THE COAL AUTHORITY

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ANNUAL REPORT & ACCOUNTS
2007-2008

Hatfield Colliery coalface

The Coal Authority

Annual Report and Accounts 2007–2008

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

Ordered by the House of Commons to be printed on 21 July 2008.

HC 828 London: The Stationery Office £18.55

ISBN: 9780102956641

CONTENTS

Officers and Professional Advisers **2**

Chairman's Statement **3**

Management Commentary **6**

Accounting Officer's Report **27**

Remuneration Report **30**

Financial Statements Year Ended 31 March 2008 **33**

Statement of the Authority's and Chief Executive's Responsibilities 33

Statement on Internal Control 34

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament 37

Income and Expenditure Account 39

Statement of Recognised Gains and Losses 39

Balance Sheet 40

Cash Flow Statement 41

Notes to the Accounts 42

Reconciliation of Movements in the Authority's Deficit 64

Accounts Direction given by the Secretary of State for the Coal Authority in accordance with the Coal Industry Act 1994 65

Front cover photograph:
Lambley minewater treatment scheme, Northumberland

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CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report that excellent progress has been made on our major initiatives and programmes of:

- Reviewing the Authority's public safety role and the procedures for third parties entering its property.
- Strengthening the role of the Authority as a statutory consultee in the planning process and its liaison with local authorities in the coalfield areas of Britain.
- Obtaining funding for the Authority's minewater treatment scheme programme.

The work on these initiatives is described below.

OPERATIONS

During the year the Authority began introducing the agreed structures resulting from the public safety and provision of information reviews undertaken last year. The Authority liaises closely with the Department for Business, Enterprise and Regulatory Reform (BERR), its sponsoring Department, on these matters.

The Authority and BERR continue to monitor the legal framework under which it operates to ensure that the Authority has the relevant powers necessary to undertake its duties and meet the aims of Government.

Public Safety

The Authority continued its public safety review and undertook a desk top examination of its information on some 170,000 mine entries, the results of which have led to the introduction of a risk based proactive mine entry inspections programme. The Authority's contract with Mines Rescue Service Limited (MRS) was varied to enable MRS to undertake the bulk of the inspection work as from 1 January 2008. Going forwards the Authority will inspect at least 5,000 mine entries per annum and manage the hazards associated with them according to the risks identified.

The Authority has also commenced developing the information it holds to a format suitable for sharing with local authorities on public safety matters. The Authority held a number of seminars for drillers and one local authority to explain the procedures under which it permits third parties to enter its property (coal), to ensure that the dangers associated with drilling into coal are fully understood and the necessary precautions are undertaken. New guidance notes on drilling have been published by the Health and Safety Executive. The Authority is also liaising with developers in coalfield areas to ensure that the legacy of past coal mining is taken into account for new build projects. Additional engineers were recruited into the Public Safety and Subsidence team during the year to enhance its capability in dealing with surface hazards and subsidence, and provide the specialist skills necessary to support a more complete in-house service to stakeholders.

Provision of Information

The Authority continues to seek new ways in which to communicate the information it holds. We are further developing our relationships with local authorities to enable a greater understanding to be gained of the issues associated with coal and coal mining when producing local development plans and permitted developments in the former coalfield areas of Britain. Focus will also be placed on reporting areas of coal reserves to be designated as mineral safeguarding areas in local development plans. A Planning and Local Authority Liaison team has been established and work has commenced with a small number of local authorities.

The Authority saw a reduction in the demand for its mining report services during the year in line with the reduction in the volume of transactions in the property market. It has developed and is piloting a service which will enable the demand and supply of mining reports to be initiated directly by the one-stop shop providers rather than through the Authority, thereby further speeding up the service provision.

Financing

It is pleasing to report that as a result of the recent Government Comprehensive Spending Review (CSR), the Authority has received an indicative settlement of £102.5 million for capital and revenue expenditure over the three year period 2008–2009 – 2010–2011. This is an increase of 71% from the last Spending Review in 2004. The funding will enable the Authority to continue managing legacy coal liabilities and progress its minewater treatment build programme to get back on target to meet the regulatory requirements of the EU Water Framework Directive. The results of this programme will improve the water quality of the nation's river courses and in so doing, improve the environment for the communities in the coal mining areas of Britain.

OUTLOOK

The coming year will again be challenging for the Authority particularly in the following areas:

- Procuring the successor strategic computerised information system to replace the Authority's Mining Reports and Surface Damage System (MRSDS). Work has already commenced in identifying suitable suppliers to deliver the system by 2010.
- Delivering the public safety programme, specifically inspecting 5,000 mine entries and developing strong communication channels with stakeholders.
- Delivering the minewater treatment programme to meet the requirements of the EU Water Framework Directive.
- Continuing to seek new ways in which to deliver information to stakeholders. In the coming year it will be seeking accreditation as a full member of the Information Fair Trader Scheme (IFTS), which sets and assesses standards for public sector bodies.
- Considering its future structure and role including possible related legislation changes.

This report also identifies a number of initiatives to further enhance the Authority's capabilities in delivering its products and services. A Strategy Board has been established to oversee the procurement and installation of the strategic computerised information system and work has commenced on producing the relevant procurement documentation. This procurement process will be progressed during the coming year.

Work will continue on developing the minewater monitoring regime to ensure the Authority has the necessary treatment programme in place to meet the requirements of the EU Water Framework Directive. This work will also impact on the future land acquisition programme.

The focus of the Authority remains on the delivery of cutting edge services to stakeholders whilst within its legal constraints also seeking new markets for these services to reduce the demand on the public purse.

THE ROLE FOR COAL

The world demand for energy continues to grow year-on-year and the past year has seen the world market price for coal double. Analysts forecast that the price of energy is unlikely to fall in the foreseeable future. The demand for coal worldwide continues to grow although focus is increasingly being placed on the introduction of clean coal technologies to mitigate carbon emissions associated with coal fired power generation. Coal accounted for 36% of the nation's electricity produced in 2007 with 55 million tonnes of coal being utilised for power generation, of which 16 million tonnes was British mined.

The Government convened Coal Forum published its first overview report in August 2007 detailing the work undertaken by the Forum and its Sub-Groups for the period November 2006 to June 2007. It was agreed that the Forum had improved communications between the various sectors of the industry and with government and that there was an ongoing need for the Forum and Sub-Groups to continue in order to take forward a number of industry issues. The Authority is actively involved in the work being undertaken and is represented on both the Forum and its Sub-Groups.

RELATIONSHIPS AND APPRECIATION

I was delighted to take over as Chairman of the Authority on 1 October 2007, succeeding John Harris who had served eight years in this role. John showed great leadership and commitment to the Authority through a period of considerable change – in our objectives, role, business process and organisation, and staff numbers. On behalf of all staff of the Authority, I would like to thank John for his input throughout this period, and for leaving the Authority in great shape for me to take over. We wish him well as he moves on to pursue a wide range of other interests, both within and outside the industry.

As an Authority, we work with a large number of external stakeholders: our sponsoring body, BERR, and a number of other representatives of central government; our increasing liaison with local government and the coalfield communities; our interaction 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 those we work with, and whose input is essential for the Authority to continue delivery of its services in a timely, cost effective and efficient manner.

Most of all, our service delivery depends on the professionalism and commitment of all our staff, and it gives me great pleasure to work with such a strongly motivated and dynamic group of people. In May, we welcomed Paul Frammingham to his new role as Director of Finance, and are also delighted that the Secretary of State has appointed Dr Pauleen Lane CBE and Stephen Dingle as Non-Executive Directors from the same date. Stephen will succeed John Hawksley as Chairman of the Audit Committee when John's term as a Non-Executive Director comes to an end in September this year.

This is an exciting time to be involved in the energy sector. We all face a pressing need to respond positively to climate change whilst balancing this against ever-increasing demands for energy provision. World prices continue to sit at all time highs, and this is reflected in the levels of interest and activity we now see in the UK coal mining industry. I am delighted to have taken over the Chairman's role at such a dynamic time, and look forward to the changes and challenges this will present.

Dr Helen Mounsey, Chairman

Smithy Brook minewater treatment scheme, Lancashire

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.

Mission

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.

High Level Objectives

To meet its mission a set of high level objectives have been adopted which are regularly reviewed to meet the forward programme of work:

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. Expand the provision of coal mining reports and records and public sector information to meet the needs of the market and to use our resources and expertise to distribute electronically a range of other information.
3. Manage the Authority's land and mineral estate and the associated liabilities and responsibilities.
4. To seek out and exploit commercial opportunities, in accordance with the Government's Wider Markets Initiative, which are within the Authority's vires and ambit.
5. Interact with industry and Government to promote the use of the UK's coal reserves as part of a diverse and secure energy portfolio.

Performance Against Targets

The Authority is committed to fulfil its four primary functions as set out on page 27 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.

The Authority monitors the overall effectiveness of customer delivery and progress against objectives through a suite of key performance indicators. All but one of the key performance indicators for 2007–2008 was met. The payment of invoices within contractual terms was 99% against the target of 100%. The following table provides the outturns for the year and the targets for the three succeeding years.

KEY PERFORMANCE INDICATORS AND TARGETS SUMMARY

Year ended 31 March		2003	2004	2005	2006	2007	2008	2009	2010	2011
Inspect all operational mines at least once annually (%)	Target	100	100	100	100	100	100	100	100	100
	Outturn	100	100	100	100	100	100			
First inspection of residential subsidence claims within four weeks (%)	Target	94	97	100	100	100	100	100	100	100
	Outturn	99	100	100	100	100	100			
Communicate decision on residential subsidence claims to claimants within three weeks (%)	Target	94	97	98	98	99	99	99	99	99
	Outturn	99	98	100	99	99	100			
Requests for mining reports responded to within two working days (%)	Target	85	87	89	91	92	93	94	95	96
	Outturn	84	97	96	94	96	94			
Requests for mining reports responded to within five working days (%)	Target	95	95	98	98	98	98	98	98	98
	Outturn	98	99	98	98	98	98			
[1] Commence site works to remediate four (2002), six (2003), eight (2004-2006) and one (2007) minewater discharges	Target	100	100	100	100	100	100	N/A	N/A	N/A
	Outturn	100	100	88	88	100	100			
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	99		

Notes:

1. A risk based minewater programme has been developed to comply with the requirements of the EU Water Framework Directive. Work commencing on new projects will vary year on year therefore this key performance indicator is no longer valid.

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.

As set out in the Chairman's Statement the three key areas of development in the year have been:

1. Public safety and permissions review.
2. Planning and local authority liaison.
3. Funding for the minewater treatment programme.

These are set out in the context of the wider business function below.

PUBLIC SAFETY AND SUBSIDENCE

Change in Structure

One of the principal organisational changes within the Authority this year has been the merger of its surface hazards management and subsidence functions. The nature of coal mining subsidence problems now are closely aligned to hazards work and both areas are concerned with the management of a large number of geographically spread individual projects. This larger team will allow the Authority to better allocate resources to projects across the coalfield areas of Britain. It will continue to manage the Authority's 44 spoil tips and provide services to other operational activities including inspections of the Authority's retained property sites and other interests including gas vents and water discharges.

Surface hazards, subsidence and tips projects are all administered internally and are supported by contracts with consultants and term contractors across Britain.

Public Safety Review Initiatives

The public safety review which commenced last year has led to some changes in policy and approach. A small internal team supported by the Mines Rescue Service Limited (MRS) inspected 2,506 coal mine entries during the year the result of which led to follow up work on 206 entries. The trigger to this work was the number of large shaft collapses that had occurred last year. As a result of this exercise a formal programme was set up to proactively inspect coal mine entries. The programme has been planned to focus on those mine entries across the country, which because of their location and potential condition may pose a relatively heightened public safety risk. Other coal mine entries in the immediate vicinity are also examined in the course of these inspections.
A thorough review of the Authority's information on mine entries was undertaken during the year and this contributed to the risk assessment. The objective is to inspect at least 5,000 mine entries a year from 2008-2009. This work will be developed and reviewed throughout the year to formulate a strategy for a risk based inspection programme in relation to the 170,000 mine entries recorded by the Authority.

Public Safety

The Authority's public safety and subsidence team provides a 24 hour, 365 day emergency response service to incidents which pose a risk to the safety of the public that are associated with former coal mining operations. The team also deals with a variety of other projects associated with the UK's coal mining legacy.

These projects and incidents include such occurrences as:

- Collapses of shallow mine workings and old mine entries.
- Emissions of gas or water from old mine workings.
- Spontaneous combustion of coal.
- Open abandoned mine entries permitting access into old mine workings.

The team received 335 notifications of surface hazards, 269 that required the deployment of an emergency response. The key performance indicators in relation to these responses are shown in the table at bottom of page.

Targets are rarely missed and generally these failures are due either to traffic delays or from incomplete information being provided with the initial call as to the location of the incident. 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 335 hazards reported, the team received a further 216 projects relating to potential former coal mining liabilities which did not require emergency call out action. Within the total of 551 new projects, some of these required more than one mining feature to be investigated, and the total number of features attended to was 817 compared with 652 last year. The acceptance rate for all projects, (excluding those arising from the proactive inspections of mine shafts) was the same as last year at 39%. The settlement spend on surface hazards projects for the year was £4.2 million.

The Authority has raised significant public safety issues in relation to an intensively mined area of land close to Merthyr Tydfil. Two public meetings have been held to inform the public of the risks associated with the land which contains some 189 recorded mine entries over its 554 acre area as well as coal mine workings in up to 15

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
335	269	268	266	267	268
		99.6%	98.9%	99.3%	99.6%

seams. The Authority continues dialogue with Merthyr Tydfil County Borough Council, the Welsh Assembly Government, the landowners, Cadw, Countryside Council for Wales (CCW), and local interest groups to explore potential solutions to the risks posed by the land.

Subsidence

The team administers claims for coal mining subsidence damage from property owners throughout the coalfields of Britain, where the Authority is the responsible person as defined by the Coal Industry Act 1994 ("the Act"). The private coal mining operators are responsible for administering subsidence claims which are attributable to their own mining operations within their defined Areas of Responsibility.

During the year, the Authority received 537 claims for alleged mining subsidence damage, a slight increase of 38 claims from last year. Of these claims 222 were from owners of domestic residential properties as against 292 last year, the remaining being associated with statutory undertakings and commercial and agricultural operations. Acceptance rates for domestic properties for the year was 16% and for non domestic claims 81% similar to last year.

The Authority resolved 516 claims during the year, leaving a balance of 366 claims outstanding at the 31 March 2008. Settlement on subsidence claims within the year amounted to £5.2 million which included a single property purchase of £2.20 million.

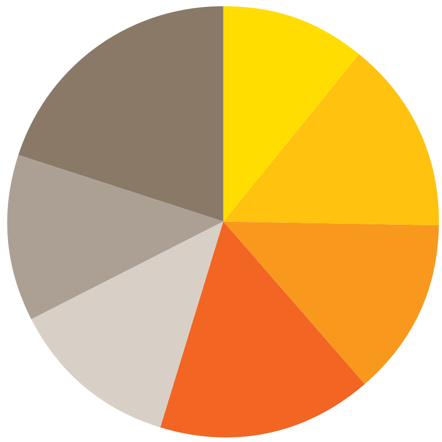
Other Operations

The Authority has a liability in respect of over 70 pumping stations designed to manage water levels in areas where coal mining has lowered the ground surface and increased the risk of flooding. These pumping stations are on a programme of maintenance and refurbishment and during the year the Authority completed refurbishment on five stations, commencing works on a further four. The total cost for refurbishment and maintenance for the year was £2.10 million. Responsibility for the management of these pumping stations transferred to the Authority's Minewater team as from 1 April 2008.

The Authority continues to maintain 11.5 kilometres of the Bridgewater Canal under the Manchester Ship Canal (Bridgewater Canal) Act 1907 in order to keep the mining length of the canal open and navigable. This is a major expense for the Authority with a £9 million provision for this project.

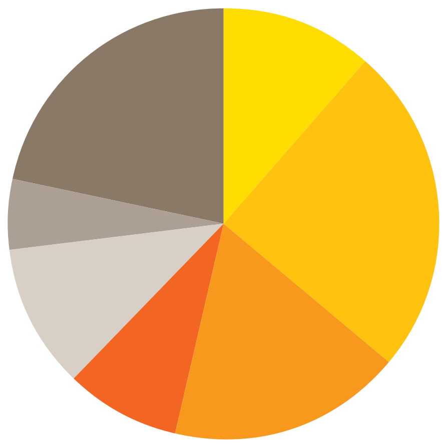
Costs and claims per region are shown in Figures 1 to 4.

Figure 1: Surface Hazards Projects Received by Region – 2007–2008



- Scotland, **61**
- North East & Cumbria, **79**
- North West & North Wales, **74**
- West Midlands, **89**
- Yorkshire, **70**
- East Midlands, **69**
- South West, Forest of Dean & South Wales, **109**

Figure 2: Surface Hazards Projects Expenditure by Region – 2007–2008

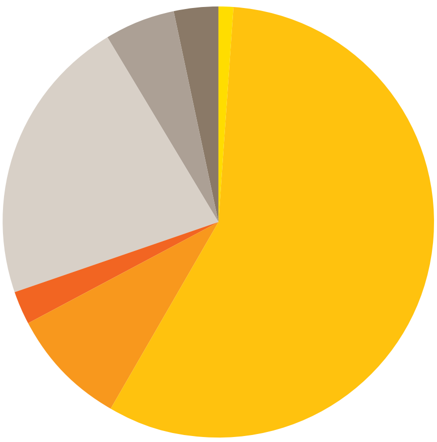


- Scotland, **£491**
- North East & Cumbria, **£1,044**
- North West & North Wales, **£747**
- West Midlands, **£360**
- Yorkshire, **£456**
- East Midlands, **£225**
- South West, Forest of Dean & South Wales, **£913**

Figure 3: Subsidence Projects Received by Region – 2007–2008

- Scalnd, **19**
- North East & Cumbria, **102**
- North West & North Wales, **39**
- West Midlands, **96**
- Yorkshire, **157**
- East Midlands, **91**
- South West, Forest of Dean & South Wales, **33**

Figure 4: Subsidence Projects Expenditure by Region – 2007–2008



- Scotland, **£41**
- North East & Cumbria, **£2,978**
- North West & North Wales, **£461**
- West Midlands, **£125**
- Yorkshire, **£1,120**
- East Midlands, **£275**
- South West, Forest of Dean & South Wales, **£168**

The Authority continued its management programme for its 44 spoil tips with inspections and monitoring undertaken in accordance with the programme described in the Authority's "Code of Practice for the Management of Disused Tips". The fundamental aspect of the management system is inspection by competent persons at a maximum interval of six months. Some of the more significant projects pursued in the year comprised:

- Remedial works to address falls of ground in the drainage tunnel below Marine tips in South Wales. This is likely to be an on-going process over the next two to three years as the existing roof supports reach the end of their operational life.
- Continued works to maintain an adequate drainage network on Blaencwm landslide including repair of infrastructure damaged by landslide activity.
- A final report on ground investigation of a landslip at the former Frances Colliery site in Scotland has been evaluated and reviewed. Results confirm the suitability of the Authority's managed failure policy as an effective means of ensuring public safety. The landslip will not regress sufficiently to endanger property above the tip.
- Improvement of flood attenuation infrastructure on Marine Tip 567. This system is intended to prevent surface water run-off from the tip causing flooding outside of the site.

Future Activities

The Authority will continue to provide surface hazards, subsidence and tips management services in compliance with its key performance indicators.

At least 5,000 mine entries will be inspected during 2008-2009.

PROVISION OF INFORMATION

Planning and Local Authority Liaison

There are 198 planning authorities covering the coalfield areas of Britain to whom the Authority is a statutory consultee offering standing advice on planning applications and making comments on regional and local development plans. In the context of public safety, it was determined to strengthen the advice provided and as from 1 April 2008 a Planning and Local Authority Liaison team was established to act as the contact between the Authority and the local authorities.

The team will be involved in the planning process to ensure that full consideration is given to safe, sustainable development being undertaken taking due regard to both the risk from the legacy of past coal mining and the future exploitation of coal reserves.

The Authority's computerised geographical information system (GIS) is being used to develop areas within local authority boundaries considered to have a coal risk potential. The plans produced will be used by the Authority to agree with several pilot local authorities the methodology for interaction with the planning system. The system will be rolled out nationally in the coming years.

The GIS will also develop plans showing areas of shallow coal reserves that will enable local authorities to fully consider the reserves when developing mineral policies and mineral safeguarded areas, to prevent potential sterilisation of minerals by other development.

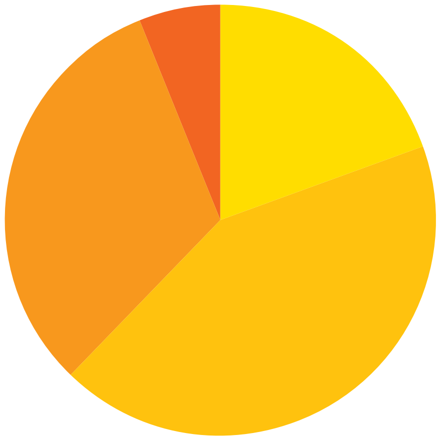
Property Search Service

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

Some 492,500 property searches including ground stability reports were produced during the year, 13% less than the previous year. This reduction reflects the downward trend in activity in the property market and is expected to continue in the coming year in line with the downturn in the property market being seen throughout Britain. 87% of these searches were returned within one working day of receipt with the level of business being dealt with electronically increasing from 86% to 89% by the end of the year. The majority of searches were provided to solicitors and private search companies acting on behalf of property purchasers in former coal mining areas as shown in Figure 5. Demand from private sector search companies increased from 38.8% in 2006-2007 to 42.6% and from the National Land Information Service at 19.7% up from 18.7% in 2006-2007. Demand from solicitors and conveyancers fell from 35.6% in 2006-2007 to 31.7% in 2007-2008 whilst demand from other bodies also fell slightly to 6% from 6.9% in 2006-2007.

An increase in the maximum detrimental change insurance cover within residential property searches has been negotiated to £50,000 and this was introduced on 1 May 2008.

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



- National Land Information Service (NLIS), **19.7%**
- Private Sector Search Companies, **42.6%**
- Solicitors and Conveyancers, **31.7%**
- Other, **6.0%**

Coal Mining Database

The Authority completed the introduction of the Ordnance Survey's Positional Accuracy Improvement Programme changes into its coal mining database during the year. This ensures the continued correlation to the Ordnance Survey national grid of the recorded mining features used extensively in the various types of property search services provided by the Authority.

Work continued throughout the year to identify original and unique coal mining records to add to the comprehensive database. The continuing collaboration with the Health and Safety Executive (HSE), The National Archives, British Geological Survey (BGS) together with searches undertaken at local and county archive centres, has ensured that the Authority continues to enhance and improve its unparalleled collection of coal and non coal mining information. Continual maintenance and ongoing revision of this database ensure that the accuracy of the mining information is maintained to suitable standards.

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 542 visitors viewed parts of the collection. Other visitors to the Centre included groups from schools and academia and specialist history groups. All visits were accommodated within four working days where requested.

The Authority has completed the scanning of the original abandonment plans and has also scanned the original mining plans of other minerals held by the County Archives in England and Wales. This 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 1,865 written requests being dealt with during the year. This trend is expected to continue.

The large format scanning camera facility will be utilised for scanning other unique coal and non coal mining information held at the Authority to enable this data to be accessed electronically.

The Authority has introduced a commercial scanning service and has completed a number of projects for a variety of clients including County Archives, BGS, Forestry Commission, HSE and the University of Virginia. The large scale camera facility allows oversized and/or delicate plans, records and photographs to be scanned using non abrasive techniques.

Records Management

The records management service supports the needs of the business and responds promptly to enquiries from stakeholders. The coal library facility was commissioned and an information management programme commenced during the year.

User uptake of the Electronic Documents and Records Management (EDRM) electronic file store continues to grow. A total of 477,047 documents were held at the year end representing a 49% increase during the year.

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. This scheme compliments the Authority’s existing practices which adopt the principles set out in the Government paper “Modernising Government”. During the year 13 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 21 letters from Members of Parliament and other public representatives (2007 – 37 letters). The average time taken to reply to such letters was nine 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

The Authority expects the volume of coal mine searches to further decline during the coming year and anticipates that by 31 March 2009 90% will be issued electronically.

The Authority is keen to deliver its information to public and private sector stakeholders in new ways and has commenced systemising its data to enable it to identify appropriate opportunities to provide information to new market segments.

The Authority will seek accreditation to the full Information Fair Trader Scheme (IFTS) by the end of March 2009.

The Authority's Information and Communication Technology (ICT) contract expires in 2010 which will require the replacement of the current Mining Reports and Surface Damage System (MRSDS) to provide a strategic information tool to support the operational activities undertaken by the Authority. The procurement process has commenced and the Authority held an "open day" on 2 May 2008 to which potential service providers were invited.

The Authority in collaboration with HSE, BGS, The National Archives and the Valuation Office Agency has developed a website to enable plans of minerals other than coal to be accessed. The site will be formally launched later in 2008.

ENVIRONMENTAL PROJECTS

The Authority's minewater remediation and prevention programme provides significant environmental benefits to the nation. The 46 operational schemes located throughout the former coalfield areas of Britain improve and protect over 300 kilometres of watercourses and prevent contamination of valuable drinking water supplies. Over 1,200 tonnes of iron per annum are removed from the minewater that would otherwise enter the nation's watercourses and aquifers.

The Authority has a close working relationship with the Environment Agency and the Scottish Environment Protection Agency (SEPA) and is represented on the mining sensitive River Basin Liaison Panels and National Advisory Groups which form an important part of the river basin planning process prescribed by the EU Water Framework Directive (WFD). A comprehensive annual review of the Authority's minewater programme is undertaken to ensure compliance with the requirements of the WFD.

The Authority's focus for 2007-2008 was the construction of the Dawdon project near Seaham, County Durham for the permanent protection of an aquifer which currently supplies 20% of the water supply in the North East. The work was split into two contracts. The first contract for the pumping installation, pipelines and twin sea outfalls was substantially completed by the year end. Work on the second contract for the construction of the high density sludge plant and associated building is ongoing. The scheme is due to be operational by October 2008.

Preparatory design and procurement work has enabled an early start to be made on schemes in the 2008-2009 construction programme. Mobilisation at Great Clifton, Cumbria and Strafford, South Yorkshire took place in February and March 2008 respectively with Fennyfield in Lancashire commencing in early April. Site works at Pitfirrane in Fife and Mountain Gate in South Wales are expected to start in the first quarter of 2008-2009.

Two companies propose to construct schemes to remediate polluting minewater discharges at Fordell, Fife and Stony Heap, County Durham. The Authority will inherit these schemes on completion of coal mining activities. Agreement was also reached with Ecosse Regeneration Limited for a new passive treatment scheme at Polkemmet, West Lothian to replace the existing temporary active scheme constructed there in 1998.

The Authority together with Newcastle University and consultants Atkins are carrying out a two year project for the Department for Environment, Food and Rural Affairs (Defra) to identify and prioritise the scale of water pollution and the risk of minewater outbreaks from non coal abandoned mines in England and Wales. The project is due to be completed in April 2009.

The Authority continued with its pumping station refurbishment programme to both improve efficiency and reduce the levels of carbon emitted to atmosphere by pumping operations. The results to date will see a saving of £350,000 per year and carbon reduction of 2,400 tonnes per annum. This work will continue in the coming year.

Future Activities

Work will continue to ensure that a suitable preventative and remedial minewater treatment programme is in place necessary to meet the requirements of the EU Water Framework Directive.

The underground monitoring network throughout Britain will continue to be expanded and enhanced to enable the Authority to accurately access the underground minewater regime.

PROPERTY MANAGEMENT

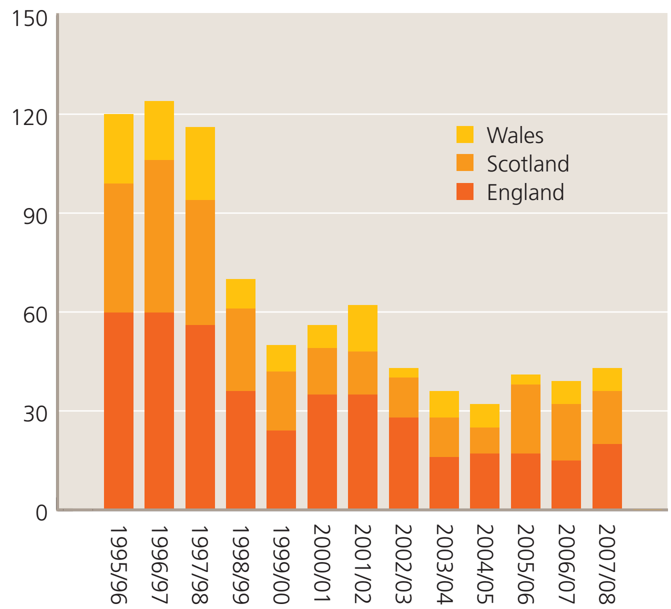
Property management involves the licensing of coal mining operations, issuing permits for others to enter or disturb coal and managing our estate.

LICENSING

Applications

The Authority received 44 applications for licences and agreements to enter its coal, an increase of five (13%) on last year. Applications in Scotland and Wales remained constant whereas five additional applications were received for England. Figure 6 shows the applications received by the Authority since 1 April 1995.

Figure 6: Applications Received since 1 April 1995

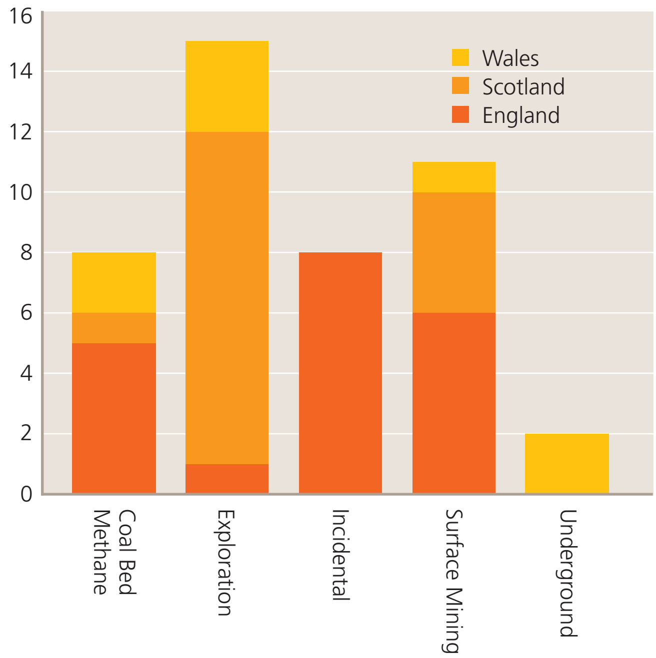


Applications related to new projects as well as the continuation of existing operations. The number of exploration applications increased to 15 from 14 the previous year and there was also a rise in surface mining activity from six applications in 2006–2007 to 11 applications in 2007–2008. Activity associated with the incidental coal and methane sectors remained constant with eight applications in each. All methane applications this year were associated with coal bed methane activity.

The number of underground applications received fell from three to two and were related to the competing bids for the eastern part of the Margam reserves in South Wales.

A breakdown of the new applications received is shown in Figure 7. During the year the Authority also received applications for 30 variations to existing licences and agreements.

Figure 7: Applications Received in 2007–2008



Licences and Agreements Granted

The Authority granted 37 licences and agreements during the year, an increase of six (19%) from 2006–2007, as well as nine leases and one option for lease containing up to 18.04 million tonnes of recoverable coal. Figure 8 provides details of the licences and agreements granted in 2007–2008.

Figure 8: Licences/Agreements Granted in 2007–2008

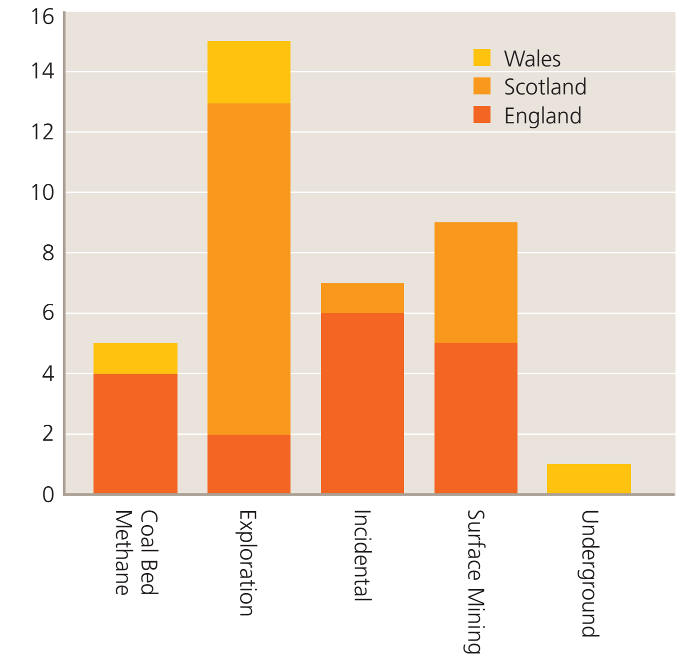
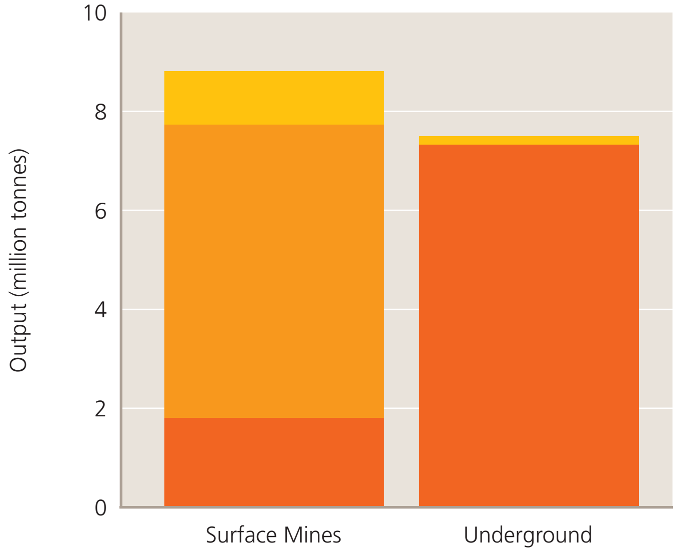
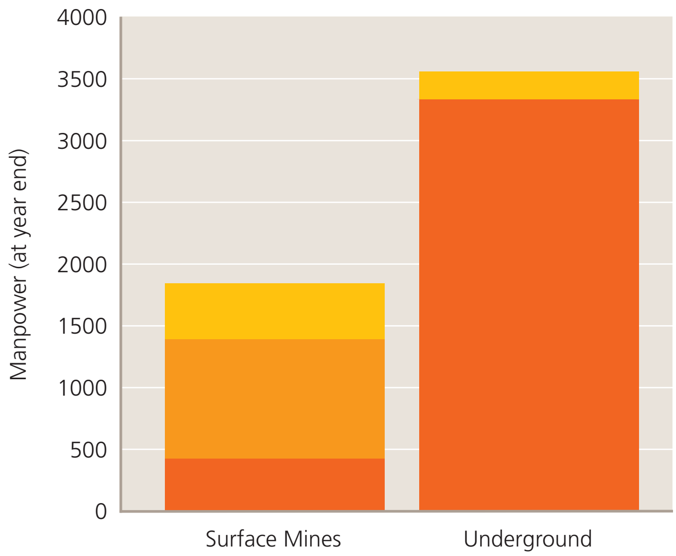


Figure 9: Coal Production and Manpower



	Surface Mines	Underground
Wales	1.08	0.17
Scotland	5.92	0.00
England	1.81	7.33



	Surface Mines	Underground
Wales	454	224
Scotland	965	0.00
England	425	3,334

Coal Production

Production in the year was 16.3 million tonnes, a slight reduction of 0.25 million tonnes (1.5%) on 2006-2007. There was a fall in underground production of 0.7 million tonnes (8.5%) to 7.5 million tonnes offset by an increase in surface production of 0.4 million tonnes (4.8%) to 8.8 million tonnes. The production figures do not include coal mined from non-licensable activities such as tip washing and from sites authorised to extract coal in the course of non coal mining activities. These sites produced 44,003 tonnes of coal during the year.

At 31 March 2008, 5,570 persons were reported as being employed at 31 surface mines, 17 underground mines and three care and maintenance mines, an increase of 288 on March 2007 numbers.

The details of coal production and manpower declared to the Authority in 2007-2008 are shown in Figure 9.

Assessment of Licensed Tonnage

The Authority has updated its assessment of that proportion of its coal resource that is licensed to operating companies within Britain.

The table below illustrates the approximate tonnage of coal reserves and resources in underground and opencast licences at March 2008. It includes reserves and resources of coal within licences at operating underground mines and surface sites; the coal within conditional licences and coal which, although still in licence, is located at closed mines and sites.

The Authority has updated its review of the potential for surface mining to 2020 and this is shown at Figure 10.

The increase in the levels of output from surface mines between 2009–2014 over that estimated in 2007 is mainly due to the increased number of sites receiving planning approval in 2007, revised production phasing information received from the industry together with a growing level of interest being expressed in new mine development. The continuing rise in the world price for coal together with the continual growth in the demand for coal worldwide, could enable investment in indigenous coal to produce 12 million tonnes annually up to and beyond 2020 from surface mining.

SIGNIFICANT LICENSING ISSUES IN 2007–2008

Margam

Corus UK Limited took up its offer of a conditional licence for the Margam West reserves in September 2007 notwithstanding that the unsuccessful legal challenges to the Authority's decision were still ongoing. In October

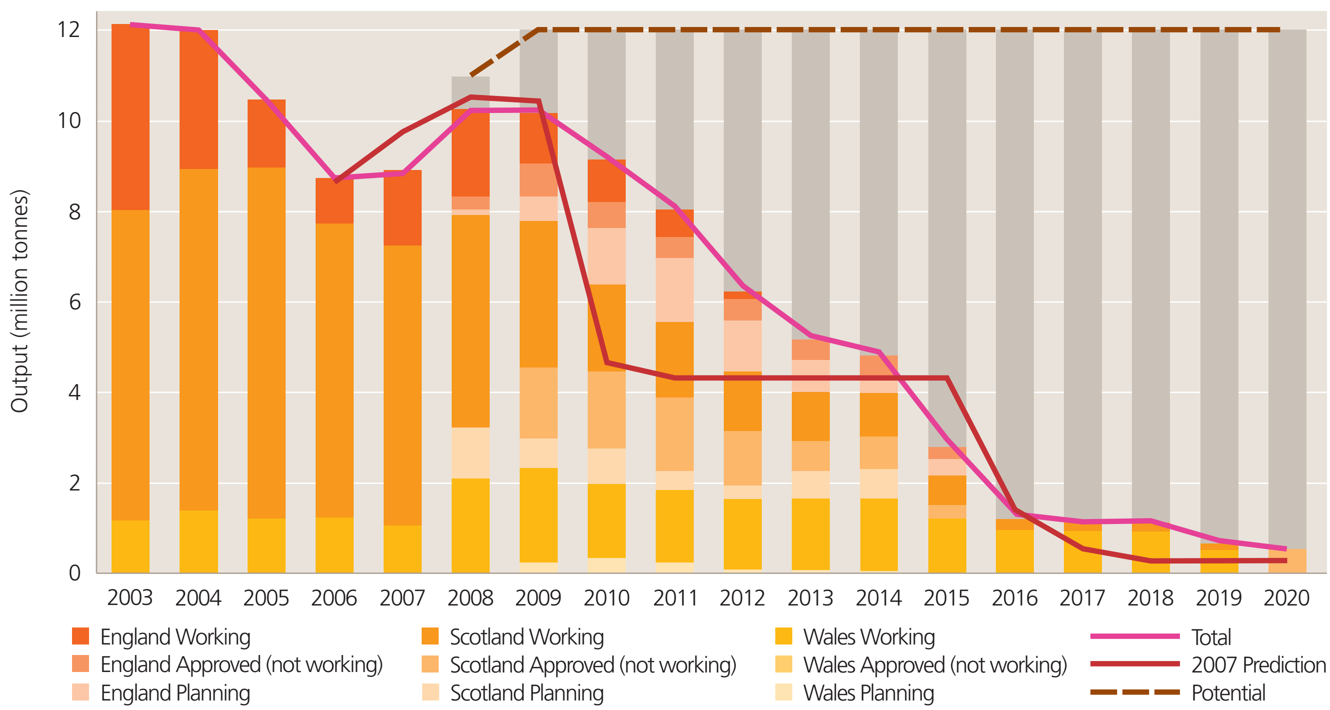
ASSESSMENT OF COAL RESERVES & RESOURCES IN LICENCE

Estimate of Reserves & Resources remaining in Licence in the UK (million tonnes)

YEAR ENDING	UNDERGROUND			SURFACE		
	Operating	Closed *	Conditional	Operating	Closed *	Conditional
March 2008	131	191	53	41	3	4

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

Figure 10: Actual and Predicted Surface Mining Production Sites Working or Developing at 31 May 2008 and those in the Planning Process



Note: Estimated annual output from future sites taken from operator's planning submissions.

2007 the company submitted a further application for a conditional licence covering the eastern part of the Margam reserves and following advertising by the Authority a competing application was received. The licensing decision on these competing applications was determined by the Authority Board in April 2008 and resulted in the conditional licence being awarded to Corus UK Limited.

Hatfield Colliery

Hatfield Colliery resumed production successfully in January 2008 and anticipates producing 2 million tonnes of coal per year by 2009 with a clean coal power station being developed on the site.

Harworth Colliery

UK Coal announced at the end of the year an exploration programme that could result in up to 40 million tonnes of coal being mined at Harworth Colliery, which the company mothballed in June 2006.

Tower Colliery

Tower Colliery closed in January 2008 due to exhaustion of reserves. The mine had successfully produced 6.2 million tonnes since 1995 when the workforce bought the mine and re-opened it. The operators intend to re-develop the site following a surface mining scheme and also intend to carry on generating electricity from the methane gas released from the old mine workings. Some of the former workforce have transferred to the nearby Aberpergwm Colliery and Unity Mine, both of which intend to expand production in 2008-2009.

Ffos-y-Fran

This site in South Wales is the third and final phase of the "East Merthyr Land Reclamation Scheme", and the intention is to reclaim 370 hectares of derelict land for productive and beneficial use and produce around 10.8 million tonnes of coal predominantly for use at the nearby Aberthaw power station. The site commenced producing coal at the end of 2007.

Coal Methane

There has continued to be a revival in interest in the coal methane sector with interest both in methane from abandoned mines and to a much larger extent, coal bed methane from unworked seams. Composite Energy Ltd, based in Scotland, is continuing to develop its coal bed methane programme with further wells and the construction of a power generation and water treatment plant being planned for 2008–2009.

Nexen Exploration UK established a coal bed methane development site in the north west of England which has yielded successful test results and drilled a number of further holes. It plans a programme of further wells in 2008–2009.

Greenpark Energy are developing a coal mine methane portfolio with work at several sites and have moved into coal bed methane with a project on the borders of England and Scotland whilst established coal mine methane operator, Alkane Energy, also increased its operations with new sites. Coastal Oil and Gas, in conjunction with its partners, Eden Energy from Australia, has drilled several boreholes in South Wales and are planning to drill further holes in 2008–2009.

Underground Coal Gasification

The concept of gasifying coal underground and bringing the energy to the surface as a gas for subsequent use in heating or power generation has considerable attraction. The gas can be processed to remove carbon dioxide before it is passed on to end users.

As a coal mining operation, UCG requires a licence and lease from the Authority and there have been meetings with BERR and with operators who are either planning operations or working up proposals to develop this resource. It is anticipated that applications for sites will be received in 2008–2009.

Future Activities

Key targets for 2008-2009 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 financial provision for meeting their liabilities.
- To inspect underground mines, opencast sites and other relevant operations on a risk assessment basis.

- To monitor operations to verify compliance with the authorised terms and conditions of agreements granted.

PERMISSIONS

The Authority seeks to monitor and control third party access into its mining property for non coal mining purposes such as ground investigation and stabilisation by means of its permissions process. The number of applications received by the Authority has risen steadily with 904 being received in the year, up 61% on the previous year. This figure is expected to rise significantly as the Authority further develops its consultation and awareness process with local authorities and developers.

As part of the Authority's ongoing public safety review the permission documents and procedures were subjected to a rigorous examination resulting in a more streamlined process where the risks to public safety are assessed on the principles of source, pathway and receptor.

ESTATES

The Authority holds 1,631 hectares of operational and non-operational land. Capital receipts from the sale of surplus assets during the year amounted to £0.2 million. A number of mixed use sites were disposed of by auction together with the disposal of Caerphilly Tar Plant in South Wales, a site covering 6.84 hectares with significant remediation costs.

Income arising from clawback and release of restrictive covenants amounted to £2.8 million. Such income is likely to reduce in future years as the clawback period on the majority of British Coal Corporation sales of land expires.

The Authority acquired four sites during the year for minewater treatment schemes with further sites being progressed for acquisition.

Future Activities

The Authority has a rolling disposal programme for non-operational land in its ownership and this property will be made available through a number of auction sales in 2008–2009.

Estates will continue to manage leasehold liabilities for the residual estate and significant work will be undertaken during the year.

An acquisitions programme will be delivered over the next three years to obtain sites necessary for the minewater build programme using land bank principles to secure sites in advance of build wherever possible.

RESEARCH AND DEVELOPMENT WORK

The Authority has initiated a number of 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 have been established and fieldwork will continue throughout the coming year.
- Research on fissure formations was undertaken in the year and the results of this work are due in the Summer 2008.
- Further review of the work previously undertaken on geophysical identification of mine shaft positions.
- Continuation of the work being undertaken on the effectiveness of the reducing alkalinity producing system (RAPs) for treating acidic minewater and the hydraulic efficiency of existing systems.
- Sponsoring a three year PhD student to research improved efficiency methods for minewater treatment.

FINANCIAL REVIEW

Cash Flow

During the year ended 31 March 2008 the Authority's net cash outflow before financing activities was £27.0 million, up by 64% from £16.5 million in the previous year. This cash flow was funded by grant in aid from BERR of £26.0 million (2006–2007 – £12.0 million) and a reduction in cash balances of £1.0 million (2006–2007 – £4.5 million).

Both operating activities and capital expenditure saw an increase in cash outflow.

Net cash outflow from operating activities amounted to £23.6 million, up by £6.7 million from £16.9 million in 2006–2007. The main constituents of operating cash flow are: cash expenditure incurred managing legacy liabilities included in the provisions of £18.9 million (2006–2007 – £16.6 million); income earned of £11.9 million (2006–2007 – £14.4 million) mainly from mining information reports; cash based administration costs excluding depreciation, asset write-offs and provision adjustments of £15.9 million (2006–2007 – £16.5 million) and movements in related working capital of £0.7 million outflow (2006–2007 – £1.8 million) inflow.

This increased outflow is due to:

- An increase in cash expenditure against provisions of £2.3 million due to the settlement of a large subsidence claim, increased activity in surface hazards and the demolition of a closed colliery site.
- Mining information services contribution, before depreciation and asset write-offs, falling by £1.2 million due to declining volumes of mining reports in the conveyancing market.
- A one-off £1.0 million contribution being received in 2006–2007 towards a minewater treatment scheme.
- A £2.5 million movement in debtors and creditors. In 2006–2007, working capital decreased by £1.8 million due to increase in creditors owing to activity levels. In 2007–2008, working capital increased by £0.7 million due to timing of VAT recovery.

Capital expenditure of £6.6 million was marginally higher than the £5.7 million in 2006–2007 mainly due to the construction of the Dawdon minewater treatment scheme. However capital receipts fell to £3.6 million from £7.2 million due to the timing of a receipt of clawback income in the previous year. As a consequence net capital expenditure of £3.0 million was incurred compared to net income of £1.5 million in 2006–2007.

Income and Expenditure

Gross income for the year was £11.9 million (2006–2007 – £14.4 million), a decline due to volumes in mining reports and a contribution towards a minewater treatment scheme received in the previous year.

Dawdon minewater treatment scheme under construction, County Durham

Other administration costs amounted to £18.6 million (2006–2007 – £20.3 million), a fall of £1.7 million mainly due to asset write-offs and devaluations of £1.3 million incurred in 2006–2007, a reduction in mining information supplies and services and other overhead savings.

The income and expenditure statement for the year to 31 March 2008 was charged with £6.5 million adjustment to provisions compared with £3.1 million in 2006–2007. 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 (2006–2007 – £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 (2006–2007 – £1.1 million).
- A charge to increase the provision by £3.5 million for a new programme of work not previously included in the provision to inspect 5,000 mineshafts per annum. No other provision assumptions have been changed in the year.
- An increase to the provision of £0.7 million to reflect the under and over expenditure against the provision in respect of work done in the year (2006–2007 – £1.8 million).

The resulting operating deficit for the year to 31 March 2008 was £13.2 million (2006–2007 – £9.1 million).

Profit arising on the sale of fixed assets was £2.9 million (2006-2007 – £2.8 million). Gross proceeds were £3.0 million (2006-2007 – £4.0 million) with £0.2 million (2006–2007 – £1.9 million) resulting from the sale of surplus properties and income of £2.8 million (2006–2007 – £2.2 million) from restrictive covenants and clawback contained in the sale conditions of property formerly owned by British Coal Corporation.

The income and expenditure account has been charged with £18.0 million for the unwinding of the discount on the provision (2006–2007 – £17.8 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 £28.3 million (2006–2007 – £23.9 million). There is no tax liability for the year (2006–2007 – nil) mainly due to the use of capital losses against property disposals and clawback receipts.

The capital charge of £28.5 million (2006-2007 – £28.4 million) reflects the notional cost of capital under Treasury guidance and is calculated at 3.5%. 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 £28.7 million (2006–2007 – £24.2 million).

Balance Sheet

At 31 March 2008 net liabilities are £814.4 million and are little changed from £814.0 million at 31 March 2007.

Fixed assets increased by £6.3 million to £59.1 million (31 March 2007 – £52.8 million). Capital expenditure amounted to £6.6 million mainly in relation to the construction of minewater schemes and subsidence pumping station refurbishment. Depreciation amounted to £2.5 million. Investment Properties were valued during the year and increased by £1.7 million to £2.3 million (31 March 2007 – £0.6 million) as further focus was brought to bear on realising surplus assets.

The provision for liabilities and charges increased by £5.6 million to £870.1 million from £864.5 million. This movement is the net effect of several entries, being £3.7 million to reflect the fiftieth and hundredth year; (£1.4) million to reflect the release against depreciation; £3.5 million to reflect the new programme of work to inspect mineshafts; (£18.9) million for the cash spent utilising and reducing the provision; £18.0 million for the unwind of the discount, and £0.7 million net movement to reflect the over or underspend 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, such as the inclusion this year of a mineshaft inspection programme, 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.

A change in the discount rate by 0.5% gives the following effects on the respective provisions; Minewater £71.0 million (increase) and £91.0 million (decrease); Subsidence Pumping Stations £2.0 million (increase) and £2.5 million (decrease); Tips £1.4 million (increase) and £1.7 million (decrease) and Public Safety and Subsidence £10.2 million (increase) and £11.8 million (decrease). Total effect on provisions being £84.6 million (increase) and £107.0 million (decrease).

Going Concern

The balance sheet shows net liabilities of £814.4 million at 31 March 2008. 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, BERR. 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.

Strafford minewater treatment scheme in South Yorkshire under construction

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

The Authority has had a good financial settlement under the government's Comprehensive Spending Review and grant in aid will continue to fund the remediation of legacy liabilities arising from the coal industry. The Authority's net cash outflow before financing activities is expected to exceed the £27.0 million spent this year.

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.

Internal Audit has reviewed the Authority's Corporate Governance against the guidance contained in the Audit Committee Handbook published by HM Treasury in March 2007.

Board of Directors

As at 31 March 2008 the Authority has six Members (three Non-Executive and three Executive) appointed by the Secretary of State for BERR.

Non-Executive Directors are appointed by BERR 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 2007–2008 were:

John Harris, CBE, DL, MA, LLM
Appointed as Board Member 1 September 1999
Appointed as Chair 19 September 1999 – 18 September 2004
Re-appointed as Chair and Board Member to 30 September 2007
Stood down from the Authority on 30 September 2007

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

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

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

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

Name	Board (9)	Audit (6)	HR and Remuneration (2)
Mr J C Harris	4 (out of 4)	–	1 (out of 1)
Mr J R Hawksley	9	6	2
Dr B Jones	9	6	2
Dr H M Mounsey	9	4 (out of 4)	2
Mr P J Lawrence	9	–	2
Mr S Pennell	9	–	–
Mr I Wilson	9	–	–

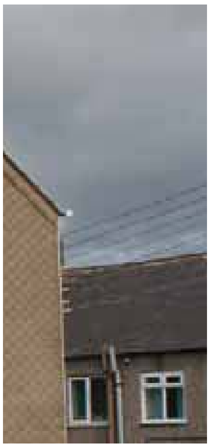
Members of the Authority's Board are required under the Act and the Authority's own Codes of Practice to declare any interests which may potentially conflict with their roles within the Authority. The register of interests is published on the Authority's website at www.coal.gov.uk

The Board meets formally a minimum of six times a year to determine the strategic direction of the Authority and informally in those months where no formal meeting is scheduled. 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.

The Authority held its twelfth annual public meeting in Edinburgh in September 2007 where members of the Authority explained its work and answered questions from the public. This was preceded by an energy industry conference to which invited speakers made a number of presentations on energy related issues. The Authority's thirteenth annual public meeting will be held in Cardiff on 10 September 2008. 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 the role for coal in power generation. 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

Work nearing completion on a subsidence damaged property in the North East



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 Group.

Audit Committee

The Audit Committee comprises two independent Non-Executive Directors under the chairmanship of Mr J R Hawksley, a chartered accountant with the other member being Dr B Jones. Mr Dingle and Dr Lane as independent Non-Executive Directors became members following their appointment on 1 May 2008.

The Committee met six times during the year prior to Board meetings. These committee meetings were also attended by the Chief Executive and the internal and external auditors. The Chair and Executive Directors were also invited to attend the meetings.

The Committee also met with the auditors 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 terms of reference were reviewed and updated to meet the revised requirements set out in the Audit Committee Handbook published by HM Treasury on 13 March 2007.

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.

Surface hazard repair work


Mining reports production

Risk Management Committee

The Risk Management 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 it has refined the risk register to include greater detail on controls and sources of assurance. It further developed its risk assessment matrix and is currently installing bespoke risk management software to improve 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 Group and the Steering Group report through the Executive Committee to the Board, with the Risk Management Committee reporting through the Audit Committee.

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 which details the way in which health and safety is managed within the Authority is regularly reviewed and amended where necessary.

All Board papers include details of the associated health and safety risks and recommendations appertaining to the paper contents and a number of key health and safety goals are identified each year. The Health and Safety Committee, which meets six times a year, subsequently plans, targets and monitors achievement of these goals throughout the year and seeks to identify further initiatives and challenges.

The Committee established ten targets for 2007-2008, six of which were achieved, three are ongoing and one was deferred to 2008–2009.

The Authority has a prolific public interface due to the nature of its estate and the work it undertakes. A Public Safety Steering Group comprising directors, managers and experts from within the business has been created to oversee and direct the work impacting on public safety. Mine entry inspections are being undertaken, work to benefit industry knowledge and best practice in relation to spontaneous combustion is underway and risk maps are being developed to highlight risk associated with the mining legacy.

Public safety remains the Authority's top priority and proactive work to assess and manage this risk will continue to remain paramount.

To further promote continuously improving standards amongst the Authority's contractors, an annual award for health and safety will be presented at the Authority's Annual General Meeting.

The health and safety performance over the year which resulted in zero accidents, demonstrates the culture and the attitude within the Authority are consistent with the Boards objectives.

A copy of the Authority's annual health and safety report for 2007-2008 giving more detailed information on its work is available on the Authority's website.

ENVIRONMENT

The Authority has an Environmental Policy Statement and Management System which embrace environmental management standard ISO 14001 and it remains fully committed to managing its environmental impacts.

The Environment Group, under the Chairmanship of Dr Mounsey, meets twice a year and monitors the Authority's environmental impacts encountered within the business and sets environmental objectives against which the work of the Authority is measured. Eight objectives have been established together with a number of actions for each objective. Some of the actions will take a number of years to complete.

Climate change continues to be one of the biggest challenges facing society today and the Authority continues to evaluate its carbon footprint. Results to date include a 9% energy reduction at the Mansfield headquarters site since 2005 and a 3.5% reduction in total energy use over the last year. Opportunities exist for further energy savings to be made by utilising more efficient technologies and alternative generation mediums and these will be pursued in the coming year.

Minewater pumping is the Authority's largest contributor to carbon emissions estimated at around 14,000 tonnes per annum. The refurbishment works undertaken at Kimblesworth pumping station in County Durham and various other pumping station efficiency initiatives implemented since 2006, have enabled the Authority's carbon footprint to be reduced by 2,400 tonnes per annum and have generated total savings in power costs of £350,000 per annum. Further initiatives will be identified and implemented to reduce the impact of the Authority and its work on the environment.

A fleet of pool vehicles has been sourced which is benefiting the Authority by reducing CO_2 emissions associated with business travel and emphasis is given to car sharing and using tele-conference facilities to minimise mileage.

The Authority did not incur any regulatory action from its activities for breaches of environmental legislation during 2007–2008 and continual focus is given towards maintaining environmental awareness amongst staff.

A copy of the Authority's environmental review for 2007–2008, giving more detailed information on its work, is available on the Authority's website.

Health, Safety and Environmental Audits

The Authority carried out 35 health, safety and environmental audits during the year to assess contractor performance. Minor areas of concern identified as a result of these audits were immediately addressed. These audits confirmed that the level of performance expected of contractors was being delivered.

P J Lawrence
Member, Chief Executive and Accounting Officer



Smithy Brook minewater treatment scheme, Lancashire

ACCOUNTING OFFICER'S REPORT

The Authority presents its report and audited financial statements for the year ended 31 March 2008. 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 21 July 2008 and presented to the Annual Public Meeting on 10 September 2008.

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 3 to 26 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 2008, this was achieved for 99% of invoices.

Board Members and their Interests

The Board members who served during the period were:

Mr J C Harris (retired 30 September 2007)
Mr J R Hawksley
Dr B Jones
Mr P J Lawrence
Dr H M Mounsey*
Mr S Pennell
Mr I Wilson
Mr S Dingle (from 1 May 2008)
Dr P A Lane (from 1 May 2008)

*Dr Mounsey was appointed Chairman Designate on 1 July 2007 and became Chairman on 1 October 2007.

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 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 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.

The Authority were winners of the Computer Weekly Best Places to Work in IT award for the second year running.

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 £44,800. Mazars LLP are 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
4 July 2008

Ffos-y-Fran surface mine, South Wales

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 and Remuneration Committee.

The HR & Remuneration Committee

The Authority has established an HR and Remuneration Committee whose membership comprises all of the Non-Executive Directors and the Chief Executive. The HR and 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 Business, Enterprise and Regulatory Reform. 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, Dr Helen Mounsey, John Harris to 30 September 2007 and Philip Lawrence. Stephen Dingle and Dr Pauleen Lane became members on 1 May 2008.

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 BERR.

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 Specific, Measurable, Achievable, Realistic and Timely (SMART) 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.

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

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 on behalf of the National Audit Office.

Non-Executive Directors

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

Fees Paid	Contract End Date	2008 £	2007 £
Mr J C Harris, Chair[1]	30 September 2007	20,946	41,257
Mr J R Hawksley	30 September 2008	11,119	10,861
Dr B Jones	30 September 2009	11,119	10,861
Dr H M Mounsey[2]	30 September 2010	22,233	10,861
		65,417	73,840

1 Figure quoted for 2008 is for the period 1 April 2007 to 30 September 2007. The full year equivalent is £42,251.

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

Executive Directors' Remuneration

Salaries	2008	2007
Mr A Schofield (to 31 December 2006)[1]	–	95,210
Mrs S Brook Shanahan	101,583	95,822
Mr D J Lumley (to 31 May 2006)[2]	–	16,306
Mr I Wilson	95,111	88,879
Mr S Pennell	87,196	81,501
Mr P Lawrence[3]	131,320	85,750
	415,210	463,468

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.

1 Figure quoted for 2007 is for the period 1 April 2006 to 31 December 2006. The full year equivalent is £126,513.

2 The figure quoted for 2007 is for the period 1 April 2006 to 31 May 2006. The full year equivalent for 2007 is £91,337.

3 Mr P Lawrence started as Director of Finance from 2 May 2006. He was appointed Chief Executive from 1 January 2007. The full year equivalent as Chief Executive for 2007 is £119,000 (plus performance related bonus).

Barrie Jones CBE, Sally Brook Shanahan, Ian Wilson, Philip Lawrence, Stephen Pennell, Helen Mounsey, John Hawksley, Stephen Dingle, Pauleen Lane CBE, Paul Frammingham

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 2008 and related lump sum	CETV at 31 March 2007	CETV at 31 March 2008	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	10 – 15 plus 40 – 45 lump sum	251*	305	17
Mr S Pennell	0 – 2.5 plus 0 – 2.5 lump sum	10 – 15 plus 35 – 40 lump sum	191*	235	13
Mrs S Brook Shanahan	0 – 2.5 plus 2.5 – 5 lump sum	10 – 15 plus 30 – 35 lump sum	162*	204	15
Mr P Lawrence	2.5 – 5 plus 0 lump sum	0 – 5 plus 0 lump sum	13	49	21

* Due to certain factors being incorrect in last year's CETV calculator there is a slight difference between the final period CETV for 2006–2007 and the start period CETV for 2007–2008.

The Executive Directors' pension benefits are provided through the Principal Civil Service Pension Scheme. They have opted to join the classic scheme. The employer's contribution to the schemes amounts to 25.5% of salary. The pension entitlement shown above for the serving members is that which would be paid annually on retirement based on services to 31 March 2008. Columns 3 and 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the employer. It takes account of 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.

A 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 CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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
4 July 2008

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 for Business, Enterprise and Regulatory Reform 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
4 July 2008

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 for Business, Enterprise and Regulatory Reform through the Management Statement 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 2008 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.

4. Information Risk

Whilst the Authority possesses little information that is personal or protected it takes information risk seriously and looks after its records to protect the individual and for the public good.

The Authority has defined its information risk policy which will be implemented during the coming year.

This policy will be reviewed on an annual basis or as information risks change. Information security measures are already in place to protect the Authority's information assets from external unlawful penetration. These measures are independently tested on an annual basis.

More specifically, there has been no material incidents formally reported to the Information Commissioners Office to date. There has been no recorded or reported mishandling of personal protected data during the period.

The business is currently undertaking a further formal assessment of information risks.

The Authority will continue to respond positively to Government directions on this matter.

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.
- The Authority outsources the internal audit function to KPMG LLP who operate to Government Internal Audit Standards. They submit regular reports 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.
- 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
4 July 2008

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 2008 under the Coal Industry Act 1994. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow 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, the Remuneration Report and the financial statements in accordance with the Coal Industry Act 1994 and Secretary of State 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 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 the state of the Coal Authority's affairs as at 31 March 2008 and of its deficit 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 directions made thereunder by the Secretary of State; 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 £870 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.

T J Burr
Comptroller and Auditor General
10 July 2008

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

INCOME AND EXPENDITURE ACCOUNT

Year Ended 31 March 2008

	Note		Year to 31 March 2008		Year to 31 March 2007
		£000	£000	£000	£000
Gross income					
Operating income	2		11,932		14,419
Total gross income			11,932		14,419
Administration expenses					
Other administration costs	2	(18,591)		(20,349)	
Adjustments to provisions	15	(6,492)		(3,128)	
Total administration expenses	4		(25,083)		(23,477)
Operating deficit	2,4		(13,151)		(9,058)
Profit on disposal of fixed assets	3		2,910		2,791
Interest receivable	6		32		238
Interest payable and similar charges					
Unwinding of discount on provisions		(17,989)		(17,832)	
Interest payable	7	(103)		(16)	
			(18,092)		(17,848)
Deficit on ordinary activities before taxation			(28,301)		(23,877)
Taxation on deficit on ordinary activities	8		–		–
Capital credit	24		28,549		28,445
Surplus on ordinary activities after taxation			248		4,568
Income surrendered	9		(438)		(349)
Write back of capital credit	24		(28,549)		(28,445)
Retained deficit for the year	16		(28,739)		(24,226)

In both the current and preceding years, the Authority had no discontinued operations.
Notes on pages 42-64 form part of these accounts.

STATEMENT OF RECOGNISED GAINS AND LOSSES

Year Ended 31 March 2008

	Note	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Surplus arising on revaluation of fixed assets	16	2,370	1,358

BALANCE SHEET

31 March 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Investment properties	10	2,334		607	
Other tangible fixed assets	11	56,699		52,210	
			59,033		52,817
Current assets					
Debtors: amounts falling due within one year	12	3,289		2,763	
Cash at bank and in hand	18	1,187		2,218	
		4,476		4,981	
Creditors					
Amounts falling due within one year	13	(6,099)		(6,234)	
Net current liabilities			(1,623)		(1,253)
Total assets less current liabilities			57,410		51,564
Creditors					
Amounts falling due after more than one year	14		(1,687)		(1,040)
Provisions for liabilities and charges	15		(870,085)		(864,517)
Net liabilities			(814,362)		(813,993)
Capital and reserves	16				
Investment property revaluation reserve			2,234		462
Revaluation reserve			2,413		1,901
Income and expenditure account			(819,009)		(816,356)
			(814,362)		(813,993)

These financial statements were approved by the Authority on 4 July 2008.

Notes on pages 42-64 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 2008

	Note	Year to 31 March 2008		Year to 31 March 2007	
		£000	£000	£000	£000
Net cash outflow from operating activities	17		(23,569)		(16,875)
Returns on investment and servicing of finance					
Interest received		27		238	
Interest paid		(103)	(76)	(46)	192
Taxation			–		(882)
Capital expenditure					
Payments to acquire tangible fixed assets	11	(6,583)		(5,730)	
Receipts from sales of tangible fixed assets	3	3,571	(3,012)	7,189	1,459
Income surrendered to Government	9		(374)		(369)
Net cash outflow before financing activities			(27,031)		(16,475)
Cashflow from financing activities					
Grant in aid			26,000		12,000
Decrease in cash	18		(1,031)		(4,475)

NOTES TO THE ACCOUNTS

Year Ended 31 March 2008

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 for Business, Enterprise and Regulatory Reform pursuant to Paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 on 17 June 2008. 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 2007–2008 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, which are carried at open market valuation, 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 in 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 EU Water Framework Directive (WFD) 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 WFD 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.

The cost trend has now stabilised and represents a profile that will be required to be spent 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 2007-2008 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 Business, Enterprise and Regulatory Reform when received. The element retained is credited to the income and expenditure account in the year to which it relates.

Security Fund

Cash deposits may be required from licensees to cover the future costs of settling subsidence liabilities, securing abandoned coal mines and to cover the debts and any other liability arising under a lease or licence that could revert to the Authority. 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.

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.

Comparatives

The Income and Expenditure Statement for 2006–2007 has been restated to show separately on the face of the statement adjustments to provisions and unwinding of discount on provisions.

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 2008	**Operating income £000**	**Other administration expenses £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)**

Year to 31 March 2007	Operating income £000	Other administration expenses £000	Adjustment to provisions £000	Operating surplus/(deficit) £000	Net assets/ (liabilities) £000
Class of business					
Continuing operations:					
Mining Information Services	11,397	(10,241)		1,156	4,333
Public Safety and Subsidence	69	(3,624)	(2,974)	(6,529)	(249,188)
Environmental Projects	1,211	(3,512)	(228)	(2,529)	(559,170)
Property Management	1,742	(2,972)	74	(1,156)	(9,968)
	14,419	(20,349)	(3,128)	(9,058)	(813,993)

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 2008 £000	Year to 31 March 2007 £000
Sale of investment properties	**120**	1,882
Clawback relating to previous disposals	**2,838**	2,178
Sale of other assets	**–**	4
Total income	**2,958**	4,064
Book values	**(48)**	(1,273)
Profit	**2,910**	2,791

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.

Clawback income of £170,000 was accrued but not received at 31 March 2008 (31 March 2007 – investment property income of £196,196 and clawback income of £587,791) as legal completion occurred before 31 March 2008.

4. OPERATING DEFICIT NOTE

	Note	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Rentals under operating leases:			
Equipment		360	317
Land and buildings		77	198
Other costs			
Supplies and services		7,220	7,770
Property costs		509	651
Other administrative costs		819	875
Audit remuneration – current year		45	39
– prior year		30	–
Travel and subsistence		264	381
Employee costs	5	6,577	6,302
Cash based administration costs		15,901	16,533
Non cash items			
Depreciation		2,507	2,464
Assets written off		–	599
Devaluations of fixed assets		183	753
Non cash items total		2,690	3,816
Administration costs before provision adjustments		18,591	20,349
Provision adjustments:			
– Create 50th and 100th year		3,693	3,694
– Release to offset depreciation		(1,406)	(1,098)
– Change for new assumptions		3,515	–
– Net over utilisation		690	532
		6,492	3,128
Total administration expenses		25,083	23,477

5. EMPLOYEES

	Year to 31 March 2008 Agency No.	Direct No.	Total No.	Year to 31 March 2007 Total No.
Average number of persons employed by the Authority including agency staff and Executive Directors:				
Licensing	–	5	5	5
Mining records and reports	1	49	50	51
Subsidence and historic liabilities	2	58	60	60
Administration and support services	3	44	47	45
	6	156	162	161
Staff costs incurred during the year in respect of employees were:	£000	£000	£000	£000
Wages and salaries	–	5,076	5,076	4,893
Social security costs	–	407	407	403
Other pension costs	–	957	957	945
Agency staff costs	137	–	137	61
	137	6,440	6,577	6,302

Pensions

All employees of the Authority are members of one of the Principal Civil Service Pension Schemes (PCSPS) for the year ended 31 March 2008. The PCSPS are unfunded multi-employer defined benefit schemes but 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). Normal employers' contributions of £957,041 were payable in the year to the PCSPS (2007 – £944,798) 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 every four years following a full scheme valuation. From 2008–2009 the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of the benefits accruing during 2007–2008 to be paid when the member retires, and not the benefits paid during the period to existing pensioners.

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classis plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The NUVOS pension scheme for civil servants was introduced on 30 July 2007. The Scheme is for new entrants only and, depending on the time since they last left the Civil Service, for certain re-joiners. The current employee contributions are 3.5% of pensionable earnings. This is a contracted out scheme.

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

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.

6. INTEREST RECEIVABLE

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Other interest receivable	32	238

In 2007 there was higher amounts of interest on outstanding clawback compared to 2008.

7. INTEREST PAYABLE AND SIMILAR CHARGES

Unwinding of discount on provisions	17,989	17,832
Interest on security fund deposits	103	104
Other interest payable/(release of accrual)	–	(88)
	18,092	17,848

8. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Year to 31 March 2008 £000	Year to 31 March 2007 £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 30%. The actual tax charge for the current tax year is higher than the standard rate for reasons set out in the following reconciliation.

	2008 £000	2007 £000
Surplus/(Deficit) on ordinary activities before tax	(28,301)	(23,877)
Tax at standard rate 30%	(8,490)	(7,163)
Factors affecting charge:		
Capital allowances in excess of depreciation	697	587
Expenses not deductible for tax purposes	83	307
Movement in short term timing differences	14	(8,300)
Increase in loss not provided	2,733	15,672
Capital gains adjustments	(862)	(837)
Non taxable income	–	(266)
Grant in aid finance for revenue purposes	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 £253,086,068 (2007 – £253,102,197). The assets would be recovered if it was considered to be more likely than not that there would be suitable taxable profits from which any future reversal of the underlying timing differences could be deducted.

9. INCOME SURRENDERED

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Total cash appropriated in year	374	369
Amounts received this year by the Authority that were accrued in the previous year	(68)	(88)
Amounts accrued this year	132	68
Income paid to BERR (Note 27)	438	349

Income surrendered to BERR 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
Cost or valuation	
At beginning of year	607
Disposals	(48)
Adjustment arising on revaluation	1,898
Permanent diminution in value	(123)
At 31 March 2008	2,334

The properties were valued during the period 2 January 2008 – 31 March 2008 by internal valuers Mark Wheater MRICS, Phil Brandreth BSc, FRICS and Dominic Smith MRICS.

The valuations were in accordance with the requirements of the RICS Appraisal and Valuation standards and SSAP 19. The valuation of each property was on the following bases and assumptions.

(i) For Investment Property (held for rental value): valued to market value assuming that the property would be sold subject to existing leases.

(ii) For Surplus Property and Property Held for Development: valued to market value assuming that the property would be sold within vacant possession in its existing condition.

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 of valuation							
At beginning of year	4,146	41,491	552	17,462	2,807	4,258	70,716
Additions		289		230	535	5,529	6,583
Transfers		1,631			407	(2,038)	
Disposals				(10)			(10)
Revaluations		629	18	(132)	52		567
At 31 March 2008	**4,146**	**44,040**	**570**	**17,550**	**3,801**	**7,749**	**77,856**
Accumulated depreciation							
At beginning of year	372	3,952	211	13,860	111	–	18,506
Charge for the year	82	1,343	56	924	102		2,507
Disposals				(10)			(10)
Revaluations		91	7	51	5		154
At 31 March 2008	**454**	**5,386**	**274**	**14,825**	**218**	**–**	**21,157**
Net book value at 31 March 2008	**3,692**	**38,654**	**296**	**2,725**	**3,583**	**7,749**	**56,699**
At 31 March 2007	3,774	37,539	341	3,602	2,696	4,258	52,210

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 2006 with estimated value of £4.45 million) in accordance with RICS guidelines during the past five years. The Directors of the Authority have reviewed the valuations at 31 March 2008 and considered there were no material changes and therefore no adjustments have been made to reflect existing use values.

Assets under construction consist of work in progress with the development and construction of 17 minewater treatment schemes and one pumping station (£6.4 million) and the refurbishment of eight subsidence pumping stations (£1.3 million). Equipment and IT includes Mining Information Database of £10 million which has been fully depreciated. It also includes plant and machinery of £2,724,966 which is depreciated over three to ten years and software of £528,705 which is depreciated over five years.

12. DEBTORS

12(a) Analysis by Type

	2008 £000	2007 £000
Amounts falling due within one year		
Trade debtors	**560**	328
Other debtors	**1,119**	393
Prepayments and accrued income	**1,610**	2,042
	3,289	2,763

12(b) Intra-Government Balances and Other Balances

	Amounts falling due within one year	
	2008 £000	2007 £000
Balances with other central Government bodies	**1,018**	393
Balances with local authorities	**652**	427
Balances with public corporations and trading funds	**–**	776
Sub-total: Intra-Government balances	**1,670**	1,596
Balances with bodies external to Government	**1,619**	1,167
Total debtors at 31 March	**3,289**	2,763

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

13(a) Analysis by Type

	2008 £000	2007 £000
Trade creditors	814	1,505
Other creditors	906	752
Amounts payable to Government	132	71
Accruals and deferred income	4,247	3,906
	6,099	6,234

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 consist of security fund creditors £619,000 (2007 – £744,000).

13(b) Intra-Government Balances and Other Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008 £000	2007 £000	2008 £000	2007 £000
Balances with other central Government bodies	132	80	–	–
Balances with local authorities	288	464	–	–
Balances with public corporations and trading funds	281	107	–	–
Sub-total: Intra-Government balances	701	651	–	–
Balances with bodies external to Government	5,398	5,583	1,687	1,040
Total creditors at 31 March	6,099	6,234	1,687	1,040

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

	2008 £000	2007 £000
Other creditors payable		
In more than one year, but not more than two years	**229**	206
In more than two years, but not more than five years	**159**	516
In more than five years	**1,299**	318
	1,687	1,040

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:	**2008 £000**	2007 £000
Opening balances (Note 14)	**1,040**	1,564
(Note 13)	**744**	704
	1,784	2,268
Invoiced during the year	**594**	334
Interest during the year (Note 7)	**103**	104
Repayments to licensees during the year	**(175)**	(922)
Closing balance	**2,306**	1,784
Note 14	**1,687**	1,040
Note 13	**619**	744
	2,306	1,784

15. PROVISIONS FOR LIABILITIES AND CHARGES

	At 31 March 2007	Additional Year (100th, 50th)	Change in Activity	Utilised	Released to Offset Depreciation	Created/ (Released)	Unwinding	At 31 March 2008
	£000	£000	£000	£000	£000	£000	£000	£000
Minewater	600,473	1,268	0	(6,772)	(1,304)	(804)	12,389	605,250
Public Safety and Subsidence	201,069	2,223	3,515	(9,403)	0	507	4,423	202,334
Subsidence Pumping Stations	27,715	34	0	(503)	(102)	359	538	28,041
Tip Management	15,071	168	0	(857)	0	357	332	15,071
Sub Total	844,328	3,693	3,515	(17,535)	(1,406)	419	17,682	850,696
Other	20,189	0	0	(1,378)	0	271	307	19,389
Total	864,517	3,693	3,515	(18,913)	(1,406)	690	17,989	870,085

The provision for liabilities and charges at 31 March 2008 is £870.1 million (2007 – £864.5 million). Forecast cash flows included within this provision before discounting amount to £1,687.0 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. The decision to undertake a new Mineshaft Inspection Programme over the next five years was the only example of such a change during 2007–2008, and provision has been made for this.

Utilised:

The amount utilised refers to the total amount of expenditure incurred against the provision during the year.

Release 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.

Created (Released):

Over or under spend during the year as compared to the provision calculated last year is posted to this category as these are not expected to impact on future years.

Unwinding:

All material provisions are expressed at current price levels and discounted at 2.2%, the 2007–2008 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 £605.2 million (2007 – £600.5 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 £191.8 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 (£1,069.8 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 £202.3 million (2007 – £201.1 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 £6.5 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 £3.5 million over the next five years has been added to the provision relating to a five year mineshaft inspection programme. This represents a change in scope of Authority activity.

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.

The Subsidence and Surface Hazards teams have been merged within the reporting period.

Subsidence Pumping Stations

The provision relating to Subsidence pumping stations is £28.0 million (2007 – £27.7 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 (£12.5 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 (2007 – £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 £19.4 million (2007 – £20.2 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 £8.9 million after discounting (2007 – £9.1 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 (2007 – £2.6 million).

Closed colliery site obligations are assessed to be £6.2 million (2007 – £6.3 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 £1.6 million (2007 – £1.7 million).

Provisions relating to other property liabilities are held at £0.1 million (2007 – £0.5 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 £1.0 million per annum, the total provision over 50 years in current day prices would increase or decrease by £30.0 million. Similarly, should predicted costs for minewater or subsidence pumping stations increase or decrease by £1.0 million per annum, the total provision over 100 years in current day prices would increase or decrease by £40.0 million.

A change in the discount rate by 0.5% gives the following effects on the respective provisions; Minewater £71.0 million (increase) and £91.0 million (decrease); Subsidence Pumping Stations £2.0 million (increase) and £2.5 million (decrease); Tips £1.4 million (increase) and £1.7 million (decrease) and Public Safety and Subsidence £10.2 million (increase) and £11.8 million (decrease). Total effect on provisions being £84.6 million (increase) and £107.0 million (decrease).

16. MOVEMENTS ON RESERVES

	Investment property revaluation reserve	Revaluation reserve	Income and expenditure account	**Total**
	£000	£000	£000	**£000**
Balance at 31 March 2007	462	1,901	(816,356)	**(813,993)**
Retained deficit for the year			(28,739)	**(28,739)**
Surplus on revaluation	1,898			**1,898**
Downward revaluation	(123)			**(123)**
Transfer of amount equivalent to the net book value of disposed fixed assets	(48)		48	**–**
Transfer of amount equivalent to additional depreciation on revalued assets		(17)	17	**–**
Transfer of Investment Properties no longer in use	45		(45)	**–**
Utilised				
Grant in aid financing for revenue purposes			19,417	**19,417**
Grant in aid financing for capital purposes			6,583	**6,583**
Arising on MHCA revaluation		698		**698**
Backlog depreciation on MHCA		(103)		**(103)**
Realised element of MHCA		(66)	66	**–**
Balance at 31 March 2008	2,234	2,413	(819,009)	**(814,362)**

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

	2008 £000	2007 £000
Operating deficit	(13,151)	(9,058)
Depreciation and revaluation charges	2,690	3,815
(Increase)/Decrease in debtors	(1,135)	215
Decrease in creditors	448	347
Net created provisions	6,492	4,413
Cash expenditure against provisions	(18,913)	(16,607)
Net cash outflow from operating activities	(23,569)	(16,875)

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

	2008 £000	2007 £000
Decrease in cash in the year	(1,031)	(4,475)
Net funds at 1 April	2,218	6,693
Net funds at 31 March	1,187	2,218

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	1,015	2,009
Commercial banks	172	209
	1,187	2,218

19. CAPITAL COMMITMENTS

There were capital commitments authorised and contracted for and provided for in the provisions at 31 March 2008 of £5,095,384 (2007 – £209,270).

The difference from last year is due to mainly Dawdon Minewater Scheme which was not in the construction phase in 2007. Three other minewater schemes under construction and a minewater pumping station refurbishment are included in this year’s commitment figure.

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 2008 the Authority was committed to make the following payments during the next year

	2008 Land and buildings £000	**2008 Other £000**	2007 Land and buildings £000	2007 Other £000
Leases which expire:				
Within one year	**–**	**25**	–	77
Between one to five years	**1**	**335**	1	240
After five years	**270**	**–**	343	–

23. RELATED PARTY TRANSACTIONS

The Authority is a Non-Departmental Public Body of the Department for Business, Enterprise and Regulatory Reform (DBERR) 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, training and rescue safety services (mandatory for certain incidents) and provide room hire, the value of which was £492,378 during the year (2007 – £456,211).

24. NOTIONAL COST OF CAPITAL

Treasury guidance requires that notional charges be made for the cost of capital, calculated at 3.5% (2007 – 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

The Authority has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

Other creditors payable in more than one year incur interest at floating rates based on LIBOR.

There are no material differences between the book and fair value of the long term assets and liabilities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure.

26. POST BALANCE SHEET EVENTS

The Financial Statements were authorised for issue by the Accounting Officer, Philip Lawrence, on 10 July 2008.

27. RECONCILIATION OF MOVEMENTS IN THE AUTHORITY'S DEFICIT

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
(Deficit) on ordinary activities for the financial year	**(28,301)**	(23,877)
Income surrendered – Note 9	**(438)**	(349)
	(28,739)	(24,226)
Other recognised gains relating to the year	**2,370**	1,358
Grant in aid	**26,000**	12,000
Net increase in deficit	**(369)**	(10,868)
Opening deficit	**(813,993)**	(803,125)
Closing deficit	**(814,362)**	(813,993)

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR THE COAL AUTHORITY 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 2008 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 2008 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 for Business, Enterprise and Regulatory Reform (DBERR) and HM Treasury.
5. This Direction supersedes the Direction dated 23 May 1996.

David Leitch
An Official of the Department for Business, Enterprise and Regulatory Reform authorised to act on behalf of the Secretary of State
17 June 2008

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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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Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5853867 07/08

Printed on Paper containing 75% recycled fibre content minimum.

Taff Merthyr minewater treatment scheme, South Wales

Published by TSO (The Stationery Office) and available from:

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ISBN 978-0-10-295664-1