THE COAL AUTHORITY

Annual Report and Accounts 2009–2010

THE
COAL
AUTHORITY

The Coal Authority Annual Report and Accounts 2009–10

Annual Report presented to Parliament pursuant to section 60(6) of the Coal Industry Act 1994 and Accounts presented to Parliament pursuant to paragraph 15(4) of Schedule 1 to the Coal Industry Act 1994.

Ordered by the House of Commons to be printed on 26 July 2010

HC 281 London: The Stationery Office £19.75

ISBN: 9780102967784

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

ID P002377367 07/10

Printed on paper containing 75% recycled fibre content minimum.

Contents

Officers and Professional Advisers

Secretary
Sally A Brook Shanahan
200 Lichfield Lane
Berry Hill
Mansfield
Nottinghamshire
NG18 4RG

Auditors
The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Bankers
Government Banking Services, Somerset House, Strand, London WC2R 1LB

Who We Are and What We Do

Who are we?

The Coal Authority ("the Authority") works to protect the public and the environment in coal mining areas. We manage the effects of past coal mining in order to promote public safety and safeguard the landscape – now and for future generations. We:

- manage our property in a responsible manner and deal with emergencies arising from old coal mine workings;
- help to clean polluted water flowing from former coal mines and prevent pollution to aquifers and water bodies;
- give advice and information about past coal mining. Our customers are wide and varied, in both the private and public sectors, involved in the planning, purchase and development of property in coal mining areas;
- assist in ensuring where possible that coal continues to provide an important fuel source for the nation's energy requirements by licensing private sector coal mining operations.

Our story

The coal industry was privatised in 1994 and the Authority was established at that time to undertake a range of statutory duties previously dealt with by British Coal Corporation including the licensing of coal mining operations.

The Authority provides assistance to other organisations that can benefit from the expertise that it has developed since the organisation was established.

How are we funded?

We are a Non Departmental Public Body (NDPB) and are principally funded by the Department of Energy and Climate Change (DECC), our sponsoring department. Some of our costs are also recovered through the paid for services we provide, although many of our services remain free at the point of use.

Governance and strategy

We have an independent Board responsible for setting our strategic direction, policies and priorities. It ensures our statutory duties are carried out effectively. Its Chairman and Members provide a wealth of experience in the areas in which the Authority is working. Appointments to the Board are made by the Secretary of State for Energy and Climate Change.

Resources

We spend £36.0 million on our activities and employ 174 people.

Chairman's Foreword

This report sets out our achievements in what has been an extremely busy year for the Authority.

Our objectives are challenging and during the year we have restructured the Authority to help us to deliver them. I welcome Dr Simon Reed as an Executive Director who leads our Public Safety and Communication work as we manage hazards, tips and subsidence, inspect our mine entries and disseminate information to stakeholders.

We are recognised as experts in our fields of operation, but must ensure that this expertise is maintained and improved on in order to continue to provide the best level of service to our customers in the coming years. Our expertise in the fields of mine water treatment, surface hazards and information provision is improving the wellbeing of coalfield communities and now further afield as we strive to become a shared delivery service for non-coal mine water treatment.

Looking ahead there will be an ongoing requirement to provide more efficient and effective products and services to our customers. Further efficiency savings will be made through research and development and by demonstrating good value. The Authority will need to react to the inevitable pressure being placed on the public purse.

I would like to end by thanking the Board, Executive team and all our people for their hard work and dedication over the last 12 months. In particular I would like to thank Dr Pauleen Lane who has recently left the Authority. I welcome Stephen Redmond who was appointed as a Non-Executive member of the Board on 1 March 2010. We also look forward to Tricia Henton joining the Board as a Non-Executive member on 1 October 2010, replacing Dr Barrie Jones who's term of appointment ends on 30 September 2010. Our new appointments bring valuable experience in organisational change and environmental management to help us manage our challenges.

Helen Mounsey
Chairman

Chief Executive's Report

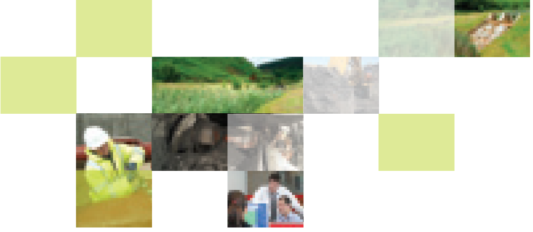
This has been another year of change and challenge and we have adapted our organisation in order to both meet these challenges and to take our activities forward.

We have achieved our aims of:

- procuring a delivery partner to build our computerised information system known as Inferis. This system will replace our soon to be unsupported MRSDS system;
- obtaining Information Fair Trader Scheme (IFTS) accreditation which sets and assesses standards for public sector bodies and requires them to encourage the re-use of information and reach a standard of fairness and transparency. This will enable us to develop innovative new information products and services;
- launching our Enviro All-in-One combined coal mining and environmental property search report to satisfy due diligence requirements and re-assure purchasers that properties have been built on safe ground;
- upgrading our computerised documents and records management system;
- achieving the target for the number of mine entry inspections undertaken during the year and undertaking the first urban mine entry inspection programme pilot;
- developing and issuing a licensing policy for underground coal gasification projects;
- evaluating the costs and environmental benefits for the ongoing mine water treatment programme;
- completing a non-coal mine water feasibility study;
- engaging more local authorities in managing residual coal risks on property; and
- re-focusing the Authority on performance management and competencies.

Our aim in 2010-11 remains "To protect the public and environment in coal mining areas and to meet our statutory responsibilities". Specific objectives for the year are:

- **to deliver the programme intended to understand and manage the impact of climate change on the Authority's activities;**
- **to become a Defra delivery partner for water treatment;**
- **to implement the plan to support business transition to wholesale and retail data management;**
- **to deliver the information dissemination and mine entry inspection programme;**
- **to agree and deliver a corporate procurement strategy that demonstrates good value for money across all activities; and**
- **to demonstrate significant development of skills, capabilities and partnerships to deliver business change.**



We are committed to maintaining our operating costs only to that level necessary to provide effective services expected from a leading service provider. During the year we spent £27.7 million on operating activities in line with last year and £8.5 million on capital projects. Our efficiency focus to date has reduced our costs by over £1.0 million per annum and we will continue to ensure we deliver value for money.

A Review of the Year

This review highlights the main activities that we have undertaken during the year together with our future plans for each of our business areas.

Coal remains central to our activities. However, the indigenous coal industry continues to operate in a highly competitive energy market. The interest in extracting the energy from coal by means of underground coal gasification, however, has increased in the last 12 months. Strong interest in coal bed methane and abandoned mine methane is also being expressed.

The success of carbon capture and storage demonstration plant fitted to coal fired power stations being sponsored by Government is fundamental to the long term future success of the industry.

Philip Lawrence
Chief Executive

Our Activities

The Authority operates in three inter-related areas:

- public safety;
- information;
- and the environment and property.

A summary of the financial results for each of our functions is given in Note 3 and Note 18 to the Financial Statements.

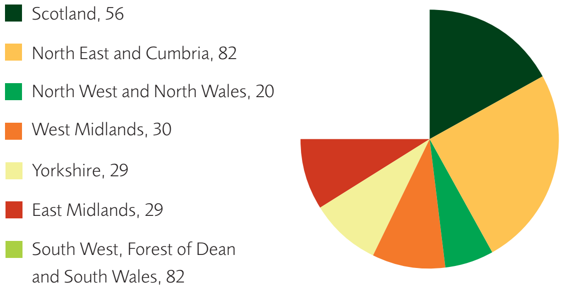
Public Safety and Communication

The public is at risk from hazards associated with former coal mines and, currently, Mines Rescue Service Limited provide a 24 hours, 365 day emergency response service on behalf of the Authority.

We take an increasingly pro-active approach to managing risk and are in the process of inspecting mine entries known to us. This helps us to manage the risk of someone accidentally entering a mine entry and allows us to react at an early stage if any public safety or subsidence issues are found. During the year we have inspected 12,859 (2008-09: 12,477) of which 246 or 2% (2008-09: 265 (2%)) required some follow up action to make them safe, including 21 open shafts and 63 open adits.

We believe we will be better able to reduce and manage risk if homeowners and landowners are informed of the presence of past mining and mine entries and so we are undertaking pilot studies for inspecting mine entries located in urban residential areas and communicating results. We have inspected 357 mine entries in the sample area and the feedback from homeowners on the inspection and communication process has been positive.

Figure 1:
Surface Hazards Projects Received by Region – 2009-10



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
328	328	327	325	327	326
		99.70%	99.09%	99.70%	99.39%

We received 328 (2008-09: 406) notifications of surface hazards associated with former coal mine workings during the year. The key performance indicators in relation to these are shown above.

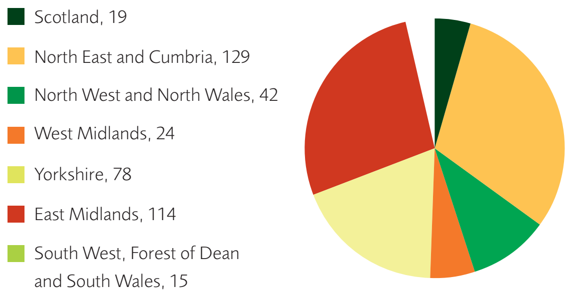
We also received a further 287 (2008-09: 249) notifications relating to potential coal liabilities which did not require emergency action. The acceptance rate for all projects (excluding those arising from the mine entry inspection programme) was 33.61% (2008-09: 30%).

We also deal with claims for damage to property and land in respect of coal mining subsidence under the Coal Mining Subsidence Act 1991.

The number of claims received during the year for alleged coal mining subsidence damage totalled 421 (2008-09: 409).

212 claims were received from owners of domestic residential properties (2008-09: 194 claims), the remainder being associated with public bodies and commercial and agricultural operations. Acceptance rates for domestic properties for the year was 14% (2008-09: 11%) and for non domestic claims 51% (2008-09: 60%).

Figure 2:
Subsidence Projects Received by Region – 2009-10



We resolved 605 claims (2008-09: 463), leaving a balance of 330 claims.

Expenditure on public safety and communication amounted to £10.0 million (2008-09: £9.9 million).

We have spent £0.9 million (2008-09: £1.0 million) on the management and maintenance of the 42 tips and associated structures in our ownership during the year. Significant works were carried out at a number of sites in South Wales to upgrade and refurbish tip drainage due to the effects of adverse weather and we continued with our tip environmental improvement work.

All tips and associated structures and lands are subject to a rigorous inspection and monitoring programme to both protect public safety and the environment for communities. Telemetry is utilised to enable eight sites in South Wales and one in Scotland to be remotely monitored.

Public safety will be better served if local authorities and developers are aware of the coal mining legacy. This requires the Authority to be an effective statutory consultee for Local Development Frameworks in England and an effective general consultee for Regional Plans (England) and Local Development Plans in Scotland and Wales. We have responded to 877 (2008-09: 533) consultations during the year and have provided specific responses to ensure that the legacy of coal mining activities are taken into account and, where relevant, surface coal resources are safeguarded through the policy making processes.

We continue to rely on standing advice as an interim measure to fulfil our role as a statutory consultee for all planning applications in the coalfield areas of Britain, except for those which are accompanied by an environmental statement or are for minerals development. We provided site specific responses to 300 applications (2008-09: 951).

Following a successful pilot and evaluation of the risk based approach to planning applications it is our intention to implement this strategy in all coalfield areas over the next two years. This approach will provide a clearer definition of the areas of potential instability and other environmental issues attributable to the legacy of coal mining and set down the planning consultation requirements in these areas. This will have the benefit of concentrating the statutory consultation into the areas that have coal mining legacy issues which will require due consideration.

UK Coal's Steadsburn surface mine

We have continued with our pilot to share coal mining information with local authorities, as property owners/managers, to ensure that they are aware of the potential risks affecting their property. This pilot has been successful in defining the way we request data from local authorities, how this is processed and the format necessary for the presentation of this mining information back to local authorities.

Future Activities

In addition to our core activities, during 2010-11 we will continue to:

- review our strategy for mine entry inspections and roll out our urban mine entry inspection programme and regularly review the process with homeowners and others to ensure its appropriateness;
- improve our project management for the delivery of efficient and effective services;
- approach all coalfield area local authorities to introduce the concept of data sharing;
- work closely with major land owners to develop systems to share coal mining information; and
- improve the quality of information we disseminate so that recipients have a clearer view as to the risk that past coal mining presents.

Information

Property Search Service and Mining Records

Our property search service provides information on past, present and future coal mining activity for any individual property or site in Britain. It is a highly computerised service and is operated in line with our published quality assurance and compliance standards.

The demand for property searches was 230,000, some 4% lower than the previous year.

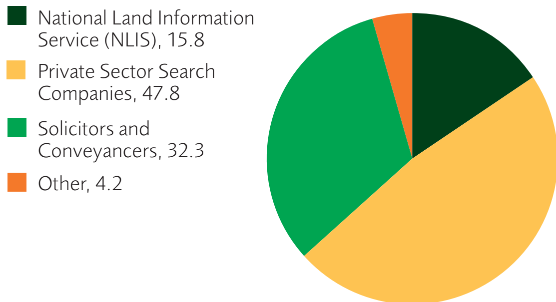
91% of searches were returned within one working day of receipt (target 90%), 98.4% within five working days (target 98%). 92.4% of searches were ordered and returned electronically (target 90%).

We achieved Information Fair Trader Scheme (IFTS) accreditation from the Office of Public Sector Information (OPSI) during 2009. Underpinning this accreditation is our IFTS-compliant business model and framework.

As an IFTS accredited public sector data holder and provider we operate our core statutory services on a cost-recovery basis. We charge for our commercial services at market rates, consistent with fair trader rules.

We launched our "Enviro All-in-One" product in January 2010 which is a combined coal mining, ground stability, flood and contaminated land risk screening report for homebuyers and their professional advisors. Early indications show that the demand for this product is growing.

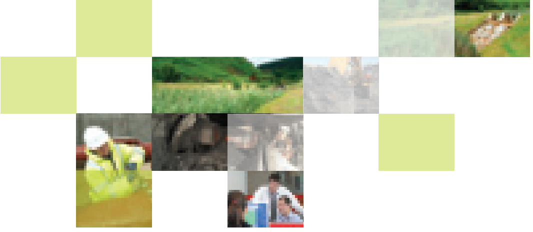
Figure 3:
Customer Business Sector Percentage of Overall Volume of Searches



Access to our information is provided at our Mining Heritage Centre where 500 (2008-09: 580) visitors came to use our electronic viewing system and study the information on coal mine abandonment plans.

Data Management

We completed a project in March 2010 which has enhanced and improved the data quality we hold in order to meet the requirements for the disclosure of mining information to local



authorities and major public and private land owners.

We are actively involved in the UK Location Strategy initiative which is being developed to meet the requirements contained in the EU Inspire Directive. The directive aims to establish a spatial geographic information infrastructure across Europe to support National and Community policy and to enable the public to access it. This work will be ongoing in the coming year.

We continue to receive requests to scan third party records using our large format camera facility. Work has been undertaken for a number of County Records Offices and has generated £60,000 income during the year.

Future Activities

Mining report volumes are dependent upon the property market but we will seek to strengthen our product and service offerings to the market by identifying commercial opportunities in collaboration with other private and public sector bodies working in the property search industry.

We will continue to build our new ICT Inferis project which will enable us to trade data and make it available to users in different formats.

Environment and Property

We operate 55 mine water treatment schemes throughout Britain of which 43 remediate existing discharges and 12 prevent new discharges from coal mine workings. These schemes prevent 3,200 tonnes per annum of iron discharging into water courses thereby improving the nation's rivers and streams. Some also serve to protect important sources of drinking water.

Cost benefit studies have been undertaken during the year on the schemes in our future mine water programme to identify those schemes that return value for money in terms of improvements to our watercourses. Where schemes do not demonstrate good value benefits on investment it is proposed to carry out research and development into lower cost treatments that may enable them to be remediated at some point in the future.

Our people have played an important role in the development by the Environment Agency of the recently published River Basin Management Plans required under the EU Water Framework Directive. This has ensured that the mine water programme is fully represented in all of the River Basin Plans in former coal mining areas.

The Dawdon minewater treatment scheme on the Durham coast was fully commissioned during the year and is controlling the underground water levels and treating minewater to approved standards in order to protect an important source of drinking water for the North East of England. The plant was formally opened by the Rt. Hon. Nick Brown, MP, former Minister for the North East on 13th November 2009.

We commenced construction of two further schemes during the year namely Clough Foot at Todmorden in Lancashire and Blindwells near Tranent in East Lothian. Works on both schemes will continue into the summer of 2010. The Pitfirrane scheme in Fife is now fully operational.

Refurbishment projects at two of our pumping stations at Silverdale in Staffordshire and Kimblesworth in County Durham were completed this year. The refurbished stations are now meeting the benchmark standard applied by OFWAT to the water industry as a measure of efficiency and have significantly reduced our operational costs.

Diversification into Non-Coal

The Authority are experts in mine water treatment and it is our aim to assist in the remediation of non-coal mine water pollution in the future. Discussions are ongoing for us to accept responsibility for the Wheal Jane Tin Mine water treatment plant in Cornwall from the Environment Agency.

We have assisted the Environment Agency in carrying out desktop studies and a three month pump test at the former ironstone mines at Saltburn in North Yorkshire. It is anticipated that a full feasibility study will be completed by mid 2010.

Working with the Scottish Environment Protection Agency we have identified significant pollution from a lead mine in Lanarkshire. An application for funds to undertake a scoping study on this mine will be made to the Water Framework Directive Restoration fund during 2010.

We are also working with the Environment Agency in Wales, on a solution for discharges from three metal mines. An approach to the Welsh European Funding Office for finance to progress the three sites is anticipated to be made in the summer.

Our progress made in renewable energy is discussed on page 25.

Property Management

Licensing

Our licensing team continues to consider applications for coal mining licences and agreements for underground and surface mining and inspect sites on risk based criteria. Industry statistics are set out on page 74.

Corus UK has made substantial progress over the past year with their Margam Mine pre-feasibility study. An exploration programme is required to complete the initial technical evaluation and is being considered. Assessment of the ability for developing the support infrastructure for a new mine continues with the key stakeholders.

We have agreed with DECC how we will avoid a possible conflict between underground coal gasification (UCG) and Petroleum Exploration Development Licence (PEDL) holders and offshore wind farm developers etc. We continue to consider requests for conditional UCG Licences in the offshore environment and a further 10 such licences have been granted or offered during the year, making 11 in total. These conditional licences potentially contain over two billion tonnes of coal resources but as this is a developing technology more accurate estimates will be derived as these projects progress.

Permissions

Any form of activity which may disturb our coal interests should only be undertaken after a risk assessment of water, gas and ground stability, and will require our prior written permission before proceeding. We seek indemnification against any liability arising out of such activities by the permit holder.

We received 892 applications during the year (2008-09: 839). It is expected that our work associated with providing local authorities, major land owners and other bodies with coal mining information will increase the demand for permissions to enter our property.

Property

We hold 1,507 hectares of operational and non-operational land across Britain. The sale of our remaining surplus land has been impacted by the poor market due to the economic downturn, with capital receipts at just £18,000 (2008-09: £735,000).

Income from clawback and the release of restrictive covenants performed better than expected at £517,000 (2008-09: £457,000).

We will continue to acquire land for mine water schemes and monitoring sites and work closely with our partner, Partnerships for Renewables (PfR) on feasibility studies for potential renewable energy generation.

Our strategy for our office buildings and records store is being reviewed.

Research and Development

We have continued with research and development work in order to attain a greater understanding of our coal estate and the associated coal mining legacy issues.

Lamesley reedbed

Projects undertaken include:

- research into spontaneous combustion and the potential for the generation of carbon monoxide through drilling operations. Subsequent discussions have taken place with the Health and Safety Executive and the British Drilling Association and agreement was reached to produce Notes of Guidance for the drilling industry. We will continue to assist the HSE and BDA in producing this document in 2010-11;
- research into fissure formations undertaken was inconclusive. We will continue to monitor research being undertaken by other organisations to see whether geophysical methods can assist in defining the nature and behaviour of fissure formations associated with coal mining subsidence;
- continued monitoring of the technology and development work associated with the geophysical identification of mineshaft positions being undertaken by other organisations;
- the development of coal mining risk maps for property developers;
- the consideration of the use of alternative materials for ground stabilisation to deliver environmental and economic benefits;
- sponsorship and the review of the Ciria Special Publication SP32 Construction over abandoned mine workings;
- consideration of the use of geophysical and satellite techniques to gain a better understanding of the mechanisms associated with ground movement;
- research work on the effectiveness of the reducing alkalinity producing system (RAPs) for treating acidic minewater and the hydraulic efficiency of existing systems. This showed promising results and we are continuing to monitor the RAPs system to identify its long term effectiveness.

Significant research work into improved methods for treating mine water is ongoing.

Financial Review

Cash Flow

The year ended 31 March 2010 was the second year of an increased indicative three year settlement in which we secured funding from DECC in order to fulfil our objectives, including the increased levels of activity required within public safety and subsidence and the minewater build programme.

The net cash outflow before financing activities during the year was £35.7 million, a decrease of 3% on the previous year (£36.8 million). This was financed by £36.5 million grant in aid (2008-09: £37.3 million), offset by £0.6 million income earned from mining assets surrendered to government (2008-09: £0.7 million), and an increase in cash balances of £0.2 million (2008-09: decrease of £0.2 million).

Cash outflow increased slightly through operating activities but decreased significantly through investing activities.

Net cash outflow from operating activities amounted to £27.7 million (2008-09: £27.3 million). The constituents of operating cashflow are:

- Cash expenditure managing legacy liabilities included within the Authority's provision balance of £21.8 million (2008–09: £21.2 million);
- Income received (mainly from mining reports) of £10.1 million (2008-09: £8.1 million);
- Cash based administration costs of £15.3 million (2008-09: £15.3 million); and
- An outflow from working capital of £0.7 million (2008-09: £1.1 million inflow).

Income received from mining report sales increased (despite a 4% decrease in number of reports sold to 230,000) due to report price increases effective from January 2009.

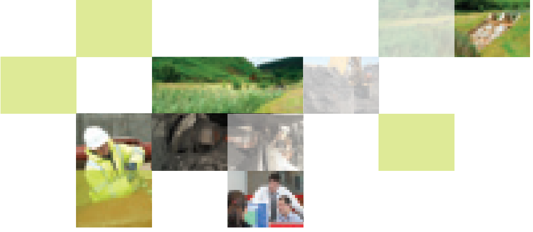
The working capital outflow was due to an increase in receivables owing to a VAT refund due.

Net cashflow from investing activities at £8.0 million was significantly lower than the previous year (2008-09: £9.5 million). The lower level of cash outflow relating to the purchase of property, plant and equipment at £6.8 million (2008-09: £10.2 million) was due to fewer minewater schemes being built in the year. This was offset in part by increased cash outflow relating to intangible assets of £1.7 million (2008-09: £0.5 million) due to the ongoing development of the replacement information system. Proceeds from the sale of property at £0.5 million were down on the previous year (2008-09: £1.2 million).

Net Expenditure Account

Net expenditure for the year to 31 March 2010 was £9.9 million (2008-09: £14.7 million). This is analysed as follows:

- staff costs at £7.6 million (2008-09: £7.6 million) and other expenditure of £7.7 million (2008-09: £7.6 million) were both broadly in line with the previous year;
- adjustment to provisions of £2.5 million (2008-09: £5.1 million). This non cash charge arose from:



an increase in the provision to reflect the fiftieth year of subsidence, tip management and surface hazard work and the hundredth year of subsidence pumping station and minewater operating costs. The provision is based on a fifty and hundred year rolling programme so as one year passes another is added to the provision. This amounted to £3.7 million (2008-09: £3.7 million);

a release of the provision to match depreciation charged to the net expenditure account on fixed assets used to manage legacy liabilities. This release amounted to £1.8 million (2008-09: £1.3 million);

a net creation of provision of £0.6 million due to increased property liabilities (2008-09: £2.7 million increase);

- revaluation of investment properties during the year of £0.1 million (2008-09: £0.2 million devaluation). Depreciation, amortisation and revaluation of other non-current assets at £2.7 million were in line with the previous year;
- income for the year was £10.6 million (2008-09: £8.6 million). Income from activities at £10.1 million was significantly up on 2008-09 levels (£8.1 million) due primarily to the increase in mining report prices. Profit on disposal of fixed assets of £0.5 million (2008-09: £0.5 million) arose from restrictive covenants and clawback.

The retained deficit for the year amounted to £28.2 million (2008-09: £33.5 million), and is after charging the net expenditure account with income surrendered of £0.6 million (2008-09: £0.7 million), and £17.9 million for the unwinding of the discount on the provisions (2008-09: £18.0 million). The provision is discounted to reflect the time value of money. This discount is unwound every year increasing the provision and is a non cash item.

The capital charge of £28.2 million (2008-09: £28.5 million) reflects the notional cost of capital under Treasury Guidance and is calculated at 3.5% of net assets. Because the Authority has net liabilities the calculation arrives at a credit or notional income. However as this income is irrecoverable it is written off on the face of the net expenditure account.

Statement of Financial Position

At 31 March 2010 net liabilities were £803.0 million (2009: £810.1 million).

Total non-current assets increased by £4.9 million to £72.0 million. Within this balance investment properties are valued at £1.0 million (2009: £1.4 million). The £0.4 million movement in this balance over the period is due to a £0.1 million transfer of land identified for the development of a minewater scheme to property, plant and equipment (PPE) and a reclassification of certain properties to assets classified as held for sale within current assets. These movements are partially offset by the £0.1 million revaluation.

Property, plant and equipment increased by £2.7 million to £67.8 million. Capital expenditure on PPE (including accruals) amounted to £6.5 million and mainly related to the construction of minewater treatment schemes. Depreciation and revaluations arising from modified historic cost adjustments amounted to £3.8 million.

Intangible assets increased by £2.6 million to £3.1 million with expenditure on intangible assets of £2.7 million relating mainly to the development of the replacement information system, offset by amortisation charged during the year of £0.1 million.

Provisions decreased by £1.4 million to £870.6 million from £872.0 million. The £870.6 million is analysed into current liabilities of £30.9 million (2009: £29.5 million) and non-current liabilities of £839.7 million (2009: £842.5 million).

Provisions reflect the size of the legacy liabilities we estimate we 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 with the next review to take place in 2010-11. Any change to the scope of legacy liabilities and their method of management, will be made annually.

The level of provisions is sensitive to the trend. For example, should predicted costs for subsidence, surface hazards or tip management increase or decrease by £1.0 million per annum, the total provision over 50 years in current day prices would increase or reduce 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 reduce by £40.0 million.

The level of provisions is sensitive to a change in the discount rate. An increase in the discount rate of 0.5% to 2.7% would decrease the total provision held by £93.0 million (12%). A decrease in the discount rate by 0.5% to 1.7% would increase the total provision by £118.0 million (13%).

Going Concern

The balance sheet shows net liabilities of £803.0 million at 31 March 2010. 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 our other sources of income, they may only be met by future grants or grants in aid from our sponsoring department, DECC. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Paragraph 14(1) of Schedule 1 to the Coal Industry Act 1994 states:

"The Secretary of State shall, in respect of each accounting year, pay to the Authority such amount as he may determine to be the amount required by the Authority for the carrying out during that year of its functions under this Act".

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

Outlook

DECC have indicated that the indicative allocation for the third year of the spending period (2011) will be reduced to meet new Government spending targets. Our work programmes will be phased accordingly.

Accounting Officer's Report

The Authority presents its report and audited financial statements for the year ended 31 March 2010. 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 Accounting Officer authorised these financial statements for issue on the date of certification.

Functions, Duties and Powers 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 at www.coal.gov.uk but are essentially with respect to the coal industry and the management of interests inherited from British Coal Corporation, licensing of coal mining operations and dealing with coal mining subsidence and providing information.

Review of Operations

The Chief Executive's report on pages 7 to 14 gives 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 2010, this was achieved for 99.9% of invoices. During the year the Authority paid 54% of correct invoices within 10 working days.

Board Members and their Interests

The Board members who served during the period were:

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

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

Pauleen Lane, CBE, PhD, BSc (Hons), FRSA, MBA (Open) (Non-Executive Member)
Appointed as Board Member from 1 May 2008 – 30 April 2011
Resigned from membership of the Board with effect from 28 February 2010

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

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 – 30 September 2010

Re-appointed as Chairman 1 October 2010 – 31 March 2013

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

Stephen Redmond, CIPD (Non-Executive Member)
Appointed as Board Member from 1 March 2010 – 30 September 2013

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

In addition to the Board Members who have voting rights, three executives attend the Board with no voting rights.

Sally Brook Shanahan, LLB (Executive – no voting rights)
Attended the Board from 2 December 1997

Paul Frammingham, BA (Hons), ACMA (Executive – no voting rights)
Attended the Board from 6 May 2008

Simon Reed, PhD, BSc (Hons), MBA, CEng, MIMMM (Executive – no voting rights)
Attended the Board from 1 January 2010

Details of members' 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 & Secretary
Mr P J Frammingham	Finance & Commercial Director
Mr P J Lawrence	Chief Executive
Mr S Pennell	Director of Information & Systems
Dr S M Reed	Director of Public Safety & Communication
Mr I Wilson	Director of Environment, Mining & Property

Mrs L Lax, Head of Human Resources and Organisational Development, joined the Executive Committee on 1 April 2010.

Donations

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

Employee Involvement

The Authority is committed to engaging with staff throughout the business. The Authority has a Staff Liaison Group 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. This commitment 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.

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 4 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 £57,500. Mazars LLP is contracted to perform the audit on behalf of the National Audit Office.

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

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

P J Lawrence
Member, Chief Executive and Accounting Officer
22 June 2010

Coal mining surface hazard made safe

Corporate Governance

We recognise the importance of and are committed to high standards of Corporate Governance. We comply 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. We also comply with all of the provisions of our Management Statement, a document agreed with the Secretary of State which sets out certain of our powers, duties, functions and various policies.

Board of Directors

As at 31 March 2010 we have seven Members (four Non-Executive and three Executive) appointed by the Secretary of State of our sponsor Department, two non-voting Executives and a Secretary.

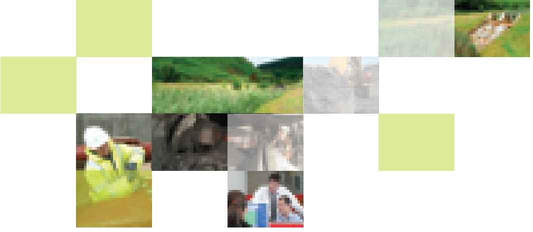
Non-Executive Directors are appointed by the Secretary of State for the Department of Energy and Climate Change in-line with the Code of Practice issued by the Commissioner for Public Appointments.

The Board has nine scheduled meetings a year at which it determines the strategic direction of the Authority. Additional meetings are held in person or by telephone as required. The Board monitors the performance of the Authority; assesses risk; ensures value for money and that resources are utilised effectively; ensures that sound environmental policies and practices are developed and adopted; and ensures that we are accountable to our stakeholders.

A table showing attendance at these meetings and at meetings of the Audit Committee and the HR & Remuneration Committee is set out below.

Dr Lane did not attend one Board meeting and one HR & Remuneration Committee due to illness. Mr Dingle did not attend one HR & Remuneration Committee due to illness. Mr Frammingham did not attend one Board meeting due to illness.

Name	Board (11)	Audit (3)	HR & Remuneration (4)
Mrs S A Brook Shanahan	11	3	4
Mr S Dingle	11	3	3 (out of 4)
Mr P J Frammingham	10 (out of 11)	3	
Dr B Jones	11	3	4
Dr P Lane	9 (out of 10)	3	3 (out of 4)
Mr P J Lawrence	11	3	4
Dr H M Mounsey	11		4
Mr S Pennell	11		
Mr S J Redmond	1 (out of 1)		
Dr S M Reed	3 (out of 3)		
Mr I Wilson	11		



We held our fourteenth annual public meeting in Manchester in September 2009 where members of the Authority explained our work and answered questions from the public. This was followed by a coal industry conference at which invited speakers addressed the question **"Can coal have a future role in meeting the nation's energy needs?"**

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

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors under the chairmanship of Mr Stephen Dingle with the other members being Dr Barrie Jones and Dr Pauleen Lane until 28 February 2010, replaced by Mr Stephen Redmond from 1 March 2010.

The Committee met three times during the year. The committee's meetings were also attended by the Chief Executive, Director of Finance & Commercial and the internal and external auditors by invitation. The meetings are all minuted by the Authority's Solicitor & Secretary.

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

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

Risk Committee

The Risk Committee which comprises senior Authority staff met four times during the year and its role is discussed in the Statement on Internal Control.

HR & Remuneration Committee

The composition and remuneration 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 at least monthly to review and discuss our work. It determines the day to day policy implementation necessary for us to discharge our duties in the most effective, efficient and economic manner. Membership of the Committee is given in the Accounting Officer's Report.

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

Access to Information

During the year 33 requests for information were received under the Freedom of Information (FOI) access provisions. All were answered within the statutory 20 day limit. Our redesigned FOI scheme was regularly accessed throughout the year.

Our freephone public information service for subsidence damage claims and mining reports enquiries worked well over the year. We also operate a dedicated 24 hour phone number for reporting hazards relating to past coal mining.

We undertake to respond to requests for information within two weeks were possible, and within four weeks, at most. During the year we received 26 letters from Members of Parliament and other public representatives (2008-09: 20 letters). The average time taken to reply to this correspondence was six days.

From left to right: Barrie Jones CBE, Stephen Pennell, Helen Mounsey, Stephen Dingle, Philip Lawrence, Ian Wilson, Sally Brook Shanahan, Paul Frammingham, Stephen Redmond, Simon Reed

Corporate Social Responsibility

Our People

There were 174 people employed at 31 March 2010 not including Non-Executive Board Members.

We are proud of our Investors in People (IiP) accreditation and continue to use IiP to improve the performance of the organisation by focusing on learning and development needs to meet our corporate objectives.

As an aid to taking our business forward we have developed a new performance management system which became operational on 1 January 2010. A series of people management workshops were organised for team leaders in order to embed this new holistic approach to performance management and competency framework into the organisation.

The focus in the coming year will be placed on wellbeing and diversity and equality.

We will continue to encourage our people to take on further responsibility for their own work performance and development.

The sickness absence for the year was 1.24% (2.94 days per person) compared with 1.92% (4.79 days per person) last year.

Safety, Health and Environment

Our safety, health and environment team provide advice and assistance to our organisation to ensure that these issues are considered in every aspect of our activities.

The adoption of best practice to ensure legal compliance is our prime objective. Health, safety and environmental management systems have been developed to achieve this objective and these are continually reviewed and updated

Health and Safety

The mine entry inspection and dissemination of information programme is driven by our desire to effectively manage public safety.

A review and update of the risk assessments associated with our business was completed. This identified lone working and work undertaken by our contractors as the highest risk. The following actions were implemented to reduce the specific risks:

- an electronic lone worker logging system was introduced. For staff working alone in remote locations trials of a personal tracking device are currently being undertaken and is expected to be introduced in the coming year; and
- a revised procedure for managing contractors was developed and introduced which strengthens the arrangements for procuring competent contractors and ensures their effective supervision.

Environment

Our mine water schemes prevent 3,200 tonnes of iron discharging into water courses thereby improving the nation's rivers and streams. Some schemes also protect important sources of drinking water.

A climate change adaptation strategy is being developed and will be communicated to staff. The Met Office was employed on a pilot study and continues its work to evaluate the potential impacts of climate change on our activities and property in South Wales.

Considerable activity is taking place in the field of renewable energy related to our mine water and property activities. The potential for renewables is being considered in all our feasibility work for new mine water schemes. The geothermal resource potential of mine water is central to these considerations. We have a number of schemes across Britain that collectively pump 3,000 litres of mine water every second with a typical temperature of 15°C, which potentially offers approaching 100MW of heat energy if it can be harnessed through heat pump technology. We co-sponsored a conference on this topic at the National Coal Mining Museum for England in February 2010.

We are continuing to seek to identify and subsequently develop a ground source heat demonstration project utilising mine water.

Work is ongoing in collaboration with Partnerships for Renewables on the establishment of wind generation capacity at a number of our sites. If this work proves successful it may allow a beneficial use for some sites currently considered as long term liabilities.

The CRC Energy Efficiency Scheme (CRC) commenced in 2010. We fall within the scope of the scheme and have registered with the Environment Agency. We also propose to develop a Carbon Policy, achieve the Carbon Trust Standard and work with partners such as PfR to utilise our property for renewable energy projects.

Health, Safety and Environmental Audits

We carried out 85 health, safety and environmental audits during the year to assess contractor performance. These audits confirmed that the level of performance expected of contractors was being delivered but that information on potential environmental impacts and measures to mitigate them required to be better documented. This issue will be addressed during 2010-11 with refresher training for our staff and the provision of further information to contractors.

Further information is available on our website which also contains a copy of the Annual Health and Safety and Environmental Reports for 2009-10.

Local Community and Charity

Our staff organised seven fundraising events during the year for national charities which raised a total of £1,278. The Staff Liaison Group agreed that we will focus our support on local charities in the coming year. Consideration is also being given to offering practical support to local charities and other bodies.

Performance Against Targets

The Authority is committed to the fulfilment of our aims, objectives and values in an efficient and cost effective manner, within the limits of the resources we have at our disposal. We have been successful this year in meeting this objective.

Performance against targets are provided at Appendix 1 on page 73. We did not meet the target for minewater schemes with work commencing on two new schemes instead of the three schemes originally planned.

Remuneration Report

Introduction

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

The HR & Remuneration Committee

The Authority has an established HR & Remuneration Committee whose membership comprises all of the Non-Executive Directors and the Chief Executive. The HR & Remuneration Committee has terms of reference approved by the Board and is responsible for determining and keeping under review the performance related pay structure for all staff of the Authority and approves the Pay Remit for submission to the Secretary of State for DECC. The Committee's Terms of Reference prescribe that the Chief Executive shall not be present when his remuneration and conditions of employment are being considered. They also annex an Annual Cycle of Business and require a minimum of two meetings per year. During the year the Committee's members were: Dr Barrie Jones (Committee Chairman), Dr Helen Mounsey, Stephen Dingle, Dr Pauleen Lane (to 28 February 2010), Stephen Redmond (from 1 March 2010) and Philip Lawrence.

Remuneration Policy for the Executive Directors

With the exception of the Chief Executive, the Executive Directors' remuneration is determined via the Pay Remit process approved by the Secretary of State. The HR & Remuneration Committee review and make recommendations about the remuneration of the Chief Executive which is formally determined by DECC. The Committee has followed Senior Civil Service Guidelines and proposed no increase in the Chief Executive's salary from 1 April 2010.

Performance Management System

The Executive Directors participate in the Authority's Performance Management System (PMS). Individual assessments are made by the Chief Executive and Chairman and reviewed by the HR & Remuneration Committee. Appraisal of performance is based on the achievement of defined objectives which are assessed against six performance scores. The level of performance determines the rate of progression through the salary scale and the level of non-contractual, non-pensionable performance related pay (PRP).

The Committee has approved changes to the PMS and non-contractual PRP scheme for the 2010-11 period. The six performance scores have been rationalised and PRP is measured mainly on corporate performance against objectives with an opportunity to earn PRP based on individual performance objectives.

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 A Brook Shanahan	1 January 1998	6 months
Mr P J Frammingham	6 May 2008	6 months
Mr P J Lawrence	2 May 2006[1]	6 months
Mr S Pennell	17 January 2005[2]	6 months
Dr S M Reed	1 January 2010[3]	6 months
Mr I Wilson	5 October 2001[4]	6 months

1 Appointed Chief Executive with effect from 1 January 2007.
2 Commenced employment with the Authority on 31 October 1994.
3 Commenced employment with the Authority on 31 October 1994.
4 Commenced employment with the Authority on 1 October 1994.

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

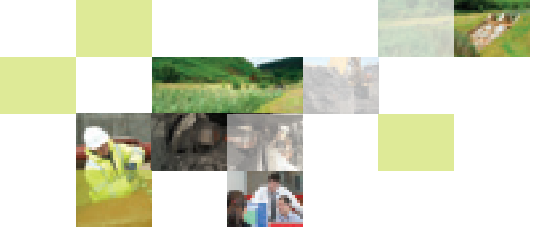
The following paragraphs of the Remuneration Report have been audited by Mazars LLP on behalf of the National Audit Office.

Non-Executive Directors

To date all Non-Executive Directors have been appointed by the Department for Business, Enterprise and Regulatory Reform (BERR) or Department of Energy and Climate Change (DECC) (from 3 October 2008) in line with the Code of Practice issued by the Commissioner for Public Appointments. Their terms of engagement and remuneration are now determined by DECC. They are not eligible to participate in the pension schemes.

Fees Paid	Contract	2010	2009
	End Date	£	£
Mr S Dingle	30 April 2011	11,608	10,467
Mr J R Hawksley[1]	30 September 2008	–	5,608
Dr B Jones	30 September 2010	11,608	11,401
Dr P A Lane[2]	28 February 2010	10,636	10,467
Dr H M Mounsey[3]	31 March 2013	26,917	26,433
Mr S Redmond[4]	30 September 2013	972	–

1 Figure quoted for 2009 is for the period 1 April 2008 to 30 September 2008.
2 Figure quoted for 2010 is for the period 1 April 2009 to 28 February 2010.
3 The figure quoted encompasses Dr Mounsey's role as Chairman.
4 Figure quoted for 2010 is for the period 1 March 2010 to 31 March 2010.



Executive Directors' Remuneration

	2010				2009			
	Salary	Car Allowance	PRP	Total	Salary	Car Allowance	PRP	Total
	£	£	£	£	£	£	£	£
Mrs S A Brook Shanahan	91,060	8,806	5,437	105,303	89,276	8,806	2,658	100,740
Mr P J Frammingham[1]	79,274	8,806	9,467	97,547	70,202	7,953	1,531	79,686
Mr P J Lawrence	120,915	9,906	7,219	138,040	118,537	9,906	14,217	142,660
Mr S Pennell	86,597	8,806	10,170	105,573	81,045	8,806	9,313	99,164
Dr S M Reed[2]	19,905	2,201	–	22,106	–	–	–	–
Mr I Wilson	91,060	8,806	5,437	105,303	86,305	8,806	5,162	100,273

1 Figure quoted for 2009 is for the period 6 May 2008 to 31 March 2009. The full year equivalent remuneration was £88,861.
2 Dr S Reed was appointed as an Executive Director 1 January 2010. The full year equivalent remuneration in respect of this position is £88,366 (excluding PRP).

Executive Directors' remuneration includes non-contractual performance related pay earned in the year and any allowances subject to UK taxation. Other than car allowance, there are no benefits in kind.

Performance Related Pay for 2009-10 relates to the amount accrued during the year under the terms of the Performance Management System. This is subject to Her Majesty's Treasury approval.

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 2010 and related lump sum	CETV at 31 March 2009	CETV at 31 March 2010	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£000	£000	£000	£000	£000
Mrs S A Brook Shanahan	0–2.5 plus 2.5–5.0 lump sum	10–15 plus 40–45 lump sum	221	251	15
Mr P J Frammingham	0–2.5 plus 0 lump sum	0–5 plus 0 lump sum	13	29	13
Mr P J Lawrence	2.5–5.0 plus 0 lump sum	10–15 plus 0 lump sum	77	118	17
Mr S Pennell	0–2.5 plus 5.0–7.5 lump sum	15–20 plus 45–50 lump sum	261	317	38
Dr S M Reed	0–2.5 plus 2.5–5.0 lump sum	10–15 plus 35–40 lump sum	213	224	16
Mr I Wilson	0–2.5 plus 5.0–7.5 lump sum	15–20 plus 50–55 lump sum	335	396	42

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out within the guidance and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

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

Further information as to the terms of the schemes are given in Note 4 to the Accounts.

P J Lawrence
Member, Chief Executive and Accounting Officer
22 June 2010

Financial Statements
for Year Ended 31 March 2010

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

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

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

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

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

P J Lawrence
Chief Executive and Accounting Officer
22 June 2010

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control and risk management that supports the achievement of the Authority's 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.

The Authority's Board establishes the risk appetite and tolerance and I manage risk within these tolerance levels. Appetite and tolerance is continually discussed at the Board and varies across the business.

The Purpose of the System on Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Authority for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Similarly our risk system is not intended to remove risk but to enable the Authority to manage it. In previous years too much effort has been spent eliminating risk and more focus has now been given to accepting risk, seeing risks as lost opportunities as well as potential liabilities and communicating and managing them within agreed tolerance levels.

Capacity to Handle Risk

Our risk management philosophy has been discussed during the year and our policy revised in September 2009 to include guidelines on risk appetite. The Authority aims to conduct effective risk management so as to provide increased assurance that business objectives will be achieved and the Authority's good name will be protected. Risk management is delegated to Directors and managers with all employees expected to identify and manage risks on a daily basis. A culture is evolving where risks are reported and discussed openly without blame being apportioned. As Accounting Officer I still have occasional surprises but the benefit of earlier risk discussions is now being seen.

The Risk Committee meets quarterly and is the key vehicle for educating managers in risk. Topics have been considered and debated on risk maturity, fraud in an economic downturn and embedding risk management into teams. Helpful thought leadership has been received from our internal auditors.

The Authority now has a senior member of staff with risk management qualifications to better ensure that best practice is considered and followed.

Our capacity to handle risk is therefore increasing and our management maturing.

The Risk and Control Framework

The risk and control framework has been stable for several years and roles are fully understood.

Risks are identified at all levels of the Authority and being a small organisation risks are discussed with Directors on a regular basis. A risk register, currently populated with 68 risks, is maintained and describes not just the risk but the key controls, the sources of assurance, gaps in assurance and mitigating actions. Managers sign quarterly assurance statements and, with some encouragement, keep the system live and up to date.

The Board discusses risk every time it meets and it is considered within every Board paper. The Audit Committee reviews risk reports at every meeting and considers our evolving risk maturity. Most importantly the risk appetite, both on individual specific risks and across the business, is debated at the Board and fed back through Directors to the operational teams.

Only eight of our risks have a residual high risk rating as defined by our risk matrix, which considers the areas of financial exposure, operations, reputation, compliance and safety.

These risks have actions to treat them and reduce them further. The risks touch on the core areas of the Authority's activities and arise from:

- Potential changes of government policy on public sector information. This is currently managed through our Information Fair Trader Status accreditation.
- Contingent liabilities passing from National Coal Board and British Coal Corporation which are not recorded. This risk is effectively tolerated and disclosed in our contingent liability note. As issues arise, these are managed on a specific basis.
- Planning processes not adequately consulting with the Authority which could lead to unsafe development and future liabilities. The Authority is therefore engaging with local authorities, planners and developers to share its information with them.
- Our property can cause a surface hazard which leads to an injury. We are currently inspecting our property and communicating issues to landowners.
- The impact of climate change. We are currently studying the effect of weather patterns on tip stability and water levels in abandoned mines and will re-evaluate future strategies.
- Lack of government support of our strategies. Close and ongoing conversations are held with the Department of Energy and Climate Change, Defra and other government stakeholders.
- Reductions in government funding. The Authority is continuing its internal efficiency and value for money programmes.

The Authority does not hold top secret, secret or confidential information and therefore the risk posed to government through the Authority is low. The Authority has, however, continued to strengthen its procedures in this area and has built on its Data Handling Policy issued in March 2008 with an Information Risk Management Policy in September 2009. All information assets have been documented in a register, risks assessed, controls recorded and staff trained using the National School of Government course. I am not aware of any material breaches of security or policy or any loss of personal protected information during the year.

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 department 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 Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

No significant control issues have arisen in the year. Actions are ongoing to manage our risks, including high level risks. Occasional weaknesses do come to light and internal audit raise useful recommendations in their report to continuously improve the internal system. These are regularly reviewed at the Audit Committee to ensure progress is being made.

Philip Lawrence
Chief Executive and Accounting Officer
22 June 2010

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 2010 under the Coal Industry Act 1994. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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

As explained more fully in the Statement of the Authority's and Chief Executive's Responsibilities, the Coal Authority and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Coal Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Coal Authority; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Coal Authority's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Coal Industry Act 1994 and Secretary of State for Energy and Climate Change directions issued thereunder.

Emphasis of Matter

Without qualifying my opinion I draw your attention to the disclosures made in Note 18 concerning the uncertainties in the likely costs in respect of the Coal Authority's liabilities for Minewater Treatment, Public Safety and Subsidence Claims, Subsidence Pumping Stations and Tip Management totalling £852.2 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.

Opinion on other Matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State for Energy and Climate Change and directions issued under the Coal Industry Act 1994; and
- the information given in the Management Commentary and Accounting Officer's Report included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

28 June 2010

Net Expenditure Account

Year Ended 31 March 2010

	Note	2009 10 £000	2008-09 £000
Expenditure			
Staff costs	4	7,621	7,626
Other expenditure	5	7,694	7,632
Adjustment to provisions	5,18	2,516	5,051
Revaluation of investment properties	5,11	(66)	236
Depreciation, amortisation and impairment of assets	5	2,722	2,727
		20,487	23,272
Income			
Income from activities	6	(10,065)	(8,079)
Other income – Profit on disposal of fixed assets	6,7	(531)	(483)
		(10,596)	(8,562)
Net Expenditure		9,891	14,710
Unwinding of discount on provisions	5,18	17,874	18,022
Interest payable	5	14	81
Interest receivable	6	(98)	(35)
Cost of capital credit		(28,233)	(28,461)
Net (Income)/Expenditure after cost of capital credit and interest		(552)	4,317
Write back cost of capital credit		28,233	28,461
Income surrendered to Government	5,8	567	706
Taxation	9		–
Retained Deficit		28,248	33,484

Figures for 2008-09 have been restated in line with International Financial Reporting Standards.

Statement of Financial Position

31 March 2010

	Note	2010 £000	2009 £000	2008 1 April £000
Non-current assets:				
Property, plant and equipment	10	**67,809**	65,118	56,170
Investment property	11	**1,037**	1,396	1,632
Intangible assets	12	**3,122**	528	529
Total non-current assets		**71,968**	67,042	58,331
Current assets:				
Assets classified as held for sale	11	**286**	–	702
Trade and other receivables	15	**3,097**	2,379	3,289
Cash and cash equivalents	16	**1,226**	1,000	1,187
Total current assets		**4,609**	3,379	5,178
Total assets		**76,577**	70,421	63,509
Current liabilities:				
Trade and other payables	17	**(7,712)**	(6,984)	(6,148)
Provisions	18	**(30,893)**	(29,518)	(29,573)
Total current liabilities		**(38,605)**	(36,502)	(35,721)
Total assets less current liabilities		**37,972**	33,919	27,788
Non-current liabilities:				
Provisions	18	**(839,661)**	(842,456)	(840,512)
Other payables	17	**(1,339)**	(1,589)	(1,687)
Total non-current liabilities		**(841,000)**	(844,045)	(842,199)
Assets less liabilities		**(803,028)**	(810,126)	(814,411)
Reserves				
Revaluation Reserve		**1,635**	2,785	2,413
General Reserve		**(804,663)**	(812,911)	(816,824)
		(803,028)	(810,126)	(814,411)

Figures for 2008 and 2009 have been restated in line with International Financial Reporting Standards.

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

Philip Lawrence
Chief Executive and Accounting Officer
22 June 2010

Helen Mounsey
Chairman
22 June 2010

Notes on pages 40-71 form part of these accounts.

Statement of Cash Flows

Year Ended 31 March 2010

	Note	2009 10 £000	2008-09 £000
Cash flows from operating activities			
Net income/(expenditure) after cost of capital credit and interest		552	(4,317)
Adjustment for cost of capital credit		(28,233)	(28,461)
Depreciation, amortisation and devaluation of fixed assets	5	2,722	2,727
Profit on disposal of fixed assets	7	(531)	(483)
Revaluation of investment properties	11	(66)	236
(Increase)/Decrease in trade and other receivables		(718)	910
(Decrease)/Increase in trade and other payables		(26)	182
Movement in provisions		(1,420)	1,889
Net cash outflow from operating activities		(27,720)	(27,317)
Cash flow from investing activities			
Purchase of property, plant and equipment		(6,788)	(10,213)
Purchase of intangible assets		(1,703)	(468)
Proceeds from sale of property, plant and equipment	7	538	1,199
Net cash outflow from investing activities		(7,953)	(9,482)
Cash flows from financing activities			
Grant in aid		36,468	37,300
Income surrendered to Government	8	(569)	(688)
Net financing		35,899	36,612
Net increase/(decrease) in cash and cash equivalents		226	(187)
Cash and cash equivalents at the beginning of the period		1,000	1,187
Cash and cash equivalents at the end of the period		1,226	1,000

Figures for 2008-09 have been restated in line with International Financial Reporting Standards.

Statement of Changes in Taxpayers' Equity

Year Ended 31 March 2010

	Note	Investment Property Revaluation Reserve £000	Revaluation Reserve £000	General Reserve £000	Total £000
Balance at 31 March 2008		2,234	2,413	(819,009)	(814,362)
Changes in Accounting Policy		(2,234)	–	2,185	(49)
Balance at 1 April 2008		**–**	**2,413**	**(816,824)**	**(814,411)**
Changes in taxpayers' equity for 2008-09					
Net gain on revaluation of plant and equipment	5,10	–	469	–	469
Realised element of MHCA		–	(80)	80	–
Additional depreciation on revalued assets		–	(17)	17	–
Retained deficit		–	–	(33,484)	(33,484)
Total recognised income and expense		**–**	**372**	**(33,387)**	**(33,015)**
Grant in aid funding – Capital		–	–	11,218	11,218
Grant in aid funding – Revenue		–	–	26,082	26,082
Balance at 31 March 2009		**–**	**2,785**	**(812,911)**	**(810,126)**
Changes in taxpayers' equity for 2009-10					
Net loss on revaluation of plant and equipment	5,10	–	(1,116)	–	(1,116)
Realised element of MHCA		–	(11)	11	–
Additional depreciation on revalued assets		–	(23)	17	(6)
Retained deficit		–	–	(28,248)	(28,248)
Total recognised income and expense		**–**	**(1,150)**	**(28,220)**	**(29,370)**
Grant in aid funding – Capital		–	–	8,997	8,997
Grant in aid funding – Revenue		–	–	27,471	27,471
Balance at 31 March 2010		**–**	**1,635**	**(804,663)**	**(803,028)**

The income and expenditure reserve has been renamed "General Reserve".

There is no revaluation reserve balance relating to Intangible assets.

Notes to the Accounts

Year Ended 31 March 2010

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Coal Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by The Coal Authority are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 First time adoption

This represents the Authority's first application of IFRS and the whole period is presented in accordance with those IFRS and IFRIC interpretations issued and effective, or issued and early-adopted, as at 31 March 2010 (see also 1.20).

The Authority previously prepared and published its annual financial statements to 31 March 2009 under UK Generally Accepted Accounting Practice (UK GAAP) as contained in FReM. The disclosures required by IFRS 1 'First Time Adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given in Note 2.

The adoption of International Financial Reporting and Accounting Standards has resulted in some changes to the Authority's accounting policies, as stated below.

1.2 Accounting convention

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

1.3 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 General 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.

1.4 Capital charge

Treasury guidance requires that notional charges be made for the cost of capital, calculated at 3.5% (2009: 3.5%) of average capital employed during the year. Capital employed comprised total assets less all liabilities. Cash balances with Government Banking Services are excluded.

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

1.5 Pensions

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. The costs of all employer pension contributions are charged to the Net Expenditure Account when incurred.

1.6 Property, plant and equipment

Expenditure on property, plant and equipment of £2,500 or more is capitalised. On initial recognition and whilst in construction, assets are measured at cost. Cost incurred in designing and building minewater schemes and subsidence pumping stations and bringing them into working condition for their intended use are capitalised following completion of a feasibility study and gateway review.

Except for Head Office freehold land and buildings, property, plant and equipment are carried at modified historical cost as an estimate of fair value. 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 Net 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. Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Net Expenditure Account, in which case the credit is to the Net Expenditure Account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The Authority's non-current assets are non-cash-generating and 'value in use' is deemed to be the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Freehold land and buildings at the Authority's Head Office at Berry Hill, Mansfield are currently carried at depreciated historic cost as an approximation of fair value. An external professional valuation is undertaken bi-annually and should a material difference occur the carrying value will be adjusted to this valuation. The next such exercise will be undertaken at the end of 2011-12.

The Authority owns a number of shafts that access abandoned mines which are of use in monitoring underground movements in water and gasses. These are held at nil value.

1.7 Investment properties

The Authority holds a number of properties and is undertaking a rolling disposal programme, the timing of which is dependent on property market conditions. These have been classified as investment properties and are carried at their estimated fair value. Full valuations are undertaken every three years with desk top review carried out in the intervening periods. As these properties do not represent a substantial proportion of the Authority's total assets, valuations are undertaken by in-house chartered surveyors rather than by external valuers. Gains and losses arising from changes in fair value of investment property are recognised in the Net Expenditure Account.

1.8 Intangible assets

Expenditure on intangible assets consists of bespoke software and other software licences and is capitalised where the cost is £1,500 or more. Intangible assets are reviewed annually for impairment. Low value software licences are stated at cost and amortised on a straight line basis over the shorter of useful economic life (5 years) or the term of the licence. Higher value bespoke software is carried at modified historic cost as a proxy for fair value.

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

1.9 Depreciation

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	Minewater schemes:	
Long leasehold land	not depreciated	Detail design and supervision	25 years
Freehold buildings	50 years	Civils	50 years
Furniture and fittings	10 years	Pumps and chemical dosing	10 years
IT	3 to 25 years	Control systems	15 years
Plant and machinery	3 to 10 years	Power supply	50 years

Subsidence pumping stations:	
Pumps	25 years
Electrical switch gear	15 years
Building structures	50 years
Weedscreen cleaner	20 years

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

1.10 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 were originally transferred into the Coal Authority's accounts at their net book values, as previously stated in the financial statements of British Coal, under the accounting policies adopted by the Authority.

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.

1.11 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 2010-11.

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 identified 84 schemes included in the strategy to be built by 2027 in order to comply with the EUWFD requiring the restoration to good ecological status of controlled waters.

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

Provision is also made for the cash flows of operating schemes for 100 years, as scientists have concluded that the conditions for causing pollution will continue and there is no foreseeable option to dispense with treatment schemes. Beyond 100 years the inherent uncertainties prevent provisions being made.

Where cash expenditure is capitalised under the Fixed Asset policy, a matching provision is maintained so as to offset the carrying value of the asset. As the provision is utilised the effect on the Net 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 2017-18. 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 Net 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 currently has responsibility for 42 tips.

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

Other liabilities

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

Discounting

All material provisions are expressed at current price levels and discounted at 2.2%, the 2009-10 rate specified by HM Treasury, to take account of the time value for money.

1.12 Gross income

Gross income represents the amount, exclusive of VAT, arising from rents, royalties, invoiced sales of goods and services. Income from goods and services is credited to the Net Expenditure Account in the year in which they are provided by the Authority.

Other than the element retained to finance licensing activities, royalties and mining income are surrendered to the Government when received. The element retained is credited to the Net Expenditure Account in the year to which it relates.

1.13 Operating leases

Rentals are charged to the Net Expenditure Account in equal annual amounts over the lease term.

1.14 Financial instruments

The Authority does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (Notes 15 and 17).

Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Authority will be unable to collect an amount due.

1.15 Security fund creditors

Payables include security fund creditors. Licensees of mining operations are required to provide security to the Authority to cover the potential future costs of settling subsidence damage liabilities within their areas of responsibility. One mechanism for providing security is by means of cash deposit. If the licensees fulfil their obligations, the deposits are returned, together with interest accrued under the terms of the lease/licence.

Deposits received are credited to a security fund creditor in order to recognise the Authority's liability to the licensees. Repayments of deposits or the costs of making mining properties secure on default of the licensee are provided from the grant in aid received. Interest payable on deposits is charged to the Net Expenditure Account as it accrues. The security fund creditor is reduced by security costs incurred each year or when repayments are made to the licensee.

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

1.16 VAT

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

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

1.17 Staff costs

Under IAS19, Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of the untaken leave has been determined using data from electronic leave records.

1.18 Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

1.19 Accounting estimates

Other than the review and calculation of the Provisions for Liabilities and Charges, no material accounting estimates or judgements were made by the Authority in preparing these accounts.

1.20 New standards, amendments and interpretations not yet effective

(a) The following Standard has been adopted early by the Authority:

- IAS7 "Statement of Cash Flows" – Amendment. The amendment clarifies that only expenditure that results in the recognition of an asset (rather than simply to generate future income and cash flows) can be classified as a cash flow from investing activities. The amendment is effective for period commencing on or after 1 January 2010.

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

- IFRS8 "Operating Segments" – Amendment. The amendment clarifies that segmental information for total assets is required only if such amounts are regularly reported to the chief operating decision maker. The amendment is effective for period commencing on or after 1 January 2010.
- IAS24 "Related Party Disclosures" – Revision. This revision simplifies and clarifies the definition of a related party, and provide government-related entities with partial exemption and is effective for periods commencing on or after 1 January 2011. The Directors do not believe this revision will have a significant impact on the Authority.
- FReM Chapter 11 "Income and Expenditure". The removal of Cost of Capital charging from the accounts and is effective for periods commencing on or after 1 April 2010. The impact this will have on the Authority will be to no longer calculate and declare the cost of capital credit. The Directors do not believe this revision will have a significant impact on the Authority.

The Directors are aware of other new standards and will not be adopted as they will not have an expected material impact on the financial statements of the Authority.

2. First Time Adoption of IFRS

	Investment Property Revaluation Reserve £000	Revaluation Reserve £000	General Reserve £000	Total £000
Taxpayers' equity at 31 March 2009 under UK GAAP	1,296	2,785	(814,154)	(810,073)
Adjustments for:				
IAS19 Employee Benefits – Accrued untaken paid leave	–	–	(53)	(53)
IAS40 Revaluation of Investment Properties	(1,296)	–	1,296	–
Taxpayers' equity at 31 March 2009 under IFRS	**–**	**2,785**	**(812,911)**	**(810,126)**

	Total £000
Retained deficit for 2008-09 under UK GAAP	(33,244)
Adjustments for:	
IAS19 Employee Benefits – movement in untaken paid leave	(4)
IAS40 Revaluation of Investment Properties	(236)
Retained deficit for 2008-09 under IFRS	**(33,484)**

The adoption of IFRS had no material impact on the cash position of the Coal Authority. No reconciliation is therefore required for prior year net cash flow.

3. Analysis of Net Expenditure by Activity

The following analysis by class of activity of gross expenditure, income, net expenditure and total assets are stated below in order to meet the requirements of HM Treasury's Fees and Charges Guide as well as IFRS 8.

2009-10	Information	Public Safety	Environment	Property	Total
	£000	£000	£000	£000	£000
Gross Expenditure	6,517	7,599	1,077	5,294	20,487
Income	(7,882)	(22)	(395)	(2,297)	(10,596)
Net Expenditure	**(1,365)**	**7,577**	**682**	**2,997**	**9,891**
Total Assets	**6,733**	**1,150**	**64,957**	**3,737**	**76,577**

2008-09	Information	Public Safety	Environment	Property	Total
	£000	£000	£000	£000	£000
Gross Expenditure	8,081	8,910	3,531	2,750	23,272
Income	(6,267)	–	(33)	(2,262)	(8,562)
Net Expenditure	1,814	8,910	3,498	488	14,710
Total Assets	3,867	1,040	62,124	3,390	70,421

Information covers the maintenance of mining records and the provision of mining reports. During 2009-10 better than expected mining report volumes led to an over-recovery of £1.4 million. This followed a loss made during 2008-09 due to the difficult economic conditions experienced during that year.

Public safety 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. Other than the element retained to finance licensing activities, royalties and mining income are surrendered to the Department of Energy and Climate Change when received.

The Authority complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

The classes of activity as analysed above are consistent with the Authority's organisational structure and the management information used by the Authority's management team.

4. Staff Numbers and Related Costs

Staff costs comprise:

			2009 10			2008-09
	Agency	Direct	Total	Agency	Direct	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries		5,810	5,810	–	5,589	5,589
Social security costs		477	477	–	453	453
Other pension costs		1,051	1,051	–	1,043	1,043
Agency staff costs	360		360	541	–	541
	360	7,338	7,698	541	7,085	7,626

£77,000 of staff cost incurred in 2009-10 was charged to capital projects (2008-09: nil).

The average number of whole time equivalent persons employed during the year was as follows:

			2009 10			2008-09
	Agency	Direct	Total	Agency	Direct	Total
	No.	No.	No.	No.	No.	No.
Licensing	2	5	7	–	5	5
Mining records	3	35	38	2	42	44
Subsidence and historic liabilities	4	79	83	7	66	73
Administration and support services	4	48	52	6	45	51
	13	167	180	15	158	173

2.5 whole time equivalent persons were charged to capital projects during 2009-10 (2008-09: nil).

Pensions

All employees of the Authority are members of one of the Principal Civil Service Pension Schemes (PCSPS) for the year ended 31 March 2010. The PCSPS are unfunded multi-employer defined benefit schemes and the Authority is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £1,051,183 were payable to the PCSPS (2008-09: £1,043,397) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account). No Coal Authority employees have opted for a partnership pension account.

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

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is normally 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

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

5. Other Expenditure

	Note	2009 10 £000	2009 10 £000	2008-09 £000	2008-09 £000
Rentals under operating lease					
Equipment		412		369	
Land and buildings		204		159	
			616		528
Running costs					
Supplies and services		5,355		5,429	
Property costs		748		656	
Administrative costs		708		716	
Travel and subsistence		210		255	
Audit remuneration – current year		57		44	
– prior				(5)	
– IFRS readiness				9	
			7,078		7,104
Other expenditure per the Net Expenditure Account			7,694		7,632
Interest payable on security funds	17		14		81
Income surrendered	8		567		706
Non cash items:					
Unwinding of discount on provisions	18		17,874		18,022
Provision movements:					
– Additional year (50th/100th)	18	3,694		3,694	
– Release to offset depreciation	18	(1,792)		(1,374)	
– Change for new assumptions	18			–	
– Created/(Released)	18	614		2,731	
Adjustment to provisions			2,516		5,051
Revaluation of investment properties	11	(66)			236
Depreciation of property, plant and equipment	10	3,029		1,996	
Amortisation of intangible assets	12	111		308	
Revaluation of property, plant and equipment	14	(418)		423	
Depreciation, amortisation and impairment of assets			2,722		2,727
			23,046		26,036
Total non staff expenditure			31,321		34,455

6. Income

	Note	2009 10 £000	2008-09 £000
Income from Activities			
Sale of mining reports		7,882	6,267
Licensing		659	685
Permissions indemnities		265	293
Coal mining royalties		567	550
Environmental technical services		395	33
Other services		297	251
Income from Activities		10,065	8,079
Other Income			
Profit on disposal of property, plant and equipment	7	531	483
Income		10,596	8,562
Interest receivable		98	35
Total Income		10,694	8,597

7. Other Income – Profit on Disposal of Fixed Assets

	2009 10 £000	2008-09 £000
Sale of investment properties	18	735
Clawback relating to previous disposals	517	457
Sale of other assets	3	7
Total income	538	1,199
Book values	(7)	(716)
Profit on disposal	531	483

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.

8. Income Surrendered

	2009 10 £000	2008-09 £000
Total cash appropriated in year	569	688
Amounts received this year by the Authority that were accrued in the previous year	(151)	(133)
Amounts accrued this year	149	151
Income surrendered to Government	567	706

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

9. Taxation

	2009 10 £000	2008-09 £000
Current tax		–
Deferred tax		–

Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year.

The charge can be reconciled to the net income per the Net Expenditure Account as follows:

	2009 10 £000	2008-09 £000
Net income/(expenditure) after cost of capital credit and interest	552	(4,317)
Tax at the UK corporation tax rate of 28%	155	(1,209)
Tax effect of expenses that are not deductible in determining taxable profit	89	185
Tax effect of temporary differences on property plant and equipment	611	751
Tax effect of utilisation of losses not previously recognised	(243)	(142)
Tax effect of short term temporary differences not recognised	(398)	529
Tax effect of losses created in period not recognised		551
Tax effect of grant in aid finance for revenue purposes	(214)	(665)
Tax expense for the year		–

The following are the major deferred tax liabilities and assets:

	Recognised at 31 March			Unrecognised at 31 March		
	2010	2009	2008	2010	2009	2008
	£000	£000	£000	£000	£000	£000
Tax losses	(209)	(1,045)	(421)	(7,350)	(6,506)	(7,013)
Temporary differences regarding tax relief for provisions	–	–	–	(243,755)	(244,174)	(243,224)
Property, plant and equipment	209	1,045	421	–	–	–
Revaluation of assets	–	–	–	(104)	–	–
Total	**–**	**–**	**–**	**(251,209)**	**(250,680)**	**(250,237)**

No deferred tax asset has been recognised on carried forward tax losses of £26,248,000 due to the unpredictability of future profit streams against which the unused losses can be offset. The losses may be carried forward indefinitely.

Deferred tax has also not been recognised in respect of excess temporary differences arising on taxed reserves. Reserves totalling £870,554,000 at 31 March 2010 will be deductible when the expenditure is charged against the provision in later periods.

10. Property, Plant and Equipment

	Land	Buildings	Information Technology	Plant and Machinery	Furniture and Fittings	Minewater Schemes	Subsidence Pumping Stations	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2009	2,321	4,070	4,202	278	584	44,948	4,835	14,431	75,669
Additions	237	–	444	45	–	1,278	424	4,031	6,459
Reclassifications	731	–	(20)	20	–	10,677	1,455	(12,863)	–
Disposals	–	–	(65)	(27)	–	–	–	–	(92)
Revaluations	–	–	711	38	(1)	(1,370)	(111)	–	(733)
At 31 March 2010	**3,289**	**4,070**	**5,272**	**354**	**583**	**55,533**	**6,603**	**5,599**	**81,303**
Depreciation									
At 1 April 2009	–	535	2,387	197	339	6,754	339	–	10,551
Charged in year	–	82	922	58	57	1,744	166	–	3,029
Disposals	–	–	(63)	(27)	–	–	–	–	(90)
Revaluations	–	–	26	2	(1)	(23)	–	–	4
At 31 March 2010	**–**	**617**	**3,272**	**230**	**395**	**8,475**	**505**	**–**	**13,494**
Net Book Value at 31 March 2010	**3,289**	**3,453**	**2,000**	**124**	**188**	**47,058**	**6,098**	**5,599**	**67,809**
Net Book Value at 31 March 2009	2,321	3,535	1,815	81	245	38,194	4,496	14,431	65,118

The Authority owns all of its assets and has no finance leases or PFI contracts.

An interim valuation was undertaken of the Head Office land and buildings by external Chartered Surveyors (Lambert Smith Hampton, a multi disciplinary chartered surveying practice), based on existing use value on 31 March 2009 in accordance with RICS guidelines and did not differ materially from the carrying value of the asset. The next valuation of the Head Office land and buildings will be undertaken as at 31 March 2011.

Plant and equipment has been revalued using MHCA as outlined within the accounting policies (Note 1).

Assets under construction consists of cost incurred on the development and construction of 16 minewater treatment schemes.

	Land	Buildings	Information Technology	Plant and Machinery	Furniture and Fittings	Minewater Schemes	Subsidence Pumping Stations	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2008	2,186	4,070	4,093	308	570	41,960	3,770	7,748	64,705
Additions	6	–	383	19	–	1,849	343	8,151	10,751
Reclassifications	129	–	–	–	–	606	733	(1,468)	–
Disposals	–	–	(33)	(31)	(2)	–	–	–	(66)
Revaluations	–	–	(241)	(18)	16	533	(11)	–	279
At 31 March 2009	**2,321**	**4,070**	**4,202**	**278**	**584**	**44,948**	**4,835**	**14,431**	**75,669**
Depreciation									
At 1 April 2008	–	453	2,020	185	274	5,386	217	–	8,535
Charged in year	–	82	399	31	58	1,304	122	–	1,996
Disposals	–	–	(32)	(19)	(1)	–	–	–	(52)
Revaluations	–	–	–	–	8	64	–	–	72
At 31 March 2009	**–**	**535**	**2,387**	**197**	**339**	**6,754**	**339**	**–**	**10,551**
Net Book Value at 31 March 2009	**2,321**	**3,535**	**1,815**	**81**	**245**	**38,194**	**4,496**	**14,431**	**65,118**
Net Book Value at 31 March 2008	2,186	3,617	2,073	123	296	36,574	3,553	7,748	56,170

11. Investment Properties

	Land £000	Buildings £000	Total £000
Fair Value			
At 1 April 2009	1,268	128	1,396
Disposals	(5)	–	(5)
Transfer	(134)	–	(134)
Revaluations	60	6	66
At 31 March 2010	**1,189**	**134**	**1,323**
Net Book Value at 31 March 2009	1,268	128	1,396

The Authority owns all of its investment properties.

A desktop review as at March 2010 has been undertaken by Dominic Smith MRICS, Coal Authority Property Manager. Valuations have been amended using appropriate property indices to reflect the movement in the property market over the previous year.

As at March 2010 certain properties valued at £286,000 had been identified as being held for sale.

The transfer of investment properties relates to the transfer of land to Property, Plant and Equipment that is now planned to be used for the development of a minewater treatment scheme.

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

	Land £000	Buildings £000	Total £000
Fair Value			
At 1 April 2008	2,194	140	2,334
Disposals	(702)	–	(702)
Transfers	–	–	–
Revaluations	(224)	(12)	(236)
At 31 March 2009	**1,268**	**128**	**1,396**
Net Book Value at 31 March 2008	2,194	140	2,334

12. Intangible Assets

	Information Technology £000	Software Licences £000	Total £000
Cost or valuation			
At 1 April 2009	13,411	45	13,456
Additions	1,502	1,170	2,672
Revaluation	24	11	35
At 31 March 2010	**14,937**	**1,226**	**16,163**
Amortisation			
At 1 April 2009	12,923	5	12,928
Charged in year	89	22	111
Revaluation	1	1	2
At 31 March 2010	**13,013**	**28**	**13,041**
Net Book Value at 31 March 2010	**1,924**	**1,198**	**3,122**
Net Book Value at 31 March 2009	488	40	528

The Authority owns all of its intangible assets. Information Technology comprises software developed in-house or by third parties.

Information Technology contains £1.5 million relating to an information system currently in development.

	Information Technology £000	Software Licences £000	Total £000
Cost or valuation			
At 1 April 2008	13,149	–	13,149
Additions	423	45	468
Revaluation	(161)	–	(161)
At 31 March 2009	**13,411**	**45**	**13,456**
Amortisation			
At 1 April 2008	12,620	-	12,620
Charged in year	540	5	545
Revaluation	(237)	–	(237)
At 31 March 2009	**12,923**	**5**	**12,928**
Net Book Value at 31 March 2009	**488**	**40**	**528**
Net Book Value at 31 March 2008	529	–	529

13. Financial Instruments

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

14. Impairments

In line with the accountancy policies outlined in Note 1, certain non-current assets have been revalued using appropriate indices. In some instances this has resulted in a charge to the Net Expenditure Account where there is no reserve against the assets to charge a devaluation. In these instances the assets are being carried below their historical cost carrying amounts, and so in line with the Government Financial Reporting Manual these revaluations are classified as impairments. The impairment by asset category is stated below:

	2010 £000	2009 £000
Intangible Assets – Information Technology	(13)	161
PPE – Information Technology		241
PPE – Minewater and Subsidence Pumping Stations	228	3
PPE – Plant and Machinery	(633)	18
	(418)	423

This is included within the Net Expenditure Account statement on the line "Depreciation, amortisation and impairment of assets".

Negative numbers represent a reversal of previous impairment.

No impairment has been charged through reserves.

15. Trade Receivables and Other Current Assets

	2010 £000	2009 £000	2008 £000
Trade receivables	399	249	560
Other receivables	1,003	493	1,119
Prepayments and accrued income	1,695	1,637	1,610
	3,097	2,379	3,289

Intra-Government balances are analysed below:

	2010 £000	2009 £000	2008 £000
Balances with other central Government bodies	1,001	487	1,018
Balances with Local Authorities	587	578	652
Subtotal: Intra-Government balances	1,588	1,065	1,670
Balances with bodies external to Government	1,509	1,314	1,619
Total debtors at 31 March	3,097	2,379	3,289

16. Cash and Cash Equivalents

	2010 £000	2009 £000	2008 £000
Balance at 1 April	1,000	1,187	2,218
Net change in cash and cash equivalent balances	226	(187)	(1,031)
Balance at 31 March	1,226	1,000	1,187
The following balances were held at:			
Government Banking Services	1,175	767	1,015
Other commercial banks and cash in hand	51	233	172
Balance at 31 March	1,226	1,000	1,187

17. Trade Payables and Other Liabilities

Amounts falling due within one year:

	2010 £000	2009 £000	2008 £000
Taxation and social security	251	240	287
Amounts payable to Government	149	151	132
Trade payables	536	552	814
Security fund payables	838	604	619
Accruals and deferred income	5,938	5,437	4,296
Balance at 31 March	7,712	6,984	6,148

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.

Security 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.

Intra-Government balances are analysed below:

	2010 £000	2009 £000	2008 £000
Balances with other central Government bodies	150	187	132
Balances with Local Authorities	112	117	288
Balances with Public Corporations and trading funds	140	112	281
Subtotal: Intra-Government balances	402	416	701
Balances with bodies external to Government	7,310	6,568	5,447
Total creditors at 31 March	7,712	6,984	6,148

Amounts falling due after more than one year:

Other payables of £1,339,000 (2009: £1,589,000, 2008: £1,687,000) represent the liability of the Authority to return the cash security funds plus interest to the licensees.

Analysis of ageing of amounts falling due after more than one year:

	2010 £000	2009 £000	2008 £000
Security funds payable:			
In more than one year, but not more than two years	207	187	229
In more than two years, but not more than five years	111	112	159
In more than five years	1,021	1,290	1,299
	1,339	1,589	1,687

Analysis of movements on cash security funds:

	2010 £000	2009 £000	2008 £000
Opening balance – falling due within one year	604	619	744
Opening balance – falling due after more than one year	1,589	1,687	1,040
Opening balance	2,193	2,306	1,784
Invoiced during the year	485	378	594
Interest during the year	14	81	103
Repayments to licensees during the year	(515)	(572)	(175)
	2,177	2,193	2,306
Closing balance – falling due within one year	838	604	619
Closing balance – falling due after more than one year	1,339	1,589	1,687
Closing Balance	2,177	2,193	2,306

18. Provisions for Liabilities and Charges

	At 31 March 2009	Additional Year (100th, 50th)	Change in Activity	Utilised	Released to offset depreciation	Created/ (Released)	Unwinding	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000
Minewater	609,206	1,269	–	(9,483)	(1,617)	(1,983)	12,338	609,730
Public Safety and Subsidence	201,783	2,223	–	(10,025)	–	2,675	4,439	201,095
Subsidence Pumping Stations	27,804	34	–	(752)	(175)	(1,138)	481	26,254
Tip Management	15,071	168	–	(858)	–	358	332	15,071
Sub Total	853,864	3,694	–	(21,118)	(1,792)	(88)	17,590	852,150
Other	18,110	–	–	(692)	–	702	284	18,404
Total	**871,974**	**3,694**	**–**	**(21,810)**	**(1,792)**	**614**	**17,874**	**870,554**

The provision for liabilities and charges at 31 March 2010 is £871.0 million (2009: £872.0 million). Forecast cash flows included within this provision before discounting amount to £1,664.0 million (2009: £1,677.0 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. There was no such change during 2009-10.

Utilised and created/(released):

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

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

Released to offset depreciation:

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

Unwinding:

All material provisions are expressed at current price levels and discounted at 2.2%, the 2009-10 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.

Review of provisions

As stated within Note 1, Accounting Policies, provisions are reviewed annually at the year end to ensure all obligations and work programmes have been provided. The provision will remain unchanged (other than the effects of rolling it forward one year) 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 first such update will occur during 2010-11.

The provision balances relating to Minewater, Public Safety and Subsidence, Subsidence Pumping Stations and Tip Management are based on the assumptions made on inception of the provision policy within the 2006-07 annual statements (including restated 2005-06 balances). These assumptions are explained below. Key sensitivities that may impact on the update of the balances during the 2010-11 review are also outlined.

Minewater

The provision relating to Minewater treatment schemes is £609.7 million (2009: £609.2 million).

In order to comply with the EU Water Framework Directive (EUWFD), 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 £169.7 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 2010-11 to £11.2 million per annum in 2027 and beyond (£1,079.8 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.

During 2009-10 The Coal Authority has worked with the EA and SEPA to further understand the cost benefit ratio of the remedial schemes within the existing programme. Ongoing work in this area may cause the provision in respect of ongoing minewater liabilities to be revised downwards. The EUWFD includes the principle of disproportionate cost, and it is likely that a significant number of the remedial schemes will be deferred whilst new technologies are sought to build schemes for a cost in line with the benefits generated. Should such technology not become available these schemes may not be built.

Public safety and subsidence

The provision relating to Public Safety and Subsidence activity is £201.1 million (2009: £201.8 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 included within the provision for investigating and treating claims before discounting is £6.6 million per annum and has been based on historical claims experience with the long term trend indicating that costs have stabilised. In addition to this £2.3 million over the next three years has been added to the provision relating to a five year mineshaft inspection programme and associated works which began during 2007-08.

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.

Over the last three years there has been significant upward pressure on public safety and subsidence contractor costs driven by an increased number of high value subsidence claims which, if the trend continues, may lead to the provision being revised upwards.

Subsidence pumping stations

The provision relating to Subsidence pumping stations is £26.3 million (2009: £27.8 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 2017-18 (£8.9 million before discounting) and the cost of maintaining and operating these stations for the next 100 years (£0.3 million per annum before discounting).

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

Over the last three years there has been significant upward pressure on the operating costs of these stations. However it is thought that the impact of the recent Flood and Water Management Bill on these operations may lead to a reduction in future cost.

Tip management

The provision relating to Tip Management is £15.1 million (2009: £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 42 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 of Tip Management provided is £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. Over the last three years there has been upward pressure on tip expenditure, in part caused by weather conditions.

Other provisions

The provision relating to other items is £18.4 million (2009: £18.1 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 £6.4 million remain at March 2010 after discounting (2009: £8.0 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 £2.9 million (2009: £2.6 million).

Closed colliery site obligations are assessed to be £5.9 million (2009: £5.9 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 £1.4 million (2009: £1.5 million).

Provisions relating to other property liabilities are held at £1.8 million (2009: £0.1 million). These relate to obligations associated with property interests transferred from British Coal under various Restructuring Schemes that do not result from past mining activity.

Sensitivity of trends and assumptions

The calculations as explained above necessarily include estimates and assumptions.

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.

The level of provisions is sensitive to a change in the discount rate. An increase in the discount rate of 0.5% to 2.7% would decrease the total provision held by £93.0 million (12%). A decrease in the discount rate by 0.5% to 1.7% would increase the total provision by £118.0 million (13%).

Analysis of timing of discounted flows:

	Minewater £000	Public Safety and Subsidence £000	Subsidence Pumping Stations £000	Tip Management £000	Other £000	Total £000
Up to 2011	18,911	7,192	1,619	489	2,682	30,893
Between 2012 and 2016	87,002	31,684	7,040	2,293	6,506	134,525
Between 2017 and 2021	88,266	27,143	4,301	2,056	1,608	123,374
Thereafter	415,551	135,076	13,294	10,233	7,608	581,762
Total	**609,730**	**201,095**	**26,254**	**15,071**	**18,404**	**870,554**
Amounts not expected to be called until the period beginning 2061	113,504	–	3,046	–	–	116,550
Amounts not expected to be called until the period beginning 2086	41,684	–	1,119	–	–	42,803

19. Capital Commitments

	2010 £000	2009 £000	2008 £000
Property, plant and equipment	2,666	1,364	5,095
Intangible assets	3,417	62	–
	6,083	1,426	5,095

There were capital commitments authorised, contracted, and provided for at 31 March 2010 of £6,083,000.

Property, plant and equipment capital commitment of £2,666,000 relates to the build of four minewater treatment schemes and one pumping station refurbishment.

Intangible assets capital commitment of £3,417,000 is in respect of the replacement of the Authority's Information System.

20. Commitments Under Leases

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

	2010 £000	2009 £000	2008 £000
Land			
Within one year	239	236	220
Between one to five years	908	902	903
After five years	6,860	7,183	7,408
	8,007	8,321	8,531
Buildings			
Within one year	51	51	51
Between one to five years	200	200	200
After five years		50	100
	251	301	351
Others			
Within one year	113	367	360
Between one to five years	20	322	644
After five years		–	–
	133	689	1,004
	8,391	9,311	9,886

21. Contingent Liabilities Disclosed

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 also has an ongoing liability to secure and keep secured most abandoned coal mines. (In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities).

Both of the above liabilities have been provided for within the Public Safety and Subsidence provision (Note 18) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid.

Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise 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.

22. 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.

23. Related Party Transactions

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

In addition, the Coal Authority has had a number of transactions with other government departments and other central government bodies including the purchase of goods and services from the Department for Communities and Local Government, and the provision of Minewater technical services to the Environment Agency.

Dr B Jones, Non-Executive Member, is the Chief Operating Officer of Mines Rescue Service Ltd which has a contract with the Authority to provide surface hazard emergency call out cover, mineshaft inspections, training and rescue safety services (mandatory for certain incidents) and provide room hire, the value of which was £896,217 during the year (2009: £754,827). The year end creditor balance in respect of Mines Rescue Service was £172 (2009: £1,543).

Accounts Direction given by the Secretary of State for Energy and Climate Change in accordance with the Coal Industry Act 1994

1. This direction applies to The Coal Authority.
2. The Coal Authority shall prepare accounts for the financial year ended 31 March 2009 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.
3. The accounts shall be prepared so as to:
   (a) give a true and fair view of the state of affairs at 31 March 2009 and subsequent financial year-ends, and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended; and
   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with the Department of Energy and Climate Change (DECC) and HM Treasury.
5. This Direction supersedes the Direction dated 17 June 2008

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

3 June 2009

Appendix 1

Key Performance Indicators and Targets Summary

Year ended 31 March		2008	2009	2010	2011
Inspect all operational mines in accordance with the Authority's risk based criteria (%)	Target	100	100	**100**	100
	Outturn	100	90	**100**	
First inspection of residential subsidence claims within four weeks (%)	Target	100	100	**100**	100
	Outturn	100	98	**100**	
Communicate decision on residential subsidence claims to claimants within three weeks (%)	Target	99	99	**99**	99
	Outturn	100	89	**100**	
Requests for mining reports responded to within two working days (%)	Target	93	94	**95**	95
	Outturn	94	93	**95**	
Requests for mining reports responded to within five working days (%)	Target	98	98	**98**	98
	Outturn	98	98	**98**	
Commence site works to remediate the agreed number of minewater discharges annually (Note 1)	Target	100	100	**100**	100
	Outturn	100	500	**67**	
All valid invoices to be paid within contract terms (%)	Target	100	100	**100**	100
	Outturn	99	99	**99.9**	

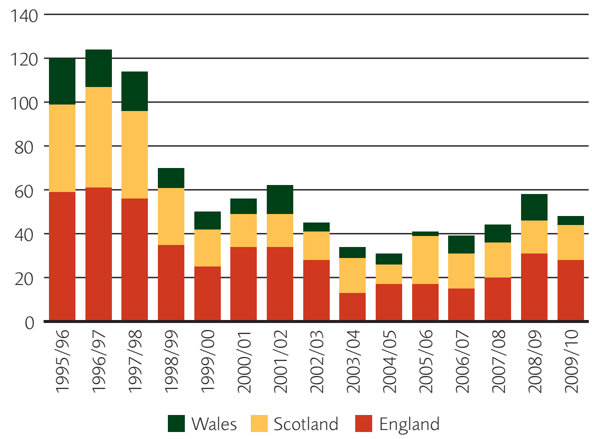
Notes:
1 The minewater remediation target has been changed to enable work on new schemes to commence in line with the funding available. Additional funding in 2008-09 enabled work to commence on five schemes.

Appendix 2

Coal Industry Statistics

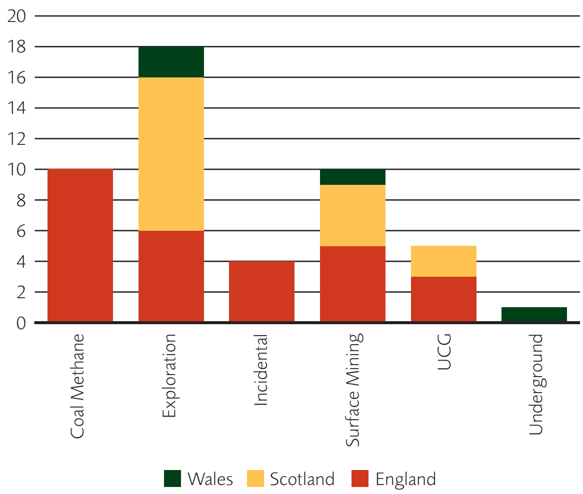
During the year we received 48 new applications for licences and agreements to undertake coal mining, a reduction of 10 (17%) on last year. Figure 1 shows the number of applications received since 1 April 1995 by country.

Figure 1:
Applications since 1995-1996



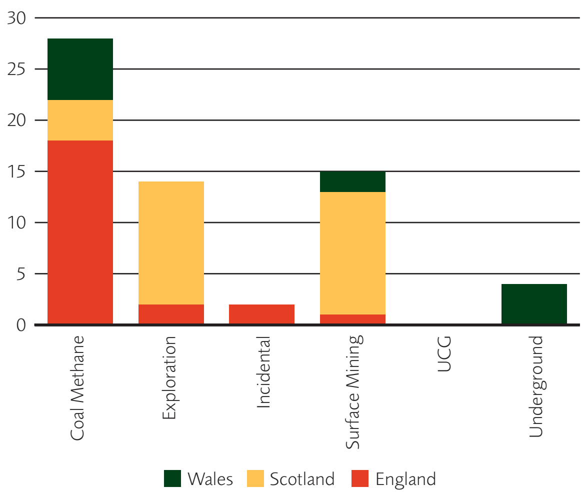
Coal exploration and underground coal gasification (UCG) activity remains high with 23 applications received and applications for surface mining have doubled compared to last year. Figure 2 shows the breakdown of applications by type in 2009-10.

Figure 2:
Applications since 2009-2010



We also received 63 applications to vary existing agreements during the year which was an increase of 36 over the previous year. Figure 3 shows the breakdown of these by country and mining type.

Figure 3:
Variation Applications in 2009-2010

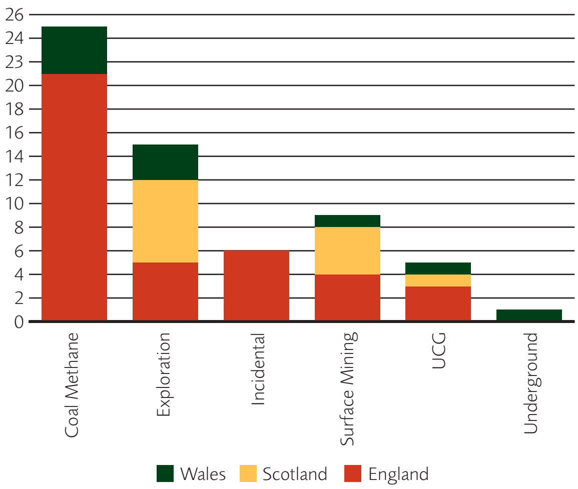


Licences and Agreements Granted

We granted 61 licences and agreements during the year which was an increase of 19 (45%) on 2008-09. In addition, 9 leases were granted in conjunction with surface mining and underground operating licences containing potentially 4.2 million tonnes of recoverable coal together with 7 lease options for future operations. Figure 4 shows a breakdown of these.

Figure 4:

Licences and Agreements Granted in 2009-2010



Coal Production

Coal production for the year totalled 16.66 million tonnes a reduction of 1.17 million tonnes (6.6%) on last year. This related to underground output falling by 1.04 million tonnes (13.0%) and surface mined output falling by 0.13 million tonnes (1.3%).

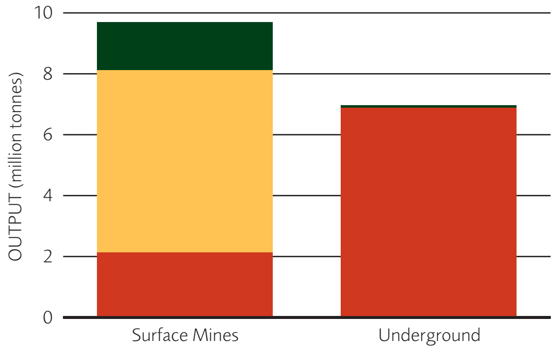
At 31 March 2010 there were 5,917 persons reported as being employed at 14 producing or developing underground mines, one colliery on care and maintenance together with 32 producing or developing surface mine sites. This was a reduction of 162 (2.7%) on last year.

The production figures do not include coal produced from non-licensable activities such as tip washing and slurry recovery and also exclude coal output from sites with authorisation to dig and carry away coal in the course of non-coal mining activities. These sites produced some 25,700 tonnes during the year.

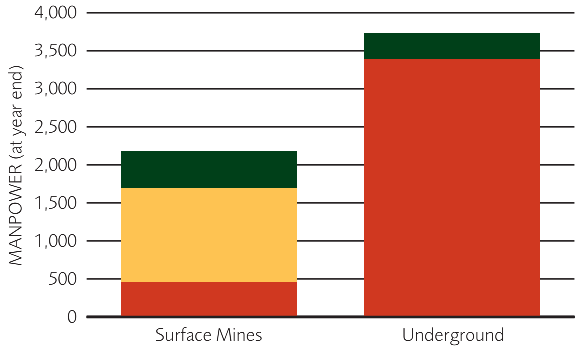
The details of coal production and manpower that was declared to us in 2009-10 are shown at Figure 5.

Figure 5:

Coal Production and Manpower in 2009-2010



	Surface Mines	Underground
Wales	1.57	0.08
Scotland	5.98	
England	2.14	6.89



	Surface Mines	Underground
Wales	481	341
Scotland	1,244	
England	461	3,390

Assessment of Licensed Tonnage

We have updated our assessment on the proportion of coal that is licensed to operating companies within Britain and the table below illustrates the approximate tonnage of coal reserves and coal resources in underground and surface mining licences at March 2010. Coal resources are quantities of coal that have reasonable prospects for eventual economic extraction, identified and estimated through exploration. Coal reserves refer to the economically mineable part of the measured or indicated coal resource. The assessment includes reserves and resources of coal within licence at operating underground and surface mining sites: the coal within conditional licences and coal which, although still within licence, is located at closed mines and sites.

Assessment of Coal Reserves and Resources in Licence

Estimate of Reserves & Resources in Licence in the U.K. (million tonnes)

YEAR ENDING	UNDERGROUND			SURFACE MINES		
	Operating	Closed*	Conditional	Operating	Closed*	Conditional
March 2010	117	291	130	39	7	3

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

Headquarters

200 Lichfield Lane Mansfield Nottinghamshire NG18 4RG

T: 01623 637000
F: 01623 622072 – General
F: 01623 635655 – Finance
F: 01623 621955 – Operations
F: 01623 637338 – Subsidence and Mining Reports
W: www.coal.gov.uk

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:

Corporate Affairs Manager
The Coal Authority
200 Lichfield Lane
Mansfield
Nottinghamshire
NG18 4RG
T: 01623 637250
F: 01623 622072

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

TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone: 0870 240 3701

12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/General enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: http://www.bookshop.parliament.uk

TSO Ireland
16 Arthur Street, Belfast BT1 4GD
Telephone orders/general enquiries: 028 9023 8451
Fax orders: 028 9023 5401

ISBN 978-0-10-296778-4