed by trustees of the scheme. Contributions to the scheme (20.0% of pensionable salaries) are charged to the Statement of Comprehensive Net Expenditure when they are paid.

Contributions to the MNOFF as follows:

	2013/14 £	2012/13 £
MNOFF Contributions	22,000	14,000

During 2013/2014 1 Officer was a member of MNOFF.

The rules of the MNOFF state that Participating Employers may be called to make lump sum payments to make up deficits. The rules state that an employer will not be regarded as ceasing to be a Participating Employer as a result of ceasing to employ Active Members or other eligible employees.

	2013/14 £	2012/13 £
MNOFF deficit contributions	95,000	0

Requests for additional contributions would normally only arise after the triennial valuation of the scheme and then only if the scheme was in a deficit considered significant enough to require additional contributions as part of recovery plan. The next valuation will be completed as at 31 March 2015.

Partnership Pension Accounts

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

Employer contributions of

	2013/14	2012/13
	£	£
Partnership Pension Accounts	21,000	20,000

were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

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

19. Commitment under leases

19.1 Operating leases

	2013/14 £000	2012/13 £000
Obligations under operating leases comprise:		
Land		
Not later than one year	8	13
Later than one year and not later than five years	32	31
Later than five years	40	32
Buildings		
Not later than one year	20	11
Later than one year and not later than five years	70	11
Later than five years	54	0
Other:		
Not later than one year	913	919
Later than one year and not later than five years	628	1,536
Later than five years	0	0

19.2 Finance leases

	2013/14 £000	2012/13 £000
Obligations under finance leases comprise:		
Buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	0
Less interest element	0	0
	0	0
Other		
Not later than one year	2,179	2,229
Later than one year and not later than five years	8,716	8,918
Later than five years	8,331	10,759
	19,226	21,906
Less interest element	-3,285	-4,505
	15,941	17,401
	NLV Pharos	NLV Pole Star
Length of lease	15 years	25 years
Year commenced	2007	2000
Outstanding lease period	8 years	12 years
Frequency of payments	Half-yearly in advance	Half-yearly in advance
Interest rate charged	3.91%	5.25%

The payables due under finance leases are secured on NLV Pharos and NLV Pole Star.

20. Other financial commitments

There are no other financial commitments.

21. Capital commitments

	2013/14 £000	2012/13 £000
Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements		
Property, plant and equipment	652	371
Intangible assets	0	19
	652	390

22. Post-retirement benefits

In previous years, the Board has paid for career counselling and advice for staff made redundant under restructuring. This advice is provided prior to retirement. There have been no payments made in 2012/2013 and 2013/2014.

23. Contingent liabilities disclosed under IAS37

Merchant Navy Ratings Pension Fund

The Merchant Navy Ratings Pension Fund Trustees Limited has raised a claim in the High Court in England. The claim is to seek a ruling from the Court that introducing a new deficit contribution regime is a proper exercise of the Trustee powers to amend the deed and rules so that Historic Employers, i.e. those employers who have not been required to make deficit contributions since 2001, will be required to contribute in the future. The Board is a "Historic Employer" in this context.

The claim is due to be heard by the Court in November 2014.

24. Inter-GLA ship transactions

The Board provided the services of NLV POLE STAR during the year to the other GLAs under the terms of the inter-GLA Ship Agreement. The Board did not receive the services of other ships. While there would be no transfer of Funds between the GLAs in respect of this service, these transactions would give rise to notional expenditure of

	2013/14	2012/13
	£	£
Notional expenditure	0	0
Notional income	6,000	159,000

In addition NLV POLE STAR was deployed to work for the GLA Research & Radionavigation Department on various trials in September/October 2013. This amounted to 6 days work.

25. Related parties

General Lighthouse Fund

The General Lighthouse Fund is administered by the Department for Transport who sponsor the three General Lighthouse Authorities. For this purpose each is considered to be a Non Departmental Public Body (NDPB).

The Authorities and the Department for Transport are regarded to be related parties. During the year there has been various material transactions between the Fund and the Authorities.

	2013/14	2012/13
	£000	£000
Advances from the General Lighthouse Fund	20,610	21,670
Expenditure for all GLAs	148	59

Neither the Secretary of State for Transport, any key officials with responsibilities for the Fund or any of the Authorities board members, key managerial staff or other related parties has undertaken any material transactions with the Fund during the year.

The North Ronaldsay Trust - Charity Number SCO30545

The North Ronaldsay Trust is a company limited by guarantee and registered in Scotland. The Trust has been established to promote the island and, in particular, the built and natural heritage. The Trust has six nominated members including the Northern Lighthouse Board. The Director of Finance and Administration has been appointed as a Director of the Company. The Board's liability to the Trust is limited to £1. There have been no transactions in the financial year between the Board and the Trust and there are no outstanding balances as at 31 March 2014.

Scotland's Lighthouse Museum Ltd - Charity Number SCO23118

Scotland's Lighthouse Museum (SLM) Ltd is a registered charity whose primary purpose is to advance and promote the education of the general public, to establish and preserve a Museum of the history and operation of lighthouses in Scotland and to aid their physical preservation. The Director of Engineering is an SLM Board Member. There have been no financial transactions in the financial year but we have donated some obsolete site and plant documentation to their archives of nil or nominal value. There are no outstanding balances as at 31 March 2014.

James Coats, Junior, "Ferguslie" Paisley Memorial Fund (formerly referred to as the Black Bequest) - Charity Number SCO09568

The James Coats, Junior, "Ferguslie" Paisley Memorial Fund is a registered charity whose primary purpose is to provide support to former lighthouse keepers and their dependants. The Trustees are the Chairman, Vice-Chairman and Chief Executive. There have been no transactions in the financial year between the Board and the Fund and there are no outstanding balances as at 31 March 2014.

The Commissioners of Northern Lighthouses 2000 Trust - Charity Number SCO32089

The Commissioners of Northern Lighthouses 2000 Trust is a registered charity whose primary purpose is to provide support to Merchant Navy Officer Cadets. The Trustees are the Chief Executive, Director of Finance and one Commissioner. There have been no transactions in the financial year between the Board and the Trust and there are no outstanding balances as at 31 March 2014.

The Northern Lighthouse Heritage Trust - Charity Number SCO40872

The Northern Lighthouse Heritage Trust is a registered charity whose primary purpose is to support the preservation and conservation of lighthouse heritage. There have been no transactions in the financial year between the Board and the Trust and there are no outstanding balances as at 31 March 2014.

Scottish Shipping Benevolent Association - Charity Number SCO04018

Scottish Shipping Benevolent Association is a registered charity whose primary purpose is to give assistance to people in the Scottish Shipping Industry.

We considered the SSBA a related party for 2012/13 as Roger Lockwood was a Director from April 2009 to November 2012. A charitable donation of £100 was made on 1 August 2013. There have been no other transactions in the financial year between the Board and the Association and there are no outstanding balances as at 31 March 2014.

26. Third party assets

There are other assets held by the Board on behalf of the Commissioners. There are 24 assets that are a collection of furniture, maps, and paintings and do not form part of the General Lighthouse Fund.

	31 March 2014	31 March 2013
	£	£
Value of the heritage collection	277,100	277,100
Cash and investments	33,902	40,503

27. Financial instruments

IAS 32 *Financial Instruments: Presentation* requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Board faces in undertaking its activities. Because of the largely non-trading nature of its activities and the method of funding by the General Lighthouse Fund, the Board is not exposed to the degree of financial risk faced by other business entities. The Board has borrowing powers under the Merchant Shipping Act 1995 but very limited powers to invest surplus funds.

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

Liquidity risk

The Board relies primarily on advances from the General Lighthouse Fund for its cash requirements and is therefore not exposed to significant liquidity risks although it is dependent on the liquidity of the General Lighthouse Fund. During the year the income to the General Lighthouse Fund has been adversely effected by the Global downturn, and in particular, the reduction in shipping traffic and investment returns. The Department for Transport has taken steps to increase the light dues charges to compensate. In association with the GLAs the Department for Transport has also revised the contingency reserve level to be held in the General Lighthouse Fund.

Interest rate risk

There is an exposure on the leases to a change in the main rate of Corporation Tax. During the setting up of the finance lease for NLV Pole Star, the Board evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant.

The Board holds working funds in a Money Market Account and is therefore exposed to interest rate fluctuations. However, the balance is managed to ensure that it is maintained at a minimum to meet forecast short-term cash requirements.

Currency risks

The Board has no significant foreign currency transactions and is not therefore exposed to significant currency risks.

Fair values

Set out below is a comparison by category of the book values and fair values of the Board's financial assets and liabilities as at 31 March 2014.

	Book Value	Fair Value
	£000	£000
Primary Financial Instruments		
Financial Assets		
Cash and Bank at hand	1,017	1,017
Bank Guarantees	640	640
Financial Liabilities		
Finance Lease obligations	15,941	15,941

A bank guarantee is held to protect the Board in a significant contract. The guarantee would provide financial compensation to the Board in the event of contract default. The financial compensation would be used to fund a short-term contract with an alternative supplier to provide continuity of service.

28. Losses

Obsolete inventory amounting to £30,000 (£33,000 - 2012/2013) has been written off during the year.

Further information

Number of non-current assets

	31 March 2014	31 March 2013
Lighthouses (including one station providing radio/electric nav aids only)	205	209
Buoys	204	204
Unlit beacons	26	29
Buoyant beacons	0	0
Tenders	2	2

Number of non-current assets deployed

	31 March 2014	31 March 2013
Lighthouses (including one station providing radio/electric nav aids only)	205	206
Buoys	164	164
Unlit beacons	26	29
Buoyant beacons	0	0
Tenders	2	2

Responsibility for Aids to Navigation

Aids to navigation for which the Board has responsibility as a General Lighthouse Authority as at 31 March 2013.

STATUTORY

	Number	Monitored	Analysed by Category		
			Category 1	Category 2	Category 3
Lights - over 15 nautical mile range	67	-		66	
Lights - less than 15 nautical mile range	138	-	75	63	0
Total Lights	205	200	141	64	0
Buoys - Lit	164	0	48	90	26
Total Buoys	164	27	48	90	26
Beacons	26	0	0	0	26
DGPS stations	4	4	0	0	0
RACON on lighthouses	22	20	22	0	0
RACON on buoys	7	0	7	0	0
AIS Units - Lights	23	15	0	0	21
AIS Units - Buoys	19	19	0	0	17
TOTALS	466	285	218	154	64

Note: Number of stations with more than one RACON 3

CONTRACT

Lights	5	plus 4 in Norwegian waters
Buoys	104	
Fog Signals	0	
RACON stations	4	plus 1 in Norwegian waters

LOCAL AUTHORITY

Light stations	1065
Buoy stations	713
Total	1778

Letter of Comfort

Appendix A

THE DEPARTMENT FOR TRANSPORT, LOCAL GOVERNMENT AND THE REGIONS

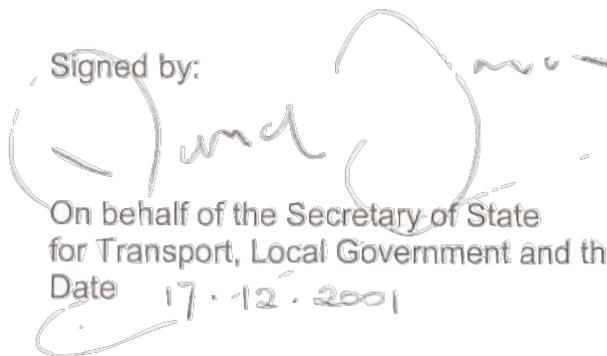
LETTER OF COMFORT IN RESPECT OF GENERAL LIGHTHOUSE FUND PENSIONS CONTINGENT LIABILITIES, TO BE GIVEN TO THE GENERAL LIGHTHOUSE AUTHORITIES

The pensions in respect of the beneficiaries of the Pensions 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 Pensions 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:



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

Date 17.12.2001

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