NORTHERN LIGHTHOUSE BOARD

GOVERNANCE BOARD

MINUTES – 26 September 2024

PRESENT:	Elaine Wilkinson	Chair
	Hugh Shaw	Vice-Chair
	Brian Archibald	Commissioner
	Ron Robson	Commissioner
	Dick Welsh	Commissioner
	Jamie Finlay	Commissioner
	Gillian Wade	Commissioner
	Bill Lobban	Commissioner
	David Cameron	Commissioner
	Mike Bullock	Chief Executive
	Phil Day	Director of Operations
	Mairi Rae	Director of Business Services
	Jim McBrier	Risk & Improvement Manager
IN ATTENDANCE:	Darren Cordner	Finance Manager
	Fiona Holmes	Communications Officer
	Karen Charleson	Senior Executive Assistant (minutes)

1. WELCOME, APOLOGIES, INTRODUCTION AND DECLARATIONS

Apologies for absence were received from Commissioners Murphy, Dowdalls, Pyle, Charteris, Bain, Aldridge, Maclaren, Anwar and Philand.

The Chair welcomed everyone to the Governance Board Strategy Day which has a look back at the Annual Report and Accounts, a review of communications and governance headlines in addition to looking forward to reviewing the Mission, Vision, Values and Strategic Goals, key strategic issues and Corporate Plan.

There were no declarations of interests raised for noting.

2. ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2024

The Finance Manager took the Governance Board through the Annual Report and Accounts update for 2023/24.

<u>Changes since the Audit & Risk Committee</u>

- The position as reported to Audit & Risk Committee has changed by £143k as a result of a last-minute credit note from BT which relates to overcharging in the years 2022/23 and 2023/24. This has now been accounted for in the correct years and reported to NAO.

- The late credit note from BT has been presented in the Statement of Comprehensive Net Expenditure along with a rounding on DGPS provision.

- VRP Interest was in current liabilities but is now presented as a non-current liability as it will not start to be paid until 2025/26.

- Within Irish Lights' Annual Report and Accounts there is a Contingency Liability relating to P&I Club insurance. Following the MV DALI container ship incident in Boston there is an expectation there might be a call on this in the future. Irish Lights have done some work to assess the quantity and to ensure consistency across the GLAs, NLB has also taken this into account.

- The Remuneration/Staff Report has been updated with information received from MyCSP.

- The NLB Staff numbers, sick absence, gender pay gap, staff relations section has also been updated.

- Lessor Income has been updated to ensure it is in line with requirements.

- Related Parties transactions have been updated to show expenditure with the Royal Yacht Britannia Enterprises.

- Feedback from the Audit & Risk Committee has been considered and incorporated where appropriate.

- Sustainability tables have been updated.

NAO
The NAO audit is still ongoing with first time queries still be received. The audit was due to complete in October and it has now been noted to complete in November 2024.

2023/24
The Governance Board noted the highlights of last year:

- £2.8m underspend against sanction
    - Pay costs - almost on budget
    - Pension costs – slightly under budget
    - Non-Pay Costs – Underspend on ship fuel and Un-utilised Revenue Contingency
    - Commercial Work - £1m over budget
    - Ship Financing – loan interest less than budgeted
    - Redundancy, GLA Expenditures, Aviation Services Project – small fluctuations
    - DGPS De-Commissioning – overall DGPS decommissioning work expected to cost less than first anticipated
    - Capital Expenditure – an additional £517k spent mainly due to an aggressive approach to capital expenditure.

The Chair noted that the opportunity for additional revenue this year and next year was reduced because of the new vessel but asked if there would be opportunity to increase revenue thereafter. The Chief Executive advised that while NLV POLE STAR might be able to be utilised more, NLV PHAROS will have to be used less due to the very busy programme.

The Chair noted the positive position and highlighted that is an indication of a well-managed overall budget.

Approval
The Governance Board were content to approve the Annual Report and Accounts subject to any minor changes.

The Chair thanked the Finance Team for their hard work in delivering the Accounts and all who contributed to the production of the Annual Report and Accounts.

3. AUDIT YEAR GOVERNANCE HEADLINES

The Risk & Improvement Manager gave an overview of NLB's Governance Headlines

The Assurance Landscape approach was built in partnership with GIAA and sets out the 15 principle strategic risks against 3 lines of defence and makes an assurance assessment on that basis.

Headlines

- There have been 5 external audits undertaken during the year which proffered 3 "Substantial" ratings and 2 "Moderate" ratings. All improvement actions are pushed through the Quality Management System looking at route causes through to conclusion.

- Clean audits were received from NAO in terms of 2022/23 and DfT in terms of International Ship and Port Security requirements for Oban.

- A Management Assurance Return is made annually to DfT. The only area which required an improvement action to be highlighted was the application of digital records management. This is a challenge for all of Government. NLB's ICT Team are in the process of concluding the build of an App that will help with all SharePoint based records management.

- The Internal Audit programme is delivered by 15 internal auditors that work across teams. There are 33 internal audits which included 2 safety inspections.

- GAP Analysis are undertaken using GIAA Cross Cutting Insight Documents to drive/leverage further improvements in line with industry best practice.

- 2 Business continuity events were held.

- 2 Zoned Boat audits were undertaken on a risk-based approach.

- 1 internal International Ship and Port Security audit was undertaken to test in advance of the DfT Audit.

- ISM requirements and certification remain in place. One annual verification audit from the MCA looking at Document of Compliance (DOC) and 3 internal audit cover both vessels and DOC.

- GAP Analysis for ISO 27001 undertaken around transitioning to the new 27001 2022 Standard. NLB have had a successful transition and have moved across to the new Standard. This Standard will now be expanded out with ICT controlled systems to the wider operational technology.

- Successful surveillance and focused review audits were held ahead of recertification

- ISO 9001,14001 & 45001 – 2 audits (surveillance and focus review) were held ahead of rectification. NLB are recertified for a further 3 years subject to ongoing surveillance.

- Aerossurance are used as the specialist aviation compliance contractors. Audit with no significant findings in relation to heli-deck and overall aviation compliance.

- Annual Opinion – Although the GIAA Opinion was "Moderate" GIAA caveat this by explaining this is about the organisation maturing and willingness to audit where there is a risk-based rationale. It was noted that the GIAA Chief Executive has been invited to visit NLB.

Commissioner Archibald asked if the 15 internal auditors were all volunteers and how resilient the group was. The Risk & Improvement Manager advised that the Health & Safety Team require to undertake health and safety related internal audits but the vast majority of the Team are volunteers. There is movement within the group but the Team are genuinely interested. There is shadowing and

monthly meetings in place to provide support. Senior Managers encourage and ensure time is available to enable this work to be undertaken.

Commissioner Robson highlighted the powerful slide which was almost all "green" across the board. The GIAA annual opinion was praising that the organisation had picked soft spots. The Chair added that GIAA are a very small slice of the assurance NLB receive and NLB should be so proud of the position. Well done to the whole team.

4. ANNUAL REVIEW OF MISSION, VISION, VALUES AND STRATEGIC GOALS (MVVSG)

The Governance Board noted the paper circulated in the meeting pack. The Chief Executive advised that it was key that there is consistency and continuation of message. The existing MVVSG is recognised internally and externally.

Commissioner Archibald highlighted that there is a date of 2050 for Net Zero in various NLB documents and suggested that this should be included in the Strategic Focus. The Chair advised that the aim is to reach Net Zero as soon as practicable and it would be unhelpful to add a date.

Following discussion, it was agreed to amend "Safety & Health – We will do everything reasonably practicable to protect those we work with and others from harm" to include "and promote the fitness, health and wellbeing of our workforce".

Action: Chief Executive

The Governance Board approved the MVVSG subject to the agreed amendment.

5. SUMMARY OF 2023/24 ENGAGEMENT

The Communications Officer gave an update on the highlights of the past 12 months.

- Aim – To raise awareness of our work, our people, our iconic assets including our ships, our achievements, our contribution and our heritage.
- Outreach and Community Engagement
- Talks to various primary schools, Nursey Visit to Oban, RLK talks to local primary schools
- Talks by the Chief Executive i.e. FINGAL
- Commissioner Welsh represented NLB at the Isle of Man Maritime Careers Fair
- Director of Operations talk to U3A
- Screening of Lighthouse Lives film at HQ with NLB current and former staff
- Dementia talk at Festival Theatre
- Women's International Shipping and Trading Association (WISTA) event at HQ
- Maritime Minister visit to Hoy Lighthouse and Orkney Base
- Duncansby Head Centenary Celebrations - talk by Chief Executive on NLB and judging of art competition along with a local artist in HQ
- International Women's Day Social Media Campaign
- National Campaigns, Awareness Raising days and anniversaries
- Press Coverage – Work at Bell Rock, Steel cut for the new vessel, Technician James Addison with Planning Engineer Craig Pake article
- Large social media following – recently joined Threads
- Our Lives – Tern TV production due to broadcast on 11 October but is available now on BBC iPlayer.
- Shortlisted for the British Ports Association Sustainability Award
- Lighthouse Twinning - Inubosaki Lighthouse in Japan with the Mull of Galloway Lighthouse. This will be the first even lighthouse twinning agreement.
- Doors Open Day 2024

It has been another busy year, full of opportunities to raise NLB's profile and meet the aims of the Communication Strategy.

The Chair commended the Communications Officer on the terrific achievements in telling NLB's story.

6. OVERVIEW OF STRATEGIC RISKS

The Risk & Improvement Manager provided an overview of the 15 organisational business risks that are reviewed through both the Committee structure with ongoing assurance statement provision to the Governance Board. These are underpinned by the risk management framework including project and departmental risk registers.

The 15 organisational business risks cover:

- Climate Emergency "Mitigation" – Threaded through MVVSG. NLB is working hard to decarbonise the estate and are performing well against GGC targets.

- Human Resources – This risk was escalated around recruitment and retention challenges based on significant competition from the offshore industry.

- Information Technology and Operational Technology – Cyber threat is real and present. The advent of AI brings additional risk but also opportunity. NLB is working the GRAD and the other GLAs to define an AI Policy and NLB has an AI Working Group set up via the Information Management Group. Cover has been secured in terms of a cyber exemption.

- Natural Events – Pandemic is still showing as the number 1 risk in the UK National Risk Register.

- Legislation and Policy – These two risk cards go hand in hand. With a new Government it likely that there will be more legislative activity.

- Resourcing – This reflects the programme of major works (VRP/ASP) and correlates with the Global Conflict Register around raw material costs.

- Exploitation of Reserve Capacity – There is lot of mitigation around this risk with solid Terms and Conditions, careful selection of clients and building mature relations with return clients.

- Climate Emergency "Adaptation" – It has been a challenging year with significant weather-based distributions. Work has been undertaken with NatureScot to look at NLB's biodiversity management plan to enable access out with extreme weather.

It is important to note, the other strategic risks below. These are no less important but the level of control is more enhanced.

- Health & Safety
- Corporate Governance & Financial Management
- Environmental Impact
- Technological Change & Obsolescence
- AtoN provision
- Asset Loss/Damage

There are separate risk registers covering the Global Conflict & Instability and Tri-GLA High Level risks.

Commissioner Robson highlighted that he had not come across an organisation that risk management was so embedded and lived day by day. Well done and thank you.

7. PHAROS VRP

The Chief Executive advised that there is a drive from the LAC for further co-operation from the GLAs. In terms of Trinity House, they now have a live running vessel replacement project but this has closed the doors for NLB to join their procurement. However, there is opportunities for NLB to go to market with a similar concept and to learn from their project.

The Director of Operations highlighted that support for the PHAROS VRP timelines is important as it impacts the Corporate Plan and Project Management Office. It makes sense to run on with the PHAROS replacement as set out accepting the associated risks around finance. Endorsement from the Government Board of the project timeline would be the best outcome.

Following discussion, the Governance Board formally recorded their endorsement for the PHAROS VRP timeline.

8. CORPORATE PLAN 2025-2030

The Finance Manager gave an overview of the Corporate Plan 2025-2030 and drew attention to the following:

- Financial Summary – Bid years 2025/26, forecast to 2029/30, actual 2023/24 and anticipated forecast for 2024/25.
- Running Costs – include increased helicopter costs.
- Pensions Costs – Cabinet Office realigned the employer contributions to 28.97% across all pay bands.
- Commercial Income – Reduction over this year and into the bid year.
- Aviation Services Project – Increase in 2026/27 and 2027/28 due to mobilisation costs expected based on the Should Cost Model.
- Ship Financing – Slight change due to loan draw down timing based on forecast from the yard.
- Capital Expenditure – Increases significantly due to Pillar Rock work, new POLE STAR and new helicopter contract.
- VRP – Costs for first fill, legal fees for the purchase of POLE STAR and subsequent sale and launch of the new vessels. 2026/27 outwards related to the business case for NLV PHAROS.
- Capital Expenditure - 2029/30 PHAROS Replacement
- DGPS decommissioning – small changes due to timing.

<u>Changes since the last Corporate Plan</u>

- Pay and Pensions – DfT have provided assumptions for the pay award. NLB is proposing 7% to tackle recruitment and retention issues. There are some new posts, temporary staff and alignment of Director and Commissioner pay to the Senior Civil Service pay guidance included.

- Pensions – 28.97% going forward.

- Aviation Services - £500k of additional costs

- Replacement of the Finance and Procurement System – A one-off implementation cost has been included in 2025/26.

- Utilities – Advice from Scottish Government is that utilities prices are to half over the next 2 years, NLB have taken half of that half throughout the plan. There are also concerns regarding how much electricity draw there will be in the future with ship to shore power, electrical vehicles, charging at lighthouses, etc.

- Ship Fuel – It is expected that there will be saving over the period of this plan.

- RPI – Re-balancing to CPI will provide a saving.

- Capital Projects – some slight timing changes.

- Contingency – It not anticipated to use Revenue Contingency this forecast year. Capital contingency work is still unknown as emerging issues come through.

- NDT Testing – one off piece of work.

Commissioner Archibald was surprised that advice was that fuel price was coming down when the narrative publicly was around rising energy costs and asked if there was an increase in NLB's financial risk and should a larger contingency be considered. The Finance Manager advised that the objective of the Corporate Plan is to secure funding for 2025/26. The outer years can be balanced for additional changes that come through.

Commissioner Robson asked if NLB have the authority to implement a 7% pay uplift if DfT do not agree. The Finance Manager advised that only a sanctioned pay award can be paid and must be within budget/affordable. If pay guidance/remit is above what is requested in the bid year of the Corporate Plan, it may be deemed unaffordable and rejected by the department.

Confidence can be taken in that the Corporate Plan is revisited every year and built from the ground up which helps solidify the budget.

<u>Capital</u>
The Director of Operations gave an overview of the Capital Projects covered within the Plan.

- Bass Rock – refurbishment. Removal of guano, repairs to walkways and maintenance of curtain wall.

- Dubh Artach – landing platform heavily corroded and needs replaced

- Esha Ness – refurbishment and optic replacement

- Firths Voe – relocation of light due to erosion at site

- Hyskeir – continuation of multi-year project for solarisation

- Loch Spelve Beacon – small beacon installation

- Sule Skerry – most challenging from an environmental perspective. An appropriate assessment will be required and Ministers will need to approve access during the summer months.

- AIS Improvements – extension of virtual AIS and the capability to deploy virtual AIS in a wreck and new danger scenario from a number of locations.

- Fire Suppression – removal of greenhouse gas across the estate.

- Shore Power – project to reinforce shore power in Oban.

- Drydocking – PHAROS drydocking, POLE STAR replacement and continued maintenance of existing POLE STAR

- Vehicles – replacement, where possible, for zero emission or hybrid vehicles.

Staffing
The Finance presented the table of movements within full time equivalents, temporary requirements and succession planning.

Commissioner Cameron leaves the meeting at this point

Commissioner Archibald asked if NLB was ready for external challenge around the number of posts. The Director of Business Services advised that there was clear reasoning for these particular roles and NLB are actively recruiting to fill these posts, in some cases with real difficultly.

Risk & Uncertainties
- ASP
- Marine Gas Oil
- Full Employment
- Utilities
- 2015 Remedy
- Skills shortage
- October 2024 Budget
- Employers National Insurance
- Finance & Procurement System Replacement

GLA Effectiveness KPI
The Governance Board noted the GLA KPIs performance.

ASP
The wording around ASP will be tailored to provide less specific detail.

Action: Chief Executive

Approval
The Governance Board approved the Corporate Plan 2025-2030 subject to only minor amendments. The document will now be taken forward for formal submission to DfT on 31 October 2024.

9. IALA AS AN IGO

Over the last ten years, extensive work, including four formal diplomatic conferences has taken place to change the status from a non-governmental organization (NGO) to an Intergovernmental Organization (IGO). The new organisation which formally came into being

on 22 August 2024 is based on a Convention which has so far been ratified or acceded to by 34 States to date. The trigger for the convention was 30 Nations.

The transition to an Intergovernmental Organization will place IALA in a much stronger position to develop and harmonise Marine Aids to Navigation, as governments will be directly involved in the organisation's work. All major decisions will be made by representatives of member Governments, who hold credentials from their Head of State, Prime Minister or Minister of Foreign Affairs.

The principal organisation will be the DfT and Dave Whyte, Deputy Director Maritime, will be the representative at the General Assembly. Other than that, the technical organisations will deal with all other business. The named point of contact has been agreed as Chris Angell (DfT), Iain Lower (Trinity House) and Michael Bullock (NLB).

Nations can put themselves forward for Members of the Council which is an important position. The UK will be the Council member with 2 named candidates, Mike Bullock and Iain Lower.

NLB are holding a workshop in HQ in early 2026 which will be branded a UK event.

10. REVIEW OF BOARD EFFECTIVENESS

The Governance Board noted the summary report of the feedback plus drawing on any of the one-to-one conversations.

The following recommendations were discussed and agreed:

- Another in-person Governance Board meeting to be held in February - This will be billed as a hybrid meeting with an option to attend in person.

- Tri-GLA KPI – This has already been addressed as part of the Corporate Plan.

11. REVIEW OF GOVERNANCE BOARD TERMS OF REFERENCE

The Governance Board reviewed the Terms of Reference and agreed that they remained relevant and no changes were required.

12. ANY OTHER BUSINESS

ASP - Following a decision taken in September 2024, Irish Lights will cease to be a participant of the aviation services project to procure a replacement Tri-GLA contract. The project will now re-establish itself to procure bi-lateral services on behalf of NLB and Trinity House. The certainty now provided, when entering the market with UK only requirements, de-risks the project significantly and should be regarded as a positive collateral benefit of the decision taken by Irish Lights. There is Tri-GLA commitment to continued cooperation with the aim is that operational standards will remain completely aligned.

New services are still expected to be secured and operational to deliver from day one after the current contract ends. Further, the extension of the implementation of the Procurement Act 2023 (Procurement Reform) to February 2025, has averted some headwinds on the timetable and risk regarding the procurement legislation the project will be assessed upon.

Framework Document – The Framework Document was submitted to DfT in June 2024. DfT have advised that in discussion with DoT that the Irish Government are going to look for some

changes but they will accept the Framework as it stands. However, the final document has not been received in time for it to be review by this Governance Board. Future Board meeting dates for all 3 GLAs are being shared.

Heritage Asset Transfer – In 2009 there was a decision taken to form a Heritage Trust. The funding for the charity is principally derived from the proceeds of the disposal of antiquarian books gifted by the Commissioners of Northern Lighthouses, most of which has been invested in order to provide a source of annual income. It is the intention to transfer the remaining 3rd party assets over to the Heritage Trust. A valuation has been completed but still needs some further work to separate out the items already transferred.

Engagement Survey – The Chair advised that she sat in on the Staff Council meeting on 25 September 2024 where there was an update on the Engagement Survey. There is still not as good a response as previously and it was agreed that the Chair, on behalf of the Governance Board, would write to staff to encourage them to take part in the survey. From the Board's perspective, our people are our most valued asset, and we want to do everything in our power to make NLB the best place to work.