Financial statements 2018-19

Statement of Comprehensive Net Expenditure year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Revenue from contracts with customers	4	18,831	17,030
Other operating income	4	3,755	1,825
Total operating income	4	**22,586**	**18,855**
Staff costs	3	(14,071)	(12,461)
Purchase of goods and services	3	(8,348)	(8,557)
Depreciation, revaluation and impairment charges	3	(7,776)	(6,449)
Operating expenditure before provision movement		**(30,195)**	**(27,467)**
Provisions movement	3	2,011,258	(1,528,091)
Total operating income/(expenditure)	3	**1,981,063**	**(1,555,558)**
Net operating income/(expenditure)		**2,003,649**	**(1,536,703)**
Finance expense		(9)	(5)
Net income/(expenditure) for the year		**2,003,640**	**(1,536,708)**
Other comprehensive net expenditure			
Net (loss)/gain on revaluation of property, plant and equipment		(190)	157
Comprehensive net income/(expenditure) for the year		**2,003,450**	**(1,536,551)**

The Statement of Comprehensive Net Expenditure and supporting Notes to the Accounts have been prepared and presented in accordance with the 2018-19 government's Financial Reporting Manual (FReM) issued by HM Treasury.

Notes on pages 76 to 109 form part of these accounts.

Statement of Financial Position as at 31 March 2019

	Note	2019 £000	2018 £000
Non-current assets:			
Property, plant and equipment	6	14,188	11,625
Investment property	7	542	213
Intangible assets	8	2,443	2,648
Total non-current assets		**17,173**	**14,486**
Current assets:			
Assets classified as held for sale	7	19	19
Trade and other receivables	9	3,757	3,707
Cash and cash equivalents	10	6,000	9,847
Total current assets		**9,776**	**13,573**
Total assets		**26,949**	**28,059**
Current liabilities:			
Trade and other payables	11	(13,936)	(16,512)
Provisions	12	(27,353)	(25,548)
Total current liabilities		**(41,289)**	**(42,060)**
Total assets less current liabilities		**(14,340)**	**(14,001)**
Non-current liabilities:			
Other payables	11	(5,518)	(7,002)
Provisions	12	(2,269,647)	(4,300,452)
Total non-current liabilities		**(2,275,165)**	**(4,307,454)**
Net liabilities		**(2,289,505)**	**(4,321,455)**
Taxpayers' equity and reserves:			
General fund		(2,289,805)	(4,321,955)
Revaluation reserve		300	500
Total taxpayers' equity and reserves		**(2,289,505)**	**(4,321,455)**

The financial statements were approved and authorised by the board and signed on its behalf by:

Lisa Pinney MBE
Chief Executive and Accounting Officer
13 June 2019

Stephen Dingle
Chair of the Board
13 June 2019

Statement of Cash Flows year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Cash flows from operating activities:			
Net income/(expenditure) for the year		2,003,640	(1,536,708)
Adjustments for non-cash transactions:			
Depreciation, amortisation and revaluation of fixed assets	3	7,999	6,524
Profit on disposal of fixed assets	4	(3,114)	(1,068)
Loss on disposal of fixed assets	3	-	1
Revaluation of investment properties	3	(223)	(76)
(Increase)/decrease in trade and other receivables		(50)	429
Decrease in trade and other payables		(5,383)	(6,390)
(Decrease)/increase in provisions		(2,029,000)	1,509,000
Net cash outflow from operating activities		**(26,131)**	**(28,288)**
Cash flows from investing activities:			
Purchase of non-financial assets:			
Purchase of property, plant and equipment		(8,818)	(6,322)
Purchase of intangible assets		(517)	(1,179)
Proceeds from disposal of non-financial assets:			
Proceeds from sale of property, plant and equipment	4	3,119	1,218
Net cash outflow from investing activities		**(6,216)**	**(6,283)**
Net cash outflow from activities		**(32,347)**	**(34,571)**
Cash flows from financing activities:			
Grant in aid from BEIS		28,500	30,000
Net financing		**28,500**	**30,000**
Net decrease in cash and cash equivalents		**(3,847)**	**(4,571)**
Cash and cash equivalents at the beginning of the period		**9,847**	**14,418**
Cash and cash equivalents at the end of the period		**6,000**	**9,847**

Notes on pages 76 to 109 form part of these accounts.

Statement of Changes in Taxpayers' Equity year ended 31 March 2019

	General fund £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2017	**(2,815,100)**	**353**	**(2,814,747)**
Changes in taxpayers' equity for 2017-18			
Grant in aid from BEIS - capital	8,326	-	8,326
Grant in aid from BEIS - revenue	21,674	-	21,674
Transfers between reserves	10	(10)	-
Net gain/(loss) on revaluation of fixed assets	(157)	157	-
Comprehensive income/ (expenditure) for the year	(1,536,708)	-	(1,536,708)
Balance at 31 March 2018	**(4,321,955)**	**500**	**(4,321,455)**
Changes in taxpayers' equity for 2018-19			
Grant in aid from BEIS - capital	10,658	-	10,658
Grant in aid from BEIS - revenue	17,842	-	17,842
Transfers between reserves	10	(10)	-
Net gain/(loss) on revaluation of fixed assets	-	(190)	(190)
Comprehensive income/ (expenditure) for the year	2,003,640	-	2,003,640
Balance at 31 March 2019	**(2,289,805)**	**300**	**(2,289,505)**

Notes on pages 76 to 109 form part of these accounts.

Notes to the Accounts year ended 31 March 2019

1. Statement of accounting policies

1.1 Basis of preparation

The Coal Authority is an executive non-departmental public body (NDPB) established under the Coal Industry Act 1994 and is sponsored by the Department for Business, Energy and Industrial Strategy (BEIS). Under paragraph 15(1)(b) of Schedule 1 of the Act the Coal Authority is required to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction, as determined by the Secretary of State, with the consent of HM Treasury.

These financial statements have been prepared in accordance with the 2018-19 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Coal Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The introduction of changes to IFRS 9 - Financial Instruments, has been fully considered and there are no material impacts on our accounting policies (eg Note 1.16) or the financial statements.

The introduction of IFRS 15 – Revenue from contracts with customers, has been fully considered and there are no material impacts on our accounting policies (eg Note 1.5) or the financial statements.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of investments, property, plant and equipment and intangible assets.

1.3 Going concern

The Statement of Financial Position at 31 March 2019 shows net liabilities of £2,289.5 million. This reflects the inclusion of expenditure for liabilities falling due in future years, which cover periods of 50 and 100 years into the future. To the extent that they are not met from other sources of income, they may only be met by future grants or grants in aid from our sponsoring department, BEIS. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Paragraph 14(1) of Schedule 1 to the Coal Industry Act 1994 states:
'The Secretary of State shall, in respect of each accounting year, pay to the Coal Authority such amount as he may determine to be the amount required by the Coal Authority for the carrying out during that year of its functions under this Act.'

On that basis, the board has a reasonable expectation that we will continue to receive funding so as to be able to meet our liabilities. The Coal Authority has therefore prepared its accounts on a going concern basis.

1.4 Grant in aid

Grant in aid is paid to the Coal Authority on an annual basis to cover the net cash revenue and capital requirements in the year. Grant in aid utilised in the settlement of its statutory and other obligations is credited to the general reserve in the year in which it is received because it is regarded as a contribution from a controlling party which gives rise to a financial interest in the Coal Authority.

1.5 Revenue from contracts with customers and other operating income

Revenue from contracts with customers

Income represents the amounts, exclusive of VAT, arising from leases/licences and invoiced sales of goods and services from contracts with customers.

Income is measured at the fair value of the consideration received or receivable and is recognised in the Statement of Comprehensive Net Expenditure, following performance of contractual obligations by the Coal Authority, where amounts can be reliably measured and it is probable that the economic benefits will flow to the Coal Authority. Where this applies to services income, the amount recognised will be dependent upon the stage of completion.

Income received in advance of discharging contractual obligations is held on the Statement of Financial Position, and is released to the Statement of Comprehensive Net Expenditure as contractual obligations are fulfilled.

Amounts recoverable on contracts are recognised on an accruals basis relating to the period in which the income is earned.

Operating lease income

Lease income from head office freehold property is accounted for in equal annual amounts and recognised either over the term of the lease, or to a date where a break clause may be applied, whichever is the earliest.

Consolidated fund income

Income collected under statute in relation to licensing activities is surrendered to the government as consolidated fund income when received, other than the element retained to finance licensing activities as a cost of collection.

The Coal Authority is deemed to be acting in the capacity of an agent and these income streams therefore fall outside of normal operating activities and are not reported through the Statement of Comprehensive Net Expenditure, but disclosed separately within the Notes to the Accounts.

Royalties and mining income are recognised on an accruals basis, relating to the period in which the income is earned, and following receipt of amounts owed cash payments are made to the consolidated fund.

1.6 Staff costs

Under IAS 19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of the untaken leave has been determined using data from electronic leave records.

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. The Coal Authority recognises the expected cost of providing pensions on a systematic and rational basis, over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not the responsibility of the Coal Authority. The costs of all employer pension contributions are charged to the Statement of Comprehensive Net Expenditure when incurred.

1.8 Operating lease expenditure

Rentals are charged to the Statement of Comprehensive Net Expenditure in equal annual amounts over the lease term.

1.9 Research and development

Research

Expenditure is recognised as an expense in the period in which it is incurred.

Development

Expenditure is capitalised as an internally generated intangible asset only if the criteria of IAS 38 are met.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1.10 Taxation

VAT

The Coal Authority is involved in a number of statutory obligations and these are outside the scope of output VAT. The Coal Authority also makes exempt supplies relating to property lettings. Output VAT is charged on all other fee paying services. Where output VAT is charged, income is stated net of VAT.

No input VAT is recoverable where this can be directly attributable to a statutory function. A partial exemption calculation is performed on the recovery of input VAT for overhead departmental costs which carry out duties for both statutory and exempt functions. Irrecoverable input VAT is charged to the relevant expenditure category.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Net Expenditure, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.11 Assets and liabilities inherited from the British Coal Corporation

Various assets and liabilities were transferred from the British Coal Corporation under a number of restructuring schemes made by the then Secretary of State for Trade and Industry pursuant to Section 12 of the Coal Industry Act 1994. The assets and liabilities included in these restructuring schemes were originally transferred into the Coal Authority's accounts at their net book values, as previously stated in the financial statements of the British Coal Corporation, under the accounting policies adopted by the Coal Authority.

1.12 Property, plant and equipment

Assets are capitalised as property, plant and equipment if they are intended for use on a continuing basis and their original purchase cost, on an individual or group basis, is £2,000 or more.

Property

Freehold land and buildings relate to the Coal Authority's head office and operational properties and are carried at fair value based on existing use, with external professional valuations undertaken biennially.

The Coal Authority holds a number of properties which are used as operational assets to provide temporary accommodation to members of the public whose own properties have been affected by mining activities.

In addition, the Coal Authority owns a number of shafts that access abandoned mines. These are used in the monitoring of underground movements in water and gases. As there is no open market on which to base a valuation, these are held at nil value.

Non-property:

Information technology, plant and machinery and furniture and fittings

In accordance with the FReM, the option has been taken to value these assets on a depreciated historical cost basis over the assets' remaining service potential as a proxy to fair value, where assets have short useful economic lives or are of low value, or both.

At each reporting date the Coal Authority reviews asset carrying amounts, for both residual values and useful economic lives, to determine whether there is any indication that an impairment loss has been suffered.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets under construction are valued at cost.

Mine water treatment schemes and subsidence pumping stations

Operational schemes relating to coal are held at nil value on the Statement of Financial Position. The cost of building these schemes has been provided for in previous periods as these assets are commissioned to resolve legacy mining issues, for which the benefits have previously been received.

Costs incurred in the design, build, refurbishment and bringing the assets into working condition for their intended operational use are capitalised following completion of a feasibility study and gateway review. When the assets are brought into operational use, the carrying values are subject to an impairment review and are impaired to nil value, with the loss being recognised through the Statement of Comprehensive Net Expenditure.

Schemes that relate to metal mining activity are reviewed on an individual basis in accordance with the guidance provided under IAS 16 Property Plant and Equipment and other relevant standards. This review will be completed in conjunction with reference to the underlying contractual agreement in place with third parties.

Decommissioning costs are not provided for on the basis that the mine water schemes and subsidence pumping stations will continue to operate in perpetuity.

Assets under construction are valued at cost.

1.13 Depreciation

Property, plant and equipment assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful economic lives.

The rates of depreciation are as follows:

Freehold land	not depreciated
Long leasehold land	not depreciated
Operational properties	50 years
Freehold buildings	50 years
Information technology	3 to 5 years
Plant and machinery	3 to 5 years
Furniture and fittings	5 to 10 years

Assets under construction are not depreciated until they are brought into operational use.

1.14 Investment properties

The Coal Authority holds a number of properties and is undertaking a rolling disposal programme, the timing of which is dependent on property market conditions. These have been classified as investment properties and are not depreciated in accordance with IAS 40, but may be impaired or revalued to provide a carrying value at their estimated fair value. Full valuations by external chartered surveyors are undertaken by means of a rolling programme over 5 years. A desk top review is undertaken by in-house chartered surveyors on those properties that have not been subject to a full external valuation during the year.

Gains and losses arising from changes in fair value of investment property are recognised in the Statement of Comprehensive Net Expenditure.

Investment properties identified as held for sale are disclosed where conditions established under IFRS 5 have been met.

1.15 Intangible assets

Expenditure on intangible assets consists of bespoke software development and other software licences and is capitalised where the cost is £2,000 or more.

Bespoke software development expenditure is either as a result of an external cost of development or as a result of work undertaken by the Coal Authority's internal resources. Internal resource costs are only capitalised for detail design and implementation phases of the software development, using salary and associated payroll costs.

Intangible assets are reviewed annually for impairment and are carried at modified historic cost as a proxy for fair value.

Low value software licences are amortised on a straight line basis over the shorter of useful economic life (5 years) or the term of the licence. Higher value bespoke software is amortised on a straight line basis over 5 years.

The mining records database was revalued upon transfer from the British Coal Corporation and is held at a nil value, being fully depreciated replacement cost.

1.16 Financial instruments

The Coal Authority does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables, as disclosed within Notes 9 and 11 to the Accounts.

Trade receivables, financial and other current assets are recognised initially at fair value and carried net of any provision for impairment. A provision for impairment is made to recognise expected credit losses and when there is evidence that the Coal Authority will be unable to collect an amount due.

1.17 Security fund payables

Trade payables and other current liabilities include security fund payables. Licensees of mining operations are required to provide security to the Coal Authority to cover the potential future costs of settling subsidence damage liabilities within their areas of responsibility. One mechanism for providing security is by means of cash deposit. If the licensees fulfil their obligations, the deposits are returned, together with interest accrued under the terms of the lease/licence.
Deposits received are credited to security fund payables in order to recognise the Coal Authority's liability to the licensees. Repayments of deposits or the costs of making mining properties secure on default of the licensee are provided from the grant in aid received. Interest payable on deposits is charged to the Statement of Comprehensive Net Expenditure as it accrues.

The security fund payable is reduced by security costs incurred each year or when repayments are made to the licensee.

Other forms of security may include guarantee bonds in favour of the Coal Authority, escrow accounts, or charges over land. These arrangements do not give rise to any entries in the Coal Authority's financial statements.

1.18 Provisions

The Coal Authority is responsible for dealing with liabilities relating to its ownership of abandoned coal mines. These include preventing and remediating mine water pollution, settling subsidence claims, making safe surface hazards, managing tips, rehabilitating opencast sites and dealing with closed colliery sites and spoil heaps.

Provisions are recognised when the Coal Authority has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Provisions are made for the external costs of managing the Coal Authority's obligations. Internal costs are not provided for.

Where the time value of money is material, the Coal Authority applies Consumer Price Index (CPI) inflation rates to external costs and then discounts each provision to its present value using the nominal discount rates as specified annually by HM Treasury. These rates are disclosed within the relevant Note to the Accounts.

Each year the Statement of Comprehensive Net Expenditure includes the borrowing costs of provisions, being the adjustments to unwind 1 year's discount so that liabilities are shown at current day price levels.

Provisions are utilised against the Statement of Comprehensive Net Expenditure or against Property, Plant and Equipment in the Statement of Financial Position as expenditure is incurred.

Significant Public Safety incidents are kept under review. Provisions will be released and an accrual recognised when the Coal Authority has a present obligation as a result of a past event, where there is certainty over the measurement of the obligation and that an outflow of economic benefits will be required to settle that obligation.

Specific provision periods have been established as follows:

Mine water treatment schemes	100 years
Subsidence pumping stations	100 years
Public safety and subsidence	50 years
Tip management	50 years

Obligations under other property related provisions are provided for on a specific basis where timeframes are certain and known.

Where provisions remain calculated over a period of 50 or 100 years, as the Coal Authority moves into the next financial year it is necessary to add another year onto the provisions to maintain that timeframe.

Provisions are reviewed annually at the year end to ensure all obligations and work programmes have been provided for.

1.19 Contingent assets and liabilities

In addition to contingent liabilities or assets disclosed in accordance with IAS 37, the Coal Authority discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.20 Accounting judgements, estimates and assumptions

In relation to provisions, to the extent that it is sometimes impracticable to ascertain and disclose the full extent of the possible effects of assumptions or management estimates at the end of a reporting period, based on the best existing knowledge at the time, it is reasonably possible that outcomes for the next accounting period could require material adjustments to the provisions balance of £2,297.0 million as at 31 March 2019.

Other than in the review and calculation of provisions, no material accounting judgements, estimates or assumptions were made by the Coal Authority in preparing these accounts.

1.21 New standards, amendments and interpretations not yet effective

The following standards were in issue but not yet effective and have not been adopted in these financial statements:

IFRS 16 "Leases"

Eliminates the distinction between operating and finance leases, as a lessee, and imposes a single model geared towards the recognition of all but low value or short term leases. There is no change in relation to the treatment of operating and finance leases as a lessor.

The impact of the new standard has yet to be fully considered, but effectively operational leases (lessee) will be brought onto the Statement of Financial Position recognising the lease as a 'right of use' asset and a corresponding liability for the cash flow commitments associated with future expenditure. Operating lease commitments (lessee) future cash flows, as disclosed in Note 14.1, total £15.6 million, materially relating to land.

HM Treasury have issued implementation guidance covering adaptation and transition arrangements in application of the standard and this will be introduced to the FReM from 2020-21, effective from 1 April 2020.

2. Statement of operating expenditure by operating segments

The following analysis by operating segment of gross expenditure, income, net (income)/ expenditure and total assets is stated below in accordance with IFRS 8.

2018-19	Development & Information £000	Operations £000	Commercial & Innovation £000	Total £000
Expenditure incurred during the year	2,629	25,486	13,006	41,121
Impairments	-	6,825	-	6,825
Less provision utilised	(260)	(17,482)	-	(17,742)
Adjustment to provisions	(740)	(2,010,518)	-	(2,011,258)
Gross expenditure	**1,629**	**(1,995,689)**	**13,006**	**(1,981,054)**
Income	**(4,629)**	**(457)**	**(17,500)**	**(22,586)**
Net (income)/ expenditure	**(3,000)**	**(1,996,146)**	**(4,494)**	**(2,003,640)**
Total assets	**3,981**	**18,955**	**4,013**	**26,949**
Memo: net (income)/ expenditure excluding provisions movements	(2,000)	31,854	(4,494)	25,360

2017-18	Development & Information £000	Operations £000	Commercial & Innovation £000	Total £000
Expenditure incurred during the year	2,237	26,640	12,183	41,060
Impairments	13	5,490	-	5,503
Less provision utilised	(239)	(18,852)	-	(19,091)
Adjustment to provisions	239	1,527,852	-	1,528,091
Gross expenditure	**2,250**	**1,541,130**	**12,183**	**1,555,563**
Income	**(2,422)**	**(476)**	**(15,957)**	**(18,855)**
Net (income)/ expenditure	**(172)**	**1,540,654**	**(3,774)**	**1,536,708**
Total assets	**3,789**	**19,900**	**4,370**	**28,059**
Memo: net (income)/ expenditure excluding provisions movements	(172)	31,654	(3,774)	27,708

Segmental analysis

The reported segments as analysed above are consistent with the Coal Authority's organisational structure, directors' responsibilities and the management information used by the Coal Authority's management team for the period reported. 2017-18 has been re-presented on a consistent basis.

Development and information

Development includes estate management, planning, licensing and permissions activities. Within development total assets, investment properties valued at £19,000 have been identified as being held for sale and are actively being marketed (2018: £19,000). Other than the element retained to finance licensing activities, royalties and mining income are surrendered to the HM Treasury consolidated fund when received.

Information segment includes mining records and data solutions and involves the provision of mining and environmental data sets. Data is provided both internally and to external customers and charged at cost, plus an allowance for overhead recovery.

Operations

Operations covers;

- Environment - programmes for mine water operations and subsidence pumping schemes.
- Public safety - subsidence, surface hazards, mine entry inspections and tip management operations.

Commercial and innovation

Commercial includes mining reports as well as advisory and technical services.

Mining reports involves the provision of commercial mining and environmental reports. One customer, TM Property Searches Limited, provided income of £2,047,000, (2017-18: £2,251,000) which at 10.5% (2017-18: 12.7%), is more than 10% of the Coal Authority's income from the sale of goods and services. Reliance on this customer is not considered by the directors to pose a significant risk to the Coal Authority's operations.

Advisory and technical services includes the delivery of an ongoing metal mine water treatment programme for Defra, which provided income of £3,884,000 (2017-18: £3,095,000) which at 19.9% (2017-18: 17.4%), is more than 10% of the Coal Authority's income from the sale of goods and services. The Coal Authority continues to work closely with Defra to resolve the issues arising from past metal mining and services are charged at cost, plus an allowance for overhead recovery. Future income is dependent on ongoing government funding of the programme, but reliance on this customer is not considered by the directors to pose a significant risk to the Coal Authority's operations.

Analysis of operating income by segment

2018-19	Development & Information	Operations	Commercial & Innovation	Total
	£000	£000	£000	£000
Mining reports	-	-	11,648	**11,648**
Advisory and technical services	-	-	5,520	**5,520**
Licensing and permissions indemnities	824	-	-	**824**
Data licensing and mining information	498	-	-	**498**
By-products	-	-	277	**277**
Other income	64	-	-	**64**
Revenue from contracts with customers	**1,386**	**-**	**17,445**	**18,831**
Profit on disposal of property, plant and equipment and investment properties	3,114	-	-	**3,114**
Public safety management fee	-	309	-	**309**
Rental income	123	117	52	**292**
Other income	6	31	3	**40**
Other operating income	**3,243**	**457**	**55**	**3,755**
Total operating income	**4,629**	**457**	**17,500**	**22,586**

2017-18	Development & Information	Operations	Commercial & Innovation	Total
	£000	£000	£000	£000
Mining reports	-	-	12,139	**12,139**
Advisory and technical services	-	-	3,702	**3,702**
Licensing and permissions indemnities	771	-	-	**771**
Data licensing and mining information	347	-	-	**347**
By-products	-	-	41	**41**
Other income	30	-	-	**30**
Revenue from contracts with customers	**1,148**	**-**	**15,882**	**17,030**
Profit on disposal of property, plant and equipment and investment properties	1,068	-	-	**1,068**
Public safety management fee	-	296	-	**296**
Rental income	187	113	54	**354**
Other income	19	67	21	**107**
Other operating income	**1,274**	**476**	**75**	**1,825**
Total operating income	**2,422**	**476**	**15,957**	**18,855**

3. Expenditure

	Note	£000	2018-19 £000	£000	2017-18 £000
Staff costs:					
Wages and salaries		9,935		8,632	
Social security costs		1,041		933	
Other pension costs		1,963		1,758	
Agency staff costs		1,132		1,138	
Sub-total			**14,071**		**12,461**
Purchase of goods and services:					
Operating leases					
Equipment		148		133	
Land and buildings		108		89	
			256		222
Goods and services					
Expenditure incurred during the year		24,755		26,710	
Less provision utilised	12	(17,742)		(19,091)	
			7,013		7,619
Research and development expenditure		590		260	
Auditors' remuneration and expenses		45		45	
Travel and subsistence		444		411	
			1,079		716
Sub-total			**8,348**		**8,557**
Depreciation, revaluation and impairment charges:					
Depreciation and amortisation					
Property, plant and equipment	6	449		451	
Intangibles	8	725		570	
			1,174		1,021
Revaluation					
Investment properties	7		(223)		(76)
Impairments					
Property, plant and equipment	6	6,825		5,477	
Intangibles	8	-		26	
			6,825		5,503

Loss on disposal of assets:					
Property, plant and equipment			-		1
Sub-total			**7,776**		**6,449**
Provisions movement:					
Other provisions movements	12	691,950		70,047	
Borrowing costs of provisions (unwinding of discount)	12	(69,208)		(26,956)	
Discount rate changes	12	(2,634,000)		1,485,000	
Sub-total			**(2,011,258)**		**1,528,091**
Total operating expenditure			**(1,981,063)**		**1,555,558**

Staff and related costs of £309,000 were charged to capital projects during 2018-19 (2017-18: £552,000). Other staff and related disclosures are included in the staff and remuneration report within the accountability report.

Expenditure incurred during the year incorporates £5,500 (2017-18: £nil) of auditors' remuneration and expenses for professional fees associated with non-audit work (see accountability report – Directors' report for further details).

Detailed information on provisions and provisions movements is provided in Note 12.

Loss on disposal of property, plant and equipment:	**2018-19 £000**	**2017-18 £000**
Proceeds from sale of assets	-	-
Book value	-	1
Loss on disposal of property, plant and equipment	**-**	**1**

4. Income

4.1 Revenue from contracts with customers

	2018-19 £000	2017-18 £000
Mining reports	11,648	12,139
Advisory and technical services	5,520	3,702
Licensing and permissions indemnities	824	771
Data licensing and mining information	498	347
By-products	277	41
Other income	64	30
Revenue from contracts with customers	**18,831**	**17,030**

Income is recognised in line with IFRS 15 – Revenue from contracts with customers.

Mining reports, licensing and permissions indemnities, data licensing and mining information, and by-products income is recognised when performance obligations are satisfied at a point in time.

Advisory and technical services income is recognised as performance obligations are satisfied over time.

No assets are recognised from costs to obtain or fulfil a contract with a customer, and no significant judgements have been made in determining the satisfaction of performance obligations or in determining and allocating the transaction price to performance obligations.

4.2 Other operating income

	2018-19 £000	2017-18 £000
Profit on disposal of property, plant and equipment and investment properties (detail in table below)	3,114	1,068
Public safety management fee	309	296
Rental income	292	354
Other income	40	107
Other operating income	**3,755**	**1,825**

The public safety management fee relates to charges made against the security fund as the liabilities are discharged during the year.

Rental income relates to operating lease income from property.

	2018-19 £000	2017-18 £000
Profit on disposal of property, plant and equipment and investment properties:		
Proceeds from sale of investment properties	56	150
Proceeds from clawback on sale of land	3,063	1,068
Total proceeds	3,119	1,218
Fair value of investment properties	(5)	(150)
Total	**3,114**	**1,068**

Where the British Coal Corporation or the Coal Authority's sale agreements, in the disposal of land, include provisions for restrictive covenants or clawback, proceeds are received at a future date when these provisions have been satisfied. This could include the removal of a restrictive covenant or following development of the land, recognising the Coal Authority's share of the increased value.

4.3 Consolidated fund income

The Coal Authority acts as an agent on behalf of the consolidated fund (HM Treasury). Cash collected and payable to the consolidated fund is reduced to cover the Coal Authority's cost of collection. This income adjustment is included within licensing and permissions indemnities income within Note 4.1.

	£000	2018-19 £000	£000	2017-18 £000
Production related rent (gross)	315		243	
Cost of collection	(29)		(31)	
Production related rent (net)		286		212
Incidental coal (gross and net)		10		15
Options for lease		19		18
Property sale proceeds		7		-
Income payable to the consolidated fund		**322**		**245**

	2018-19 £000	2017-18 £000
Balances held at start of year	**114**	**111**
Income payable to the consolidated fund	322	245
Payments made to the consolidated fund	(383)	(242)
Balances held at end of year	**53**	**114**

Production related rent is earned on each tonne of coal extracted from existing operating coal mining sites.

Incidental coal is royalty income from other sites where coal production is incidental to the main purpose of the activity being carried out.

Options for lease for future coal mining sites are granted in the form of a conditional licence and option for lease for the coal. Income is recognised on the granting of the option. The site cannot become operational until certain conditions (for example, planning consent) have been met and payments are made annually based on the area of the option.

Property sale proceeds are recognised where the initial purchase was made from grant in aid in previous periods. Income is recognised following the exchange of contracts and on completion of the sale of property.

Cost of collection relates to the element of income retained to finance licensing activities and the cost of any unrecoverable amounts owed.

Balances held at end of year represent amounts still to be remitted to the consolidated fund.

Consolidated fund payments amounted to £383,000 (2017-18: £242,000), being cash collections of £114,000 (2017-18: £111,000) relating to prior year and £269,000 (2017-18: £131,000) relating to current year.

5. Taxation

	2018-19 £000	2017-18 £000
Current tax	-	-
Deferred tax	-	-

Corporation tax is calculated at 19% (2017-18: 19%) of the estimated assessable profit for the year.

The charge can be reconciled to the Statement of Comprehensive Net Expenditure as follows:

	2018-19 £000	2017-18 £000
Net income/(expenditure) for the year	2,003,640	(1,536,708)
Tax at the UK corporation tax rate of 19% (2017-18: 19%)	380,692	(291,975)
Tax effect of expenses that are not deductible in determining taxable profit	1,442	1,156
Tax effect of temporary differences on property, plant and equipment not recognised	(540)	(92)
Tax effect of losses created/(utilised) in the period not recognised	523	77
Tax effect of temporary differences on provisions not recognised	(385,507)	286,716
Tax effect of grant in aid finance for revenue purposes	3,390	4,118
Tax expense for the year	**-**	**-**

The following are the major deferred tax liabilities and (assets):

	Recognised at 31 March		Unrecognised at 31 March	
	2019 £000	2018 £000	2019 £000	2018 £000
Tax losses	-	-	(7,805)	(7,336)
Provisions	-	-	(390,527)	(735,454)
Property, plant and equipment	-	-	(5,047)	(5,560)
Revaluation of assets	-	-	-	-
Total	**-**	**-**	**(403,379)**	**(748,350)**

No deferred tax asset has been recognised on excess carried forward tax losses and property, plant and equipment due to the unpredictability of future profit streams against which such deferred tax assets could be offset. The losses may be carried forward indefinitely.

Deferred tax has also not been recognised in respect of temporary differences arising on taxed reserves. Reserves totalling £2,297.0 million at 31 March 2019 will be deductible when the expenditure is charged against the provision in later periods.

On 15 September 2016 the Government enacted a 17% rate of Corporation Tax, effective 1 April 2020. Deferred tax balances have therefore been calculated at 17% (2018: 17%) on the basis that they will materially reverse after 1 April 2020.

6. Property, plant and equipment

	Land	Buildings	Information technology	Plant and machinery	Furniture and fittings	Mine water schemes	Subsidence pumping stations	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2018	4,026	4,004	5,775	1,193	600	95,418	10,663	2,542	124,221
Additions	146	-	112	177	-	3,854	1,823	3,915	10,027
Reclassifications	-	-	30	41	-	499	649	(1,219)	-
Disposals	-	-	(4)	-	-	(6)	-	-	(10)
Revaluations	-	(386)	-	-	-	-	-	-	(386)
At 31 March 2019	**4,172**	**3,618**	**5,913**	**1,411**	**600**	**99,765**	**13,135**	**5,238**	**133,852**
Depreciation									
At 1 April 2018	-	97	4,795	1,025	598	95,418	10,663	-	112,596
Charged in year	-	117	293	37	2	-	-	-	449
Disposals	-	-	(4)	-	-	(6)	-	-	(10)
Revaluations	-	(196)	-	-	-	-	-	-	(196)
Impairments	-	-	-	-	-	4,353	2,472	-	6,825
At 31 March 2019	**-**	**18**	**5,084**	**1,062**	**600**	**99,765**	**13,135**	**-**	**119,664**
Net book value at 31 March 2018	**4,026**	**3,907**	**980**	**168**	**2**	**-**	**-**	**2,542**	**11,625**
Net book value at 31 March 2019	**4,172**	**3,600**	**829**	**349**	**-**	**-**	**-**	**5,238**	**14,188**

The Coal Authority owns all of its assets and has no finance leases or Private Finance Initiative (PFI) contracts.

Valuations of head office land and buildings and properties that are held for operational purposes are undertaken on a biennial basis. Changes in valuation are reflected as appropriate in land and buildings.

A valuation was undertaken of the head office land and buildings as at 31 March 2019 by external Chartered Surveyors (Lambert Smith Hampton, a multi-disciplinary chartered surveying practice) in accordance with Royal Institution of Chartered Surveyors' guidelines.

The valuation of £2,825,000 is reflected above, with the next valuation due to be completed in March 2021.

A valuation was undertaken of all 5 properties held for operational purposes (see Note 1.12 to the Accounts) as at 31 March 2018 by external Chartered Surveyors (Valuation Office Agency – District Valuation Services) in accordance with Royal Institution of Chartered Surveyors' guidelines. The valuation of £904,000 is reflected above (current net book value of £885,000) with the next valuation due to be completed in March 2020.

Of the 5 properties held for operational purposes, 2 were transferred to the Coal Authority by UK Coal in 2015-16 in lieu of cash called-in security and 3 properties were subsequently purchased using cash called-in security. The properties will be used for operational purposes in the short term before being sold to generate cash to cover subsidence liabilities.
Assets under construction primarily consist of costs incurred on the development, construction or refurbishment of coal mine water treatment schemes and subsidence pumping stations.

For schemes relating to coal mining activity the assets brought into operational use have been subject to an impairment review and impaired to nil. This impairment loss has been recognised through the Statement of Comprehensive Net Expenditure.

	Land	Buildings	Information technology	Plant and machinery	Furniture and fittings	Mine water schemes	Subsidence pumping stations	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2017	3,606	3,878	5,873	1,145	600	91,428	9,229	1,262	117,021
Additions	420	-	59	32	-	3,861	348	2,513	7,233
Reclassifications	-	-	-	18	-	129	1,086	(1,233)	-
Disposals	-	-	(157)	(2)	-	-	-	-	(159)
Revaluations	-	126	-	-	-	-	-	-	126
At 31 March 2018	**4,026**	**4,004**	**5,775**	**1,193**	**600**	**95,418**	**10,663**	**2,542**	**124,221**
Depreciation									
At 1 April 2017	-	13	4,657	938	592	91,428	9,229	-	106,857
Charged in year	-	115	294	36	6	-	-	-	451
Disposals	-	-	(156)	(2)	-	-	-	-	(158)
Revaluations	-	(31)	-	-	-	-	-	-	(31)
Impairments	-	-	-	53	-	3,990	1,434	-	5,477
At 31 March 2018	**-**	**97**	**4,795**	**1,025**	**598**	**95,418**	**10,663**	**-**	**112,596**
Net book value at 31 March 2017	**3,606**	**3,865**	**1,216**	**207**	**8**	**-**	**-**	**1,262**	**10,164**
Net book value at 31 March 2018	**4,026**	**3,907**	**980**	**168**	**2**	**-**	**-**	**2,542**	**11,625**

7. Investment properties

	2019 £000	2018 £000
Land		
Fair value at 1 April	232	306
Additions	111	-
Disposals	(5)	(150)
Revaluations	223	76
Fair value at 31 March	**561**	**232**

The Coal Authority owns all of its investment properties and undertakes a 5 year rolling programme to ensure that all material investment properties are subject to an external valuation. 2018-19 is the second year of the current rolling programme.

All investment properties that have not been subject to an external valuation during the year have been subject to an internal valuation, undertaken by a suitably qualified Coal Authority Property Manager. Internal valuations have been established using appropriate property indices to reflect the movement in the property market over the previous year.

As at 31 March 2019 certain properties valued at £19,000 have been identified as being held for sale (2018: £19,000).

There are no material rental incomes or operating costs in respect of investment properties.

8. Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2018	18,943	1,362	119	20,424
Additions	344	4	172	520
Reclassifications	119	-	(119)	-
At 31 March 2019	**19,406**	**1,366**	**172**	**20,944**
Amortisation				
At 1 April 2018	16,459	1,317	-	17,776
Charged in year	708	17	-	725
At 31 March 2019	**17,167**	**1,334**	**-**	**18,501**
Net book value at 31 March 2018	**2,484**	**45**	**119**	**2,648**
Net book value at 31 March 2019	**2,239**	**32**	**172**	**2,443**

The Coal Authority owns all of its intangible assets.

Information technology includes information systems developed in-house or by third parties and assets under construction consist predominantly of cost incurred in the further development of these information systems.

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2017	20,116	1,362	852	22,330
Additions	974	-	119	1,093
Reclassifications	841	11	(852)	-
Disposals	(2,988)	(11)	-	(2,999)
At 31 March 2018	**18,943**	**1,362**	**119**	**20,424**
Amortisation				
At 1 April 2017	18,885	1,294	-	20,179
Charged in year	536	34	-	570
Disposals	(2,988)	(11)	-	(2,999)
Impairments	26	-	-	26
At 31 March 2018	**16,459**	**1,317**	**-**	**17,776**
Net book value at 31 March 2017	**1,231**	**68**	**852**	**2,151**
Net book value at 31 March 2018	**2,484**	**45**	**119**	**2,648**

9. Trade receivables, financial and other current assets

Amounts falling due within 1 year:

	2019 £000	2018 £000
VAT	424	380
Trade and other receivables	871	879
Prepayments	1,295	1,139
Accrued income	1,167	1,309
Balance at 31 March	**3,757**	**3,707**

There are no amounts falling due after more than 1 year.

10. Cash and cash equivalents

	2019 £000	2018 £000
Balance at 1 April	9,847	14,418
Net change in cash and cash equivalent balances	(3,847)	(4,571)
Balance at 31 March	**6,000**	**9,847**

The following balances were held at:

Government Banking Services	6,000	9,847
Balance at 31 March	**6,000**	**9,847**

Cash balances incorporate £4,894,000 (2018: £7,892,000) of ring fenced funds held in a separate account. These ring fenced funds represent receipts from UK Coal following disclaiming the lease/ licence for Thoresby and Kellingley Collieries and from bond providers following the termination of operations of ATH Resources PLC, Benhar Developments Ltd and Scottish Coal Company Ltd. The balances have been offset against the settlement of the operators' liabilities. Balances are to remain ring fenced until such time that all future liabilities are settled.

11. Trade payables and other current liabilities

Amounts falling due within 1 year:

	2019 £000	2018 £000
Other taxation and social security	500	465
Trade and other payables	1,046	1,034
Security fund payables	143	72
Liabilities in relation to called-in security	1,637	2,958
Amounts due to government (consolidated fund income)	53	114
Accruals	10,169	11,073
Deferred income	388	796
Balance at 31 March	**13,936**	**16,512**

Security fund payables (due within 1 year and after more than 1 year) relate to cash receipts from licensed coal operators and are held by the Coal Authority until such time that either, the licensee fulfils their obligations under the terms of a lease/licence, whereby the cash is returned to the operator, or to ensure debts and future liabilities are settled should a licensee fail to meet their obligations under a lease/licence. These cash receipts are not ring fenced, but are recognised as an operating cash inflow, with any payments being recognised as a cash outflow financed by grant in aid.

The amounts due to government represent amounts still to be remitted to the consolidated fund (HM Treasury) once cash has been collected in relation to licensing activities. The balance consists of trade receivables of £28,000 (2018: £92,000) and accrued income of £25,000 (2018: £22,000). See Note 4.3 to the Accounts for further details.

Liabilities in relation to called-in security are in respect of the expected costs of settling future subsidence claims following the termination of operations and disclaiming of a lease/licence. Called-in security is in the form of cash receipts or transferred property assets. Cash receipts are ring fenced. Property assets generate further cash receipts on disposal. See Notes 6 and 10 to the Accounts for further details. Amounts due within 1 year and after more than 1 year are in respect of UK Coal - Thoresby and Kellingley Collieries. Amounts due after 1 year are also in respect of ATH Resources PLC, Benhar Developments Ltd and the Scottish Coal Company Ltd.

Amounts falling due after more than 1 year:

	2019 £000	2018 £000
Security fund payables:		
In more than 1 year, but not more than 2 years	338	266
In more than 2 years, but not more than 5 years	107	257
In more than 5 years	1,166	1,114
	1,611	1,637
Liabilities in relation to called-in security:		
In more than 1 year, but not more than 2 years	790	1,307
In more than 2 years, but not more than 5 years	484	1,325
In more than 5 years	2,633	2,733
	3,907	5,365
Balance at 31 March	**5,518**	**7,002**

Where cash has been received from bond providers, any amounts not utilised, following the settlement of all future liabilities, will remain payable to the respective bond provider.

Analysis of movements on security fund payables:

	2019 £000	2018 £000
Opening balance - falling due within 1 year	72	72
Opening balance - falling due after more than 1 year	1,637	1,489
Opening balance	1,709	1,561
Invoiced and cash receipts	117	150
Bond proceeds transferred	70	-
Interest payable	9	5
Repayments	(150)	(7)
Utilisation	(1)	-
Movements during the year	45	148
Closing balance - falling due within 1 year	143	72
Closing balance - falling due after more than 1 year	1,611	1,637
Closing balance	**1,754**	**1,709**

Analysis of movements on liabilities in relation to called-in security:

	2019 £000	2018 £000
Opening balance - falling due within 1 year	2,958	2,110
Opening balance - falling due after more than 1 year	5,365	10,822
Opening balance	8,323	12,932
Bond proceeds transferred	(70)	(89)
Utilisation	(2,709)	(4,520)
Movements during the year	(2,779)	(4,609)
Closing balance - falling due within 1 year	1,637	2,958
Closing balance - falling due after more than 1 year	3,907	5,365
Closing balance	**5,544**	**8,323**

12. Provisions for liabilities and charges

	Mine water schemes	Public safety and subsidence	Subsidence pumping stations	Other property related provisions	Total 2018-19	Total 2017-18
	£000	£000	£000	£000	£000	£000
Opening balance	3,438,000	405,000	398,000	85,000	**4,326,000**	**2,817,000**
Utilised against operating spend	(8,598)	(6,981)	(643)	(1,520)	**(17,742)**	**(19,091)**
Utilised against capital spend	(6,556)	-	(3,015)	-	**(9,571)**	**(7,102)**
Created/ (released)	751,945	21,630	(73,994)	1,940	**701,521**	**77,149**
Borrowing costs of provisions (unwinding of discount)	(54,791)	(6,649)	(6,348)	(1,420)	**(69,208)**	**(26,956)**
Discount rate changes	(2,298,000)	(134,000)	(176,000)	(26,000)	**(2,634,000)**	**1,485,000**
Closing balance	**1,822,000**	**279,000**	**138,000**	**58,000**	**2,297,000**	**4,326,000**

Provisions and movements in provisions are provided for in line with accounting policies stated in Note 1.18 to the Accounts.

The provision for liabilities and charges at 31 March 2019 is £2,297.0 million (2018: £4,326.0 million). Forecast cash flows, which reflect latest assumptions within the Coal Authority's control, included within this provision before inflation and discounting are forecast at £2,174.0 million (2018: £1,902.0 million). Therefore, the impact of applying the HM Treasury specified rates is an increase of £123.0 million (2018: £2,424.0 million increase).

In calculating each provision at its present value, CPI (Consumer Price Index) inflation has been applied to cash flows that are based on 2019 prices and then nominal discount rates, as specified by HM Treasury, have been applied. In 2017-18, real discount rates, which included inflation, were applied to cash flows based on 2018 prices, but this option has now been withdrawn by HM Treasury. Specified rates used are presented below:

Discount rates:		2018-19			2017-18
		Nominal rate (excl inflation)	CPI inflation	Combined rates	Real rate (incl inflation)
Very long-term	>41 years	1.99%	2.10%	(0.11)%	(1.56)%
Long-term	11 - 40 years	1.99%	2.10%	(0.11)%	
Medium-term	6 - 10 years	1.14%	2.10%	(0.96%)	(1.85)%
Short-term	3 - 5 years	0.76%	2.10%	(1.34%)	(2.42)%
Short-term	1 - 2 years	0.76%	2.00%	(1.24)%	

The change in rates has resulted in a decrease to the provisions balance of £2,634.0 million for 2018-19 (2017-18: increase of £1,485.0 million).

Where provisions remain calculated over a period of 50 or 100 years, it is necessary to add another year onto the provisions to maintain that timeframe. Forecast cash flows associated with the additional year are £24.5 million (2017-18: £22.5 million).

Other key assumptions and sensitivities in establishing the provisions at 31 March 2019 are explained on the next pages.

Mine water schemes

The provision relating to mine water treatment schemes is £1,822.0 million (2018: £3,438.0 million).

In order to comply with legislation, including the Water Environment (Water Framework Directive) (England and Wales) Regulations 2003 and the Water Environment and Water Services (Scotland) Act 2003, a strategy has been developed to design and build a further 10 schemes by 2027 to remediate existing pollution identified by the Environment Agency (EA), Natural Resources Wales (NRW) and Scottish Environment Protection Agency (SEPA). A further 13 preventative schemes are programmed to be built to avoid new pollution based on scientific projections of water quality and levels.

The legislation includes the principle of disproportionate cost and since 2010-11 this principle has been applied in assessing the viability of remedial schemes, through cost benefit analysis. Schemes will be deferred whilst new technologies are sought to build schemes for a cost in line with the benefits generated. Should such technology not become available these schemes may not be built and are therefore not provided for. Currently 55 schemes (2018: 18 schemes) have been deferred, at average scheme build cost of £3.3 million and operating costs of £0.1 million per annum.

Cash flows over the next 100 years, before inflation and discounting, based on latest forecast and which are within the Coal Authority's control, total £1,719.5 million (2018: £1,415.7 million). Cash flows are calculated over 100 years as scientists have concluded that the conditions for causing pollution will continue and there is no foreseeable option to dispense with treatment schemes. These cash flows incorporate:

- The estimated cost of commissioning the build of future schemes at £76.1 million (2018: £77.4 million). An update to the programme, and associated cost, follows a strategic review, engaging with key stakeholders (Defra, NRW – Natural Resources Wales and SEPA – Scottish Environment Protection Agency). The revised programme reflects the removal of 28 schemes, as well as including latest cost estimates for the build of schemes. An extended period for undertaking preventative scheme builds, from 5 to 10 years, as a result of increased confidence in technical data, information and analysis, has been incorporated resulting in an increment of 5 schemes. Cost benefit analysis has been updated to reflect the latest cost estimates associated with building, refurbishing, maintaining and operating schemes, as set out below, resulting in the removal of 33 remedial schemes from the programme.
- The estimated cost of a refurbishment programme and capitally maintaining schemes, including solar panel installation, maintenance and replacement, at £623.7 million (2018: £378.5 million). Experience of managing schemes over a sustained period of time has led to a realisation that the useful operating life of certain components of the schemes is less than originally forecast, therefore leading to more frequent replacement cycles and associated increase in costs.

- The estimated cost of operating schemes, which include efficiencies as they are delivered through an ongoing innovation programme, for the next 100 years at £1,019.7 million (2018: £959.8 million). These costs relate to both existing and future schemes, per the revised build programme, as they are built and become operational. Operating costs at scheme level vary dependent upon the size and type of treatment scheme, the volume of water flow, as well as the chemistry and quality of the water. Operating costs have been under sustained pressure, particularly in relation to power and chemicals, leading to significant cost increases. However, this has been partially offset as a result of a reduced future build programme and the removal of associated operating costs.

Beyond 100 years the inherent uncertainties to the future costs and timing of cash flows prevent provisions being made.

Significant uncertainties beyond 100 years include new technologies; environmental regulations; price inflation of construction and operating costs; positioning of schemes and related land costs; and, the number of future preventative schemes required.

Public safety and subsidence

The provision relating to public safety and subsidence activity is £279.0 million (2018: £405.0 million).

Subsidence provisions relate to the estimated cost of settlement of subsidence claims. The Coal Authority has obligations under the 1994 Act and Subsidence Act 1991 to investigate and settle claims in respect of coal mining subsidence damage arising outside designated areas of responsibility associated with licences granted to coal mining operators.
Public safety provisions relate to surface hazards and the costs of treating ground collapses, shaft collapses and other hazards relating to former coal mining activities. The Coal Authority has obligations under the 1994 Act and Subsidence Act 1991 to investigate and treat hazards arising from coal and to have regard for public safety.

Cash flows over the next 50 years, before inflation and discounting, based on latest forecast and which are within the Coal Authority's control, total £268.7 million (2018: £263.2 million). Cash flows are calculated over 50 years as the Coal Authority expects to settle subsidence claims and surface hazards for a considerable period of time as the conditions for subsidence and surface hazards will always be in existence. These cash flows incorporate:

- The estimated costs for investigating and treating claims at £4.8 million per annum (2018: £4.7 million per annum).
- The estimated annual costs for the ongoing mine entry inspection programme through to 2023 at £0.5 million per annum (2018: £0.4 million per annum). Mine entry inspections and re-inspections are undertaken as part of a risk assessed rolling programme, and alternate every 5 years. The next 5 year cycles commence from 2024 at a cost of £0.7 million per annum and 2029 at a cost of £0.4 million per annum (2018: average cost of £0.6 million per annum).

Beyond 50 years the inherent uncertainties of the future costs and timing of cash flows prevent provisions being made. Inherent uncertainties for public safety and subsidence are significantly higher than for mine water schemes and subsidence pumping stations.

Significant uncertainties beyond 50 years include; new technologies or methods of treatment which may be introduced; price inflation of contractor and material costs; new planning regulations to stabilise land prior to development; regeneration projects; or land stabilisation programmes. In addition to new damage, as time passes, shallow workings and shafts which have been treated in the past may need further remediation and monitoring. It is difficult to predict where surface hazards will next occur, or the profile and approach towards managing public safety and subsidence events, which impacts on the ability to reliably determine costs associated with these issues.

Subsidence pumping stations

The provision relating to subsidence pumping stations is £138.0 million (2018: £398.0 million). Subsidence pumping station provisions relate to the costs of 84 pumping stations which control water on land affected by subsidence. This includes obligations under the Doncaster Drainage Act 1929.

Cash flows over the next 100 years, before inflation and discounting, based on latest forecast and which are within the Coal Authority's control, total £129.9 million (2018: £166.1 million). Cash flows are calculated over 100 years as scientific evidence indicates that due to the effects of subsidence, certain pumping stations will be required for a considerable period of time. These cash flows incorporate:

- The estimated cost of a refurbishment programme, which is now due to complete by 2034, at £12.3 million (2018: due to complete by 2032 at £20.5 million). An update to the programme, and associated cost, follows a strategic review with key stakeholders (Environment Agency and Internal Drainage Boards). There is an ongoing requirement to continue refurbishment beyond 2034 and into the foreseeable future. This ongoing refurbishment programme has been incorporated at £0.6m per annum (2018: £1.0 million per annum), also reflecting the outcome of the strategic review.
- The estimated cost of operating these stations for the next 100 years at £0.7 million per annum (2018: £0.6 million per annum).

Beyond 100 years the inherent uncertainties of the future costs and timing of cash flows prevent provisions being made.

Significant uncertainties beyond 100 years include; the expected operational life of the stations and plant and machinery; and, the levels of refurbishment or replacement that may be required.

Other property related provisions

The provision relating to other property is £58.0 million (2018: £85.0 million).

The Coal Authority provides for costs to meet its statutory obligations. These liabilities are managed by our Property and Public Safety and Subsidence teams. When made aware of a site requiring rehabilitation, restoration or requiring future expenditure related to safety and security, provisions are initially recognised following an assessment of the action required and where costs can be reliably estimated, and subsequently kept under review.
These include the following items and associated cash flows, before inflation and discounting, reflecting latest assumptions:

- Obligations under the Bridgewater Canal Act 1907 to maintain elements of the canal which have been affected by coal mining subsidence. A 50 year programme of works has been prepared and costs estimated at £32.6 million remain at 31 March 2019 (2018: £33.0 million).
- Obligations under the 1994 Act, the Mines and Quarries (Tips) Act 1969 and the Mines and Quarries (Tips) Regulations 1971 to have regard to public safety. Tips may become insecure when water or ground conditions make them unstable. The Coal Authority has responsibility for 41 tips and keeps them secure, monitors water drainage, constructs tunnels and ponds to capture the water runoff and undertakes a regular programme

of maintenance. Costs over the next 50 years have been forecast at £17.3 million (2018: £18.3 million), incorporating annual costs at £0.3 million per annum (2018: £0.4 million per annum). Beyond 50 years the inherent uncertainties of the future costs and timing of cash flows prevent provisions being made. Significant uncertainties beyond 50 years include the future costs of major repair projects following adverse weather conditions.

- Closed colliery site obligations are assessed to be £5.8 million (2018: £5.7 million) and relate to returning colliery sites to a condition that is safe and secure and consistent with any required planning permission or lease requirement.

Sensitivity of trends and assumptions

The calculations as explained above necessarily include estimates and assumptions, therefore, due to their nature, provisions balances are reasonably sensitive. For example:

- Should estimated future cash flows increase or decrease by £1.0 million per annum:
  - In relation to subsidence, surface hazards and tip management, the total provision over 50 years at current day prices would increase or decrease by £52.0 million.
  - In relation to mine water schemes or subsidence pumping stations, the total provision over 100 years in current day prices would increase or decrease by £106.0 million.
- Should inflation or discount rates that as specified by HM Treasury change, there would be an impact on the provisions balance;
  - An increase in the inflation rates of 0.5% would increase the total provision held by £605.0 million (26%).
  - A decrease in the inflation rates of 0.5% would decrease the total provision held by £443.0 million (19%).
  - An increase in the discount rates of 0.5% would decrease the total provision held by £442.0 million (19%).
  - A decrease in the discount rates of 0.5% would increase the total provision held by £609.0 million (27%).

Analysis of timing of discounted flows:	**Mine water schemes**	**Public safety and subsidence**	**Subsidence pumping stations**	**Other property related provisions**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Up to 2020	17,836	5,826	2,218	1,473	**27,353**
Between 2020 and 2024	105,656	22,634	6,712	5,668	**140,670**
Between 2024 and 2039	292,793	83,684	20,652	19,390	**416,519**
Thereafter	1,405,715	166,856	108,418	31,469	**1,712,458**
Total	**1,822,000**	**279,000**	**138,000**	**58,000**	**2,297,000**

13. Capital commitments

Contracted capital commitments at 31 March not otherwise included in these accounts:

	2019 £000	2018 £000
Capital commitments:		
Mine water treatment schemes	4,285	863
Subsidence pumping stations	752	655
Intangible assets	40	66
	5,077	1,584
Less capital commitments within provisions:		
Mine water treatment schemes	(3,429)	(476)
Subsidence pumping stations	(752)	(655)
	(4,181)	(1,131)
Capital commitments not included within the accounts:		
Mine water treatment schemes	856	387
Intangible assets	40	66
Total	**896**	**453**

14. Commitments under leases

14.1 Operating leases (lessee)

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2019 £000	2018 £000
Land:		
Within 1 year	527	517
Between 1 to 5 years	1,870	1,818
After 5 years	13,014	12,704
	15,411	15,039
Leased vehicles:		
Within 1 year	91	70
Between 1 to 5 years	123	48
After 5 years	-	-
	214	118
Total	**15,625**	**15,157**

14.2 Operating leases (lessor)

Total future minimum income receipts under operating leases in relation to head office freehold property rental and other income are given in the table below for each of the following periods:

	2019 £000	2018 £000
Head office - freehold property:		
Within 1 year	180	271
Between 1 to 5 years	329	644
After 5 years	-	-
Total	**509**	**915**

The Coal Authority has no finance leases or Private Finance Initiative (PFI) contracts.

15. Contingent liabilities

Licensees of mining operations are required to provide security to the Coal Authority to cover the anticipated future costs of settling subsidence damage liabilities within their areas of responsibility. Outside the areas of responsibility of the holders of licences under Part II of the 1994 Act, the Coal Authority is responsible for making good subsidence damage. Where an area of responsibility is extinguished this would transfer to the Coal Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Coal Authority also has an ongoing liability to secure and keep secured the majority of abandoned coal mines. In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities.

The above liabilities have been provided for within the Public Safety and Subsidence provision (Note 12 to the Accounts) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid.

Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise in the future. It is expected that any costs will be covered by future allocations of grant in aid.

The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities. Where appropriate, provisions are made in the accounts on the basis of information available and in accordance with guidance provided under the FReM and IFRS. The Coal Authority does not expect that the outcome of the above issues will materially affect its financial position.

In addition to the contingent liabilities outlined above the following should be noted:

Environmental Information Regulations 2004

The Coal Authority is aware of potential legal proceedings in respect of past fees paid for Mining Information.

If we receive formal notification to commence legal proceedings, the Coal Authority will strongly defend its position.

16. Contingent assets

By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9) the Coal Authority is the beneficiary of restrictive covenants and clawback provisions relating to land and properties sold by the British Coal Corporation. In the event that the purchasers are able to retrospectively secure added value by obtaining planning consent for alternative uses the Coal Authority will receive a share of the added value. Quantification of this asset is not possible.

In addition to the contingent assets outlined above the following should be noted:

Allen Court – Kirkcaldy

In excess of 25 damage notices have been submitted to the Coal Authority in respect of subsidence damage to properties at Allen Court, Kirkcaldy.

£1.6 million of costs have been recognised as at 31 March 2019.

The property development was undertaken following the provision of a permit by the Coal Authority which incorporated indemnity clauses. The Coal Authority will continue to strongly pursue resolution and expects to recover its costs from the developer.

17. Related party transactions

The Coal Authority is a Non-Departmental Public Body (NDPB) of the Department for Business, Energy and Industrial Strategy (BEIS) and received grant in aid during the year, as well as surrendering income due to the consolidated fund in relation to statutory licensing activities.

BEIS continues to provide a consolidated annual report and accounts for the core department and incorporating NDPBs, including the Coal Authority, that are classified within its consolidation boundary.

In addition, the Coal Authority had a number of transactions with other government departments and bodies. The most significant of these transactions include the purchase of goods and services from the Ministry of Housing, Communities and Local Government and the provision of advisory and technical services to the Department for Environment, Food and Rural Affairs (Defra) and Network Rail.

There have been no material transactions undertaken between board or executive members, or other related parties, and the Coal Authority during the year, that require disclosure.

18. Events after the reporting period

There were no significant events after the reporting period that require disclosure.

Date accounts authorised for issue

The Chief Executive and Accounting Officer has authorised these accounts to be issued on the date they were certified by the Comptroller and Auditor General.

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY IN ACCORDANCE WITH THE COAL INDUSTRY ACT 1994

1. This direction applies to the Coal Authority.

2. The Coal Authority shall prepare accounts for the financial year ended 31 March 2019 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.

3. The accounts shall be prepared so as to:

   (a) give a true and fair view of the state of affairs at 31 March 2019 and subsequent financial year-ends and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended; and

   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Department for Business, Energy and Industrial Strategy who will consult HM Treasury as necessary.

5. This Direction supersedes the Direction dated 16 May 2018.

Christopher Whelan

Assistant Director - Coal Liabilities Unit
(An official of the Department for Business, Energy and Industrial Strategy
authorised to act on behalf of the Secretary of State)
30 April 2019