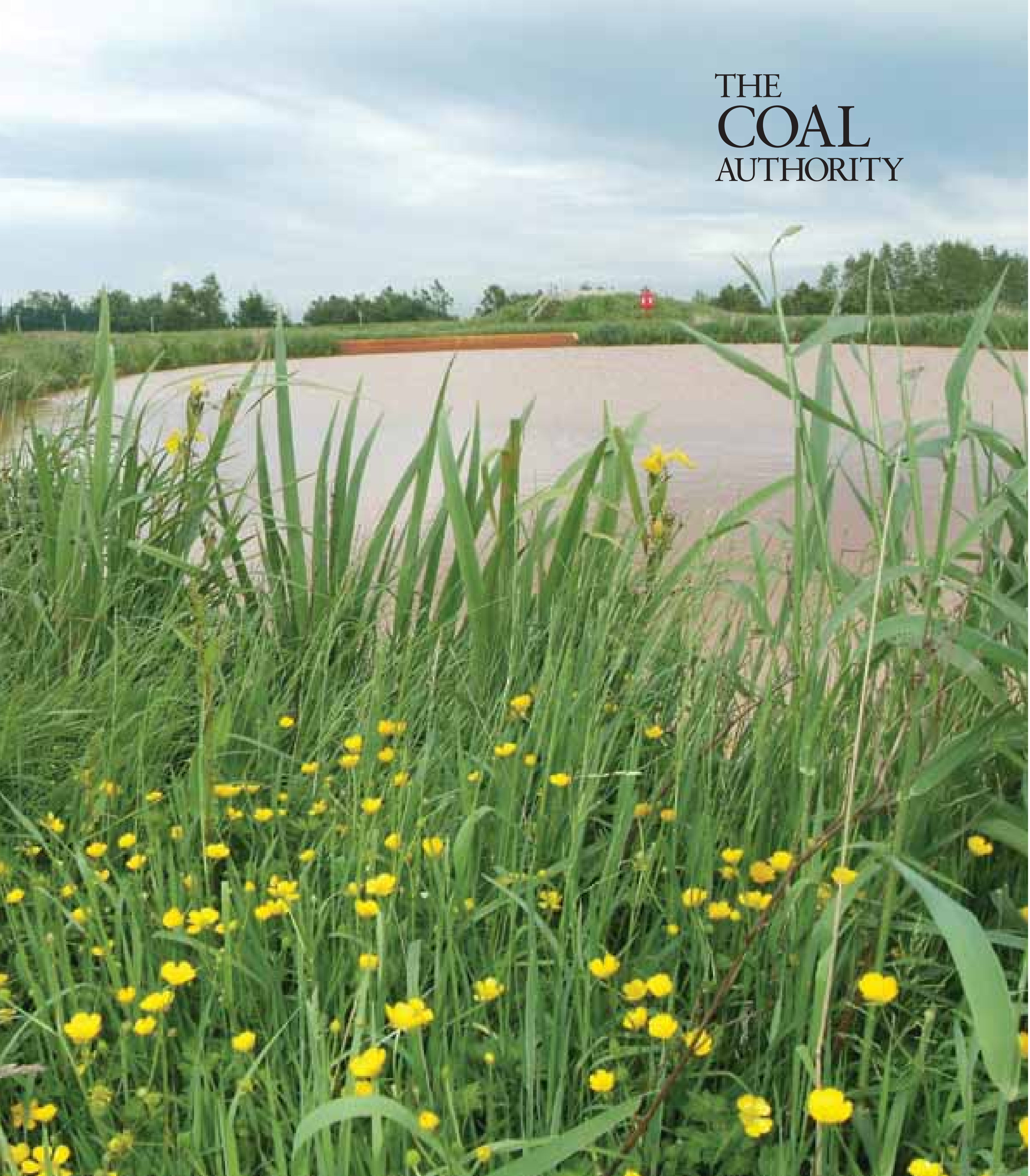

THE COAL AUTHORITY

The Coal Authority | REPORT & ACCOUNTS **2008–2009**

The Coal Authority

Annual Report and Accounts
2008-2009

Annual Report presented to Parliament by the Secretary of State for
Energy and Climate Change in pursuance of section 60(6) of the Coal Industry Act 1994
and Accounts presented to Parliament by the Secretary of State for Energy and
Climate Change on behalf of the Comptroller and Auditor General in pursuance
of paragraph 15(4) of Schedule 1 to the Coal Industry Act 1994.

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The Coal Authority

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Smithy Brook minewater treatment scheme, Lancashire

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Chairman's Statement

INTRODUCTION

The mission of the Authority is to facilitate the proper exploitation of the Nation's coal resources, whilst providing information and addressing liabilities for which the Authority is responsible, in a professional, efficient and open manner.

I reported last year that the Authority faced a number of challenges. I am pleased that it continues to make excellent progress against these, and with implementing the major initiatives to:

- Review the public safety programme;
- Continue to seek new ways in which to deliver information to stakeholders;
- Strengthen the role of the Authority providing information as a statutory consultee in the planning process and its liaison with local authorities in the coalfield areas of Britain;
- Consider its future funding requirements, structure and role;
- Procure the successor strategic information system; and
- Deliver the minewater treatment programme.

The work undertaken on these initiatives during the year is described below.

Public Safety

The Authority's property of shallow mine workings and mine entries gives rise to public safety hazards. Work continues on the risk based pro-active mine entry inspections programme developed from the desk top examination of our information on some 170,000 mine entries. During the year 12,477 mine entries were inspected of which 265 required follow up action. The programme was increased from the initial 5,000 inspections to address concerns over public safety. In the coming year the Authority will inspect 15,000 mine entries and manage the hazards associated with them according to the risks identified.

The importance of this work was highlighted by the two separate tragic incidents which occurred in Scotland in July 2008, where two members of the public suffered fatal accidents arising out of the historic legacy of coal mining. Our sympathies are with both families.

Provision of Information

The Authority continues with its work on developing the information it holds in a format suitable for sharing with local authorities on public safety and planning matters and sharing with them our data. The newly formed Planning and Local Authority Liaison (PLAL) team has been extremely busy in developing relationships with local authorities. Work is also underway with a number of authorities in Scotland, England and Wales to enable them to access electronically the Authority's coal mining data. The initial response from the authorities is encouraging.

The PLAL team has also been developing relationships with the relevant planning authorities that have the responsibility for the coalfield areas of Britain, to both ensure that the legacy of past coal mining is taken into account for new build projects, and that relevant surface coal resources are safeguarded.

A "fair trading" compliant business model and framework for the provision of the Authority's mining information services has been developed. In April 2009, the Office of Public Sector Information (OPSI) assessed the Authority's model for Information Fair Trader Scheme (IFTS) accreditation. The Authority expects the final assessment report to be published by early summer 2009.

Procuring an Information System

The Authority is in the final stages of a tender process under European Union rules for the procurement of Inferis, the information system necessary to replace the current Mining Reports and Surface Damage System (MRSDS), in 2010. A Procurement Strategy Board was established together with a project team to oversee and implement the project. Detailed discussions took place with the selected tenderers in the second half of the year, and a decision will be made on the award of contract in summer 2009.

Delivering Minewater Treatment Schemes

Following the completion of construction during the year, the Authority commissioned the Dawdon aquifer protection scheme near Seaham in County Durham in spring 2009. This scheme will protect the aquifer which provides 20% of the daily drinking water for the North East. To the great credit of all staff involved, the Dawdon minewater project received a commendation at the Robert Stephenson Awards 2009 from the Institution of Civil Engineers North East.

Work also commenced on five further remediation schemes, three of which were completed and were operational by the year end.

The Authority has worked closely with the Environment Agency in preparing the River Basin Management Plans required under the EU Water Framework Directive (EUWFD). Many of the

Authority's core skills can be used to deliver solutions to pollution from non coal mines and this potential is being explored.

Financing

The Authority is funded through grant in aid by the Department of Energy and Climate Change (DECC). A settlement of £102.5 million was agreed for the period 2008-2009 to 2010-2011. During the year it became clear that this was insufficient to allow the Authority to fulfil its duties and responsibilities, particularly in the areas of public safety and environmental issues. A further £13.8 million has been allocated by DECC for the period 2009-2010 and 2010-2011.

The Authority also saw a major reduction in the demand for its mining report services in line with the reduction in the volume of transactions in the property market. Fees for property search services had to be increased to maintain the levels of service to the market.

Strategy Review

Working with officials from the DECC, our sponsoring department, the Board considered the long term strategy of the Authority. We considered whether the Authority was still required, or alternatively that its duties could more efficiently be undertaken if they were devolved to other bodies.

We identified the potential for devolving elsewhere the principal functions of the Authority. However, we agreed that there appeared no obvious benefit to be derived from doing so. This reflected DECC's belief that the cross-dependencies between the Authority's various functions and within its internal structures suggested that the existing model continued to be an effective and efficient one.

The Board recognised that many of its responsibilities, such as subsidence, safety and environmental pollution, would be required to be performed for many generations to come, and the mining information would continue to need to be shared with the public, local authorities and developers. These tasks can be more efficiently fulfilled by preserving the unique skills and experience of the Authority.

As a result of the strategic review, the Board agreed to continue in its current structure and revised its high level objectives. These are to:

1. Manage the legacy environmental and safety issues arising from the UK coal mining industry which are within our responsibility, addressing liabilities efficiently and treating minewater pollution appropriately within the legal framework.

2. Communicate coal mining information relating to the legacy environmental and safety issues.

3. Pursue opportunities to trade information fairly and utilise the Authority's breadth of skills and experience.

4. Interact with industry and government to promote the use of the UK's coal resource as part of a diverse and secure energy portfolio.

Outlook

The coming year will be extremely challenging for the Authority as it will for all service providers in these recessionary times. We will:

- Award and commence delivery of Inferis as the successor strategic computerised information system.
- Explore and seek to establish ourselves as a shared delivery centre for treating and managing non coal minewater pollution while delivering the minewater treatment programme to meet the requirements of the EUWFD.
- Agree with DECC and the industry a broader licensing policy for underground coal gasification.
- Deliver the public safety programme, specifically inspecting 15,000 mine entries.
- Develop relationships with stakeholders and broaden the understanding of Local Authorities through our disclosure programme.

COAL

The ever increasing demand for energy continued last year. This led to the world price of steam coal reaching US$220 per tonne in the summer of 2008 before dropping back down to US$60 per tonne in April 2009. The demand for coal will continue to grow particularly in the developing regions of the world. This will place an even greater emphasis on the development of clean coal technologies

Shotton Surface Mine, Northumberland

to mitigate carbon emissions associated with coal fired power generation. The Authority awaits the outcome of the Government carbon capture and storage (CCS) demonstration competition and the consultation on new build coal fired power stations. We welcomed the announcement made by the Chancellor of the Exchequer in the budget in April 2009 that up to three further CCS projects will be funded by a new levy mechanism. Coal accounted for 36% of the nation's electricity produced in 2008 with 51 million tonnes of coal being utilised for power generation, of which 17.4 million tonnes was British mined (an increase of 7% on the previous year).

Increased focus is now being placed on extracting the energy from coal from alternative methods to conventional mining. Developments continue worldwide with gasifying coal underground and transporting the energy to the surface. The Authority awarded its first conditional underground coal gasification licence during the year and it is working closely with oil and gas licensing colleagues at DECC to ensure an appropriate and sustainable regulatory regime for the future.

The Authority continues to participate in the work of the Coal Forum and its Sub-Groups. The Forum published its second overview report in September 2008 with the Government response being published in March 2009. The ongoing need for the Forum and its forward work programme have been agreed. The Authority will continue to be actively involved in this work programme and will maintain its representation on both the Forum and its Sub-Groups.

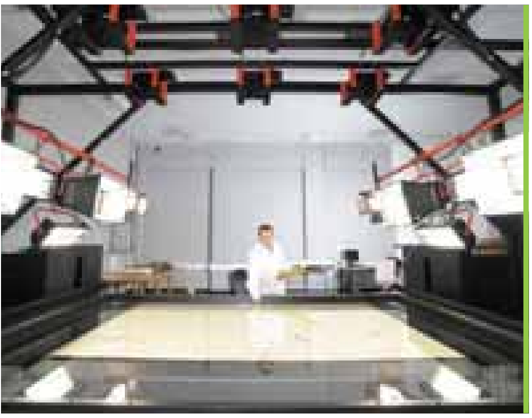
RELATIONSHIPS AND APPRECIATION

This year has not been without its challenges, and I noted above how we see these continuing into the next one. I would like to thank my fellow Board members for their active commitment to the Authority, and to lending their insight and experience willingly to address the range of issues that arise. Particular thanks go to John Hawksley, whose term as a Non-Executive Director came to an end in September 2008, and whom we wish well in his retirement.

I would also like to extend my thanks to all members of the Authority's staff. Many of these are involved in large, outward facing projects such as our minewater and public safety programmes, but equal numbers work away behind the scenes supporting our day-to-day operations. The Board gratefully acknowledges that they have all remained enthusiastic and motivated in the delivery of our business throughout the year.

Finally, our work brings us into contact with a large number of external bodies. Chief amongst these is our sponsoring department, DECC. We have enjoyed uninterrupted service as they have transitioned over from BERR, and look forward to continuing to do so this year. We also work with a number of other representatives of central government, local government and the coalfield communities; with coal producers and other organisations within the industry; and many other stakeholders impacted by and involved with our activities. Our thanks go to all these bodies for their inputs which allow us to deliver our services in a timely, cost effective and efficient manner.

Dr Helen Mounsey
Chairman



Management Commentary

INTRODUCTION

The Management Commentary describes the work of the Authority for the year together with the future plans for the various activities undertaken. It aims to improve the quality of financial and non-financial information given to stakeholders.

PERFORMANCE AGAINST TARGETS

The Authority is committed to fulfil its Mission and High Level Objectives as set out in the Chairman's Statement in an efficient and cost effective manner, within the limits of the resources it has at its disposal. This objective was met during the year as its activities were financed from within its budget.

Performance against these targets is provided on the following table. The target for minewater schemes was exceeded due to work commencing on four new schemes during the year. The Authority adopted the Government requirement to pay invoices within 10 working days in November 2008. Since that time the payment process has been improved and during March 2009 the percentage of invoices paid within 10 days was 65%.

KEY PERFORMANCE INDICATORS AND TARGETS SUMMARY

Year ended 31 March		2004	2005	2006	2007	2008	2009	2010	2011	2012
Inspect all operational mines at least once annually (%)	Target	100	100	100	Note 1					
	Outturn	100	100	100						
Inspect all operational mines in accordance with the Authority's risk based criteria (%)	Target				100	100	**100**	100	100	100
	Outturn				100	100	**90**			
First inspection of residential subsidence claims within four weeks (%)	Target	97	100	100	100	100	**100**	100	100	100
	Outturn	100	100	100	100	100	**98**			
Communicate decision on residential subsidence claims to claimants within three weeks (%)	Target	97	98	98	99	99	**99**	99	99	99
	Outturn	98	100	99	99	100	**89**			
Requests for mining reports responded to within two working days (%)	Target	87	89	91	92	93	**94**	95	95	95
	Outturn	97	96	94	96	94	**93**			
Requests for mining reports responded to within five working days (%)	Target	95	98	98	98	98	**98**	98	98	98
	Outturn	99	98	98	98	98	**98**			
Commence site works to remediate eight minewater discharges annually (%)	Target	100	100	100	Note 2					
	Outturn	100	88	88						
Commence site works to remediate one minewater discharge annually (%)	Target				100	100	**100**	100	100	100
	Outturn				100	100	**500**			
All valid invoices to be paid within contract terms (%)	Target	100	100	100	100	100	**100**	100	100	100
	Outturn	99	99	99	99	99	**99**			

Notes:-
1. The inspection regime, in agreement with HSE, has been modified such that the frequency of inspections is based on risk.
2. The minewater remediation target was reduced to one scheme per annum until 2008-2009 due to funding restrictions.

REVIEW OF ACTIVITIES

Introduction

The Authority has four key classes of business being Mining Information, Public Safety and Subsidence, Environmental Projects and Property Management. A detailed review of the activities of each of the Authority's functions, together with an outlook for the future, is set out in the following paragraphs. A summary of the financial results for each function is given in Note 2 to the Financial Statements.

PUBLIC SAFETY AND SUBSIDENCE

The Authority's Public Safety and Subsidence team provides a 24 hour, 365 day emergency response service to incidents associated with former coal mining operations which pose a risk to the safety of the public. It administers claims for coal mining subsidence damage from property owners throughout the coalfield areas of Britain, where the Authority is the 'responsible person' and operates the management programme for the 42 spoil tips in the ownership of the Authority. The team also administers the inspection programme for the 170,000 recorded coal mine entries across Britain.

Surface Hazards and Enquiry Projects

The Authority deals with public safety risks arising from past coal mining activities which include mine entry and mine working collapses, mine gas emissions, mine water emissions and spontaneous combustion of coal.

Upon receiving a report of a suspected coal mining hazard the Authority's emergency call out service will make such hazards secure, on a without prejudice basis, undertake investigations as to the cause of incidents and carry out a permanent treatment where the Authority has a responsibility to do so. Officers from the Mines Rescue Service Limited (MRS) are deployed under contract to attend an incident within two hours of receipt of notification. This contract was renewed at the end of the year following a competitive EU tender process. Some of the more remote coalfields are covered by separate contractors.

The Authority also deals with other projects associated with former coal mining which cause a nuisance rather than being a public safety risk. These include minor water issues and general enquiries.

Grouting a coal mine shaft

The Authority was saddened to be involved with two tragic incidents where members of the public suffered fatal accidents in relation to the historic legacy of coal mining. An experienced caver was being lowered down an open coal mine shaft, when he collapsed through insufficient oxygen in the atmosphere. He was rescued by the emergency services, but died several days later in hospital. In the second case a member of the public was walking across a field and fell into a coal mine shaft. It is believed that the shaft had recently collapsed. The woman sadly died of her injuries. In both cases the Authority had no knowledge or record of the condition of the shafts. It is unfortunate that given the age and extensive nature of coal mining in the UK that this is often the case.

The Authority wrote to all local authorities on the coalfields with details of these incidents and published the letter on its website. The Authority also made contact with a number of organisations such as caving societies, mining history societies and others to ensure that their members were aware of the very dangerous environments coal mine entries and mineworkings pose. The Authority considers that under no circumstances should members of the public enter into disused coal mine workings.

Mine Entry Inspection Programme

Given the inherent dangers in mine shafts the Authority aimed to inspect 5,000 mine entries in 2008-2009. This pro-active mine entry inspection programme was reviewed in October 2008 and showed that a significant number of dangerous mine entries had been identified and secured. The Board concluded that the inspection programme should be increased to 15,000 during 2009. As well as addressing immediate public safety concerns, the programme highlighted the need for shaft caps, grills and other associated structures to be properly maintained. In the course of this programme, all mine entries where past records infer that mine entries are in an unsecured state or the fill in shafts is unstable will be visited.

The Authority had inspected 12,477 mine entries during the year ended 31 March 2009 of which 265, approximately 2%, have required follow-up action. Progress to date has surpassed targets and the results indicate that the programme is effective in addressing and safeguarding public safety.

Land to the South of Heolgerrig, Merthyr Tydfil

The Authority reported last year on the public safety dangers presented by an area of land adjacent to Merthyr Tydfil in South Wales which due to its history of intensive working in several coal seams posed an exceptional risk to public safety. The Authority has continued throughout the year to maintain and repair fencing pending the outcome of a planning application submitted by the landowner to remediate the land.

Surface Hazards and Enquiries Statistics

The team received 406 notifications of surface hazards, 334 that required the deployment of an emergency response. The key performance indicators in relation to these responses are shown in the table below:

Number of hazards reported	Number of hazards requiring emergency response	Competent person informed within one hour	Inspected within two hours (or longer by arrangement)	Secured within six hours (or longer by arrangement)	Field Engineer on site within 24 hours
406	334	334	330	333	333
		100%	99%	99.7%	99.7%

Targets are rarely missed and generally these failures are due either to traffic delays or insufficient or incomplete locational information being received. The competent person function is chiefly provided through a contract with the MRS, although the role is also provided by a small number of other providers in the more remote coalfield areas of Britain. On occasions the initial call out is undertaken by the Authority's own staff. By achieving a rapid deployment to a suspected surface hazard, the Authority considers that it significantly reduces the risk of public harm which may arise from any incident.

In addition to the 406 hazards reported, the team received a further 249 projects relating to potential former coal mining liabilities which did not require emergency call out action. Within the total of 655 new projects, a number of these required the investigation of more than one mining feature and the total number of features attended to was 868 compared with 817 last year. The acceptance rate for all projects, (excluding those arising from the pro-active inspections of mine shafts) was the same as last year at 39%. The project spend on surface hazards for the year was £5.4 million (2007-2008: £4.2 million).

Claims and costs per region are shown in figures 1 and 2 below.

Figure 1:
Surface Hazards Projects Received by Region – 2008-2009

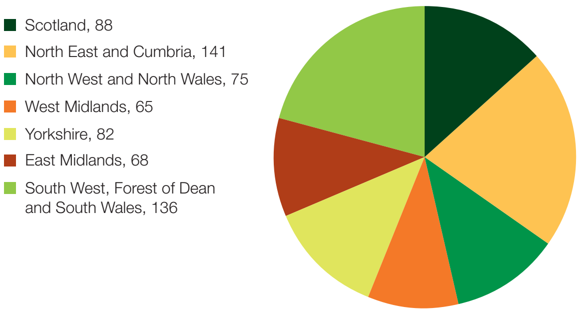
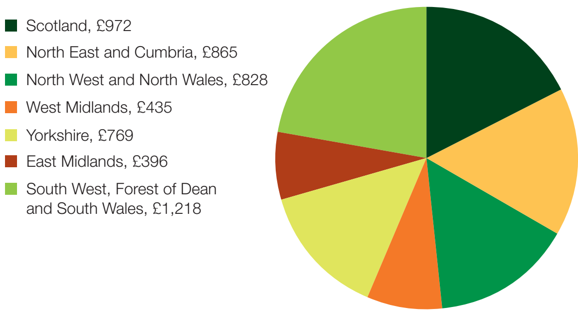


Figure 2:
Surface Hazards Projects Expenditure by Region – 2008-2009 (figures expressed in £000s)



Subsidence Claims

Claims are made to the Authority in respect of coal mining subsidence damage under the framework of the Coal Mining Subsidence Act 1991. Such damage may be typified by structural damage to properties or damage to land.

Significant claims

Bridgewater Canal

The Authority carries an obligation under the Manchester Ship Canal Act 1907 to address coal mining subsidence issues associated with an 11.5 kilometre stretch of the Bridgewater Canal in Manchester, (“the mining length”). These obligations extend to maintaining the canal in an open and navigable condition along the mining length. Past subsidence has required the canal to be built up on embankments which in places are 10 metres high. The Authority works closely with the Manchester Ship Canal Company (MSCC) in this matter.

Works this year have included the installation of a set of stop gates along the length of the canal at Lingards Bridge and Marsland Green Bridge at a cost of £877,000. These gates seal off a section of the canal affected by fissure damage should a breach in this section occur. A programme of sheet piling to defective waterway walls was also completed.

Subsidence damage repairs in the North East

The Authority will install a telemetry system to monitor water levels along the fissure length and should a breach occur the gates will close preventing a major loss of water and associated flooding of the adjacent land.

Subsidence Statistics

During the year, the Authority received 409 claims for alleged mining subsidence damage, a reduction of 128 claims from last year. Of these claims 194 were from owners of domestic residential properties as against 222 last year, the remaining being associated with statutory undertakings and commercial and agricultural operations. Acceptance rates for domestic properties for the year was 11% (2007-2008: 16%) and for non domestic claims 60% (2007-2008: 81%).

The Authority resolved 463 claims during the year, leaving a balance of 470 claims outstanding at the 31 March 2009. Spend on subsidence claims within the year amounted to £3.7 million.

Claims and costs per region are shown in figures 3 and 4 below.

Figure 3:
Subsidence Projects Received by Region – 2008-2009

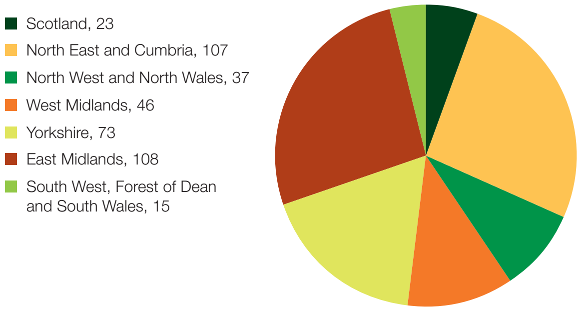
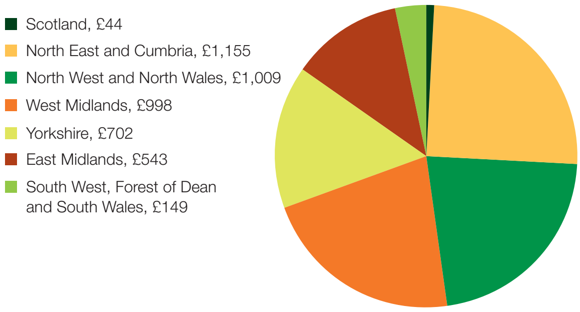


Figure 4:
Subsidence Projects Expenditure by Region (including Bridgewater Canal) – 2008-2009
(figures expressed in £000s)



Work on Disused Tips

The Authority spent £1.1 million (2007-2008: £ 1.1 million) on the management and maintenance of its 42 disused tips and associated structures during the year. This included two significant culvert refurbishment contracts at Avon Tip in Blaengwynfi, South Wales and Bilston Glen in Edinburgh. Works have also continued on contracts associated with planning permissions for environmental improvements; many of these contracts are now coming to an end with only three remaining under contractual aftercare beyond March 2009.

Successful completion of restoration and aftercare on Western Tip at Bridgend rendered the site safe and allowed it to be sold together with the associated Aber Farmlands and Cwm-y-Fuwch Tips.

All tips and associated lands are subject to a rigorous programme of inspection and regular monitoring in the interests of public safety and environmental protection. Modern technology has been embraced and use is made of telemetry for remote monitoring of key indicators on Blaencwm Landslide and seven other tip locations in South Wales. Following the successful use of laser scanning to supplement knowledge gained from conventional survey monitoring at Blaencwm, its use has now been extended to monitor a coastal landslip affecting part of the Frances Bing in Fife.

Restoration of Littleton Tip and Quarry was commended in the large landscape project category at the Constructing Staffordshire Awards Ceremony 2008 organised by the West Midlands Centre for Construction Excellence.

Future Activities

The Authority will continue during 2009-2010, (in addition to its core activities undertaken by the team), to:

- Inspect 15,000 mine entries and develop a risk based approach to treating dangerous mine entries.
- Further improve project management and expand stakeholder communication.
- Implement further integration between surface hazards and subsidence work.

PROVISION OF INFORMATION

Planning and Local Authority Liaison

The Authority established its Planning and Local Authority Liaison team in April 2008 to re-design, implement and manage the Authority's involvement in the planning process across Scotland, England and Wales. The team will act as the primary contact between the Authority and the 178 Local Planning Authorities covering the coalfield areas of Britain; this also includes the 117 Mineral Planning Authorities.

The Authority is a statutory consultee for Local Development Frameworks in England (since June 2008); and a general consultee for Regional Plans in England and Local Development Plans in Scotland and Wales. The Authority responds to around 550 documents per year to ensure that the legacy of coal mining activities is taken into account when determining development areas and that surface coal resources are safeguarded through the policy making processes.

Digitisation of coal mining information

The Authority is a statutory consultee for all planning applications in coalfield areas. As an interim measure the Authority standing advice issued in 2004 for planning applications has been revised to give those persons receiving planning permission in coalfield areas a greater awareness and understanding of the public safety risks and hazards associated with coal mining activities. The standing advice applies to all developments except for those which are accompanied by an Environmental Statement or are for minerals development. The Authority now provides a site specific and individual response within the statutory time limit on these applications.

The new risk based approach to development management will, following successful completion of a pilot, replace the standing advice as the approach to dealing with planning applications. A new website based referral service will be available which will help raise awareness of the risks of the mining legacy at individual sites. A coal mining risk assessment report may then be needed to submit with a planning application to ensure that the proposed development will be safe and sustainable.

The team is also involved in piloting an approach to the disclosure of mining information to local authorities as property owners/managers to ensure that the authorities are aware of the potential risks to their property.

Property Search Service

The property search service provides information on past, present and future underground and surface coal mining activity for any individual property or site in Britain. It is a computerised service which draws on a unique database of coal mining information.

2008 has seen the lowest demand for property searches since the mid 1990's with 240,254 property searches produced during the year. This was 51% less than the previous year and was as a direct result of the slowdown in the property market. Consequently fees for property search services were increased by 50% with effect from 1 January 2009 to ensure that the service delivery levels could be maintained.

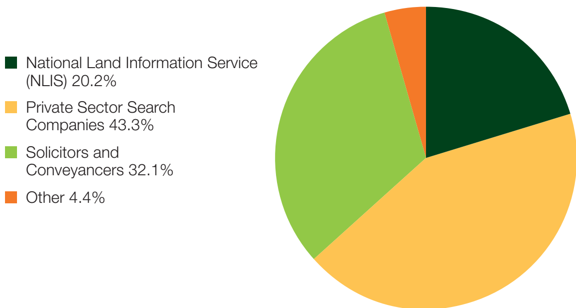
93% of searches were returned within two working days of receipt (target 94%), 98% within five working days (target 98%).

88% of searches were ordered and returned electronically (target 90%).

The 2008 customer survey returned a 100% satisfaction rating for the overall property search service provided.

The Authority negotiated an increase in the maximum detrimental change insurance cover within residential property searches to £50,000 for a reduced premium and initiated the procurement of a major upgrade of the information delivery system.

Figure 5:
Customer Business Sector Percentage of Overall Volume of Searches



The Authority renewed its membership of the Pan-Government Agreement (PGA) for the supply and update of digital mapping and related geographic data for its core non-commercial business. The PGA is managed centrally on behalf of the PGA members by the Department for Communities and Local Government (CLG). However, commercial activity falls outside of the PGA rules and needs to be covered under separate licensing arrangements. Such licensing arrangements were separately negotiated and put in place with Ordnance Survey for digital mapping and related geographic data for the Authority's commercial and non-coalfield work activity.

The Authority aimed to achieve IFTS accreditation by 31 March 2009. The business model was approved in the year and this was reviewed by OPSI in April 2009. The OPSI assessment report is expected in the summer 2009.

Coal Mining Database

The Authority, on behalf of the Health and Safety Executive is custodian of all coal mining abandonment plans. Despite the initiatives undertaken following the establishment of the Authority in 1994 to discover other collections of information that would supplement the plan collection there are still occasions when significant new information comes to light or is made available. During the year the Authority became aware of a further 957 mine entries in the Forest of Dean which have now been added to the records and coal mining database. Continual maintenance and ongoing revision of this database ensures that the accuracy of the mining information is maintained.

A data improvement project commenced during the year to enhance and improve the database in order to meet the demands for the disclosure of mining information. This work is due to be completed by March 2010.

As reported last year the MRSDS will require to be replaced in 2010 and a tender process under EU procurement rules has been ongoing during 2008-2009. The contract is due to be awarded in summer 2009.

Mining Heritage Centre

The Authority houses its collection of records in a purpose built Mining Heritage Centre, incorporating a visitor area where the publicly available records can be viewed.

Mining Records

The Mining Records section based in the Mining Heritage Centre houses the original coal mining abandonment plans and other mining records. The plans show the extent of the coal mine workings at each colliery. During the year 580 visitors viewed parts of the collection. All visits were accommodated within four working days where requested.

The collection totalling 120,000 plans can be viewed electronically with the advantage of clarity, zoom facilities and measurement functions. Most visitors now prefer the electronic viewing methods for studying the data contained in the plans. This facility also enables a complete postal service to be provided with copies of original documents returned by post. The demand for this service continues to increase with 1,971 written requests being dealt with during the year. This trend is expected to continue.

The work of scanning the 7,500 non-coal mining plans for England and Wales which includes the Isle of Man has been completed.

The Authority has continued to undertake commercial scanning work utilising its large format scanning camera facility and has completed a number of projects for a variety of clients including the Coal Industry Social Welfare Organisation (CISWO), Northumberland Records Office, Cornwall County Council, The National Archives, The UK Hydrographic Office, the Welsh Assembly Government and Welbeck Estates. The large scale camera facility allows oversized and/or delicate plans, records and photographs to be scanned using non abrasive techniques.

Records Management

The Authority continues to realise the benefits of its electronic document records management system implementation (EDRM) evidenced by a 30% growth in the electronic file store over the year and a comparable reduction in the volume of paper records sent to its archive.

The project to upgrade the current EDRM system which was implemented in January 2004 has commenced with a planned implementation date of summer 2009.

The Authority's Freedom of Information Publication Scheme was redesigned and reviewed to ensure that it meets the requirements of the Information Commissioner's Office (ICO) model publication scheme for Non Departmental Public Bodies (NDPBs) and went live in December 2008.

Access to Information

The Authority is a "responsible person" under the Environmental Information Regulations 2004 and is subject to the Re-use of Public Sector Information Regulations 2005. The Authority responds to all requests for information except where this is constrained by confidentiality. A publication scheme under the Freedom of Information Act 2000 was published in November 2002 and revised in 2008 to meet the requirements of the ICO model publication scheme. This scheme compliments the Authority's existing practices which adopt the principles set out in the Government paper "Modernising Government". During the year 19 requests for information were received under the access provisions. All have been complied with promptly and within the 20 working day time limit.

The Authority operates a freephone public information service for subsidence damage claim and mining reports enquiries which has worked well over the year. In addition, the Authority operates a central reporting service for hazards related to past coal mining.

The Authority undertakes to respond to requests for information within two weeks where possible, and within four weeks at most. If that is not possible, it will explain the reasons for the delay to the enquirer. During the year the Authority received 20 letters from Members of Parliament and other

Utilising electronic coal mining data

public representatives (2008: 21 letters). The average time taken to reply to such letters was six days, with all responses being submitted within the 20 working day target.

To enhance the public access to its information the Authority has regularly updated and expanded its website which can be accessed at www.coal.gov.uk.

Future Activities

Mining report volumes are dependent upon the property market. The Authority anticipates returning 90% of orders within one working day of receipt and 98% of orders within five working days and issuing 90% of property searches electronically by 31 March 2010.

The Authority awaits the OPSI Information Fair Trader Scheme accreditation assessment report which is expected in summer 2009. Corporate-wide implementation of an IFTS-compliant business model and framework will be carried out following receipt of the report.

The Authority will strengthen its product and service offerings to the market by identifying commercial opportunities in collaboration with other private and public sector bodies working in the property search industry.

The Authority shall assess the results of sharing information with local authorities, the pilot of the web referral service and the coal mining risk assessment reports to decide what further actions need to be taken to disseminate the information it holds to stakeholders.

Dawdon minewater treatment scheme

ENVIRONMENTAL PROJECTS

Introduction

The Authority currently operates 54 minewater treatment scheme of which 43 are remediating existing discharges and 11 are preventing new discharges from coal mine workings. This programme prevents 2,900 tonnes of iron discharging into the nation's watercourses and has improved 120 kilometres of water course and prevented new discharges into approximately 200 kilometres of water courses.

Minewater Development

Development work has been progressed at a number of sites to ensure a feedstock of future construction projects. The focus has been on preventative schemes required by 2015 and remedial schemes identified as a high priority by the Environment Agency. The work is focussed on the high level objectives of the EUWFD, namely to ensure no deterioration from the current position and to achieve good ecological status in all water bodies by 2015. It is recognised that technical and financial constraints make the achievement of the latter unrealistic and the Authority has followed the DEFRA guidelines for compliance with the EUWFD in formulating its strategy based on risk, technical complexity and affordability.

Designs for 12 preventive schemes are currently being developed for construction by the end of 2015. Feasibility studies and design work for a further 21 remediation schemes are being developed for contribution to this first cycle of the EUWFD.

The Authority continues to be represented on River Basin Panels throughout the former coal mining areas and on National Advisory Groups for Scotland and England and Wales. The importance of the work of the Authority is demonstrated by its prominence in several draft River Basin Plans.

Minewater Treatment Scheme Build

Construction and commissioning of the Dawdon aquifer protection scheme near Seaham in County Durham continued to be the major focus for the Authority's minewater teams during the year. Construction work was substantially complete by late October 2008 but commissioning has proved challenging, not least since the plant is the only one of its kind to be housed in a building due to planning requirements. At the end of March the plant had been operated for over 800 hours of process optimisation and commissioning work. These initial tests have provided encouraging results from outlying monitoring points which strongly suggest that the fully operational scheme will control underground minewater levels as anticipated. The Dawdon scheme received a commendation from the Institute of Civil Engineers North East at their Robert Stephenson awards for 2009.

A number of more traditional passive schemes have been under construction. Early starts at Great Clifton in Cumbria and Strafford in South Yorkshire enabled all major earthworks to be undertaken during the dry summer weather. Both schemes are now fully operational, with the Strafford scheme receiving a commendation in the Institute of Civil Engineers Yorkshire and Humber annual awards for 2009.

Fennyfield in Lancashire was severely impacted by localised heavy rainfall leading to very high river flows causing damage to the partially completed works. Remedial works have been undertaken but further river movement continues to impact on the scheme. The situation is being monitored to secure an appropriate long term solution.

Site conditions have also proved difficult at the remaining two schemes where work commenced during the year, Mountain Gate near Capel Hendre in South Wales and Pitfirrane in Fife. In both cases the contracts were awarded later than is ideal due to complications in resolving issues with third parties. The works at Mountain Gate were completed by the year end but with increased costs due to the wet nature of the site. Works at Pitfirrane were suspended over the winter, again due to the wet site which is low lying. The contractor is to return to site in 2009 to complete the civil engineering work and plant the reeds.

Minewater Treatment Scheme Operations

Further operational efficiency initiatives have been implemented which will secure an additional £360,000 per year savings in electricity and pump repair costs. Unfortunately these savings have been offset to a significant degree by the increase in electricity tariffs introduced in March 2008. The savings in carbon emissions from these measures will, however, continue to accrue. The measures implemented to date have secured a reduction in the order of 3,500 tonnes of carbon per annum.

Management of the pumping operations in the ownership of the Authority were centralised within the Environment Department to optimise the internal management of these stations. The Authority currently operates 75 subsidence and minewater pumping stations throughout Britain.

The Authority is reviewing the requirements contained in the Draft Flood and Water Bill which was published in April 2009 to understand the impacts and implication of the forthcoming legislation on its subsidence pumping operations.

Minewater Treatment Schemes – Non-Coal

The Authority has an experienced and multi skilled team managing water pollution from coal mines. These skills are transferable to deal with water pollution from non-coal mines which must also be treated in order to meet the EUWFD requirements.

The Authority has continued to share its knowledge and experience on coal mine water to help the Environment Agency and DEFRA formulate a strategy for dealing with discharges from non-coal mines. The project to secure a national priority list for non-coal discharges is nearing completion, with the findings being used to inform the River Basin Plans required by the EUWFD.

The Authority is applying its expertise to assist the Saltburn Gill Action Group in order to find a solution for the very significant ironstone minewater problems within the town. While recognising that policy and funding issues would require resolution, the Authority continues to see a potential role for itself in addressing non-coal minewater pollution in the future.

Future Activities

In addition to monitoring recovering water levels, designing schemes for future construction and managing existing schemes, the Authority aims to make significant strides in 2009-2010 towards undertaking non-coal schemes and merging the operation of subsidence pumping stations in with other public bodies.

The construction of several schemes and boreholes are planned to commence during the period.

PROPERTY MANAGEMENT

Property Management involves the licensing of coal mining operations, issuing permits for others to enter or disturb coal and managing our estate.

LICENSING

Applications

During the year 58 new applications were made to the Authority for licences and agreements to enter its coal, an increase of 14 (32%) from the figures reported in 2007-2008. Figure 6 shows the applications received by the Authority since 1st April 1995 sub-divided by country.

Applications in Scotland dropped by one but this decrease was more than offset by an increase of 11 in England and four in Wales.

As in previous years applications related to new projects as well as the continuation of existing operations where previous permissions had expired. The biggest increases came in the Coal Methane sector (where applications rose from eight in 2007-2008 to 23 in 2008-2009) and in

Figure 6:
Applications received since 1 April 1995

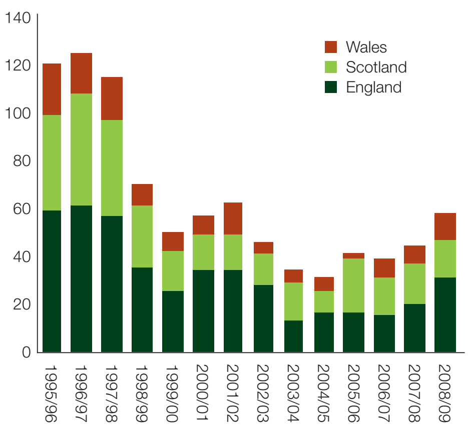
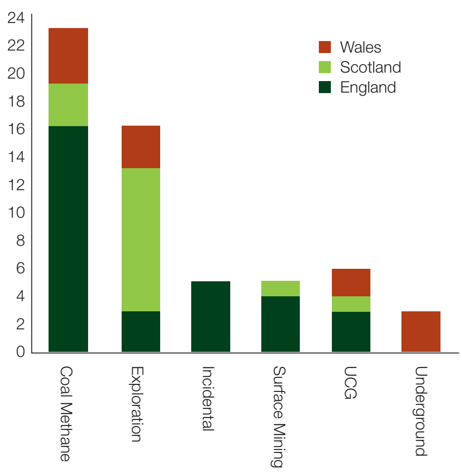


Figure 7:
Applications received in 2008-2009



Underground Coal Gasification (UCG) where six applications were received. These were the first applications for this type of licence that the Authority has received.

A breakdown of the full applications received is shown in Figure 7. In addition to these, the Authority also received applications for 27 variations to existing licences and agreements. These variations included assignments to different operators, extensions to the licence period and changes or additions to licence areas, some of which were quite substantial and equivalent to new licences or agreements.

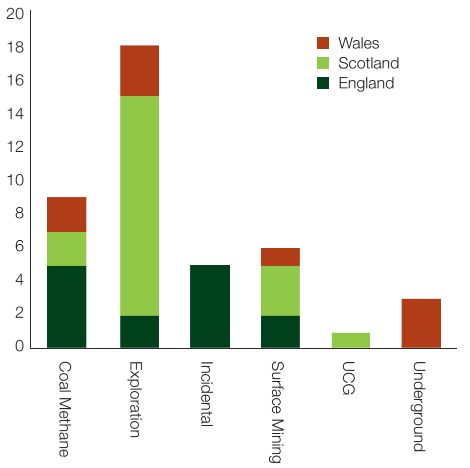
Licences and Agreements Granted

There were 42 licences and agreements granted during the year which was an increase of five (14%) from 2007-2008.

In addition six leases were granted in conjunction with surface mining and underground operating licences containing potentially 4.51 million tonnes of recoverable coal together with three lease options for future underground and underground coal gasification operations.

Figure 8 shows details of the licences and agreements granted in 2008-2009.

Figure 8:
Licences/Agreements granted in 2008-2009



Kellingley Colliery coalface

Coal Production

Coal production in the financial year was 17.8 million tonnes, an increase in output from the previous year of 1.5 million tonnes (9.2%). Surface mined output increased in England, Scotland and Wales by 0.35 million tonnes (19.4%), 0.04 million tonnes (0.7%) and 0.61 million tonnes (56.6%) respectively.

In the underground sector output in England rose by 0.56 million tonnes (7.6%) but in Wales it fell by 0.04 million tonnes (25.3%).

At 31 March 2009 some 6,079 persons were reported as being employed at 35 producing or developing surface mining sites, 16 producing or developing underground mines and one colliery on care and maintenance. At 31 March 2008, 5,570 persons were employed.

The production figures do not include coal produced from non-licensable activities such as tip washing and slurry recovery and also exclude output from sites with authorisation to dig and carry away coal in the course of non-coal mining activities. These sites, which include quarries, clay pits and development sites, produced some 12,300 tonnes of coal during the year.

The details of coal production and manpower declared to the Authority in 2008-2009 are shown at Figure 9 and Figure 10 below.

Figure 9:
Output

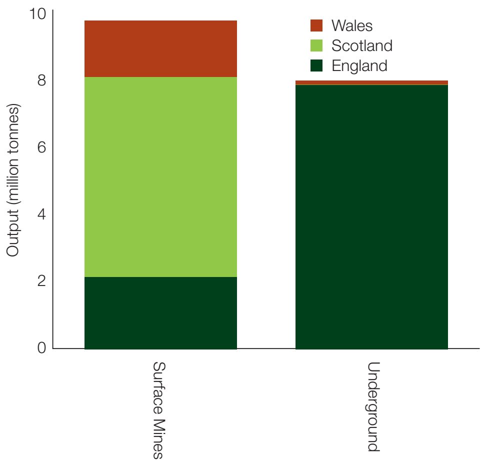
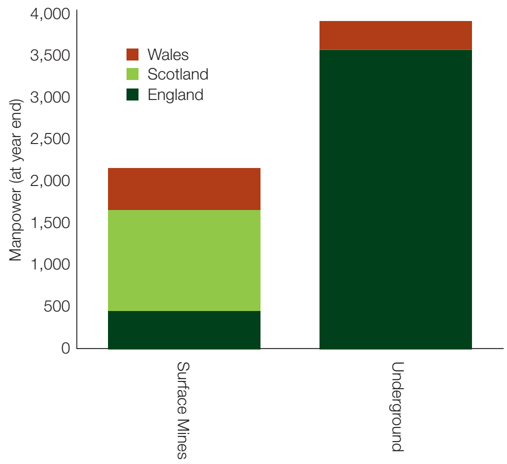


Figure 10:
Manpower



Assessment of Licensed Tonnage

The Authority has updated its assessment on that proportion of its coal resource that is licensed to operating companies within the United Kingdom following activities during the year.

The table below illustrates the approximate tonnage of coal reserves and resources in underground and opencast licences at March 2009. It includes reserves and resources of coal within licence at operating underground mines and opencast sites; the coal within conditional licences and coal which, although still within licence, is located at closed mines and sites.

ASSESSMENT OF COAL RESERVES & RESOURCES IN LICENCE						
Estimate of Reserves & Resources in Licence in the U.K. (million tonnes)						
YEAR ENDING	UNDERGROUND			SURFACE MINES		
	Operating	Closed *	Conditional	Operating	Closed *	Conditional
March 2009	125	290	130	42	3	3

* 'Closed' underground mines and surface mining sites are those where coaling operations have ceased but the licence remains valid.

The increase in the amount of underground coal within conditional licence at the end of March 2009 is due to the award of the licence to Corus.

Significant Licensing Issues in 2008-2009

Margam

Following the award of the conditional license to Corus UK Limited in April 2008 the company has made good progress with the feasibility studies. An announcement is expected in 2009 on whether the mine will be developed.

Harworth Colliery

The Colliery was mothballed in 2006 by UK Coal plc. During the intervening period, UK Coal has undertaken a seismic survey surface borehole programme to identify additional reserves at the mine.

Hatfield Colliery

Following resumption of coal mining at the site in January 2008, some 500,000 tonnes were produced during the year with the company's second longwall face commencing production in January 2009.

Underground Coal Gasification

The concept of gasifying coal underground and bringing the energy to the surface in the form of a synthetic gas for subsequent use in heating or power generation has recently been the subject of increased interest. The first conditional underground coal gasification licence has been awarded to Thornton New Energy Limited for an area of the Firth of Forth in Scotland. The subsequent applications for UCG licences highlighted that further clarity is required on the interaction of PEDL holders/UCG licences and the Authority is currently consulting on a new policy.

Performance Against Targets

The Authority has achieved 98% of its target of making licensing decisions on complete applications within five weeks.

The Authority acts to safeguard persons in respect of subsidence damage arising from licensed coal mining operations and to ensure that additional liabilities do not fall to the Authority when those operations finally cease. It continues to review Areas of Responsibility and levels of subsidence security funds associated with both underground and surface mining sites. The Authority accepted an insurance guarantee in lieu of cash for some subsidence security during 2008.

The Authority has fulfilled its target of inspecting mine sites on a risk based criteria, to verify compliance with licence conditions.

During the year the Authority recovered its licensing costs through charges made to applicants for licences or agreements.

Future Activities

Key targets for 2009-2010 include:

- To consider applications for, and where appropriate grant, licences, leases and other agreements within five weeks of receiving a complete application.
- To ensure that those owed obligations in respect of subsidence damage do not sustain loss as a consequence of a failure by those licensed to carry on coal mining operations to make reasonable provision for their liabilities.
- To inspect mining sites on a risk based criteria.
- To monitor operations for compliance with the authorised terms and conditions.
- To complete the consultation on UCG licensing and issue a licensing policy to encourage UCG pilots in the UK.

Lodge House surface mine, Derbyshire

PERMISSIONS

Any activities which intersect, disturb or enter the Authority's coal interests require the prior written permission of the Authority. In considering applications from third parties wishing to enter its property for non-coal mining purposes the Authority undertakes desk top studies to quantify the impact of such activities on the Authority's interest, especially where there may be interaction with minewater and mine gas regimes. The Authority is indemnified against any liability arising out of such activities by the permit holder.

As a result of its review in 2007-2008 the Authority established a small team to pro-actively manage the issue of these permits, including the assimilation of works reports which are then used to update the Authority's database.

839 applications were received during the year (2007-2008: 904) and 887 permissions were granted (2007-2008: 794) by the Authority. It is expected that the PLAL pilots will increase demand for permission to enter the Authority's property.

Future Activities

Further guidance to drilling companies is planned to be issued by the Authority and HSE to manage the risk of spontaneous combustion.

Further automation of the permission process is being considered to cope with expected future demand.

ESTATES

Estates

The Authority holds 1,520 hectares of operational and non operational land. Capital receipts from the sale of surplus assets during the year amounted to £735,000. A number of these sites were disposed of by auction though in the current market it is unlikely that this will be a significant income stream going forward. In total the Authority disposed of 29 sites during the year.

Income arising from clawback and release of restrictive covenants amounted to £457,000 (2007-2008: £2.8 million). Such income is likely to continue to reduce in future years as the clawback period on the majority of British Coal Corporation sales of land expires and the property development market declines due to economic factors.

The Authority has continued to acquire sites during the year for minewater schemes with further sites being progressed for acquisition.

During the latter part of the year some of the Facilities functions were merged with the Estates section resulting in the creation of the Property Team.

The opening of Looking out, Facing in artwork built around the Authority's gas vents at the site of the former Wearmouth Colliery

Future Activities

The Authority will continue with its rolling disposal programme for non operational land in its ownership over the forthcoming year. It is expected this will be seriously affected by the current decline in the property market.

The newly formed Property section will continue to manage leasehold liabilities for the residual estate and significant work will be undertaken during the year.

The acquisitions programme will continue to be delivered in order to provide sites for the minewater build programme.

RESEARCH AND DEVELOPMENT WORK

The Authority has continued with its research and development projects to enable it to gain a greater understanding of the coal mining legacy issues it encounters and to develop improved methods of treatment. Projects underway and due to commence in the coming year include:

- Research into spontaneous combustion and the potential for the generation of carbon monoxide through drilling operations. A number of test sites were established and fieldwork was carried out during the year. Meetings were held with the Health and Safety Executive and the British Drilling Association to discuss the outcome of this work. It was agreed that a Notes for Guidance for the drilling industry was required. The Authority will assist with the preparation of this document in the coming year.

- Research on fissure formations was undertaken in the year and the results led to further work being undertaken by the British Geological Survey (BGS) to determine whether geophysical methods can assist in defining the nature of such formations. The results of this work are due in the summer 2009.
- Further review of the work previously undertaken on geophysical identification of mine shaft positions was carried out with BGS. The development work continues by third parties and this is being monitored by the Authority.
- Work was undertaken on the effectiveness of the reducing alkalinity producing system (RAPs) for treating acidic minewater and the hydraulic efficiency of existing systems. This work will continue in the coming year.
- Sponsoring a three year PhD student to research improved efficiency methods for minewater treatment. The student will commence her second year in September 2009 and the work on this project continues.
- Research into the use of alternative materials for ground stabilisation to deliver both environmental and economic benefits commenced during the year and will continue to be tested at suitable sites during 2009-2010.

Minewater treatment scheme reedbed in the North West

FINANCIAL REVIEW

Cash Flow

The year ended March 2009 was the first year of a three year CSR settlement in which the Authority secured an increased level of funding from BERR in order to fulfil its Objectives, notably to fund the increased levels of activity required through the Authority especially within Public Safety and Subsidence and the Minewater Build Programme.

This is reflected in the net cash outflow before financing activities during the year of £37.5 million, an increase of 39% on the previous years £27 million. This was financed by £37.3 million grant in aid (2007-2008: £26 million) and a reduction in cash balances of £0.2 million.

Cash outflow increased through both operating activities and capital expenditure.

Net cash outflow from operating activities amounted to £27.3 million, up £3.7 million from the previous year. The constituents of operating cashflow are: cash expenditure managing legacy liabilities (included within the Coal Authority provision balance) of £21.2 million (2007-2008: £18.9 million), income earned (mainly from mining reports) of £8.1 million (2007-2008: £11.9 million), cash based administration costs of £15.2 million (2007-2008: £15.9 million) and an inflow from working capital of £1.1 million (2007-2008: £0.7 million outflow).

The reasons for the increased net cashflow from operating activities are:

- Mining information services contribution fell by £2.4 million due to a reduced volume of mining reports sold following the credit crunch and decline in the number of housing market transactions.
- An increase in cash expenditure against provisions of £2.3 million was made mainly due to an increased number of higher value claims being dealt with by the public safety team and increased minewater operating costs due to increased power costs; offset by:
- A decrease in working capital of £1.1 million due to a decrease in debtors of £0.9 million reflecting the lower levels of mining information activity, and an increase in creditors of £0.2 million driven by an increase in accruals reflecting increased levels of activity through other areas of The Authority.

Net capital expenditure of £9.5 million during 2008-2009 was significantly higher than the previous year (2007-2008: £3 million). The higher level of capital expenditure in the year (2008-2009: £10.7 million, 2007-2008: £6.6 million) was due to the increased level of minewater scheme build that occurred during the year. Capital receipts at £1.2 million were down on 2007-2008 (2007-2008: £3.6 million) due to the timing of income received from restrictive covenants and clawback contained in the sale conditions of property formerly owned by British Coal Corporation.

Income and Expenditure

Gross income for the year was £8.1 million, significantly down on 2007-2008 levels (£11.9 million) due to the decrease in mining report volumes.

Other administration costs (before adjustments to provisions) amounted to £18 million (2007-2008: £18.6 million). The fall of £0.6 million was due to a reduction of costs through the Mining Information business in line with the reduced volumes of reports produced of £1.6 million, offset by increased activity through the public safety, environmental projects and property management teams.

The income and expenditure statement for the year ended 31 March 2009 was charged with £5.1 million adjustment to provisions (2007-2008: £6.5 million). This non cash charge arose from:

- An increase in the provision to reflect the fiftieth year of subsidence, tip management and surface hazard work and the hundredth year of subsidence pumping station and minewater operating costs. The provision is based on a fifty and hundred year rolling programme so as one year passes another is added to the provision. This amounted to £3.7 million (2007-2008: £3.7 million).
- A release of the provision to match depreciation charged to the income statement on fixed assets used to manage legacy liabilities. This release amounted to £1.4 million (2007-2008: £1.4 million).
- An increase to the provision of £2.7 million to reflect the over expenditure against the provision in respect of work done in the year (2007-2008: £0.7 million).

The resulting operating deficit for the year to 31 March 2009 was £15 million (2007-2008: £13.2 million).

Profit arising on the sale of fixed assets was £0.5 million (2007-2008: £2.9 million). Gross proceeds were £1.2 million (2007-2008: £3 million) with £0.7 million (2007-2008: £0.1 million) resulting from the sale of surplus properties and income of £0.5 million (2007-2008: £2.8 million) from restrictive covenants and clawback.

The income and expenditure account has been charged with £18 million for the unwinding of the discount on the provision (2007-2008: £18 million). The provision is discounted to reflect the time value of money. The discount is unwound every year increasing the provision. This is a non cash item.

The deficit on ordinary activities before taxation amounted to £32.5 million (2007-2008: £28.3 million). There is no tax liability for the year (2007-2008: nil) mainly due to the use of capital losses against property disposals and clawback receipts.

The capital charge of £28.5 million (2007-2008: £28.5 million) reflects the notional cost of capital under Treasury guidance and is calculated at 3.5% of net assets. Because the Authority has net liabilities the calculation arrives at a credit or notional income. However, as this income is irrecoverable it is written off on the face of the income statement. The retained deficit for the year amounted to £33.2 million (2007-2008: £28.7 million).

Balance Sheet

At 31 March 2009 net liabilities were £810.1 million, in line with £814.4 million at 31 March 2008.

Fixed assets increased by £8 million to £67 million. Within this balance Investment Properties are valued at £1.4 million (2007-2008: £2.3 million). A desktop review of the Investment Property valuations as at 31 March 2009 has been undertaken and gave rise to a revaluation downwards of £0.2 million reflecting the movement in the property market over the previous year. The remainder of the movement in the Investment Property balance during the year is due to the disposal of surplus properties mentioned above.

Other fixed assets increased by £8.9 million to £65.6 million. Capital expenditure (including accruals) amounted to £11.2 million and mainly relates to the construction of minewater treatment schemes. Depreciation and revaluations arising from modified historic cost adjustments amounted to £2.3 million.

The provision for liabilities and charges increased by £1.9 million to £872 million from £870.1 million. This movement is the net effect of several entries, being £3.7 million to reflect the fiftieth and hundredth year; (£1.3) million to reflect the release against depreciation; (£21.2) million for the cash spent on items covered by the provision; £18.0 million for the unwind of the discount, and £2.7 million movement to reflect the net overspend during the year compared to the provisions calculated last year.

The provision reflects the size of the legacy liabilities the Authority estimates it will have to manage over certain time periods. For tip management, subsidence and surface hazards this period is 50 years and for subsidence pumping stations and minewater treatment schemes it is 100 years. Detailed assumptions based on experience and trends support the estimates, however they remain estimates and contain significant uncertainties. The detailed assumptions and trends will be reviewed every five years and next in 2011-2012. Any change to the scope of legacy liabilities and their method of management, will be made annually.

The level of provisions is sensitive to the trend. For example, should predicted costs for subsidence, surface hazards or tip management increase or decrease by £1 million per annum, the total provision over 50 years in current day prices would increase or reduce by £30 million.

Similarly, should predicted costs for minewater or subsidence pumping stations increase or decrease by £1 million per annum, the total provision over 100 years in current day prices would increase or reduce by £40 million.

The level of provisions is sensitive to a change in the discount rate. An increase in the discount rate of 0.5% to 2.7% would decrease the total provision held by £94 million (11%). A decrease in the discount rate by 0.5% to 1.7% would increase the total provision by £118 million (14%).

Going Concern

The balance sheet shows net liabilities of £810.1 million at 31 March 2009. This reflects the inclusion of liabilities falling due in future years which, as explained above, cover 50 and 100 years into the future. To the extent that they are not met from the Authority's other sources of income, they may only be met by future grants or grants in aid from the Authority's sponsoring department, DECC. 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 Authority such amount as he may determine to be the amount required by the Authority for the carrying out during that year of its functions under this Act".

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

Outlook

DECC have increased the indicative allocations to cover estimated expenditure in 2009-2010 and 2010-2011.

The Coal Authority's Mansfield Headquarters

CORPORATE GOVERNANCE

The Authority recognises the importance of and is committed to high standards of Corporate Governance. It complies with all the provisions of HM Treasury's Code of Best Practice for Board Members of Public Bodies and the Responsibilities of a NDPB Accounting Officer. The Authority also complies with all of the provisions of its Management Statement, a document agreed with the Secretary of State which sets out certain of the Authority's powers, duties, functions and various policies.

Board of Directors

As at 31 March 2009 the Authority has seven Members (four Non-Executive and three Executive) appointed by the Secretary of State for Business Enterprise and Regulatory Reform.

Non-Executive Directors are now appointed by DECC in-line with the Code of Practice issued by the Commissioner for Public Appointments. The members who served during the year and to the signing of the annual report and accounts for 2008-2009 were:

Helen Mounsey, PhD, BSc (Hons) (Non-Executive Chairman)
Appointed as Board Member from 7 November 2002 – 31 October 2007
Appointed as Chairman Designate 1 July 2007
Appointed as Chairman 1 October 2007 to 30 September 2010

John Hawksley, FCA (Non-Executive Member)
Appointed as Board Member 17 April 2000 – 31 March 2005
Re-appointed as Board Member to 30 September 2008
Retired from membership of the Board on 30 September 2008

Barrie Jones, CBE, PhD, BSc (Hons), CEng, FIMMM (Non-Executive Member)
Appointed as Board Member 22 May 2000 – 31 March 2005
Re-appointed as Board Member to 30 September 2009
Re-appointed as Board Member to 30 September 2010

Ian Wilson, FRICS
Appointed as Board Member from 26 November 2002 – 31 March 2005
Re-appointed as Board Member to 31 March 2008
Re-appointed as Board Member to 31 March 2011

Philip Lawrence, ACA, BSc (Hons)
Appointed as Board Member from 9 November 2006 – 31 March 2008
Re-appointed as Board Member to 31 March 2011

Stephen Pennell, Dip Dir
Appointed as Board Member from 9 November 2006 – 31 March 2008
Re-appointed as Board Member to 31 March 2011

Pauleen Lane, CBE, BSc (Hons), PhD, FRSA, MBA (Open) (Non-Executive Member)
Appointed as Board Member from 1 May 2008 – 30 April 2011

Stephen Dingle, MA (Oxon), ACIB (Non-Executive Member)
Appointed as Board Member from 1 May 2008 – 30 April 2011

Members of the Authority's Board are required under the Act and the Authority's own Codes of Practice to declare any interests which may potentially conflict with their roles within the Authority. The register of interests is published on the Authority's website at www.coal.gov.uk.

The Board has nine scheduled meetings a year at which it determines the strategic direction of the Authority. Additional meetings are held in person or by telephone as required. The Board monitors the performance of the Authority; assesses risk; ensures value for money and that resources are utilised effectively; ensures that sound environmental policies and practices are developed and adopted; and ensures that the Authority is accountable to its stakeholders. A table showing attendance at these meetings and at meetings of the Audit Committee and the HR & Remuneration Committee is set out below.

Name	Board (13)	Audit (5)	HR & Remuneration (2)
Dr H M Mounsey	13	-	-
Mr J R Hawksley	6 (out of 6)	1 (out of 1)	1 (out of 1)
Dr B Jones	13	5	2
Mr P J Lawrence	13	-	-
Mr S Pennell	13	-	-
Mr I Wilson	13	-	-
Dr P Lane	11 (out of 12)	4 (out of 5)	1 (out of 2)
Mr S Dingle	11 (out of 12)	5	2

The Authority held its thirteenth annual public meeting in Cardiff in September 2008 where members of the Authority explained its work and answered questions from the public. This was followed by a coal industry conference to which invited speakers made a number of presentations on industry related issues. The Authority's fourteenth annual public meeting will be held in Manchester on 9 September 2009. The meeting will commence with the Authority's public meeting following which a conference will take place at which invited speakers will address the audience on ***"Can coal have a future role in meeting the nation's energy needs?"*** Details of the meeting will be advertised in the local media and will appear on the Authority's website.

In accordance with the principles of "Open Government", Board meetings continue to be open to members of the public and media. The agendas, papers and dates of its meetings, together with the minutes of previous meetings, can be found on the Authority's website.

Committees

In line with best practice, there are two standing committees of the Non-Executive Directors – Audit and HR & Remuneration. In addition a Non-Executive Director chairs the Authority's Environment Committee.

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors under the chairmanship of Mr S Dingle, a chartered banker who took over the Chairmanship on 11 September 2008 upon the retirement of Mr J R Hawksley with the other members being Dr B Jones and Dr P Lane.

The Committee met five times during the year. The committee's meetings were also attended by the Chief Executive, Director of Finance and the internal and external auditors by invitation. The Chairman and Executive Directors were also invited to attend two of the meetings to assist with specific matters. The meetings are all minuted by the Authority's Solicitor and Secretary. Two of the Audit Committee meetings included a private session without the presence of the management.

The Committee has annually reviewed defined terms of reference which outline its objectives and responsibilities relating to financial reporting, internal controls, risk management and the application of appropriate accounting policies and procedures. Specific responsibilities include reviewing and recommending for approval the Annual Report and Accounts, reviewing accounting policies, reviewing risk management and reviewing the strategy and results of the external audit.

The Audit Committee also has responsibility for overseeing the internal audit function including approval of the annual risk-based audit plan and monitoring the work and recommendations and effectiveness of the function.

Risk Committee

The Risk Committee met three times during the year and considered public safety and the role of the Authority and the risk management process. During the year a new risk matrix and register has been implemented to enable real time reporting on controls and sources of assurance.

HR & Remuneration Committee

The composition and work of the HR & Remuneration Committee is described in the Remuneration Report.

Executive Committee

The Authority's day-to-day activities are overseen by the Executive Committee.

The Executive Committee meets monthly to review and discuss the work of the Authority. It determines the day to day policy implementation necessary for the Authority to discharge its duties in the most effective, efficient and economic manner. Membership of the Committee is given in the Directors' Report.

Additionally, the Health and Safety Committee, the Environment Committee and the Steering Committee report through the Executive Committee to the Board, with the Risk Committee reporting through the Audit Committee.

HUMAN RESOURCES

Excluding Non-Executive Board Members, 158 employees were in post at 31 March 2009 (2007-2008: 153 employees). The sickness absence for 2008-2009 was 1.92% compared with 1.89% for 2007-2008.

HEALTH AND SAFETY

The Authority has a duty under the Health and Safety at Work Act 1974 to ensure the health and safety of its employees and of other persons who may be affected by its work activities.

The Health and Safety Management system details the way in which health and safety is managed within the Authority and this is regularly reviewed and amended. All Board papers include an assessment of the health and safety risks and recommendations appertaining to the paper take account of the risks identified.

The Health and Safety Committee meets six times a year and assists in devising the key health and safety targets and monitoring progress against these throughout the year. Ten targets were established for 2008-2009, four of which were achieved, four are ongoing and two were deferred to 2009-2010.

In addition to the duty to manage the health and safety of employees, contractors and the public who may be affected by the work activities, the Authority has a wider duty in relation to public safety by virtue of its statutory responsibilities to manage the legacy of past coal mining. The Public Safety Steering Group continues to work in parallel with the Health and Safety Committee to ensure that all perceived risks are assessed and adequately controlled.

Public safety remains the Authority's top priority and proactive work to assess and manage the risk to the public continues to be paramount. To this end, the mine entry inspection programme has been accelerated in line with information gained during the first phase of inspections.

Sadly, there have been two fatalities and one major injury suffered by members of the public this year. The two fatalities were in relation to mine shafts in Scotland and the major injury was as a result of a motorbike accident on Authority land in Yorkshire.

The Authority is constantly striving to improve its performance and the appointment of an internal CDM Co-ordinator in place of external consultants has seen a further improvement in the management of the many notifiable construction projects undertaken. At the end of the year there were 45 notifiable projects at various stages requiring the involvement of the CDM Co-ordinator.

The health and safety performance over the year, as with the previous year has resulted in zero accidents to our employees and continues to demonstrate that the culture and attitude within the Authority are consistent with its objectives.

A copy of the Authority's annual health and safety report for 2008-2009 giving more detailed information on its work is available on the Authority's website.

ENVIRONMENT

Environmental Objectives

During the year the management structure was updated. A new Environment Committee was established to focus more closely on strategic direction and the Environment Group constitution and terms of reference were changed. The Group now concentrates on assisting the Committee in ensuring the effective review, implementation and maintenance of the Environmental Management System (EMS). The new Environment Committee has reconsidered the Authority's environmental objectives and operational targets. These are set out below:

1. Improve the quality of inland and coastal waters impacted by coal mines and protect important aquifers from the effects of rising coal mine water, prior to 2027.
2. Consider the impacts of Climate Change when designing and managing new and existing projects.
3. Consider appropriate remedial action where coal mine workings are damaging property and the environment.
4. Reduce wastage and optimise natural resource usage.
5. Seek to reduce carbon emissions in carrying out our operations and gain Carbon Trust Standard by March 2011.
6. Facilitate the responsible usage of the coal estate.

Environmental Management

The Authority has an Environmental Management System (EMS) which has been developed to meet BS EN ISO14001:2004 to assist the Authority in both managing and reducing its environmental impacts.

An external audit of the EMS was commissioned during the year. A number of recommendations were suggested which the Committee has agreed to adopt and these will be completed over the coming year. This will ensure the system remains fit for purpose and relevant to the Authority's continually changing activities, products and services.

The Carbon Reduction Commitment (CRC) under the Climate Change Act is due to commence in 2010 and the Authority is well prepared and fully committed to ensuring it complies with the requirements. In addition to the CRC, further initiatives will be identified and where appropriate implemented to reduce the impact of the Authority's undertakings.

Climate change continues to be one of the biggest challenges facing society today and the Authority has continued to monitor its energy use both at its Mansfield Headquarters and at its other sites nationally. Results for the year show that although electricity usage at Mansfield increased by 2.3%, there was a reduction of 1.6% in electricity usage at all Authority sites. Overall energy reduced by 464 MWh compared with 2007-2008.

The Authority recognises that its property has intrinsic environmental value and will continue to investigate how the wider public can realise benefit from for example geothermal energy within minewater.

The Authority did not incur any regulatory action from its activities for breaches of environmental legislation during 2008-2009 and continual focus will be given towards maintaining environmental awareness amongst staff.

A copy of the Authority's environmental review for 2008-2009, giving more detailed information on its work, is available on the Authority's website.

Incorporating minewater treatment into wider environmental improvement schemes for local communities

Health, Safety and Environmental Audits

Between the SHE Advisor and CDM Co-ordinator, the Authority carried out 58 health, safety and environmental audits during the year to assess contractor performance. These audits confirmed that the level of performance expected of contractors was being delivered but that written documentation outlining environmental aspects, impacts and controls required improvement. This forms part of the recommendations in the external audit and will be addressed during the coming year.

P J Lawrence,
Member, Chief Executive and Accounting Officer

Accounting Officer's Report

The Authority presents its report and audited financial statements for the year ended 31 March 2009. The Accounts have been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 ("the Act"). The Report and Accounts will be laid before Parliament on 20 July 2009 and presented to the Annual Public Meeting on 9 September 2009.

FUNCTIONS, DUTIES, POWERS AND PROHIBITIONS OF THE COAL AUTHORITY

The Authority was established by the Act and became a legal entity on 19 September 1994: it assumed its functions on 31 October 1994. These functions are set out in Section 1 of the Act as:

- Holding, managing and disposing of interests and rights in or in relation to the unworked coal and other property which is transferred to, or otherwise acquired by it under this Act.
- Carrying out functions with respect to the licensing of coal mining operations.
- Carrying out functions with respect to coal mining subsidence and in connection with other matters incidental to the carrying on of any opencast or other coal-mining operations.
- Facilitating the establishment and maintenance of arrangements for the information to which persons are to be entitled under this Act to be made available to them.
- Carrying out the other functions conferred on it by virtue of this Act.

DUTIES

Under the Act, the Coal Mining Subsidence Act 1991 ("the 1991 Act"), the Water Act 2003 ("the 2003 Act") and the Water Services etc. (Scotland) Act 2005 ("the 2005 Act") the Authority has a number of specific duties, powers and prohibitions. These cover broadly the following:

LICENSING AND LEASING COAL

To carry out its functions in the manner that it considers is best calculated to secure, so far as practicable, the maintenance and development, by those licensed to carry on coal mining operations, of an economically viable coal mining industry in Great Britain; that licensees are able to finance their operations and discharge liabilities arising from those operations; and that licensees make reasonable financial provisions to meet subsidence liabilities.

To have regard to the desirability of securing that licensees have the appropriate experience and expertise, and of promoting competition between operators.

To have regard to the subsidence damage that may be caused by coal mining operations and to the character and use of the land which may be affected.

To act in conformity with an agreement with the Health and Safety Executive for securing co-operation and the exchange of information.

PROPERTY MANAGEMENT AND DISPOSAL

To have regard to the need to co-ordinate with its licensing functions the Authority's practices when leasing coal and disposing of land.

To have regard to the need to secure the safety of the public.

To have regard to the desirability of economically viable coal bed methane exploitation.

So far as is practicable, to dispose of, on the best terms reasonably available, land and property that is not needed by the Authority.

SUBSIDENCE

To fulfil all its duties under the Act and the 1991 Act, especially its duties as a "responsible person", including remedying subsidence damage and associated duties in relation to blight and inconvenience during works. To provide information required under the Act.

PROVISION OF INFORMATION

To compile and maintain registers of information, and to make information available where this does not breach requirements of confidentiality.

DIRECTIONS BY THE SECRETARY OF STATE

The Authority must comply with any general or specific direction by the Secretary of State as to the carrying out of its functions or its activities.

POWERS AND PROHIBITIONS

The Authority has powers to do anything which it considers will facilitate or is conducive or incidental to the carrying out of its functions.

The Authority does not have the power to carry out mining operations for commercial purposes or with a view to itself using any coal or product of coal obtained thereby. It may not explore for coal itself, nor take any steps to obtain planning permission or other authorisations required for carrying on coal mining operations.

The Authority may not acquire land or shares in any body corporate, or lend money nor provide security for a loan, without the agreement of the Secretary of State.

The 2003 Act and the 2005 Act give the Authority powers of entry and compulsory purchase when mitigating the effects on discharges of minewater from coal mines.

REVIEW OF OPERATIONS

The Chairman's Statement and the Management Commentary on pages 5 to 43 give a summary of the Authority's activities during the year and the future outlook.

SUPPLIER PAYMENT POLICY

The Authority observes the principles of the Better Payment Practice Code and aims to pay valid invoices within 30 days of receipt or as agreed with suppliers. In the year ended 31 March 2009, this was achieved for 99.4% of invoices. The Authority adopted the Government's target to pay invoices within 10 working days in late November 2008 and in March 2009 managed to pay 65% within this period.

BOARD MEMBERS AND THEIR INTERESTS

The Board members who served during the period were:

Mr J R Hawksley (retired 30 September 2008)
Dr H M Mounsey
Dr B Jones
Mr P J Lawrence
Mr S Pennell
Mr I Wilson
Mr S Dingle (from 1 May 2008)
Dr P A Lane (from 1 May 2008)

Details of their terms of appointment and service contracts are provided in the Remuneration Report.

No Board member of the Authority has any financial interest in the Authority. A Register of Interests is maintained which is open to the public to view at the Authority's Mansfield Office or can be accessed at www.coal.gov.uk. Any related party transactions are provided in Note 23 to the Accounts.

AUTHORITY'S EXECUTIVE COMMITTEE

The Executive Committee comprised:

Mrs S A Brook Shanahan	Solicitor and Secretary
Mr P Frammingham	Director of Finance (from 6 May 2008)
Mr P J Lawrence	Chief Executive
Mr S Pennell	Director of Mining Information and Services
Dr S Reed	Head of Public Safety and Subsidence
Mr I Wilson	Director of Mining Projects and Property

DONATIONS

The Authority made no political or charitable donations during the year.

EMPLOYEE INVOLVEMENT

The Authority is committed to engaging with staff throughout the business. The Authority has a Staff Liaison Group (formerly the Joint Staff Consultative Committee) and a Staff Consultation Group. The former deals with non-contractual staff matters and the latter is the forum for consultation with management on pay and conditions of employment.

EMPLOYMENT

The Authority is committed to equal opportunities both from a sense of social responsibility and also because it make sense to benefit from the wide ranging knowledge and experience of individuals from all sectors of society. This commitment to equal opportunities means that decisions to appoint, reward, train, develop and promote are taken purely on the basis of skills and abilities, as matched against the requirements of the job.

The Authority seeks to attract and retain high calibre employees. Opportunities for training are given high priority to ensure that all individuals can contribute to their own career development. This approach extends itself to the fair treatment of people with disabilities in relation to their recruitment, training and development.

PENSIONS AND OTHER POST RETIREMENT BENEFITS

Former and current employees who have chosen to join are covered by the provisions of the Principal Civil Service Pension Scheme which is a defined benefit scheme and is both unfunded and non-contributory. The accounting policy is given in Note 1 to the Accounts and further information about the Scheme is provided in the Remuneration Report and Note 5 to the Accounts.

Auditors

The Comptroller and Auditor General was appointed under the Coal Industry Act 1994 and reports to Parliament on the audit examination. No other services were provided and the audit fee was £52,500 including £9,000 relating to an audit of the Coal Authority's restated opening balance sheet for compliance with IFRS in accordance with HM Treasury's IFRS "trigger point" arrangements. Mazars LLP is contracted to perform the audit on behalf of the National Audit Office.

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

The Accounting Officer has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

P J Lawrence
Member, Chief Executive and Accounting Officer
19 June 2009

Remuneration Report

INTRODUCTION

This report has been prepared in accordance with the Government Financial Reporting Manual. The report is made by the Accounting Officer on behalf of the Board on the recommendations of the HR & Remuneration Committee.

THE HR & REMUNERATION COMMITTEE

The Authority has established a HR & Remuneration Committee whose membership comprises all of the Non-Executive Directors and the Chief Executive. The HR & Remuneration Committee has terms of reference approved by the Board and is responsible for determining and keeping under review the performance related pay structure for all staff of the Authority and approves the Pay Remit for submission to the Secretary of State for DECC. The Committee's Terms of Reference prescribe that the Chief Executive shall not be present when his remuneration and conditions of employment are being considered. They also annex an Annual Cycle of Business and require a minimum of two meetings per year. The members were: Dr Barrie Jones (Committee Chairman), John Hawksley (to 30 September 2008), Dr Helen Mounsey, Philip Lawrence and from 1 May 2008, Stephen Dingle and Dr Pauleen Lane.

REMUNERATION POLICY FOR THE EXECUTIVE DIRECTORS

With the exception of the Chief Executive, the Executive Directors remuneration is determined via the Pay Remit process approved by the Secretary of State. The HR & Remuneration Committee review and make recommendations about the remuneration of the Chief Executive which is formally determined by DECC.

PERFORMANCE MANAGEMENT SYSTEM

The Executive Directors participate in the Authority's Performance Management System. Individual assessments are made by the Chief Executive and Chairman and reviewed by the HR & Remuneration Committee. Appraisal of performance is based on the achievement of defined objectives which are assessed against six performance scores. The level of performance determines the rate of progression through the salary scale and the level of unconsolidated bonus payable under the Corporate Bonus Scheme. The maximum performance bonus that could be earned under the scheme for 2008 was 18% of basic salary.

EXECUTIVE DIRECTORS' CONTRACTS

It is the Authority's policy that Executive Directors should have contracts with an indefinite term providing for six months notice.

The details of the directors' contracts are summarised in the table below:-

	Date appointed as Director	Notice Period
Mrs S Brook Shanahan	1 January 1998	6 months
Mr I Wilson	5 October 2001[1]	6 months
Mr S Pennell	17 January 2005[2]	6 months
Mr P Lawrence	2 May 2006[3]	6 months
Mr P Frammingham	6 May 2008	6 months

1 commenced employment with the Authority on 1 October 1994
2 commenced employment with the Authority on 31 October 1994
3 appointed Chief Executive with effect from 1 January 2007

There is no provision for compensation for early termination. The notice period to be given by the Chief Executive is six months and by the remaining Executive Directors, is three months.

The following paragraphs of the Remuneration Report have been audited by Mazars LLP on behalf of the National Audit Office.

NON-EXECUTIVE DIRECTORS

To date all Non-Executive Directors have been appointed by the Department for Business, Enterprise and Regulatory Reform (BERR) in line with the Code of Practice issued by the Commissioner for Public Appointments. Their terms of engagement and remuneration are now determined by DECC but they are not eligible to participate in the Performance Management System or the pension schemes.

Fees Paid £000	Contract End Date	2009	2008
Mr J C Harris[1]	30 September 2007	–	20 – 25
Mr J R Hawksley[2]	30 September 2008	5 – 10	10 – 15
Dr B Jones	30 September 2009	10 – 15	10 – 15
Dr H M Mounsey[3]	30 September 2010	25 – 30	20 – 25
Mr S Dingle	30 April 2011	10 – 15	–
Dr P A Lane	30 April 2011	10 – 15	–

1 Figure quoted for 2008 encompasses his role as Chair from 1 April 2007 to 30 September 2007. The full year equivalent is £40,000 – £45,000.

2 Figure quoted for 2009 is for the period 1 April 2008 to 30 September 2008.

3 The figure quoted for 2008 encompasses her role of Chairman Designate from 1 July 2007 and Chair from 1 October 2007.

EXECUTIVE DIRECTORS' REMUNERATION (£000)

Salaries	2009	2008
Mrs S Brook Shanahan	100 – 105	100 – 105
Mr I Wilson	100 – 105	95 – 100
Mr S Pennell	95 – 100	85 – 90
Mr P Lawrence	140 – 145	130 – 135
Mr P Frammingham[1]	75 – 80	–

1 Figure quoted for 2009 is for the period 6 May 2008 to 31 March 2009. The full year equivalent is £85,000 – £90,000.

Executive Directors salaries include performance pay or bonuses earned in the year and any allowances subject to UK taxation. There are no benefits in kind.

Back row:
Stephen Pennell,
Barrie Jones CBE,
Sally Brook Shanahan,
Ian Wilson,
Stephen Dingle,
Front Row:
Helen Mounsey,
Paul Frammingham,
Pauleen Lane CBE,
Philip Lawrence

EXECUTIVE DIRECTORS' PENSION ENTITLEMENTS

	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 as at 31 March 2009 and related lump sum	CETV at 31 March 2008*	CETV at 31 March 2009	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£000	£000	£000	£000	£000
Mr I Wilson	0 – 2.5 plus 0 – 2.5 lump sum	15 – 20 plus 45 – 50 lump sum	307	335	4
Mr S Pennell	0 – 2.5 plus 0 – 2.5 lump sum	10 – 15 plus 40 – 45 lump sum	236	261	6
Mrs S Brook Shanahan	0 – 2.5 plus 0 – 2.5 lump sum	10 – 15 plus 35 – 40 lump sum	199	221	6
Mr P Lawrence	0 – 2.5 plus 0 lump sum	5 – 10 plus 0 lump sum	44	77	13
Mr P Frammingham	0 – 2.5 plus 0 lump sum	0 – 5 plus 0 lump sum	0	9	6

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the

Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Further information as to the terms of the schemes are given in Note 5 to the Accounts.

P J Lawrence
Member, Chief Executive and Accounting Officer
19 June 2009

Financial Statements

Statement of the Authority's and Chief Executive's Responsibilities

Under paragraph 15(1)(b) of Schedule 1 to the Coal Industry Act 1994 the Authority is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, recognised gains and losses, and cash flows for the financial year.

In preparing the accounts the Authority is required to comply with the requirements of the Government Financial reporting Manual and in particular to:

- Observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department of Energy and Climate Change has designated the Chief Executive as the Accounting Officer for the Authority. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Authority's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Managing Public Money".

P J Lawrence
Chief Executive and Accounting Officer
19 June 2009

Statement on Internal Control

1. SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Coal Authority's ('the Authority') policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

A process of accountability has been agreed with the Department of Energy and Climate Change that involves:

- Establishment and agreement of corporate and business plans with appropriate objectives and performance targets with the identification of risks that may prevent delivery of the plan including contingent liabilities.
- Regular progress reports and monitoring information on performance and finance which are reviewed at quarterly accountability meetings together with any other issues or significant problems, whether financial or otherwise.
- Half yearly reports to the Board on progress against the high level objectives are provided to the Department.
- Copies of all internal audit reports, the corporate risk register and risk action programmes are also provided to the Department.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Authority for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. CAPACITY TO HANDLE RISK

The Authority's risk management strategy was determined and endorsed by the Chief Executive, Audit Committee and Board, all of whom are actively involved in the risk management processes.

The Authority's risk management philosophy and policy document, including procedures for risk reporting, are held on the Authority's intranet which is accessible by all staff. The policy sets out the

Authority's attitude to risk and defines responsibilities and roles throughout the organisation. The Personnel Performance Management System links individuals' objectives to the Authority's business objectives and the risks of not achieving them.

There is a programme of meetings within each Department to identify and keep up to date the record of risks facing the organisation.

In addition to these regular meetings a number risk workshops were held during 2008 covering all departments of The Authority. All workshops were attended by Internal Audit, the Director of Finance and the Executive Director managing that area. The purposes of these workshops were to review and challenge existing risk, ensure completeness of the register, and to classify risks according to a new matrix in readiness for a new Risk Management System which was successfully implemented during the year.

4. INFORMATION RISK

Whilst the Authority possesses little information that is personal or protected it takes information risk seriously and has implemented its information policy and completed a further formal assessment during the year. Information security measures have been independently verified in an annual test and there are no known material breaches to report.

During the year the Government made a number of directions and asked Government bodies to consider 55 measures to strengthen procedures and controls. The Authority has substantially completed implementing these measures, including: rolling out encrypted laptops, controlling the use of removable media, categorising information assets and associated risks and identifying further controls surrounding their use.

The following areas will be completed in 2009-2010:

- Embedding information risk into the performance management processes.
- Publishing an information charter.
- Rolling out risk awareness training once training materials have been developed by central government.
- Formalising a forensic readiness policy.
- Extending key controls to relevant delivery partners.

In addition, an upgrade to the Authority's records management system will facilitate the introduction of new security classifications over paper and electronic information which is in the process of being rolled out to all staff.

5. THE RISK AND CONTROL FRAMEWORK

A risk strategy has been endorsed by the Audit Committee and the Board and communicated to all staff and includes the risk management process for risk identification and controls assurance encompassing:

- The establishment of an organisation-wide risk register setting out the risks with a ranking based on the probability of those risks occurring and their potential impact. The control strategies are recorded against each risk with an action plan of any necessary improvements to controls.
- Ownership of risks to permit clear responsibility for controls and action plans. Each activity's senior management are the risk managers responsible for identifying, evaluating and managing the risks within their area of responsibility on a day-to-day basis.
- All new projects/business activities are subject to risk assessment at the business planning stage and, where appropriate, are managed through the Authority's project management methodology (PRINCE 2). Each project has its own risk log recording both project risks and the wider business risks that may be affected by the projects. During the year this risk management process has been applied to a significant new ICT development together with Gateway reviews by a project board.
- All matters referred to the Board for approval must include a risk assessment and mitigating actions.
- The establishment of a Risk Management Committee, chaired by a Board Member, which reviews and validates the risk assessments and the extent to which the risks are controlled.

6. REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Where control failures occur or improvements are identified action is taken in conjunction with Internal Audit.

The following review and assurance mechanisms are in place:

- The Authority has adopted a set of high level objectives which are cascaded to departmental and individual objectives through the Performance Management System ensuring that performance against objectives and the risk of non-achievement are monitored and reviewed at an individual level. Half yearly reports are provided to the Board on progress against these objectives.

- Monthly reports to the Board on performance against key targets and comparison of actual financial results against budgets together with latest forecasts of outturns.
- Quarterly departmental review by Risk Managers of the risk register and progress with the risk action plan.
- Quarterly review and validation by the Risk Management Committee of the report from the Risk Managers on risk issues and progress with the action plan.
- Twice yearly reports from the Risk Management Committee to the Audit Committee which reviews the significant risks and any major issues or changes in risks.
- Annual report via the Audit Committee to the full Board on risk management procedures including the significant risks, details of any control failures together with corrective actions planned or executed. Additionally the Board ask each Executive to complete a Statement of Assurance confirming compliance with the Authority's policies, procedures and risk management processes.
- Reports from the Environment Group and Health and Safety Committee.
- During 2008-2009 the internal audit function was performed by KPMG LLP who operate to Government Internal Audit Standards. Regular reports from the Internal Auditors are submitted to the Audit Committee which include their independent opinion on the adequacy and effectiveness of the system of risk management control and governance arrangements, together with recommendations for improvement as appropriate. The internal audit work assesses the adequacy of internal controls in addressing the risks and confirms that the controls are operating as intended. The Internal Audit Annual Report 2008-2009 confirmed that the Authority has adequate and effective risk management control and governance processes to manage the achievement of its objectives.
- A confidential method of reporting any suspected fraud or other misfeasance to the Chairman of the Audit Committee.

There were no material internal control issues identified during the year.

P J Lawrence
Member, Chief Executive and Accounting Officer
19 June 2009

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Coal Authority for the year ended 31 March 2009 under the Coal Industry Act 1994. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE COAL AUTHORITY, CHIEF EXECUTIVE AND AUDITOR

The Coal Authority and Chief Executive are responsible for preparing the Annual Report which includes the Remuneration Report, and the financial statements in accordance with the Coal Industry Act 1994 and Secretary of State of Energy and Climate Change directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Authority's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Coal Industry Act 1994 and Secretary of State of Energy and Climate Change directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the Accounting Officer's Report, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Coal Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Coal Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Coal Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINIONS

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Coal Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Coal Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINIONS

In my opinion:

- the financial statements give a true and fair view, in accordance with the Coal Industry Act 1994 and directions made thereunder by the Secretary of State of Energy and Climate Change, of the state of the Coal Authority's affairs as at 31 March 2009 and of its deficit, recognised gains and losses, and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Coal Industry Act 1994 and Secretary of State of Energy and Climate Change directions made thereunder; and
- information which comprises the Management Commentary and the Accounting Officer's Report, included within the Annual Report, is consistent with the financial statements.

OPINION ON REGULARITY

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

EMPHASIS OF MATTER – PROVISIONS

Without qualifying my opinion I draw attention to the disclosures made in Note 15 concerning the uncertainties in the likely costs in respect of the Coal Authority's liabilities for Subsidence Pumping Stations, Subsidence Claims, Minewater Treatment, Surface Hazards Claims and Tip Management totalling £872 million. It is not possible to quantify with certainty the settlement of these liabilities or the impact on the Coal Authority's future financial results.

REPORT

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
25 June 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

Income and Expenditure Account

Year Ended 31 March 2009

	Note		Year to 31 March 2009		Year to 31 March 2008
		£000	£000	£000	£000
Gross income					
Operating income	2		8,079		11,932
Total gross income			8,079		11,932
Administration expenses					
Administration costs	2	(17,981)		(18,591)	
Adjustments to provisions	15	(5,051)		(6,492)	
Total administration expenses	4		(23,032)		(25,083)
Operating deficit	2,4		(14,953)		(13,151)
Profit on disposal of fixed assets	3		483		2,910
Interest receivable and similar income	6		35		32
Interest payable and similar charges					
Unwinding of discount on provisions	15	(18,022)		(17,989)	
Interest payable	7	(81)		(103)	
			(18,103)		(18,092)
Deficit on ordinary activities before taxation			(32,538)		(28,301)
Taxation on deficit on ordinary activities	8		–		–
Capital credit	24		28,459		28,549
(Deficit)/surplus on ordinary activities after taxation			(4,079)		248
Income surrendered	9		(706)		(438)
Write back of capital credit	24		(28,459)		(28,549)
Retained deficit for the year	16		(33,244)		(28,739)

In both the current and preceding years, the Authority had no discontinued operations.
Notes on pages 66-90 form part of these accounts.

Statement of Recognised Gains and Losses

Year Ended 31 March 2009

	Note	**Year to 31 March 2009 £000**	Year to 31 March 2008 £000
Surplus arising on revaluation of fixed assets	16	**233**	2,370

Balance Sheet

31 March 2009

	Note	2009		2008	
		£000	£000	£000	£000
FIXED ASSETS					
Investment properties	10	1,396		2,334	
Other tangible fixed assets	11	65,646		56,699	
			67,042		59,033
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	2,379		3,289	
Cash at bank and in hand	18	1,000		1,187	
		3,379		4,476	
CREDITORS	13				
Amounts falling due within one year		(6,931)		(6,099)	
NET CURRENT LIABILITIES			(3,552)		(1,623)
TOTAL ASSETS LESS CURRENT LIABILITIES			63,490		57,410
CREDITORS	14		(1,589)		(1,687)
Amounts falling due after more than one year					
PROVISIONS FOR LIABILITIES AND CHARGES	15		(871,974)		(870,085)
NET LIABILITIES			(810,073)		(814,362)
CAPITAL AND RESERVES	16				
Investment property revaluation reserve			1,296		2,234
Revaluation reserve			2,785		2,413
Income and expenditure account			(814,154)		(819,009)
			(810,073)		(814,362)

These financial statements were approved by the Authority on 19 June 2009
Notes on pages 66-90 form part of these accounts.

Signed on behalf of the Authority

H M Mounsey
Chairman

P J Lawrence
Member, Chief Executive and Accounting Officer

Cash Flow Statement

Year Ended 31 March 2009

	Note		Year to 31 March 2009		Year to 31 March 2008
		£000	£000	£000	£000
Net cash outflow from operating activities	17		**(27,271)**		(23,569)
Returns on investment and servicing of finance					
Interest received		**35**		27	
Interest paid		**(81)**	**(46)**	(103)	(76)
Taxation			**–**		–
Capital expenditure					
Payments to acquire tangible fixed assets		**(10,681)**		(6,583)	
Receipts from sales of tangible fixed assets	3	**1,199**	**(9,482)**	3,571	(3,012)
Income surrendered to Government	9		**(688)**		(374)
Net cash outflow before financing activities			**(37,487)**		(27,031)
Cashflow from financing activities					
Grant in aid			**37,300**		26,000
Decrease in cash	18		**(187)**		(1,031)

Notes to the Accounts

Year Ended 31 March 2009

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of fixed assets, and in accordance with the accounts direction, given by the Secretary of State of Energy and Climate Change pursuant to the Coal Industry Act 1994 on 3 June 2009. The accounts direction requires compliance with accounting standards as issued or adopted by the Accounting Standards Board, and with all applicable Companies Act provisions and in accordance with the 2008-2009 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow the generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The Authority is not required to include a note showing historical cost profits and losses as described in FRS 3. A departure from the provisions of the Companies Act is described under Investment Properties below.

Tangible Fixed Assets

Classes of Assets

The Authority has identified the following classes of assets which have similar function and use:

Head Office freehold land and buildings.

Minewater treatment schemes which include: freehold and leasehold land, buildings, water pumps and other equipment and civil engineering works.

Subsidence pumping stations which include: switch gear, weedscreens, pumps, buildings, civil engineering works, freehold and leasehold land.

Fixtures and fittings which are used at Head Office.

Equipment and IT which includes: Mining Information records database and IT hardware and software.

Assets under the course of construction which are mainly minewater schemes and subsidence pumping stations not yet operational.

The Authority owns a number of shafts that access abandoned mines which are of use in monitoring underground movements in water and gasses. The Authority derives no economic benefit from the assets and accordingly they are held at nil value.

Modified Historic Cost

Except for Head Office freehold land and buildings, assets are carried at modified historical cost.

Modified Historical Cost Accounting (MHCA) is a basis of accounting in which fixed assets are recorded at their value to the business, usually current replacement cost. The income and expenditure account is charged with the proportion of the current cost of fixed assets consumed in the year. The revaluing of the assets to reflect their current value is performed by using price indices. These are obtained from the Office for National Statistics, which produce various monthly price indices for different types of assets.

Initial Cost

Prior to being modified and while in the course of construction, assets are carried at cost.

Freehold land and buildings at the Authority's Head Office at Berry Hill, Mansfield are carried at open market value with differences in valuations being taken to the revaluation reserve.

Cost incurred in designing and building minewater schemes and subsidence pumping stations and bringing them into working condition for the intended use are capitalised following completion of a feasibility study and gateway review.

The mining records database was revalued upon transfer from British Coal Corporation and is held at fully depreciated replacement cost.

Depreciation/Impairment

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold land	not depreciated
Long leasehold land	not depreciated
Freehold buildings	50 years
Subsidence pumping stations	15 to 50 years
Fixtures and fittings	10 years
Minewater schemes	10 to 50 years
Other equipment and IT	3 to 10 years
Software	5 years
Vehicles	3 years

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Investment Properties

All land and buildings (including houses) that become surplus to operational requirements are re-classified from tangible fixed assets to investment properties and are carried at open market value.

The accounts direction requires the Authority to follow the Companies Act 1985 in preparing its accounts, which requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting practice set out in SSAP 19. The Authority considers that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

Disposals of land and buildings are accounted for on the date of legal completion.

The investment properties do not represent a substantial proportion of the Authority's total assets and the policy is to carry out valuations by in-house chartered surveyors rather than by external valuers, once every three years.

Assets and Liabilities inherited from British Coal

Various assets and liabilities were transferred from British Coal 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 are stated at their net book values, as previously stated in the financial statements of British Coal, under the accounting policies adopted by the Authority, except for the mining records database, mining assets and other fixed assets which were revalued by the Authority at the transfer dates, the revaluation being credited to a revaluation reserve.

The opening liability to pay notified subsidence claims was charged to the opening income and expenditure account. Liabilities that transferred subsequent to 1994 were charged to the income and expenditure account in the year of the transfer.

Provisions for Liabilities and Charges

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

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

Review of Trends and Assumptions

Provisions are reviewed annually at the year end to ensure all obligations and work programmes have been provided. The provision will remain unchanged unless the annual review indicates the need for further adjustment due to a significant change in the liability of the Authority arising from new activities or a cessation of activities . Estimates relating to activities and costs already accounted for within the provision are updated every five years based on a review of trends. The next such update will occur during 2010-2011.

Minewater Treatment

Minewater treatment schemes are required to remediate and prevent pollution. Provisions are made for cash flows in designing and building:

(i) All minewater treatment schemes required to remediate pollution currently identified by environmental regulators. The Authority has identified 84 schemes and these have been included in the strategy to be built by 2027 in order to comply with the EUWFD requiring the restoration to good ecological status of controlled waters.

(ii) A further 16 schemes are forecast to be needed to prevent the occurrence of new pollution. These forecasts are based on scientific data of rising minewater levels across the coalfields. Schemes are programmed to be built prior to pollution occurring in order to comply with the EUWFD requiring the prevention of any deterioration of controlled waters.

Provision is also made for the cash flows of operating schemes for 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. Beyond 100 years the inherent uncertainties prevent provisions being made.

Where cash expenditure is capitalised under the Fixed Asset policy, a matching provision is maintained so as to offset the carrying value of the asset. As the provision is utilised the effect on the income and expenditure account is matched by depreciating the related asset. MHCA adjustments are not matched with a provision.

Subsidence Pumping Stations

Scientific evidence indicates that due to the effects of subsidence certain pumping stations will be required for a considerable period of time. Provisions are made for expected future cash flows relating to these stations over the next 100 years. These include the costs of a refurbishment programme planned through to 2017-2018. Beyond this period, the need for and timing of further refurbishments is unclear and cannot be taken into account.

Where cash expenditure is capitalised under the Fixed Asset policy, a matching provision is maintained so as to offset the carrying value of the asset. As the provision is utilised the effect on the income and expenditure account is matched by depreciating the related asset. MHCA adjustments are not matched with a provision.

Subsidence Damage Liabilities and Surface Hazards

The 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. The costs of expected future claims and hazards are based on the historical normalised trends which, in the opinion of the Authority, form the best estimate of the future. Provision is made for these costs for the next 50 years as the uncertainties are inherently higher than those for water pumping and treatment. Specific significant claims which are outside of the normalised trend are additionally provided for. Once costs have been incurred accruals are made and the provision utilised.

Tip Management

Provisions are made for the expected future costs of managing tips. Tips potentially become insecure when water or ground conditions make them unstable requiring proactive maintenance. The Authority has responsibility for 44 tips.

Costs will be incurred for as long as the tips are there. The Authority believes that this will last for a considerable period of time and has provisioned for the cash flows for the next 50 years. Beyond this period the inherent uncertainties prevent a provision being recorded. The basis of the provision is the current projection of maintenance and major works project costs.

Other Liabilities

The Authority provides for costs to meet its statutory obligations when it is made aware of a site requiring rehabilitation, restoration or expenditure on safety and security, it has assessed the action required and can reliably determine their costs.

Discounting

All material provisions are expressed at current price levels and discounted at 2.2%, the 2008-2009 rate specified by HM Treasury, to take account of the time value for money.

Gross Income

Gross income represents the amount, exclusive of VAT, arising from rents, royalties, invoiced sales of goods and services.

Grant in Aid

Grant in aid is paid to the 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 income and expenditure reserve in the year in which the grant in aid is received because it is regarded as a contribution from a controlling party which gives rise to a financial interest in the Authority.

Royalties and Mining Income

Other than the element retained to finance licensing activities, royalties and mining income are surrendered to the Department for Energy and Climate Change when received. The element retained is credited to the income and expenditure account in the year to which it relates.

Security Fund

Licensees of mining operations are required to provide security to the Authority to cover the 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 a security fund creditor in order to recognise the Authority's liability to the licensees. Repayments of deposits and the costs of making mining properties secure are provided from the grant in aid received. Interest payable on deposits is charged to the income and expenditure account as it accrues. The security fund creditor is reduced by security costs incurred each year or when repayments are made to the licensee.

Other forms of security held by the Authority include guarantee bonds in favour of the Authority and escrow accounts. These arrangements do not give rise to any entries in the Authority's accounts.

Operating Leases

Rentals are charged to the income and expenditure account in equal annual amounts over the lease term.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension and other Post Retirement Benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The 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 Authority.

2. ANALYSES OF INCOME, OPERATING DEFICIT AND NET ASSETS

Analyses by class of activity of operating income, operating surplus/(deficit) and net assets/(liabilities) are stated below in order to meet the requirements of HM Treasury's Fees and Charges Guide and SSAP 25.

Year to 31 March 2009	Operating income £000	Administration costs £000	Adjustment to provisions £000	Operating surplus/ (deficit) £000	Net assets/ (liabilities) £000
Class of business					
Continuing operations:					
Mining Information Services	**6,267**	**(8,080)**	**–**	**(1,813)**	**2,922**
Public Safety and Subsidence	**5**	**(3,547)**	**(5,361)**	**(8,903)**	**(255,353)**
Environmental Projects	**33**	**(4,054)**	**523**	**(3,498)**	**(555,797)**
Property Management	**1,774**	**(2,300)**	**(213)**	**(739)**	**(1,845)**
	8,079	**(17,981)**	**(5,051)**	**(14,953)**	**(810,073)**

Year to 31 March 2008	Operating income £000	Administration costs £000	Adjustment to provisions £000	Operating surplus/ (deficit) £000	Net assets/ (liabilities) £000
Class of business					
Continuing operations:					
Mining Information Services	10,219	(9,675)	–	544	3,130
Public Safety and Subsidence	35	(3,415)	(6,958)	(10,338)	(257,187)
Environmental Projects	82	(3,463)	840	(2,541)	(559,727)
Property Management	1,596	(2,038)	(374)	(816)	(578)
	11,932	(18,591)	(6,492)	(13,151)	(814,362)

Mining information services covers mining reports and records operations. Public safety and subsidence covers subsidence, surface hazards and tip management operations. Environmental projects covers minewater operations. Property management covers estates, closure costs, licensing, permissions and mining assets operations.

3. PROFIT ON DISPOSAL OF FIXED ASSETS

During the year, the Authority disposed of fixed assets generating the following profit.

	Year to 31 March 2009	Year to 31 March 2008
	£000	£000
Sale of investment properties	**735**	120
Clawback relating to previous disposals	**457**	2,838
Sale of other assets	**7**	–
Total income	**1,199**	2,958
Book values	**(716)**	(48)
Profit	**483**	2,910

Clawback income relates to the Authority's share of added value secured by purchasers of properties sold by British Coal Corporation or the Authority where the sale agreements included restrictive covenants or clawback provisions.

Income of £170,000 relating to the disposal of land was accrued but not received at 31 March 2009.

There has been a delay in receipt of this income which was accrued at 31 March 2008. The Directors of the Authority expect this matter to be resolved and the payment received during 2009.

4. OPERATING DEFICIT NOTE

	Note	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Rentals under operating leases:			
Equipment		**369**	360
Land and Buildings		**159**	77
Other costs			
Supplies and Services		**5,429**	7,220
Property Costs		**656**	509
Other Administrative Costs		**716**	819
Audit Fees – Current Year		**44**	45
– Prior Year		**(5)**	30
– IFRS readiness		**9**	–
Employee Costs	5	**7,622**	6,577
Travel and Subsistence		**255**	264
Cash based administration costs		**15,254**	15,901
Non cash items			
Depreciation		**2,304**	2,507
Devaluations of Fixed Assets		**423**	183
Non Cash Items Total		**2,727**	2,690
Administration costs before provision adjustments		**17,981**	18,591
Provision adjustments:			
- Create 50th and 100th year		**3,694**	3,693
- Release to offset depreciation		**(1,374)**	(1,406)
- Change for new assumptions		**–**	3,515
- Overspend against amount provided for the year		**2,731**	690
		5,051	6,492
Total administration expenses		**23,032**	25,083

5. EMPLOYEES

	Year to 31 March 2009			Year to 31 March 2008		
	Agency No.	Direct No.	Total No.	Agency No.	Direct No.	Total No.
Average number of persons employed by the Authority including agency staff and Executive Directors:						
Licensing	–	5	5	–	5	5
Mining records and reports	2	42	44	1	49	50
Subsidence and historic liabilities	7	66	73	2	58	60
Administration and support services	6	45	51	3	44	47
	15	158	173	6	156	162
Staff costs incurred during the year in respect of employees were:	£000	£000	£000	£000	£000	£000
Wages and salaries	–	5,585	5,585	–	5,076	5,076
Social security costs	–	453	453	–	407	407
Other pension costs	–	1,043	1,043	–	957	957
Agency staff costs	541	–	541	137	–	137
	541	7,081	7,622	137	6,440	6,577

Pensions

All employees of the Authority are members of one of the Principal Civil Service Pension Schemes (PCSPS) for the year ended 31 March 2009. The PCSPS are unfunded multi-employer defined benefit schemes and the Authority is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-2009, employers' contributions of £1,043,397 were payable to the PCSPS (2007-2008: £957,041) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-2010, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-2009 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is normally 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**. The Authority also operates an Early Retirement Scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. The Authority bears the costs of those benefits until normal retiring age of the employees retired under the Early Retirement Scheme. The total pensions liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee until normal retiring age are then charged annually against the provision.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Other interest receivable	**35**	32

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Unwinding of discount on provisions	**18,022**	17,989
Interest on security fund deposits	**81**	103
	18,103	18,092

8. TAX ON ORDINARY ACTIVITIES

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Current taxation		
UK corporation tax charge for the year	**–**	–
Adjustments in respect of prior periods	**–**	–
Tax on surplus on ordinary activities	**–**	–

The standard rate of tax for the year based on the UK standard rate of corporation tax is 28% (2008: 30%). The actual tax charge for the current tax year is higher than the standard rate for reasons set out in the following reconciliation.

	2009 £000	2008 £000
Deficit on ordinary activities before tax	**(32,538)**	(28,301)
Tax at standard rate 28% (2008: 30%)	**(9,111)**	(8,490)
Factors affecting charge:		
Capital allowances in excess of depreciation	**753**	697
Expenses not deductible for tax purposes	**126**	83
Movement in short term timing differences	**529**	14
Increase in loss not provided	**537**	2,733
Capital gains adjustments	**(137)**	(862)
Non taxable income	**–**	–
Grant in aid finance for revenue purposes	**7,303**	5,825
Current tax charge for period	**–**	–

Deferred tax assets have not been recognised in respect of timing differences relating to accelerated capital allowances, provisions and tax losses, as there is insufficient evidence that the assets will be recovered. The amount of the assets not recognised is £251,459,000 (2008: £253,086,068).

The assets would be considered recoverable if it was more likely than not that there would be future suitable taxable profits against which they could be utilised.

9. INCOME SURRENDERED

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Total cash appropriated in year	**688**	374
Amounts received this year by the Authority that were accrued in the previous year	**(133)**	(69)
Amounts accrued this year	**151**	133
Income surrendered to DECC (Note 27)	**706**	438

Income surrendered to DECC represent the total income earned on mining assets, less an agreed amount retained to finance the work undertaken in relation to leasing.

10. INVESTMENT PROPERTIES

	Freehold land and buildings £000
Valuation	
At beginning of year	**2,334**
Disposals	**(702)**
Adjustment arising on revaluation	**(236)**
At 31 March 2009	**1,396**

A desktop review of the property valuations as at March 2009 has been undertaken by Dominic Smith MRICS, Coal Authority Property Manager. Valuations have been amended using appropriate property indices to reflect the movement in the property market over the previous year.

11. OTHER TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Minewater schemes £000	Fixtures and fittings £000	Equipment and IT £000	Subsidence pumping stations £000	Assets under construction £000	Totals £000
Cost or valuation							
At beginning of year	4,146	44,040	570	17,550	3,801	7,749	77,856
Additions	–	1,854	–	482	343	8,540	11,219
Transfers	–	735	–	–	735	(1,470)	
Disposals	–	–	(2)	(81)	–	–	(83)
Revaluations	–	532	16	(402)	(12)	–	134
At 31 March 2009	**4,146**	**47,161**	**584**	**17,549**	**4,867**	**14,819**	**89,126**
Accumulated depreciation							
At beginning of year	454	5,386	274	14,825	218	–	21,157
Charge for the year	81	1,306	58	738	121	–	2,304
Disposals	–	–	(2)	(67)	–	–	(69)
Revaluations	–	64	8	16	–	–	88
At 31 March 2009	**535**	**6,756**	**338**	**15,512**	**339**	**–**	**23,480**
Net book value at 31 March 2009	**3,611**	**40,405**	**246**	**2,037**	**4,528**	**14,819**	**65,646**
At 31 March 2008	3,692	38,654	296	2,725	3,583	7,749	56,699

Freehold land and buildings have been valued by external Chartered Surveyors (Lambert Smith Hampton, a multi disciplinary chartered surveying practice), based on existing use value on 31 March 2009 in accordance with RICS guidelines at £3,975,000. As this valuation does not differ materially from the existing carrying value of the asset no adjustment has been made to reflect this interim valuation.

Assets under construction consist of work in progress with the development and construction of 23 minewater treatment schemes (£13 million), two pumping stations (£1.4 million) and three software projects (£0.4 million). Equipment and IT includes Mining Information Database of £10 million which has been fully depreciated. It also includes plant and machinery with a net book value of £1.9 million which is depreciated over three to ten years and software of £0.1 million which is depreciated over five years.

12. DEBTORS

12(a) Analysis by type

	2009 £000	2008 £000
Amounts falling due within one year		
Trade debtors	**249**	560
Other debtors	**493**	1,119
Prepayments and accrued income	**1,637**	1,610
	2,379	3,289

12(b) Intra-Government Balances and other balances

	Amounts falling due within one year	
	2009	2008
	£000	£000
Balances with other Central Government Bodies	**487**	1,018
Balances with Local Authorities	**578**	652
Sub-total: Intra-Government Balances	**1,065**	1,670
Balances with bodies external to Government	**1,314**	1,619
Total debtors at 31 March	**2,379**	3,289

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

13(a) Analysis by type

	2009 £000	2008 £000
Trade creditors	**560**	814
Other creditors	**836**	906
Amounts payable to Government	**151**	132
Accruals and deferred income	**5,384**	4,247
	6,931	6,099

The amount payable to Government represents the amount which will be due to the Government, when all of the income generated in the year as a result of mining activity is collected, under the Act which requires the cash received relating to mining activity be returned to the Government except to the extent that the Authority is directed to the contrary.

Other creditors include security fund creditors £604,000 (2008: £619,000).

Security fund creditors are explained in Note 14.

13(b) Intra-Government Balances and other balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Balances with other Central Government Bodies	**187**	132	**–**	–
Balances with Local Authorities	**117**	288	**–**	–
Balances with Public Corporations and trading funds	**112**	281	**–**	–
Sub-total: Intra-Government Balances	**416**	701	**–**	–
Balances with bodies external to Government	**6,515**	5,398	**1,589**	1,687
Total creditors at 31 March	**6,931**	6,099	**1,589**	1,687

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
	£000	£000
Other creditors payable		
In more than one year, but not more than two years	**187**	229
In more than two years, but not more than five years	**112**	159
In more than five years	**1,290**	1,299
	1,589	1,687

Other creditors represent the liability of the Authority to return the cash security funds plus interest to the licensees. These funds are used by the Authority to ensure debts and future liabilities are settled where a licensee fails to meet their obligations under a lease or licence. The Authority does not ring fence these funds. Receipt of security funds cash is an operating cash inflow and a payment of security funds cash is financed by grant in aid.

The movements on cash security funds during the year were:

		2009	2008
		£000	£000
Opening balances	(Note 14)	1,687	1,040
	(Note 13)	619	744
		2,306	1,784
Invoiced during the year		378	594
Interest during the year (Note 7)		81	103
Repayments to licensees during the year		(572)	(175)
Closing balance		2,193	2,306
Note 14		1,589	1,687
Note 13		604	619
		2,193	2,306

15. PROVISIONS FOR LIABILITIES AND CHARGES

	At 31 March 2008	Additional Year (100th, 50th)	Change in Activity	Utilised	Released to offset depreciation	Created/ (Released)	Un-winding	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Minewater	605,250	1,268	–	(7,944)	(1,252)	(539)	12,423	609,206
Public Safety and Subsidence	202,334	2,224	–	(9,891)	–	2,663	4,453	201,783
Subsidence Pumping Stations	28,041	34	–	(839)	(122)	178	512	27,804
Tip Management	15,071	168	–	(1,034)	–	534	332	15,071
Sub Total	850,696	3,694	–	(19,708)	(1,374)	2,836	17,720	853,864
Other	19,389	–	–	(1,476)	–	(105)	302	18,110
Total	870,085	3,694	–	(21,184)	(1,374)	2,731	18,022	871,974

The provision for liabilities and charges at 31 March 2009 is £872 million (2008: £870.1 million). Forecast cash flows included within this provision before discounting amount to £1,677 million (2008: £1,687 million).

Explanation of Movements in Provision

Additional Year:
As stated in Note 1, Accounting policies, long term provisions remain calculated over a period of 50 or 100 years. As the Authority moves into the next financial year it is necessary to add another year onto the provisions to maintain that timeframe.

Change in Activity:
In accordance with the Authority's Accounting Policy on long term provisions an adjustment is made to the provision should the Authority change the scope of its activities. There was no such a change during 2008-2009.

Utilised and Created/Released:
The amount utilised refers to the total amount of expenditure incurred against the provision during the year.

Over/under spend during the year as compared to the provision calculated last year is shown as created/(released) as it is not expected to impact on future years.

Released to Offset Depreciation:
Where cash expenditure is capitalised under the Fixed Asset policy, a matching provision is maintained so as to offset the carrying value of the asset. As the fixed asset is depreciated the corresponding amount is released from the provision. This is applicable in the case of minewater treatment plants and subsidence pumping stations.

Unwinding:
All material provisions are expressed at current price levels and discounted at 2.2%, the 2008-2009 rate specified by HM Treasury, to take account of the time value for money. This discount is unwound as the cash flows become one year closer and a corresponding charge is posted to the income and expenditure statement.

Minewater

The provision relating to Minewater treatment schemes is £609.2 million (2008: £605.2 million).

In order to comply with the EU Water Framework Directive, a strategy has been developed to build 84 schemes by 2027 to remediate existing pollution identified by the Environment Agency and SEPA. A further 16 preventative schemes are programmed to be built to avoid new pollution based on scientific projections of water quality and levels. The provision against Minewater treatment includes costs of £179.9 million (before discounting) against the commissioning of these schemes.

Operating costs have been modelled to reflect the new, varying types of scheme coming on line and before discounting increase from £5.4 million per annum during 2008-2009 to £11.2 million per annum in 2027 and beyond (£1,075.2 million total).

As stated in Note 1, the provision for Minewater treatment is calculated over 100 years. There are significant uncertainties and in relation to the future costs and timing of cashflows relating to: new technology, environmental regulations, price inflation of construction and other 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 £201.8 million (2008: £202.3 million).

Subsidence provisions relate to the estimated cost of settlement of subsidence claims. The 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.

Surface Hazards provisions relate to the costs of treating ground collapses, shaft collapses and other hazards relating to former coal mining activities. The 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.

The estimate of costs for investigating and treating claims before discounting is £6.6 million per annum and has been based on historical claims experience with the long term trend indicating that costs have stabilised. In addition to this £3 million over the next four years has been added to the provision relating to a five year mineshaft inspection programme and associated works which began during 2007-2008.

There are significant uncertainties in relation to the future costs and timing of cash flows as set out in relation to public safety and subsidence above. 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 and the profile and approach towards managing public safety impacts the quantum of issues. There are also significant uncertainties in relation to the future costs and timing of cash flows relating to: new technology 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.

Subsidence Pumping Stations

The provision relating to Subsidence pumping stations is £27.8 million (2008: £28 million).

Subsidence pumping station provisions relate to the costs of 72 pumping stations which control water on land affected by subsidence. This includes obligations under the Doncaster Drainage Act 1929.

Estimates include the costs of a refurbishment programme which will be completed by 2017-2018 (£10.9 million before discounting) and the cost of maintaining and operating these stations for the next 100 years (£0.3 million per annum before discounting).

Uncertainties exist in relation to the future costs and timing of cash flows surrounding the life of the stations and plant and machinery and the level of renewals required post 2018.

Tip Management

The provision relating to Tip Management is £15.1 million (2008: £15.1 million).

Tip Management is required as the Authority has 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 Authority has responsibility for 44 tips and keeps them secure, monitors water drainage, constructs tunnels and ponds to capture the water run off and undertakes a regular programme of maintenance.

The cost being spent on tips has now stabilised and represents a profile that will be required to be spent for as long as the tips remain. This is estimated to be £0.5 million per annum over the next 50 years before discounting.

There are some uncertainties in relation to the future costs and timing of cash flows, particularly in respect of major repair projects following adverse weather conditions.

Other Provisions

The provision relating to other items is £18.1 million (2008: £19.4 million).

These include the following items:
The Authority has 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 £8 million remain at March 2009 after discounting (2008: £8.9 million).

A provision relating to Opencast site rehabilitation is held arising from obligations under planning consents. The provisions also include compensation payments due under agreements to occupy third party land during the working and rehabilitation period. This provision is held at £2.6 million (2008: £2.6 million).

Closed colliery site obligations are assessed to be £5.9 million (2008: £6.2 million) and relate to returning colliery site areas to a condition that is safe and secure and consistent with any required planning permission or lease requirement.

Spoil heaps require expenditure to bring them to a condition consistent with planning conditions and restoration schemes approved by Mineral Planning Authorities. The liability arising from this is estimated at £1.5 million (2008: £1.6 million).

Provisions relating to other property liabilities are held at £0.1 million (2008: £0.1 million). These relate to obligations associated with property interests transferred from British Coal under various Restructuring Schemes that do not result from past mining activity.

Sensitivity of Trends and Assumptions

The calculations as explained above necessarily include estimates and assumptions, for instance, relating to ongoing annual running costs. These will be reviewed in detail and recalculated for the 2011-2012 Annual Statements in line with the Authority's Accounting Policy (Note 1).

The level of provisions is reasonably sensitive to these assumptions. For example, should predicted costs for subsidence, surface hazards or tip management increase or decrease by £1 million per annum, the total provision over 50 years in current day prices would increase or decrease by £30 million. Similarly, should predicted costs for minewater or subsidence pumping stations increase or decrease by £1 million per annum, the total provision over 100 years in current day prices would increase or decrease by £40 million.

The level of provisions is sensitive to a change in the discount rate. An increase in the discount rate of 0.5% to 2.7% would decrease the total provision held by £94 million (11%). A decrease in the discount rate by 0.5% to 1.7% would increase the total provision by £118 million (14%).

16. MOVEMENTS ON RESERVES

	Investment property revaluation reserve £000	Revaluation reserve £000	Income and expenditure account £000	Total £000
Balance at 31 March 2008	2,234	2,413	(819,009)	**(814,362)**
Retained Deficit for the year	–	–	(33,244)	**(33,244)**
Revaluation of investment properties	(236)	–	–	**(236)**
Transfer of amount equivalent to the net book value of disposed fixed assets	(702)	–	702	**–**
Transfer of amount equivalent to additional depreciation on revalued assets	–	(17)	17	**–**
Utilised	–	–	–	**–**
Grant in aid financing for revenue purposes	–	–	26,082	**26,082**
Grant in aid financing for capital purposes	–	–	11,218	**11,218**
Arising on MHCA revaluation	–	541	–	**541**
Backlog depreciation on MHCA	–	(72)	–	**(72)**
Realised element of MHCA	–	(80)	80	**–**
Balance at 31 March 2009	**1,296**	**2,785**	**(814,154)**	**(810,073)**

17. RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 £000	2008 £000
Operating deficit	**(14,953)**	(13,151)
Depreciation and revaluation charges	**2,727**	2,690
(Increase)/Decrease in debtors	**910**	(1,135)
Increase in creditors	**178**	448
Net created provisions	**5,051**	6,492
Cash expenditure against provisions	**(21,184)**	(18,913)
Net cash outflow from operating activities	**(27,271)**	(23,569)

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009 £000	2008 £000
Decrease in cash in the year	**(187)**	(1,031)
Net funds at 1 April	**1,187**	2,218
Net funds at 31 March	**1,000**	1,187

The change to net funds is due entirely to cash flows of cash in hand and at bank.

Analysis of Closing Balances:		
Office of HM Paymaster General	**767**	1,015
Commercial bank	**233**	172
	1,000	1,187

19. CAPITAL COMMITMENTS

There were capital commitments authorised, contracted, and provided for in the provisions at 31 March 2009 of £1,426,234 (2008: £5,095,384).

The difference from last year is due mainly to the Dawdon Minewater Scheme which was under construction at March 2008 year end. This was complete with commissioning underway by March 2009.

Capital Commitments include four minewater schemes (including Dawdon), two minewater pumping station refurbishments and the upgrade of the Authority's electronic document and records management system.

20. CONTINGENT LIABILITIES

Licensees of mining operations are required to provide security to the Authority to cover the 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 Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished the Authority would become responsible for the discharge of outstanding subsidence liabilities.

The Authority has an ongoing liability to secure and keep secured most abandoned coal mines. The cost of this activity is charged to the income and expenditure account in the year that it arises. In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities. 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 out of indemnities or warranties that may materialise in the future. It is expected that any costs will be covered by future allocations of grant in aid.

The Authority is subject to various claims and legal actions in the ordinary course of its activities, for which provision is made in the accounts, where appropriate, on the basis of information available. The Authority does not expect that the outcome of the above issues will materially affect its financial position.

21. CONTINGENT ASSETS

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

22. OPERATING LEASE COMMITMENTS

At 31 March 2009 the Authority was committed to make the following payments during the next year.

	2009 Land and buildings	**2009 Other**	2008 Land and buildings	2008 Other
	£000	**£000**	£000	£000
Leases which expire:				
Within one year	**–**	**45**	–	25
Between one to five years	**1**	**322**	1	335
After five years	**285**	**–**	270	–

23. RELATED PARTY TRANSACTIONS

The Authority is a Non-Departmental Public Body of the Department for Energy and Climate Change (DECC) and during the year had received grant in aid from and surrendered income in relation to mining assets.

Dr B Jones, Non-Executive Member, is the Chief Operating Officer of Mines Rescue Service Ltd which has a contract with the Authority to provide surface hazard emergency call out cover, mineshaft inspections, training and rescue safety services (mandatory for certain incidents) and provide room hire, the value of which was £754,827 during the year (2008: £492,378). The increase in the value of the contract during the year was due to the inception of the mineshaft inspection programme. The 2009 year end creditor balance for the Mines Rescue Service was £1,543 (2008: £54,788).

24. NOTIONAL COST OF CAPITAL

Treasury guidance requires that notional charges be made for the cost of capital, calculated at 3.5% (2008: 3.5%) of average capital employed during the year. Capital employed comprised total assets less all liabilities. Cash balances with the Office of HM Paymaster General are excluded as they are charged at a nil rate.

As the Authority has negative capital employed, the cost of capital is a credit. This is not recoverable and so is written back.

25. FINANCIAL INSTRUMENTS

As the cash requirements of the Authority are met through grant in aid provided by DECC, financial instruments play a more limited role in creating and managing risk than would apply to a non public sector body. The majority of financial instruments relate to contracts to buy non financial items in line with the Authority's expected purchase and usage requirements and the Authority is therefore exposed to little credit liquidity or market risk.

26. POST BALANCE SHEET EVENTS

The Financial Statements were authorised for issue by the Accounting Officer, Philip Lawrence, on 25 June 2009, the date the accounts were certified.

27. RECONCILIATION OF MOVEMENTS IN THE AUTHORITY'S DEFICIT

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
(Deficit) on ordinary activities for the financial year	**(32,538)**	(28,301)
Income surrendered – Note 9	**(706)**	(438)
	(33,244)	(28,739)
Other recognised gains relating to the year	**233**	2,370
Grant in aid	**37,300**	26,000
Net increase in deficit	**4,289**	(369)
Opening deficit	**(814,362)**	(813,993)
Closing deficit	**(810,073)**	(814,362)

Accounts Direction given by the Secretary of State for Energy and Climate Change 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 2009 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 2009 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 with the Department of Energy and Climate Change (DECC) and HM Treasury.

5. This Direction supersedes the Direction dated 17 June 2008.

David Leitch
An official of the Department of Energy and Climate Change
authorised to act on behalf of the Secretary of State

3 June 2009

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PUBLIC INFORMATION SERVICES

Subsidence and Mining Reports:
T: 0845 7626848

Surface Hazards:
T: 01623 646333

The Authority is responsible for:

- Licensing coal mining operations and granting leases to exploit coal reserves.
- Subsidence damage claims not falling on coal mining companies.
- Management of property and the historic legacy of past coal mining.
- Providing geological and other information on past and future coal mining.

FURTHER INFORMATION

For information about the Authority and further copies of this Annual Report please contact:

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