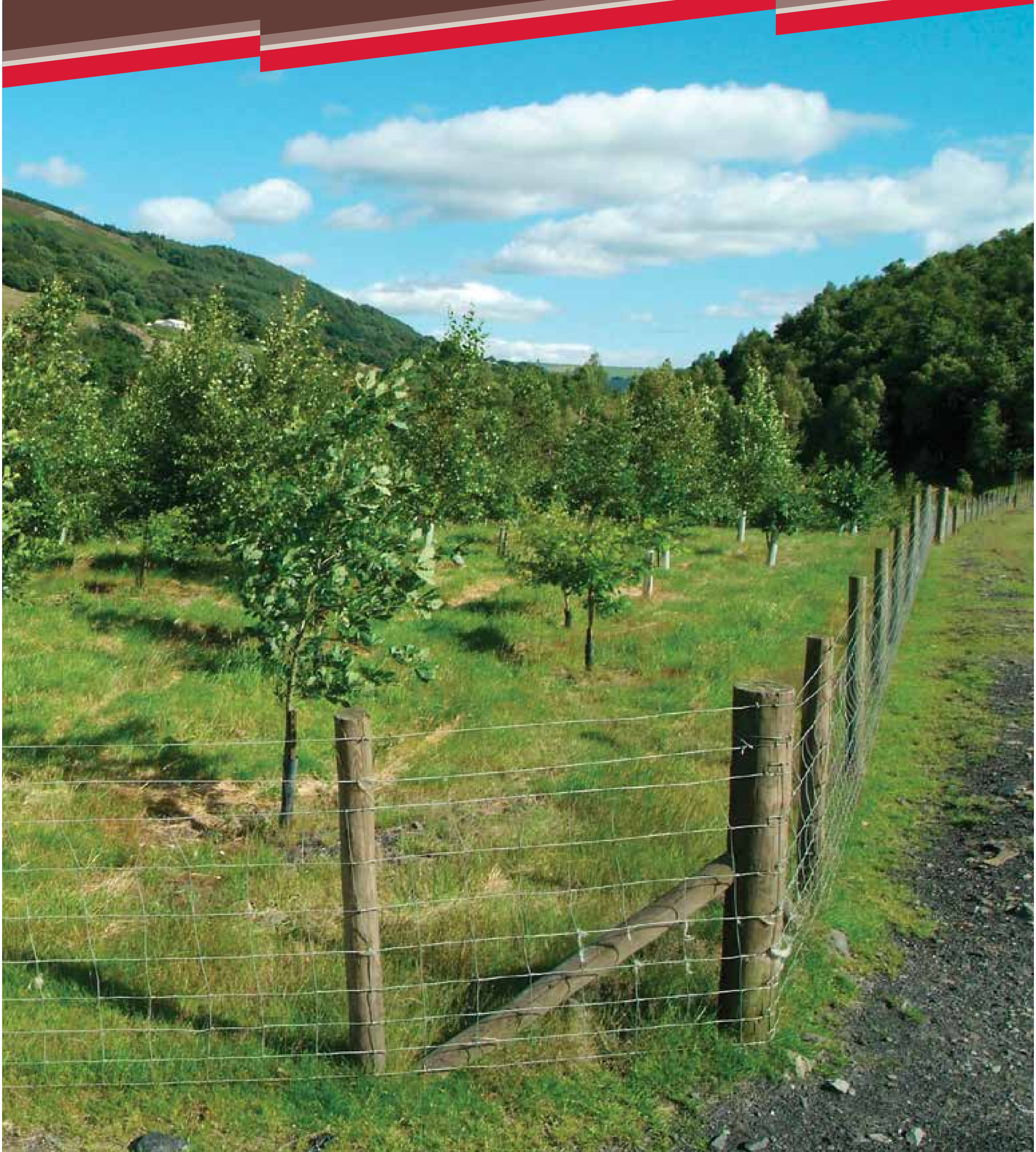
The Coal Authority

Annual Report & Accounts
2012–2013



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Annual Report and Accounts 2012–2013

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Vision and Mission

To be recognised as an expert public body proudly delivering innovative services as we work together to protect the public and the environment in mining areas, now and for future generations.

We will be

- One dynamic team where our people work at pace with passion, professionalism and pride and show support, respect and trust to each other as we work towards our common goals and then celebrate success together.
- Recognised as an expert and earn income from information and services that gives us greater self-sufficiency for the public good.
- Actively marketing our innovations, skills and intellectual property and managing a portfolio of projects with research and development partners.
- An employer of choice with active management of succession, investing in the technical and management skills of our people.
- Delivering safely while preserving the environment with a health, safety and environment approach and system fully integrated into the way we work.
- Working in the most appropriate business model and structure with strategies, policies, systems and shared services that deliver good value, customer satisfaction and proportionate risk management.

Our Purpose

Who are we?

The Coal Authority ("the Authority") works to protect the public and the environment in mining areas, now and for future generations. We:

- manage the legacy coal safety issues and communicate related information to citizens and stakeholders **so that the safety of the public is protected from historic coal mining**;
- manage the water pollution caused by mining **so that water is protected and improved to "good" status**;
- use our information and breadth of skills and experience **so that stakeholders are aware of mining information to make informed decisions**; and ensure where possible that indigenous coal continues to be used as an important fuel source for the nation.

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, as the owner of the coal, the licensing of coal mining operations.

The Authority was granted additional powers in the Energy Act 2011 to enable it to deliver a non-coal mine water programme and deal with non-coal subsidence legacy issues when the necessary funding is made available.

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. Our non-coal mine water programme in England is funded by the Department for Environment, Food and Rural Affairs (Defra). 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 Chair 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.

Chair's Foreword

I am delighted to present my first Chair's Foreword since I was appointed as the Chair of the Coal Authority by the Secretary of State at the Department for Energy and Climate Change on 1 April 2013. I feel hugely honoured to have been entrusted with this role and would like to thank my predecessor as Chair, Helen Mounsey, for her encouragement and advice during my time as a Non-Executive Director and particularly during the handover period. Helen was a visionary leader of the Authority and I know that she will be a hard act to follow. I am particularly pleased that her contribution has been publicly acknowledged by the award of OBE in the Queen's Birthday Honours list.

Change is an ongoing feature at the Authority and 2012-13 has been no exception with focus being placed on continually improving the effectiveness and efficiency with which we deliver products and services to our customers and stakeholders.

The Authority has had a successful year of progress and delivery, and I am pleased to report that we scored a 95% achievement rate against our seven objectives and 17 milestones for 2012-13, which is elaborated upon in the Chief Executive's report.

Five Year Plan

As well as delivering the corporate objectives, the Board has been focused on evaluating its strategic options and setting a new five year plan. This has been published and can be viewed at www.coal.decc.gov.uk.

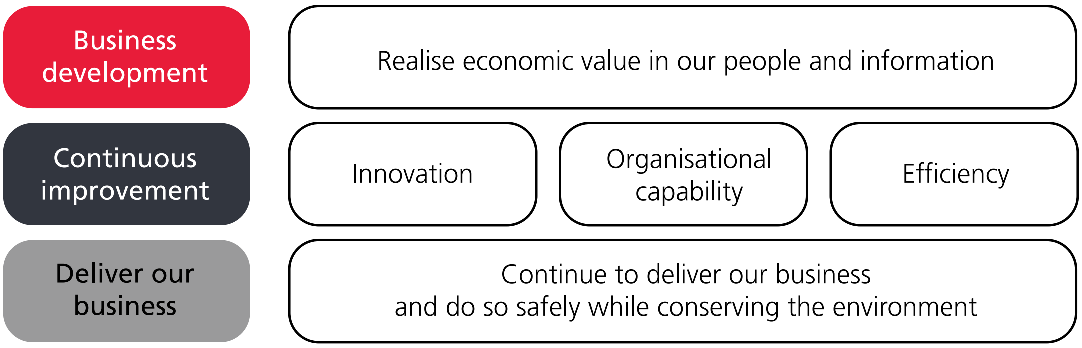
Whilst continuing to carry out our statutory duties for the benefit of the public at large, the Authority aims to transform itself into a more commercial organisation over the next five years and become more self-sufficient to:

a) Reduce the funding burden on the tax payer;

b) Make better use of the expertise of our people and the value of our information; and

c) Play a leading role in an environment where Government is considering alternative ways of delivering services.

This transformation is in line with our vision to be recognised as an expert body proudly delivering innovative services as we work together to protect the public and the environment in mining areas.



Our five year plan is in three parts.

Our business development will focus on entering into innovation partnerships with others to develop products to realise the value from our information which will pull services from our expert staff.

Our innovation strategy builds on the more structured research and development programme initiated in 2012-13 to develop new solutions to subsidence and mine water pollution, hence enhancing our expertise.

The capability of the organisation and our people needs to keep pace with the commercialisation agenda as well as manage knowledge transfer and succession.

We have a good track record of improving efficiency, and even though it will become harder to find marginal improvements, through driving benefits from our new systems, evaluating shared services and pursuing a digital strategy, we shall make further progress.

These changes need to be delivered while we meet our business priorities and stakeholder expectations.

We are already making good progress on this journey and I notice a real sense of excitement among our people as we meet these challenges.

Stakeholders

I was pleased to visit the Houses of Parliament in November 2012 to explain the work we undertake to our stakeholder Members of Parliament. Visits to the Scottish Parliament and the Senedd in Wales are planned for the coming year.

Industry

The coal industry in the UK is currently facing major difficulties. International coal prices have fallen substantially and commentators are not predicting any recovery in prices in the near future. The price fall has resulted in some companies operating mines experiencing financial difficulties.

Maltby Colliery has closed due to serious geological and safety problems and a major underground fire at Daw Mill Colliery has led to closure there too.

The Authority continues to work with industry and Government during these difficult times and I am grateful to the small team of managers and staff at the Authority who have worked tirelessly on these issues whilst continuing to manage their other responsibilities.

I continue to believe that there is a need for coal as part of a balanced and secure energy portfolio and the energy from indigenous coal can play an important part in meeting future energy demands.

People

The Authority cannot function without its people. This has been a testing year and there have been major successes including the implementation of our new computer system ("Inferis") that is already enabling us to streamline some of our business processes. I am grateful for the dedication, commitment and professionalism shown by the Board, Executive and staff over the year in delivering our programme of work.

There have been a number of changes on the Board. I have already mentioned the departure of Helen Mounsey as Chair. In addition we bade farewell to Steve Pennell after 18½ years of service to the Authority of which 6½ years have been as a member of the Board. They will both be missed and I wish them both well in the future. I would like to welcome Bob Spedding to the Board as a Non-Executive Director. Bob has now taken over as Chair of the Audit Committee from me.

Stephen Dingle
Chair

Chief Executive's Report

A Successful 2012-2013

Thanks to the hard work of our people the Authority has had a good year meeting 95% of our corporate objectives and assisting the then UK Coal plc to undertake a restructuring. Set out below is a summary of this year's performance against objectives.

The year has seen the second phase of our Inferis delivery platform, our geographical and information system, successfully completed which will enable us to deliver efficiency savings within the area of public safety and subsidence. The benefits are already being seen, and Inferis allows us to go forward delivering under a digital strategy that will further improve the levels of service to the public and other stakeholders.

We continue to seek innovative solutions to effectively deal with the past mining legacy in Scotland, England and Wales and we have been working on producing a co-ordinated research and development programme which includes collaboration with partners in the United Kingdom and overseas. This programme will be taken forward in the coming year and the results from this work should provide new, more cost effective solutions to address the problems we and others face.

Our Defra funded non-coal mine water programme of work in England is continuing and we have made good progress on the construction of the treatment scheme at Saltburn Gill and on developing other projects. We also manage the Wheal Jane mine water treatment scheme in Cornwall and last winter we had to work closely with our partners to control the water levels during the long period of high rainfall. In Scotland we have undertaken a small non-coal study for the Scottish Environment Protection Agency (SEPA). Discussions are also continuing with both SEPA and Natural Resources Wales on non-coal mine water project work.

The successful delivery of our specialist services is due to the expertise of our highly skilled staff. We continue to build on this expertise by providing the appropriate support and assistance to enable them to develop additional skills when necessary. Succession planning and knowledge transfer is an important area for us to focus on going forward if we are to continue to provide improving levels of service.

We operate to the highest standards of corporate behaviour, particularly in the areas of health, safety and the environment where the safety of our staff, contractors and the public are paramount in all areas of our work.

The overhead efficiency targets we set ourselves for the year have been achieved through the in-sourcing of our IT contract and the leasing of parts of our freehold head office to other public sector bodies.

It is pleasing to note when we are recognised for the standard of our work as was the case in respect of the investigation and treatment of mine shafts at Crusader Avenue in Glasgow which won the Ground Engineering Award for the best 'UK Project with a Geotechnical Value up to £1 million'.

Looking Forward

As set out in the Chair's Statement, our purpose over the coming five years is to become more self-sufficient through the release of economic value in our people and information for the good of the public.

For 2013-14 this will mean that we:

- Begin to build partnerships and deliver a programme to release further economic value in our information
- See the first outputs from our research and development programme
- Continue our business transformation and commence knowledge transfer
- Complete a digital conveyancing market pilot with HM Land Registry
- Deliver and meet our business targets

Resources

Our outline settlement from DECC is £million:

	2013-14	2014-15
Programme	26.9	29.0
Administration	4.4	3.9
Capital	7.7	8.6

Our financial settlement confirms that our sponsoring Department continues to believe that we are best placed to deliver efficient services to stakeholders.

We will continue to focus on costs and efficiencies within the business and will seek to gain greater self-sufficiency for the public good through the provision of products and services.

Philip Lawrence
Chief Executive

Horizontal drilling operation to enable a former colliery subway in South Yorkshire to be grouted.

Performance Against 2012-2013 Objectives

1. The safety of the public protected from historic coal mining.	95% of in year target achieved. Phase II of the new Inferis IT system went live in March 2013 but the business benefits to be gained in our public safety and subsidence activities will not be delivered until 2013-14. The mine entry inspection and dissemination of information programmes are on target and there was an increase in the demand for permissions to access our coal interests.
2. Water affected by mining in Scotland, England and Wales protected and improved to 'good' status.	87% of in year target achieved. The 2012-13 new build coal mine water programme was not achieved due to the decision to delay work on one scheme and build delays due to inclement weather. We continue to deliver our Defra funded non-coal mine water programme in England. We are also in discussion with SEPA and Natural Resources Wales on non-coal mine water.
3. Stakeholders are aware of mining information to make informed decisions and value is created for the Authority.	100% in year target achieved. The Inferis IT system has performed well and at year end customers were digitising 80% of mining report requests online. A partnership agreement with the British Geological Survey (BGS) has been agreed to develop new innovative products. The online interactive viewer was successfully launched to provide stakeholders with greater access to coal mining information.
4. Deliver good customer satisfaction.	88% of in year target achieved. The results of the claims handling work undertaken with the private insurance sector had proved inconclusive. Work was ongoing with the outsourced audit and gap analysis of self assessment against the Customer Service Excellence Service.
5. Deliver good value and proportionate risk management.	99% of in year target achieved. The operational cost savings associated with mine water treatment schemes and environment efficiency scheme savings were almost achieved. The insourced IT service was delivered and the unoccupied office accommodation at Mansfield has been leased.
6. Deliver safely and preserve the environment.	94% of in year target achieved. Safety Culture Steering Group established to assist with embedding a stronger health and safety behaviour in both our staff and our consultants and contractors. Departmental environment action plans were embedded into team objectives for the year. A sustainable procurement action plan has been developed but the associated training programme was deferred into the coming year.
7. Grow expertise through research and development, people development and partnerships.	97% of in year target achieved. The research and development programme and associated budget was produced and agreed to enable the programme to commence in the coming year. The 2013 wellbeing staff survey was completed and the results disseminated to staff. The overall score shows an improvement in staff wellbeing over the last year.

Our Operations

A Review of the Year

This review details the main activities that we have undertaken during the year and sets out our plans for the coming year. Our operational activities protect the public and the environment, provide access to information that we hold and manage our property portfolio. A summary of the financial results for each of our functions is given in Note 2 and Note 16 to the Financial Statements.

Public Safety and Subsidence

We provide in conjunction with Mines Rescue Service Limited a 24 hour, 365 day emergency response service to reports of hazards associated with former coal mines in order to protect the public. Each hazard is triaged on receipt to assess the potential risk and to identify the appropriate level of response. We continue to respond immediately to reports of hazards where there is a serious risk to public safety or property. There were two occurrences that were deemed an emergency requiring an immediate response and 340 that were a priority with a four hours response time.

In total we received notification of 614 (2011-12: 368) surface hazards associated with former coal mine workings during the year. We also received a further six (2011-12: 126) notifications relating to general potential coal liabilities. The figures reflect a modification in the classification of notified incidents but also show there has been an overall 27% increase in the total. The acceptance rate for all projects was 40% (2011-12: 44%).

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 470 (2011-12: 477).

319 claims were received from owners of domestic residential properties (2011-12: 345); the remainder of claims are associated with public bodies and commercial and agricultural operations. Acceptance rates for domestic properties for the year was 15% (2011-12: 10%) and for non-domestic claims 45% (2011-12: 59%). We resolved 467 claims (2011-12: 548) during the year leaving a balance of 210 claims outstanding at year end.

Expenditure on public safety and subsidence amounted to £9.0 million (2011-12: £7.5 million), of which £3.2 million was spent on public safety and £5.8 million on subsidence remediation.

We spent £0.46 million (2011-12: £0.58 million) on the management and maintenance of 42 tips and associated structures in our ownership during the year. All of our tips, associated structures and lands continue to be subject to a rigorous inspection and monitoring programme to protect the public and the environment. Telemetry is used to remotely monitor a number of our sites and this has been modernised and upgraded over the past twelve months.

Major projects occuring during the year included:

Gwernllwynchwyth Road, Llansamlet, Swansea

In April 2011 a void shaft, 50m deep and covered with loose tin sheets was found at Llansamlet, Swansea following a report from the local authority. The mine entry was close to housing and footpaths and livestock were present in the immediate area. The shaft was filled and treated. Other recorded mine entries in the area were inspected.

Mickley, Northumberland

A coal mining subsidence event attributable to unrecorded shallow mine workings has damaged several properties. Due to the age and construction of the properties repair is uneconomical and we are in the process of purchasing the 10 damaged properties and are working closely with the residents to find alternative accommodation.

Whinneyfield Road, Northumberland & Mount Road Middleton Manchester

In two separate instances, following incidents of damage to semi detached properties, partially voided shafts have been located by drilling techniques close to the front elevations. The Northumberland shaft was unrecorded whilst the Manchester shaft was recorded and thought to be connected to an underground canal system. The properties at both locations have been purchased to facilitate treatment of the shafts.

Partridge Dale, Silkstone Common, Barnsley

In November 2012 we were notified by the police of a man hiding in underground coal mine workings in his rear garden. After recovering the man unharmed a small scale illegal underground coal mine accessed from a shed in the rear garden of the property was identified. The shaft has been filled with concrete to prevent future mining.

Mine Entry Inspections

We have continued with our programme of mine entry inspections undertaking 20,700 inspections in the year. We had identified that there were 19,169 residential properties that have one or more shafts on or immediately adjacent to the property boundary. The residential inspection programme which involved writing to the occupiers and inspecting their property was completed in July 2012.

The residential programme inspections have been focused on the 57,941 mine entries that are located in the general urban environment. This focus will continue throughout 2013-14 and we plan to complete 20,000 inspections with a further aim of completing the urban programme by September 2014.

In total, some 80,500 inspections have now been carried out in Britain. There are still some 102,858 mine entries to inspect and through research and development we are investigating alternative ways of undertaking inspections to effectively manage the future programme.

We have also continued to disseminate information liaising with local authorities and landowners in relation to mine entry risks. This has included working closely with emergency services to ensure they can identify risks associated with past coal mining and fire and rescue teams now have the capability to view and assess mining data on location at an emergency scene.

We will continue to maintain relationships to ensure that responsible parties and landowners contact us immediately should a potential structural issue associated with mine entries be identified.

By disseminating information and undertaking the mine entry inspection programme we aim to minimise the coal mining risk presented to members of the public.

Planning

We continue to provide early and effective consultation responses to emerging Local Development Frameworks/Plans and the planning policy making processes including active participation at public examinations. We have responded to 328 consultations (2011-12: 554) to ensure that the legacy of coal mining activities are taken into account and where relevant, surface coal resources are safeguarded. Development plan policies are beginning to reach adoption stage which positively addresses coal mining legacy and safeguarding of coal resources. The use of these policies by local planning authorities when determining planning applications will help to ensure that future development should be safe and stable; coal resources will be safeguarded for future generations and through the removal of coal at very shallow depth during the development process which will avoid such coal being unnecessarily sterilised. It is anticipated that this work will continue to grow over the next year with increasing emphasis being placed on ensuring continuity of the issues and helping to make policies more locally distinctive through the on-going development plan review processes.

Office operations at Mansfield.

The risk based approach to development management which uses the ‘coal mining development risk areas’ continues to operate across all 179 coalfield local planning authorities. This process focussed upon the 15% of the coalfields in Britain where the legacy of coal mining is a locally distinctive issue and requires full consideration of the risks before carrying out development. The remaining coalfield areas are covered by general standing advice.

We continue to provide site specific responses to 4,863 (2011-12: 3,513) planning applications within the development high risk area in accordance with the duties of a statutory consultee. It is anticipated that this number will continue to rise over the next year relative to the national economic context.

We share coal mining information with several major organisations; all coalfield local authorities as property owners/managers to ensure they are aware of the potential risks affecting their property and emergency services (fire and rescue, cave rescue, mountain rescue). This collaborative work is facilitating the assessment of any potential risks and helping to identify any features or hazards that require our attention.

Collaboration with BGS has enabled the development and launch of an interactive GIS web viewer which allows users to zoom into sites and see coal mining information in a different way. Further information has been made available through this tool which can be found on our website at www.coal.decc.gov.uk.

All of the statutory work and increasing access to coal mining information aims to protect the public and environment in coal mining areas and help everyone to make more informed decisions.

Property Search Service

We continue to provide information on past, present and future coal mining activity for any individual property or site in Britain. Our report production replacement system continues to provide a more efficient service for our customers. Drawing on a unique database of coal mining information we operate in line with our published quality assurance and compliance standards.

There was a modest 2% increase in the demand for property searches with 250,972 searches sold during the year. 96% of searches were returned within one working day of receipt (target 90%) and 99% within five working days (target 98%).

We continue to provide our customers with a variety of products including the "Ground Stability Report" and "Enviro All-in-One" which is a combined coal mining ground stability, flood and contaminated land risk screening report for the residential market, developers and their professional advisers.

Licensing Activities

Licensing

Indigenous coal continues to be a major energy source for electricity generation; however, the world price for coal and the nature of mining can have a severe impact on production levels.

As a result of serious geological and safety problems Hargreaves Services announced that Maltby Colliery near Rotherham was no longer viable and the last coal was produced from the mine in January 2013.

A severe underground fire broke out at Daw Mill Colliery in Warwickshire on 22 February 2013. The workforce was evacuated and following unsuccessful attempts to bring the fire under control UK Coal Operations announced the closure of the mine in March 2013.

The operators of Aberpergwm Colliery in South Wales announced the mothballing of the mine in December 2012 due to the low price of coal. The company hopes to restart mining in late 2013.

There is, however, a continued demand for coal mining licences and agreements for underground and surface mining. Industry statistics are set out on page 85. Our licensing

Kellingley Colliery.

team inspect operational sites on the basis of risk.

Following a competitive application process, two conditional coal mining licences were granted for coal reserves in the Canonbie coalfield in south-west Scotland. Exploration work has commenced in the area to evaluate the reserve potential.

Interest has persisted in underground coal gasification as an alternative technology to utilise coal and we granted a further three conditional offshore licences during the year to evaluate the potential for exploitation.

The efficiency of heat pump technology continues to improve and with the continued emphasis being placed on renewable energy the possibility of extracting heat from water located in our abandoned mine workings is being explored. A further four access agreements were granted in 2012-13 to enable operators to develop this concept.

Permissions

Our written permission must be obtained before any form of activity is undertaken which may disturb our coal interests to ensure that the necessary risk assessment of water, gas and ground stability is carried out. We seek indemnification against any liability arising out of such activities by the permit holder.

We received 983 applications during the year (2011-12: 782). This was a significant increase from the previous year and our work on promoting prior extraction principles and providing local authorities, major land owners and other bodies with coal mining information will increase the understanding of the risks and the benefit of coal removal and therefore the demand for permission to enter our coal estate.

The next stage of the improvement of the permissions process was undertaken during the year with the scoping and initial works in the development of the Inferis permissions 2 system being completed. The project, when delivered, will automate up to 70% of the permit applications received and will benefit stakeholders. This project will be completed in the coming year.

Environment

We operate 65 mine water treatment schemes throughout Britain of which 48 remediate existing mine water discharges and 17 prevent new discharges from coal mine workings. These schemes prevent over 4,000 tonnes per annum of iron solids discharging into watercourses to improve and protect the nation’s rivers and streams. Some also serve to protect important sources of drinking water.

We completed the construction of two schemes during the year, at Summersales and Down Brook, both located near Wigan in Lancashire. Both schemes are being commissioned and will be fully operational by the summer 2013, helping to remediate over four kilometres of previously polluted watercourses. A similar scheme at Sheephouse Wood in South Yorkshire is nearing completion which will help protect the River Don and Underbank Reservoir near Stocksbridge.

We also commenced construction of the final design at Cannock Wood in Staffordshire following a succesful pumping test. This scheme will protect the aquifer under Cannock Chase.

The purpose built sludge drying facilities at Blenkinsopp and Bates in Northumberland and Frances in East Fife, Scotland are now fully commissioned. Those sludge handling facilities will significantly reduce sludge volumes and associated disposal costs.

Four additional mine water treatment schemes were transferred to us from UK Coal plc in March 2012 (Operational sites – Woodside, A Winning and Stoney Heap, and one non-operational scheme, Morton). These operational schemes will be reviewed and upgraded to meet our future environmental needs. The Morton site will remain non-operational, having been retained as a contingency measure to supplement water level control across the Derbyshire/Nottinghamshire coalfield if needed.

Whilst the number of mine water schemes has increased we continue to seek operational efficiencies to minimise the revenue costs associated with running schemes. Cost saving initiatives within the year delivered savings of around £300,000, consisting of efficiency improvements in electricity usage and reagent dosing plus labour and overhead savings.

We continue to seek alternative improved treatment technologies through our research and development programme. Good progress was made with running two field trials which treated mine water in a very much reduced footprint area compared with conventional techniques. We managed three major research and development projects funded by Defra relating to non-coal mine water issues, including passive treatment. An application for European funding, collaborating with a variety of European partners, was made and a decision is imminent. Looking forward our enhanced research and development programme will continue to encompass both coal and non-coal related projects.

Work on the Defra funded non-coal mine water treatment programme in England has progressed at a pace with many feasibilities being completed. Working in partnership with the Environment Agency, several sites have been identified as candidates to trial larger scale passive treatment techniques to be developed over the next two years. Construction has commenced to address the pollution from Saltburn Gill abandoned ironstone mine in North Yorkshire. A pumping test later this year will inform a final design to be implemented during 2014.

The construction of these schemes will use a methodology developed in conjunction with Newcastle University which has not been proven at such a large scale before and will be a forerunner to a cost effective solution to addresss the European Union Water Framework Directive pressures of pollution from long abandoned non-coal mines.

Since April 2011, we have also managed the Wheal Jane mine water treatment facility in Cornwall. On several occasions during the very wet 2012-13 winter period, high rainfall exceeded the plant's maximum shaft pumping capacity. Working in close collaboration with several agencies including the Environment Agency, Cornwall County Council, Cornwall Fire and Rescue Service (CFRS) and Wheal Jane Ltd, our maintenance contractors, Veolia Water, assisted CFRS with the deployment of two "high-lift" fire service pumps (lowered into an adjacent mine shaft) to supplement the existing shaft pumping operation. This temporary measure successfully re-established control of the water level in the mine network, significantly reducing the risk of an uncontrolled discharge at the Nantgiles Adit (site of a major pollution outbreak in 1992), with the plant's effluent achieving full compliance throughout the adverse weather events. As part of our normal business continuity processes the plant will now be subjected to review aiming to improve operability should weather events of this magnitude occur again.

The innovative de-gassing/aeration solution installed by Veolia at the Wheal Jane plant in January 2012 has helped reduced lime reagent usage by 5% per annum.

In Scotland a characterisation study on the Wanlockhead lead mining catchment in Dumfries and Galloway was completed for SEPA. We will continue working with SEPA to ascertain if funding can be found to progress remedial works in the Leadhills mining area.

Work has begun with Natural Resources Wales on the remediation of Frongoch non-coal mine in Wales. Financing for a more comprehensive non-coal mine water programme in Wales has been submitted to the Welsh European Funding Office but a formal award is still awaited.

We hold 1,475 hectares of land for both operational and non-operational purposes. During the year we have disposed of a subsidence repaired property and acquired land in South Wales upon which to construct a mine water treatment scheme. The disposal of property during the year raised £89,000 compared to £8,000 for 2011-12. During the year we also completed the transfer of our remaining landholding at the former Skelton opencast coal site to Leeds City Council; the transfer was accompanied with the payment of a dowry, which has discharged our liability arising from a historic Section 52 Planning Agreement on the site.

Income from clawback and the variation of restrictive covenants during the year was significantly in excess of our budgeted expectations due to the settlement achieved at Skelton of £3.075 million, which contributed to an overall total receipt of £4.2 million, compared to £975,000 for 2011-12. We have continued to seek to secure additional land for our ongoing mine water treatment programme and have acquired land at Craig Yr Aber, South Wales, and Easthouses in Scotland.

We are also seeking opportunities to exploit our estate for renewable energy utilisation. The estate is constrained, but we expect a proposal to be formally marketed early in the coming year.

Our strategy to drive down occupational costs of the Head Office site at Mansfield has been extremely successful and all surplus accommodation at the site has been successfully let. The terms secured make a major contribution to offsetting the overall occupational costs that we incur. The letting of approximately 10,000 square feet of the office accommodation to a single occupier is one of the biggest single lettings achieved in recent years in the Mansfield area.

Future Activities

We remain committed to providing new innovative value for money solutions in order to enhance the level of effective and efficient services provided to our stakeholders.

In the coming year we will look at and review the way in which we work in order that all our staff can actively contribute to delivering innovation in all areas of our business.

Our Corporate Plan 2013-14, which is available on our website at www.coal.decc.gov.uk, sets out our objectives which are summarised overleaf:

Construction of the Saltburn Gill non-coal mine water treatment scheme

1.	**Business Development**
1.1	Develop, communicate and begin to deliver a programme to release further economic value in our information.
1.2	Formulate a clear strategy to develop and manage our brand.
2.	**Continuous Improvement**
2.1	Align and deliver the research and development programme, establishing partnerships, raising the profile and improving internal processes.
2.2	Begin a medium term business transformation programme that will maximise our ability to deliver our five year plan.
2.3	Demonstrably improve the wellbeing of our staff through people development and positive engagement.
2.4.1	With visible senior management commitment and working closely with all teams and main contractors, implement the health and safety action plan that delivers positive behaviours, collaboration and a desire for continual improvement.
2.4.2	Achieve the high level environmental objectives including greenhouse gas emissions, water consumption, waste management and biodiversity.
2.5	Realise benefits following the implementation of the operations Inferis system (Release 2) and with investment, support the efficiency and effectiveness of the Environment team.
2.6	Through stakeholder relationships with Cabinet Office, DECC and other public bodies, develop a shared services strategy.
2.7	Continue the digital strategy to deliver efficiencies for the customer and business.
3.	**Deliver our Business**
3.1	Successful delivery of safety and subsidence projects and tip management to the set key performance indicators.
3.2	Complete 20,000 mine entry inspections in line with the risk based programme.
3.3	Deliver the development programme of scoping and feasibility studies and concept and detailed designs in order to deliver coal mine water schemes in later years.
3.4	Invest £4.1 million of capital spend in the development and construction of coal mine water treatment facilities throughout Britain.
3.5	Deliver the English non-coal mine water programme to the standards and expectations of Defra and the Environment Agency.
3.6	Build a working partnership with Natural Resources Wales and deliver against expectations on Frongoch non-coal mine water scheme construction.
3.7	Through engagement with industry procure good value for money design and build and operate contracts for mine water schemes.
3.8	Statutory planning and regulatory activities are undertaken in line with best in class performance indicators in order to facilitate economic growth.
3.9	All property search activities completed in line with published performance targets.

Innovation

A research and development programme for the coming year has been put in place to address key areas where innovation is required to deliver our five year development plan. Key areas include studies on ochre, small footprint mine water treatment schemes, cost benefit analysis, non-coal water treatment techniques, understanding of subsidence mechanisms, use of novel engineering materials and remote sensing of mine entries.

We continue to support British Universities in MSc and PhD studies in the fields of mine water treatment.

A small trial plant has been installed at Dawdon in the North East, an active mine water treatment site, to demonstrate the feasibility of extracting ground water heat while avoiding problems with ochre deposition.

Ochre from Dawdon is now being taken and used by a brick company as a component in its bricks, rather than being taken to landfill. This avoids costs, environmental impact and makes use of a potentially valuable material.

An interactive map viewer was placed on our website in August 2012 to enable the public to examine selected coal mining information in their areas, improving access to public information.

The Authority has been given the management of Wheal Jane tin mine in Cornwall and has used its experience in mine water treatment to deliver savings at the active mine water treatment plant.

Ewan Rigg mine water treatment scheme, Cumbria.

Financial Review

Cash Flow

The net cash outflow (before financing activities) during the year was £20.4 million, a decrease of 30% on the previous year (£28.6 million). This was financed by £24.0 million grant in aid (2011-12: £26.3 million) resulting in an increase in cash balances held of £3.6 million (2011-12: decrease of £2.4 million).

Net cash outflow from operating activities amounted to £17.6 million (2011-12: £21.5 million). The constituents of operating cashflow are:

- Cash expenditure managing legacy liabilities included within the Authority's provision balance of £19.7 million (2011-12: £17.2 million). The provision balance is an estimate of the future expenditure relating to legacy liabilities to be managed by the Authority. The increase in expenditure booked against the provision compared to the previous year is mainly due the settlement of a significant subsidence claim and increased minewater operational costs;
- Income from activities of £12.9 million (2011-12: £12.5 million), driven mainly by mining report sales of £8.4 million (2011-12: £8.4 million) and the second year of an income stream for environmental technical services of £3.2 million (2011-12: £2.3 million);
- Cash based administration costs including salaries of £14.9 million (2011-12: £15.2 million);
- An inflow from working capital of £4.0 million (2011-12: £1.6 million outflow).

Net cash outflow from investing activities at £2.7 million is significantly lower than that of prior year (2011-12: £7.1 million) driven by increased capital income. The constituents of cashflow relating to investments are:

- Cash purchases of property, plant and equipment at £5.3 million (2011-12: £7.3 million) is driven by the Authority's ongoing programme to develop and build mine water treatment schemes;
- Expenditure on intangible assets of £1.7 million (2011-12: £0.8 million) relates to the ongoing development of the Authority's information system. Release 2 of the system, which expands the system to support areas of the business such as Public Safety and Planning, succesfully went live during 2012-13;
- Proceeds from the sale of property at £4.2 million were driven mainly by clawback income. This was significantly in excess of expectation and ahead of previous year (2011-12: £1.0 million).

Net Expenditure

Net expenditure for the year to 31 March 2013 was £160.9 million (2011-12: £2.7 million). This is analysed as follows:

- Staff costs at £6.5 million were broadly in line with previous year (2011-12: £6.4 million);
- Other expenditure of £8.4 million (2011-12: £8.8 million) is expenditure that has not been provided for in previous years and relates mainly to the provision of mining reports;
- Adjustments increasing provisions by £157.1 million (2011-12: £3.5 million reduction). As further explained below and in Note 16 to the Accounts this non-cash charge arose from a detailed review of the assumptions and trends that feed into the provision calculation;
- A devaluation of investment properties during the year of £0.4 million (2011-12: £0.2 million) and depreciation, amortisation and devaluation, off-set by some revaluation of other non-current assets at £4.7 million (2011-12: £4.2 million);
- Income from activities at £12.9 million increased by £0.4 million (2011-12: £12.5 million), driven primarily by increased environmental technical services income for the feasibility, build and operation of metal mine water treatment schemes being offset by reduced licensing income;
- Profit on disposal of fixed assets of £3.3 million (2011-12: £0.9 million) arose mainly from restrictive covenants and clawback as outlined above.

Grant in aid received from DECC is credited directly to tax payers' equity and not recognised as income.

The retained deficit for the year amounted to £179.5 million (2011-12: £21.3 million), and is after charging the Statement of Comprehensive Net Expenditure with £18.6 million for the unwinding of the discount on the provisions (2011-12: £18.7 million). The provision is discounted to reflect the time value of money and the discount is unwound every year increasing the provision as a non-cash item.

Statement of Financial Position

At 31 March 2013 net liabilities were £980.3 million (2012: £827.5 million).

Total non-current assets increased by £3.9 million to £91.1 million. The main movements within this balance are outlined below:

- Property, plant and equipment increased by £4.4 million to £84.6 million (2012: £80.2 million). Capital expenditure on PPE amounted to £6.0 million relating predominantly to the construction of mine water treatment schemes. This expenditure is offset by disposals, depreciation and revaluation adjustments amounting to £1.6 million;
- Investment properties decreased by £0.2m to £0.7 million (2012: £0.9 million) primarily due to a devaluation of the property portfolio reflecting current market conditions;
- Intangible assets remained at £6.0 million with expenditure on intangible assets of £1.2 million offset by disposals, amortisation and revaluation charges during the year.

Total current assets increased by £2.3 million to £7.9 million. This increase is due to an increase in cash balances to £4.7 million (2012: £1.1 million) held by Government Banking Service offset by a reduced receivables balance.

Total liabilities increased by £159.2 million to £1,079.4 million (2012: £920.2 million) driven by movements in the provision balance. Total liabilities are outlined below:

- Payables increased in the period to £12.4 million (2012: £9.2 million). This increase was largely driven by the timing of minewater and system development expenditure and increased accruals for agreed subsidence liabilities;
- Provisions increased from £911.0 million to £1,067.0 million. Of the £1,067.0 million provisions balance, £23.7 million is classified as a current liability.

Provisions reflect an estimate of future expenditure relating to the legacy liabilities that the Authority will manage over certain time periods. For tip management, subsidence and surface hazards this period is 50 years and for subsidence pumping stations and mine water treatment schemes it is 100 years. Detailed assumptions based on experience and trends support the estimates, however they remain estimates and contain significant uncertainties. Note 16 to the Accounts illustrates the high level of sensitivity of the provisions balance to trends, assumptions and changes to the discount rate.

A detailed annual review has been completed and movements in provisions accordingly transacted in the period. The increase in provisions during the year is primarily due to changes in the discount rates used, in line with HMT guidance, to calculate the provision (£52.2 million) and the inclusion of a minewater scheme refurbishment programme throughout the life of the provision (£112.2 million).

Going Concern

The balance sheet shows net liabilities of £980.3 million at 31 March 2013. This reflects the inclusion of future expenditure for liabilities falling due in future years which, as explained above, cover periods of 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

The Authority is entering the third year of its current four year spending review settlement through to 2014-15. Since the 2010 spending review, the Authority has been successful in meeting and sustaining its efficiency targets and has reduced annual baseline costs by approximately £5.0 million . Measures taken include the reorganisation undertaken during 2011-12, an ongoing minewater operational efficiency programme, and the ongoing challenge of risk appetite and treatment methods across the Public Safety business. Administration costs have also been challenged aggressively; a new model for providing ICT Services based on Service Integration and Management (SIAM) and the let of spare Head Office space have contributed to the savings made.

The Authority is well positioned to meet its future financial challenges. The settlement for 2013-14, although challenging, will allow the Authority to continue to deliver innovative services as we work together to protect the public and the environment in mining areas, now and for future gererations.

Accounting Officer's Report

The Authority presents its report and audited financial statements for the year ended 31 March 2013. 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 by the Comptroller and Auditor General.

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.decc.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 6 and 7 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 2013, this was achieved for 99% of invoices.

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

Re-appointed as Board Member to 30 September 2014

Appointed as Chairman 1 April 2013 – 31 March 2017

Paul Frammingham, BA (Hons), ACMA
Attended the Board from 6 May 2008 – 31 March 2011

Appointed as Board Member from 1 April 2011 – 31 March 2014

Patricia Henton, BSc (Hons), FGS, CGeol, FCIWEM, FCIWM, FRSE (Non-Executive Member)
Appointed as Board Member from 1 October 2010 – 30 September 2013

Re-appointed as Board Member to 31 March 2017

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

Re-appointed as Board Member to
31 March 2011

Re-appointed as Board Member to
31 March 2014

Helen Mounsey, OBE, 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

Stood down from the Authority on
31 March 2013

Stephen Pennell, FIOD
Appointed as Board Member from
9 November 2006 – 31 March 2008

Re-appointed as Board Member to
31 March 2011

Re-appointed as Board Member to
30 June 2013

Stood down from the Authority on
30 April 2013

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

Re-appointed as Board Member to
31 March 2016

Simon Reed, PhD, BSc (Hons), MBA, CEng, MIMMM
Attended the Board from 1 January 2010 –
31 March 2011

Appointed as Board Member from 1 April 2011
– 31 March 2014

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.decc.gov.uk. Any related party transactions are provided in Note 21 to the Accounts.

Authority's Executive Leadership Team

The Executive Leadership Team comprised:

Mr C Banton (from 1 February 2013)	Head of Public Safety and Subsidence
Mr P J Frammingham	Director of Finance and Corporate Services
Mr P J Lawrence	Chief Executive
Mrs L Lax	Head of Human Resources and Organisational Development
Mr S Pennell	Director of Projects
Dr S M Reed	Director of Operations

Donations

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

Caption to the photograph above

Employee Involvement

The Authority is committed to engaging with staff throughout the business. The Authority has a Staff Liaison Group and a Cultural Development Group. The former deals with non-contractual staff matters and the latter is the forum for discussion on the way that the Authority works and the wellbeing of its staff.

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 an unfunded multi-employer defined benefit scheme. 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 3 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 £43,400.

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

21 June 2013

Corporate Social Responsibility

Our People

Developing new ways of working and challenging 'the status quo' are messages delivered to encourage our staff to challenge themselves to perform even better by looking at what they need to 'stop doing, start doing and continue doing.'

Wellbeing remained high on the agenda. Our staff were given the opportunity to develop their own wellbeing action plans to support their 'happiness at work' and help to shape the organisation as an 'employer of choice.' The wellbeing survey results were good with a score of 5.7, as against the national average of 5.0. The feedback from the survey provides an excellent source of data to highlight areas for improvement. We continue to consider a variety of strategies to address wellbeing issues at staff and corporate level, the latter providing the greater challenges in terms of external influences such as the Government's Comprehensive Spending Review measures.

A review of staff benefits was undertaken to ensure that these remained a competitive offering to reward our staff for their loyalty. Investing in the development of our people is essential to enable the organisation to remain an expert in the services we deliver.

A significant amount of work has been undertaken keeping objectives and core deliverables on track while delivering the implementation of the Inferis project to introduce a new IT system. The level of team work to deliver this project, from those staff involved in the project as well as those staff who provided cover for colleagues seconded to the project, has been impressive.

The focus in the coming year is to implement the five year corporate plan in order to develop the business.

Sickness absence for the year was 0.47% (1 day per person) compared with 1.57% (4.03 days per person) the previous year (and excluding long term sickness).

Safety, Health and Environment (SHE)

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 and are continually reviewed and updated.

Caption to the photograph above

Health and Safety

During the year, a number of improvements were made including the production of a revised SHE handbook for employees and contractors; the introduction of a flow chart to simplify the contractor management process and a more robust lone worker procedure to ensure the safety of those employees that work remotely.

At a strategic level, the arrangements for monitoring safety, health and environmental standards was reviewed and updated to include the introduction of senior management inspections and safety tours thereby increasing visible commitment.

Following the recommendations of the British Safety Council 5 Star Audit which was carried out in January 2012, a safety culture assessment was undertaken and input was provided by a cross section of the organisation involving 34 staff. The results led to a safety culture steering group being established to act on the findings.

The competence of our staff continues to be enhanced by an extensive programme of safety, health and environment training.

Environment

Our mine water schemes prevent 4,000 tonnes of iron discharging annually into water courses thereby improving the nation's rivers and streams.

A biodiversity study on three of our existing mine water treatment schemes has been completed and the case studies published on our internet site. Work has commenced on incorporating biodiversity into the cost benefit analysis model used for deciding whether to build new remedial mine water schemes.

We have planted 400,000 trees on disused tips along with over 40,000 shrubs and have sown 30 hectares of heathland and 500 square metres of wildflower meadows.

A modification has been made to the water sourced heating system at Dawdon mine water scheme which has proved successful, with the system now operating efficiently. This helps demonstrate the potential associated with pumped mine waters.

We have now granted 10 access agreements to operators to develop the concept of extracting heat located in abandoned coal mine workings.

A wind turbine has been purchased and is currently being evaluated for use in various applications at mine water schemes including the removal of excess water from settlement lagoons to facilitate the sludge drying process.

The large scale trial in operation since September 2011 using the ochre produced at Dawdon in the manufacture of bricks has been completed successfully. This is now the preferred method of waste management for the sludge at this site. Further research and development is planned, with the aim of implementing a sustainable method of waste management for the ochre produced at all of our mine water schemes.

The CRC Efficiency Scheme (CRC) is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. The CRC league table published by the Environment Agency shows that we were ranked 1,309 out of 2,097 organisations.

Our Environmental Review for 2012-13 is attached at Appendix 2.

Health, Safety and Environmental Audits

We carried out 43 health, safety and environmental audits during the year (2011-12: 46) to assess contractor performance. These audits confirmed that the level of performance expected of contractors was in the main being delivered.

Further information is available on our website which also contains a copy of the Annual Health and Safety Report for 2012-13.

Local Community and Charity

Our staff organised four fundraising events during the year for charities which raised a total of £1,477 (2011-12: £327).

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: Stephen Redmond (Committee Chair), Dr Helen Mounsey, Stephen Dingle, Patricia Henton 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 followed Senior Civil Service Guidelines and proposed no increase in the Chief Executive's salary from 1 April 2012. It is also anticipated that Senior Civil Service Guidelines will be followed in determining the Chief Executive's 2013-14 salary.

Performance Management System

The Executive Directors participate in the Authority's Performance Management System. Individual assessments are made by the Chief Executive and Chair and reviewed by the HR & Remuneration Committee. Appraisal of individual performance is based on the achievement of defined objectives which are assessed against four performance scores. Non-contractual, non-pensionable performance related pay (PRP) is earned based on corporate, team and individual performance against objectives.

PRP payments are subject to obtaining approval, via the Pay Remit process, from DECC. PRP for 2012-13 will be paid under the pay remit approved by DECC July 2012.

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:

Directors Contracts	Date appointed as Director	Notice Period
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)]	9 months
Dr S M Reed	1 January 2010[(3)]	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

The notice period to be given by the Chief Executive is six months and by the remaining Executive Directors, is three months.

Mr S Pennell left the Authority on 30 April 2013.

The following paragraphs of the Remuneration Report have been audited.

Non-Executive Directors

To date all Non-Executive Directors have been appointed by the Department for Business, Innovation and Skills (BIS) 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 or receive performance related pay (PRP).

Fees Paid	Contract End Date	2012-13 £	2011-12 £
Mr S Dingle[(1)]	31 March 2017	15,512	11,666
Dr H M Mounsey[(2)]	31 March 2013	27,050	27,050
Mr S Redmond	31 March 2016	11,666	11,666
Ms M P Henton	31 March 2017	11,666	11,666

1 The figure quoted encompasses Mr Dingle's role of Chair designate from 1 January 2013.

2 The figure quoted encompasses Dr Mounsey's role as Chairman.

Left to right: Simon Reed, Bob Spedding, Patricia Henton, Stephen Dingle, Philip Lawrence, Paul Frammingham, Stephen Redmond

Executive Directors' Remuneration

	2012-13					2011-12				
	Salary	Car Allowance	PRP 2013	PRP 2012 (Adjustment)	Total	Salary	Car Allowance	PRP 2012	PRP 2011 (Adjustment)	Total
	£	£	£	£	£	£	£	£	£	£
Mrs S A Brook Shanahan[1]	–	–	–	–	–	3,021	294	–	–	3,315
Mr P J Frammingham	80,468	8,806	4,716	140	94,130	78,890	8,806	1,696	–	89,392
Mr P J Lawrence	120,405	9,906	7,051	212	137,574	120,315	9,906	2,587	–	132,808
Mr S Pennell[2]	86,395	8,806	1,949	300	97,450	86,274	8,806	3,644	–	98,724
Dr S M Reed	80,468	8,806	4,716	280	94,270	78,890	8,806	3,392	–	91,088
Mr I Wilson[3]	–	–	–	–	–	7,551	734	–	–	8,285
Highest Earner's Total Remuneration					137,362					132,808
Median Total Remuneration					36,168					36,641
Ratio					3.8					3.6

1 Mrs S A Brook Shanahan left under Voluntary Redundancy terms on 12 April 2011. A cost of £183,355 was accrued in 2010-11 and paid in 2011-12, which included the cost of buying out the actuarial reduction on her pension.

2 Mr S Pennell left under Voluntary Redundancy terms on 30 April 2013. A compensation payment of £207,143 was accrued in 2010-11 and paid in 2013-14.

3 Mr I Wilson left under Voluntary Redundancy terms on 30 April 2011. A cost of £175,505 was accrued in 2010-11 and paid in 2011-12.

Executive Directors' remuneration includes non-contractual PRP earned in the year and any allowances subject to UK taxation.

The Authority offer subsidised gym membership to all staff. Mr P Lawrence has participated in this scheme at a cost of £90 to the Authority. This is included in the salary shown in the table above.

The Authority also participate in a HMRC approved cycle to work scheme. Mr P Frammingham, Mr P Lawrence and Dr S Reed have participated in this scheme during 2012-13.

PRP for 2012-13 relates to the amount accrued during the year under the Performance Management System (PMS). The 2011-12 PRP amount paid was in excess of that accrued and the adjustment is shown in the table above.

Median pay for the Authority during 2012-13 is broadly in line with 2011-12 at £36,168. The ratio of highest earners total remuneration against median pay has increased from 3.6 to 3.8. This is driven by the highest earner receiving increased PRP as compared to the previous year.

Executive Directors' Pension Entitlements

	Accrued pension at pension age as at 31 March 2013 and related lump sum	**Real increase in pension and related lump sum at pension age**	**CETV at 31 March 2013**	**CETV at 31 March 2012**	**Real increase in CETV**
	£000	**£000**	**£000**	**£000**	**£000**
Mr P J Frammingham	5 – 10 plus 0 lump sum	0 – 2.5 plus 0 lump sum	87	42	12
Mr P J Lawrence	20 – 25 plus 0 lump sum	2.5 – 5.0 plus 0 lump sum	255	200	24
Mr S Pennell	15 – 20 plus 55 – 60 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	390	356	10
Dr S M Reed	15 – 20 plus 55 – 60 lump sum	0 – 2.5 plus 2.5 – 5.0 lump sum	330	297	14

Cash Equivalent Transfer Values (CETVs)

This 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 pension benefits they have 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 the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 is given in Note 3 to the Accounts.

P J Lawrence
Member, Chief Executive and Accounting Officer

21 June 2013

Financial Statements Year Ended 31 March 2013

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 set out in the Accounts Direction, as 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; and
- prepare the financial statements on the going concern basis.

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

P J Lawrence
Chief Executive and Accounting Officer

21 June 2013

Governance Statement

This Governance Statement outlines the governance, risk management and internal control arrangements in place during the year.

The Authority's high level objectives through the year were to:

- Manage the legacy coal safety issues and communicate related information to citizens and stakeholders – ***so that the safety of the public is protected from historic coal mining***
- Manage the water pollution caused by mining – ***so that water is protected and improved to "good" status***
- Use its information and breadth of skills and experience – ***so that stakeholders are aware of mining information to make informed decisions and value is created for the Authority***
- ***Be the expert in its field and deliver well***. This covered several areas and talks of our aims for:
  - Delivering good customer service
  - Delivering good value and proportionate risk management
  - Delivering safely and preserving the environment
  - Growing expertise through research and development, people development and partnerships

This statement outlines the control framework in place at the Authority to ensure the delivery of these objectives, explains some of the challenges faced in meeting these and the risks being managed in order to achieve future objectives.

1. The Coal Authority's Governance Framework

The Authority is committed to high standards of Corporate Governance. We work within a Framework Document that is reviewed and agreed annually with the Department of Energy and Climate Change (DECC). This sets out the purpose of the Authority, the core elements of the relationship with DECC, and the framework within which the Authority will operate.

I am supported in my role as Accounting Officer by the Authority's Board and its committees as outlined below.

1.1 Board of Directors

As at 31 March 2013 we had eight Members (four Executive plus four Non-Executive appointed by the Secretary of State of DECC).

The Board had 11 scheduled meetings during the year. Additional meetings are held in person or by telephone as required.

The Board sets and communicates strategic intent and direction, makes strategic decisions that cannot be delegated and monitors and challenges corporate business performance.

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

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.

Name	Board (11)	Audit (5)	HR & Remuneration (4)
Mr S Dingle	11	5	4
Mr P J Frammingham	11	5	
Ms P Henton	11	5	4
Mr P J Lawrence	11	5	4
Dr H M Mounsey	11		4
Mr S Pennell	11		
Mr S J Redmond	10	5	4
Dr S M Reed	11		

1.2 Committees

Audit Committee

The Audit Committee comprised three independent Non-Executive Directors under the chairmanship of Mr Stephen Dingle with the other members being Mr Stephen Redmond and Ms Patricia Henton. Mr Stephen Dingle has recent, relevant financial experience in line with HMT Code of Good Practice on Corporate Governance.

Stephen Dingle was appointed Chair of the Board on 1 April 2013 and therefore stepped down from the Audit Committee. He was succeeded by Mr Robert Spedding who attended the March 2013 Board and Audit Committee by invitation.

The Committee met five times during the year. The Committee's meetings were also attended by the Chief Executive, Director of Finance and Corporate Services, Head of Finance and the internal and external auditors by invitation. The meetings were all minuted.

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 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. The Audit Committee continues to ensure that the Authority's risks are properly managed and that the Authority operates an effective control framework.

The Audit Committee keeps its own performance under review. Periodically it assesses itself against a number of criteria to satisfy itself that it continues to address the appropriate issues and that it has both the necessary skills within the Committee and the required support from internal and external auditors. The Audit Committee is currently satisfied that it is performing in line with the Terms of Reference.

During the year the Authority's internal Auditors, PricewaterhouseCoopers (PwC), have undertaken a number of reviews, including an audit of Project Assurance within the Environment Team, a Financial Systems Review and a Performance Management Review. PwC have also supported the Authority by providing assurance work over key aspects of the major IT system implementation, and by reviewing key documentation during a strategic move away from an outsourced IT Services model.

Based on the work that PwC have completed they believe that "there is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved". This opinion is the strongest of the four opinions that PwC could provide to the Authority and reflects Management's efforts to continuously develop its key systems and processes.

The Audit Committee, as part of its standing agenda, continues to keep key policies under review, including those that are important to the Authority in ensuring compliance with the Bribery Act 2010. The Committee has reviewed key accounting policies and judgements that will influence the Annual Report and Accounts including those concerned with accounting for provisions in respect of the future liability arising from past coal mining activity. These future costs are uncertain but generate the largest values posted though the Authority's financial statements.

HR & Remuneration Committee

Membership of the HR & Remuneration Committee comprises the Non-Executive Directors and the Chief Executive under the chairmanship of Mr Stephen Redmond. The Head of Human Resources and Organisational Development attends by invitation.

During 2011-12, as reported in the previous Governance Statement, the Authority began a major change programme. The HR & Remuneration Committee has continued to support the Authority during its organisational change with specific focus on the cultural implications and the impact on employee wellbeing. The Committee has spent time reviewing the Authority's succession planning strategy ensuring that skills and knowledge are fit for purpose, both now and in the future.

These themes are further discussed later in this report.

Environment Committee

The Environment Committee is chaired by Ms Patricia Henton and attended by representatives for the key activities of the Authority including the Chief Executive, Director of Operations, Director of Finance and Corporate Services, and the Safety Health and Environment Advisor.

The Committee met three times during the year. It has annually reviewed terms of reference which outline its responsibilities in developing the strategic direction of the Authority in respect of environmental matters. The Environment Committee has continued to monitor and influence progress with the Authority's corporate environmental objectives and progress against these will continue to be reported in the Annual Environmental Review (see Appendix 2). In addition the Committee has undertaken a review of our environmental management system, helping to drive continual improvement in all areas of the organisation.

1.3 Management Teams

In addition to the Board and its committees I am supported by the following management teams:

Executive Leadership Team

The Authority's Executive Leadership Team consists of the Authority's Executive Directors and the Head of Human Resources and Organisational Development.

The Team normally meets weekly with focus on People, Pace and Direction.

Strategic Management Team (SMT)

The Strategic Management Team (SMT), which comprises the Executive Directors and the Heads of Department, meets at least monthly. Risk is considered by means of a major standing agenda item on a quarterly basis. The internal auditors attend these meetings by invitation. SMT members are fully engaged in the Risk Management Process and the meetings focused on risk are open and productive with a good quality of debate.

Safety, Health and Environment (SHE) Management Group

The Safety, Health and Environment (SHE) Management Group is chaired by the Director of Finance and Corporate Services and comprises the SHE Advisor, the CDM Co-ordinator, and Operational Managers from across the Authority. This Group discusses SHE issues, addresses areas of concern, and oversees development of policy and procedures.

The focus of this Group has increasingly become on behavioural safety and the challenges of working collaboratively across the Authority and with contractors to ensure a consistent application of our high standards. To add impetus to this a Safety Culture Steering Group has been formed consisting of individuals from all levels across the business to help the Authority drive towards its safety vision of: working together to understand and manage our health and safety risks; taking positive action to protect the wellbeing of the public, our partners and our people and managing health and safety with pride.

2. Board Performance

Compliance with the Corporate Governance Code

The Authority complies with the Corporate Governance Code and Government guidance in respect of its application in so far as is relevant and practical for an Arms Length Body of its size and complexity.

The Board monitors its performance against objectives and supports the Authority in directing its business in an effective manner including playing an active role in managing stakeholder relationships. The Chairman is responsible for leading the Board and Non-Executive Directors to constructively challenge and help develop strategy.

It is considered that the quality of information received by the Board is of a satisfactory standard. Papers and reports are normally concise, relevant and timely. The Board receives frequent updates on the Authority’s financial position, forecasts and sensitivities

The Board has an appropriate balance of skills and experience to enable it to discharge its responsibilities. As outlined below, the Board undertakes regular evaluation of its own performance and that of its Directors.

The Board ensures that a balanced and reasonable assessment of performance is reported to DECC and regularly debates the main risks facing the Authority and through the Audit Committee maintains sound risk management and internal control systems.

Executive Remuneration is determined by the HR & Remuneration Committee within the guidelines set by HM Treasury and DECC. Non-Executive Remuneration is set by DECC and reviewed annually.

Board Performance and Effectiveness Review

The Board meets to review its performance annually. The Board's last assessment of performance was completed during April 2013.

An external facilitator observed a Board meeting and fed back on individual and collective behaviours with reference to those required for a Board to be highly effective. In general feedback from the exercise was positive. An appropriate level of constructive challenge was displayed, all members given opportunity to contribute opinions and appropriate conclusions drawn from dialogue.

In addition the Board's objectives for 2012-13 were reviewed. These were concerned with supporting:

- Strategy for delivering mine water treatment operations;
- Strategy for delivering Coal Authority IT services post 2012;
- Strategy for information;
- Delivery of the next phase of the IT system implementation;
- Capability and capacity of the organisation.

The Board considers that it has effectively supported these important strategic areas. Clear value has been added in these areas with examples of Board input improving outcomes.

Overall the Board considers that it has continued to make significant progress since its last review with a continuing strategic focus and open Board style and dialogue. In order to further improve performance the Board has set out its key objectives in 2013-14. These focus on how the Board will behave to support the Executive Leadership Team in achieving the objectives of the Authority and are concerned with:

- Improving ambassadorship by each director;
- Providing challenge;
- Providing support;
- Achieving great people development;
- Achieving high class communication.

3. Risk

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.

Embedded Risk Management

As outlined, the Board discusses key business issues and has good visibility of opportunities and barriers to meeting objectives. The Audit Committee receives a risk report focusing on updates at every meeting. The SMT considers strategy and risks together. The SMT are joined once a quarter by PwC for a risk focused discussion. Operational and corporate services teams consider risks as part of their day job.

The risk register is kept broadly up to date with quarterly sign offs on assurance and the work of internal audit is based around risks.

It is considered that this Risk Management framework is effective and proportionate to the risks managed by the Authority.

Organisational Capability

Following a reorganisation in early 2011, the previous Governance Statement reflected on the significant degree of challenge for many managers and teams within the Authority as the new organisation took time to bed down. The organisation demands that managers manage effectively and that timely decisions are taken at the right level in the organisation. An open culture is encouraged and silos need to continue to become less pronounced. Staff need to find new ways of working, stop activities that don't add value, and challenge things that inhibit delivery of objectives.

Progress has been made in these areas and managers continue to receive support and training to facilitate this. Approximately 95% of the milestones against the corporate objectives, outlined above, have been delivered. However several teams have been stretched to unsustainable levels over the year in doing so. This is in part due to the effort needed to deliver the second phase of the Authority's major systems implementation whilst also delivering its operational objectives. It should also be noted that a significant amount of unplanned time has been spent on various industry issues over the year and this has put further pressure on the Authority's resources. This level of stretch will have inevitably exposed the Authority to increased risk through error or oversight. Controls have been well maintained and no such issues have occurred.

Ensuring that the Authority has the right skills and levels of capability going forward to meet its objectives will remain a key challenge over the coming period. As outlined elsewhere in the Annual Report and Accounts, the Authority's business strategy contains three strands; as well as delivering our core business we need to also focus on continuous improvement and innovation, and business development. There are inherent risks within this plan that require the Authority to develop its culture, capacity and competency in these areas. This is recognised and measures are in place to manage and mitigate these risks. A Project Office has been formed to improve project management skills across the organisation and deliver key projects. It is anticipated that this will lead to better prioritisation, resource allocation and earlier understanding of delivery risks. A formal project to continue to transform and commercialise the business has been incepted and action is underway to identify and fill skills gaps. It is also necessary to ensure that the Authority retains the key and unique skills that it already has and this has led to an increased focus on knowledge management and succession planning.

Risk Appetite

We are an organisation that accepts and manages risk rather than one that attempts to eliminate risk. As we work to live within our spending review settlement it remains necessary to examine our risk appetite and the level of control required to proportionately manage our risks.

During the year the Board and senior operational managers have undertaken an exercise facilitated by our Internal Auditors, PwC, to better articulate its risk appetite by each area of the business. This will allow us to adopt a common language across the Authority and continue to develop a framework under which managers can confidently make risk based decisions.

This is work in progress and there are still occasional examples of inconsistent risk appetites influencing decision making. For instance recently the Board have been made aware of an instance where a decision was made in respect of the appointment of a Contractor that was clearly outside of its risk appetite. Continued conversations and dialogue using the new approach are ongoing and over time should further improve the Authority's risk management culture.

Information Risk

The Authority does not hold top secret, secret, confidential or restricted information and therefore the inherent information risk posed to Government through the Authority is low. To ensure a common and consistent approach to all risks at the Authority information security risks are subject to the same risk management arrangements as other risks. In addition, the Authority has a Senior Information Risk Owner (SIRO), the Director of Finance and Corporate Services (formerly the Director of Information and Systems), Departmental Security Officer (DSO), Head of ICT, and Directors and Heads of Department act as Information Asset Owners (IAOs). Information Assets are stored in a register and staff continue to be trained annually in information handling to ensure all have appropriate levels of knowledge.

The Authority has a public duty to provide information to the public. Information risk management is embedded in the business in this respect.

The Authority has continued to operate under its risk management policy during the year and I am not aware of any material breaches of security or policy or any loss of personal protected information during the year.

During April 2012, in line with DECC and its other Arms Length Bodies (ALB), the Authority undertook an Information Assurance Maturity Model (IAMM) self assessment. This assessment rates information assurance maturity across six areas scoring them from 0 to 5. The minimum acceptable level set out by the Government's Data Handling Review (DHR) is level 1. DECCs current target is level 2 .

On first assessment, the Authority scored at around 90% of the level 1 requirement. In several instances, although processes are in place, the Authority was unable to evidence this effectively. Gaps included a need to ensure that all areas of Information Assurance are covered by current and adequately reviewed policies and procedures and a need for greater assurance and reporting from third party suppliers.

It is not considered that the score received is indicative of a high residual risk in respect of information assurance. The Authority continues to maintain strong controls in respect of its key information risks.

The Authority has drawn up action plans to address the gaps highlighted by the review. However due to the resource constraints previously highlighted, not least the IT team's heavy involvement in the major system implementation and transition to a new insourced operating model, progress in implementing these has been limited. An Audit by CESG, the UK Government's National Technical Authority for Information Assurance, has been delayed from April to July 2013.

Principal Risks

In line with those risks reported in the prior year's Annual Report and Accounts, we continue to manage principal risks arising from:

Insufficient resources to deliver on objectives are seen as the key threat.

As outlined above, management have planned and constrained objectives with resources in mind and will closely manage priorities and resource allocation throughout the year.

In a time of continual change, staff motivation and capability are crucial. There is a concern about losing key staff and knowledge and the loss of "optional contribution" staff bring through being motivated and having high wellbeing. This includes the technical and managerial capability of staff and management.

Government policy could change and delay our aims, strategy and tactics. This is very relevant in ICT procurement and design, environmental regulation and data trading. We continue to monitor Government policy developments and build these into our thinking.

Financial constraints are well managed. The budget challenges are acute, especially in respect of the "Admin" control total although actions have been identified and delivered in order to allow the Authority to live within the current indicative settlement. In the medium term it is possible that the spending reviews for 2015-16 and subsequent years will impose even tighter targets. If so, delivery of key objectives will be threatened.

Operational Risks

We continue to manage specific risks in line with our public duties that have a residual high risk rating as defined by our risk matrix. Highest ranking operational risks relate to:

- The Authority incurs liabilities if an operator ceases to trade and security is insufficient: the Authority continues to work closely with DECC to monitor and manage this situation;
- Past coal mining causes a surface hazard which leads to an injury or financial loss: We continue to inspect our property and communicate issues to landowners;
- Reputational damage from specific water management issues through failure of key projects or lack of a communication strategy: There is a prioritised programme and projects are being delivered. Processes and controls within the Environment team are currently under review.

Effectiveness of Control Environment

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 has been in place in the Authority for the year ended 31 March 2013 and, as illustrated, up to the date of approval of the annual report and accounts, accords with HMT Treasury guidance.

No significant control issues have arisen in the year. Actions are ongoing to manage our risks, including high level risks. I am satisfied that the Authority's governance, risk management and internal control arrangements are proportionate, fit for purpose and working as intended.

P J Lawrence
Member, Chief Executive and Accounting Officer

21 June 2013

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 2013 under the Coal Industry Act 1994. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 the 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, certify and report on the financial statements in accordance with the Coal Industry Act 1994. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2013 and of the net expenditure 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 directions issued thereunder.

Emphasis of matter

Without qualifying my opinion I draw attention to the disclosures made in Note 16 concerning the uncertainties in the likely costs in respect of the Coal Authority's liabilities for Mine Water Treatment, Public Safety and Subsidence Claims, Subsidence Pumping Stations and Tip Management totalling £1,054.0 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 directions made under the Coal Industry Act 1994; and
- the information given in the Financial Review, Accounting Officer's Report, Corporate Social Responsibility, and Environmental Review 2012-13 sections 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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

Date 25 June 2013

Statement of Comprehensive Net Expenditure

Year Ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Expenditure			
Staff costs	3	6,455	6,377
Other expenditure	4	8,403	8,815
Adjustment to provisions	4,16	157,114	(3,483)
Devaluation of investment properties	4,9	416	185
Depreciation, amortisation and (revaluation) of fixed assets	4	4,759	4,170
		177,147	16,064
Income			
Income from activities	5	(12,930)	(12,454)
Other income – Profit on disposal of fixed assets	5	(3,325)	(865)
		(16,255)	(13,319)
Net expenditure		**160,892**	**2,745**
Unwinding of discount on provisions	4,16	18,611	18,667
Interest payable	4	12	11
Interest receivable	5	(31)	(127)
Net expenditure after interest		**179,484**	**21,296**
Taxation	7	–	–
Net expenditure after tax		**179,484**	**21,296**
Other comprehensive expenditure			
Net gain on revaluation of property, plant and equipment	11	(2,618)	(2,858)
Net gain on revaluation of intangibles	11	–	(2)
Total comprehensive expenditure		**176,866**	**18,436**

An additional £19,725,000 of operating expenditure has been incurred during the year (2011-12: £17,184,000). This is not included within the Statement of Comprehensive Net Expenditure as it is fully off-set by the provisions utilised, illustrating that the majority of the Authority's expenditure incurred within the period has been provided for in prior years. Further analysis is provided in Note 2.

Notes on pages 48 to 83 form part of these accounts.

Statement of Financial Position

31 March 2013

	Note	2013 £000	2012 £000
Non-current assets:			
Property, plant and equipment	8	84,550	80,227
Investment property	9	626	934
Intangible assets	10	5,972	6,014
Total non-current assets		91,148	87,175
Current assets:			
Assets classified as held for sale	9	50	247
Trade and other receivables	13	3,131	4,272
Cash and cash equivalents	14	4,692	1,057
Total current assets		7,873	5,576
Total assets		99,021	92,751
Current liabilities:			
Trade and other payables	15	(10,040)	(6,897)
Provisions	16	(23,658)	(25,725)
Total current liabilities		(33,698)	(32,622)
Non-current assets less net current liabilities		65,323	60,129
Non-current liabilities:			
Provisions	16	(1,043,342)	(885,275)
Other payables	15	(2,317)	(2,324)
Total non-current liabilities		(1,045,659)	(887,599)
Assets less liabilities		**(980,336)**	**(827,470)**
Taxpayers' equity:			
Revaluation reserve		7,086	4,760
General reserve		(987,422)	(832,230)
		(980,336)	**(827,470)**

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

Philip Lawrence
Chief Executive and Accounting Officer
21 June 2013

Stephen Dingle
Chair
19 June 2013

Notes on pages 48 to 83 form part of these accounts.

Statement of Cash Flows

Year Ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Net expenditure after interest		(179,484)	(21,296)
Depreciation, amortisation and devaluation/(revaluation) of fixed assets	4	4,759	4,170
Profit on disposal of fixed assets	5	(3,325)	(865)
Devaluation of investment properties	4,9	416	185
Decrease in trade and other receivables		1,140	684
Increase/(decrease) in trade and other payables		2,856	(356)
Increase/(decrease) in provisions		156,000	(4,000)
Net cash outflow from operating activities		(17,638)	(21,478)
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,269)	(7,314)
Purchase of intangible assets		(1,668)	(812)
Proceeds from sale of property, plant and equipment	5	4,210	988
Net cash outflow from investing activities		(2,727)	(7,138)
Cash flows from financing activities			
Grant in aid		24,000	26,250
Net financing		24,000	26,250
Net increase/(decrease) in cash and cash equivalents		**3,635**	**(2,366)**
Cash and cash equivalents at the beginning of the period		1,057	3,423
Cash and cash equivalents at the end of the period		4,692	1,057

Notes on pages 48 to 83 form part of these accounts.

Statement of Changes in Taxpayers' Equity

Year Ended 31 March 2013

	Revaluation Reserve £000	General Reserve £000	Total £000
Balance as at 1 April 2011	**2,101**	**(839,408)**	**(837,307)**
Changes in taxpayers' equity for 2011-12			
Grant in aid funding – Capital	–	7,899	7,899
Grant in aid funding – Revenue	–	18,351	18,351
Transfers between reserves	(201)	201	–
Intra-government asset transfer	–	2,023	2,023
Comprehensive expenditure for the year	2,860	(21,296)	(18,436)
Balance at 31 March 2012	**4,760**	**(832,230)**	**(827,470)**
Changes in taxpayers' equity for 2012-13			
Grant in aid funding – Capital	–	7,218	7,218
Grant in aid funding – Revenue	–	16,782	16,782
Transfers between reserves	(292)	292	–
Intra-government asset transfer	–	–	–
Comprehensive expenditure for the year	2,618	(179,484)	(176,866)
Balance at 31 March 2013	**7,086**	**(987,422)**	**(980,336)**

Notes on pages 48 to 83 form part of these accounts.

Notes to the Accounts

Year Ended 31 March 2013

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2012-13 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 Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 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.

1.3 Consolidated fund income

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

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

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

1.4 Property, plant and equipment

Expenditure on property, plant and equipment of £2,000 or more is capitalised. On initial recognition and whilst in construction, assets are measured at cost. Costs incurred in designing and building mine water 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.

During prior years, except for Head Office freehold land and buildings, property, plant and equipment has been carried at modified historical cost as an estimate of fair value.

However, from 2012-13 and during future periods the valuation of information technology, plant and machinery, furniture and fittings and subsidence pumping stations will be based on depreciated historic cost as a fair value proxy. This is in line with the FReM which provides the option to elect depreciated historic cost as a fair value proxy for assets that have short useful economic lives or low values.

The change to valuation methodology of these catagories of asset is a change in accounting estimate and therefore does not result in a requirement to restate prior year balances. Asset valuations as at 2011-12 have been carried forward and will be depreciated over the assets' remaining useful economic lives. Where a revaluation reserve exists against these assets the balance will be depleted as the useful economic lives of assets are consumed through a charge to the General Fund in Taxpayers' Equity.

During 2012-13 minewater schemes have been revalued using Modified Historical Cost Accounting (MHCA) due to the material nature of these revaluations.

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 Statement of Comprehensive Net Expenditure is charged with the proportion of the current cost of fixed assets consumed in the year. The revaluation 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 Taxpayers' Equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Statement of Comprehensive Net Expenditure, in which case the credit is to the Statement of Comprehensive Net Expenditure.

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 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 property, plant and equipment 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 carried at fair value based on an external professional valuation that is undertaken every two years. The latest valuation was undertaken at the end of 2012-13 and the carrying value adjusted accordingly.

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.

1.5 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
Long leasehold land	not depreciated
Freehold buildings	50 years
Furniture and fittings	10 years
IT	3 to 5 years
IT – Cabling	25 years
Plant and machinery	3 to 10 years

Subsidence pumping stations:

Pumps	25 years
Electrical switch gear	15 years
Building structures	50 years
Weedscreen cleaner	20 years

Mine water schemes:

Detail design and supervision	25 years
Civils	50 years
Pumps and chemical dosing	10 years
Control systems	15 years
Telemetry	25 years
Power supply	50 years

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

1.6 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 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.

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 not depreciated in accordance with IAS40, but may be impaired or revalued to provide a carrying value at their estimated fair value. Full valuations are undertaken every five years, and in line with this policy full valuations have been carried out during 2012-13 using external surveyors. In the intervening periods a desk top review is undertaken. As these properties do not represent a substantial proportion of the Authority's total assets, valuations may be 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 Statement of Comprehensive Net Expenditure.

Investment properties identified as held for sale are disclosed where conditions established under IFRS5 have been met.

1.8 Intangible assets

Expenditure on intangible assets consists of bespoke software development and other software licences and is capitalised where the cost is £2,000 or more. Intangible assets are reviewed annually for impairment and are carried at modified historic cost as a proxy for fair value.

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

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 Gross income

Gross income represents the amount, exclusive of VAT, arising from rents, lease/licences and invoiced sales of goods and services and are credited to the Statement of Comprehensive Net Expenditure in the year in which they are provided by the Authority.

Lease income from Head Office freehold property is accounted for in equal annual amounts and recognised either over the term of the lease or to a date where a break clause may be taken, which ever is the earliest.

1.10 Operating leases

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

1.11 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.

1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. The 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 Statement of Comprehensive Net Expenditure when incurred.

1.13 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.

1.14 Deferred taxation

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

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

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

1.15 Financial instruments

The Authority does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (Notes 13 and 15).

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.

1.16 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 a 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 Statement of Comprehensive Net Expenditure 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, escrow accounts, or charges over land. These arrangements do not give rise to any entries in the Authority's financial statements.

1.17 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 mine water pollution, settling subsidence claims, making safe surface hazards, managing tips, rehabilitating opencast sites and dealing with closed colliery sites and spoil heaps.

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

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

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which is currently in its introductory phase through to April 2014. There is a requirement to purchase and surrender allowances, currently retrospectively, on the basis of carbon dioxide emissions as energy is used. The liability is measured on best estimates of expenditure required to meet these obligations and is factored into the provisions.

Where the time value of money is material, the Authority discounts each provision to its present value using the real discount rates as specified annually by HM Treasury. These rates are disclosed within the relevant Note to the Accounts.

Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to unwind one year's discount so that liabilities are shown at current price levels.

Provisions are utilised as cash expenditure is incurred against the Statement of Comprehensive Net Expenditure.

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 Statement of Comprehensive Net Expenditure is matched by depreciating the related asset.

Specific provision periods have been established as follows;

Mine Water Schemes	100 years
Subsidence Pumping Stations	100 years
Subsidence Damage Liabilities	50 years
Surface Hazard Treatment	50 years
Tip Maintenance	50 years

Obligations under Other Liabilities are provided for on a specific basis where timeframes are certain and known.

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

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

1.18 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.

1.19 New standards, amendments and interpretations not yet effective

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

- IAS1 "Presentation of Financial Statements" – Amendment. The amendment requires the presentation of Other Comprehensive (Income)/Expenditure, within the Statement of Comprehensive Net Expenditure, to be grouped on the basis of whether they might at some point be reclassified from Other Comprehensive (Income)/Expenditure to Net (Income)/Expenditure or whether they will not. The amendment is effective for periods commencing on or after 1 June 2012. FReM application from 2013-14. The Directors do not believe there will be any significant impact on the Authority.

- IAS12 "Income Taxes" – Amendment. The standard requires measurement of deferred tax relating to an asset dependant upon recovery of the carrying amount of the asset through use or sale. The amendment relating to Deferred Tax: Recovery of Underlying Assets provides the presumption that the recovery of the carrying amount will normally be through sale. The amendment is effective for periods commencing on or after 1 January 2012. FReM application subject to consultation. The Directors do not believe there will be any significant impact on the Authority.

- IFRS9 "Financial Instruments" will eventually replace IAS39 "Financial Instruments: Recognition and Measurement" in its entirety. IFRS9 introduces new requirements for classifying and measuring financial assets, impairments and hedge accounting that must be applied. The revised effective date is for periods commencing on or after 1 January 2015. FReM application subject to consultation. The Authority does not hold any complex financial instruments, therefore the Directors do not believe there will be any significant impact.
- IFRS13 "Fair Value Measurement" defines fair value, provides a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. The effective date is for periods commencing on or after 1 January 2013. FReM application subject to further consultation. The Directors do not believe there will be any significant impact on the Authority.

2. Statement of Operating Costs by Operating Segment

The following analysis by operating segment of gross expenditure, income, net expenditure and total assets are stated below in accordance with IFRS8 and in addition fulfils the requirements of HM Treasury's Fees and Charges Guidance.

2012-13	**Information**	**Public Safety**	**Environment**	**Total**
	£000	**£000**	**£000**	**£000**
Expenditure incurred during the year	7,447	14,415	17,896	39,758
Less provision utilised	–	(10,070)	(9,655)	(19,725)
Adjustment to provisions	–	22,284	134,830	157,114
Gross expenditure	7,447	26,629	143,071	177,147
Income	(9,617)	(4)	(6,634)	(16,255)
Net (income)/expenditure	**(2,170)**	**26,625**	**136,437**	**160,892**
Total assets	**8,931**	**5,132**	**84,958**	**99,021**
Memo: Net (income)/expenditure excluding provisions movements	(2,170)	14,411	11,262	23,503

2011-12	**Information £000**	**Public Safety £000**	**Environment £000**	**Total £000**
Expenditure incurred during the year	8,220	11,962	16,549	36,731
Less provision utilised	–	(8,273)	(8,911)	(17,184)
Adjustment to provisions	–	7,067	(10,550)	(3,483)
Gross expenditure	8,220	10,756	(2,912)	16,064
Income	(9,868)	–	(3,451)	(13,319)
Net (income)/expenditure	**(1,648)**	**10,756**	**(6,363)**	**2,745**
Total assets	**10,956**	**2,583**	**79,212**	**92,751**
Memo: Net (income)/expenditure excluding provisions movements	(1,648)	11,962	13,098	23,412

Information covers the maintenance of mining records, the provision of mining and environmental reports as well as licensing and permissions activities. Other than the element retained to finance licensing activities, royalties and mining income are surrendered to the HM Treasury Consolidated Fund when received.

The provision of Public Task products and services by Information is made at full cost recovery. Information also undertakes commercial services, including the provision of environmental information products, which are charged at a commercial rate.

The most significant customer within Information is MDA Hub Limited generating income of £0.7 million for 2012-13 (2011-12: £0.8 million), which accounts for 5.2% (2011-12: 6.6%) of income from activities.

Public Safety covers subsidence, surface hazards and tip management operations.

Environment covers projects for mine water operations and subsidence pumping schemes as well as incorporating the management of estates. Within Environment total assets, investment properties valued at £50,000 have been identified as being held for sale (2012: £247,000).

The most significant customer within Environment is the Department for Environment, Food and Rural Affairs (Defra). Income of £3.2 million for 2012-13 (2011-12: £2.3 million) was earned for the provision of environmental technical services in respect of the treatment of non-coal minewater. Work undertaken for Defra is done so at cost plus an allowance for overhead recovery. This accounts for 24.8% (2011-12: 18.8%) of income from activities.

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

The reported segments as analysed above are consistent with the Authority's organisational structure and the management information used by the Authority's management team for the period reported.

3. Staff Numbers and Related Costs

Staff costs comprise:

			2012-13			2011-12
	Agency £000	Direct £000	Total £000	Agency £000	Direct £000	Total £000
Wages and salaries	–	4,694	**4,694**	–	4,774	**4,774**
Social security costs	–	411	**411**	–	434	**434**
Other pension costs	–	865	**865**	–	889	**889**
Agency staff costs	485	–	**485**	280	–	**280**
	485	5,970	**6,455**	280	6,097	**6,377**

£93,000 of staff cost incurred in 2012-13 was charged to capital projects (2011-12: £161,000).

Average number of persons employed:

			2012-13			2011-12
	Agency No.	Direct No.	Total No.	Agency No.	Direct No.	Total No.
Information	1	33	**34**	3	44	**47**
Public Safety	5	44	**49**	1	36	**37**
Environment	1	18	**19**	–	17	**17**
Administration and Support Services	8	41	**49**	2	42	**44**
	15	136	**151**	6	139	**145**

Average number of persons employed as analysed above are consistent with the Authority's organisational structure for both years. During 2012-13 the management of the mine entry inspection programme transferred from Information to Public Safety (average 7 persons).

1.8 full time equivalent persons were charged to capital projects during 2012-13 (2011-12: 2.5).

Pensions

All employees of the Authority are members of one of the Principal Civil Service Pension Schemes (PCSPS) for the year ended 31 March 2013. 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 and included recommendations for the contribution rates applicable from 1 April 2009. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012-13, employers' contributions of £865,000 were payable to the PCSPS (2011-12: £889,000) 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 2012-13, 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 2012-13 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 Pension Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account). No Authority employees have opted for a partnership pension account.

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. 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 initial 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 the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a 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 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions.

Compensation schemes – Exit packages:

During 2010-11 redundancy and other departure costs of £1,852,000 were accrued in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs were accounted for in full following a period of consultation and where there was certainty over the amounts to be paid and agreed exit dates. Where the Authority agreed early retirements, additional costs were met by the Authority and not by the Civil Service Pension Scheme.

As at 31 March 2013 further payments totalling £207,000 are still to be made during 2013-14, relating to the costs accrued during 2010-11. Payments of £191,000 were made during 2012-13.

Additionally, during 2012-13 there has been an additional ex-gratia severance payment made for £52,500 as part of an exit package under a compromise agreement, which was subject to HM Treasury approval (2011-12: nil).

There have been no further compensation scheme exit packages accrued for the year ended 31 March 2013 (2012: nil).

4. Other Expenditure

	Note	2012-13 £000	2012-13 £000	2011-12 £000	2011-12 £000
Rentals under operating lease					
Equipment		113		134	
Land and buildings		167		307	
			280		441
Running costs					
Supplies and services		6,426		6,672	
Property costs		856		935	
Administrative costs		608		491	
Travel and subsistence		190		231	
Audit remuneration		43		45	
			8,123		8,374
Other expenditure per the Statement of Comprehensive Net Expenditure			**8,403**		**8,815**
Interest payable on security funds	15		**12**		**11**
Non-cash items:					
Unwinding of discount on provisions	16		**18,611**		**18,667**
Provision movements:					
– Additional year (50th/100th)	16	4,666		4,276	
– Release to offset depreciation	16	(2,372)		(2,423)	
– Utilised against capital spend	16	(4,793)		(5,759)	
– Created/(released)	16	159,613		(1,006)	
– Reimbursement of costs		–		1,429	
Adjustment to provisions			**157,114**		**(3,483)**
Devaluation of investment properties	9		**416**		**185**
Depreciation of property, plant and equipment	8	3,501		3,713	
Amortisation of intangible assets	10	1,277		561	
Revaluation of property, plant and equipment	11	(19)		(104)	
Depreciation, amortisation and devaluation/(revaluation) of assets			**4,759**		**4,170**
Total non-cash items			**180,900**		**19,539**
Total non-staff expenditure			**189,315**		**28,365**

5. Income

	2012-13 £000	2011-12 £000
Income from activities		
Sale of mining reports	8,383	8,396
Licensing	616	1,083
Permissions indemnities	300	253
Environmental technical services	3,208	2,342
Other services	423	380
Income from activities	**12,930**	**12,454**
Other income		
Profit on disposal of property, plant and equipment	3,325	865
Other income	**16,255**	**13,319**
Interest receivable	**31**	**127**
Total income	**16,286**	**13,446**

Other services includes £156,000 of rental and other income (2011-12: £17,000) relating to Head Office freehold property.

Profit on disposal of property, plant and equipment:

	2012-13 £000	2011-12 £000
Sale of investment properties	10	8
Clawback relating to previous disposals	4,200	975
Sale of other assets	–	5
Total income	4,210	988
Book values	(885)	(123)
Profit on disposal	**3,325**	**865**

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.

Book values includes £795,000 written off in relation to certain minewater scheme fixed assets following an impairment review.

Consolidated fund income:

	2012–13 £000	2011–12 £000
Production related rent (gross)	958	794
Cost of collection	(162)	(175)
Production related rent (net)	796	619
Incidental coal (gross)	34	3
Cost of collection	(25)	(6)
Incidental coal (net)	9	(3)
Options for lease	45	275
Other coal mining income	–	–
Property sale proceeds	75	100
Income payable to the consolidated fund	**925**	**991**

	2012–13 £000	2011–12 £000
Balances held at start of year	**162**	**232**
Payments to the consolidated fund	(827)	(1,061)
Income payable to the consolidated fund	925	991
Balances held at end of year	**260**	**162**

Production related rent relates to coal production rent and is earned on each tonne of coal extracted from existing operating coal mining sites. Incidental coal is royalty income from other sites where coal production is incidental to the main purpose of the activity being carried out.

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

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

Collection costs relate to the element of income retained to finance licensing activities and the cost of any unrecoverable amounts owed.

Balances held at end of year represent amounts still to be remitted to the Consolidated Fund as they relate to trade and accrued debtors still to be collected.

Consolidated Fund payments made within the year amount to £827,000, being collections of £162,000 relating to 2011-12 and £665,000 from 2012-13.

6. Analysis of Net Expenditure by Programme and Administration Budget

	Programme	Admin	2012-13 Total	Programme	Admin	2011-12 Total
	£000	£000	**£000**	£000	£000	**£000**
Expenditure:						
Staff costs	4,226	2,229	**6,455**	4,453	1,924	**6,377**
Other expenditure:						
Operating leases	277	3	**280**	433	8	**441**
Running costs						
Expenditure incurred during the year	25,643	2,205	27,848	22,954	2,604	25,558
Less provision utilised	(19,725)	–	(19,725)	(17,184)	–	(17,184)
	5,918	2,205	**8,123**	5,770	2,604	**8,374**
Interest payable	–	12	**12**	–	11	**11**
Non-cash items:						
Unwinding of discount on provisions	18,611	–	**18,611**	18,667	–	**18,667**
Adjustment to provisions	157,114	–	157,114	(3,483)	–	(3,483)
Depreciation, amortisation and devaluation/ (revaluation)	4,250	925	5,175	3,433	922	4,355
	161,364	925	**162,289**	(50)	922	**872**
Expenditure	**190,396**	**5,374**	**195,770**	**29,273**	**5,469**	**34,742**
Income:						
Income from activities	(12,613)	(317)	(12,930)	(12,246)	(208)	(12,454)
Other income	(3,326)	1	(3,325)	(921)	56	(865)
Interest receivable	(31)	–	(31)	(104)	(23)	(127)
Income	**(15,970)**	**(316)**	**(16,286)**	**(13,271)**	**(175)**	**(13,446)**
Net expenditure after interest	**174,426**	**5,058**	**179,484**	**16,002**	**5,294**	**21,296**

Programme expenditure is that incurred by the Authority's operational areas for Information, Public Safety and Environment.

Administration expenditure consists of provison of management, support services and office accomodation required to undertake the Authority's programmes.

7. Taxation

	2012-13 £000	2011-12 £000
Current tax	–	–
Deferred tax	–	–

Corporation tax is calculated at 24% (2011-12: 26%) of the estimated assessable profit for the year.

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

	2012-13 £000	2011-12 £000
Net expenditure after interest	(179,484)	(21,296)
Tax at the UK corporation tax rate of 24% (26%)	(43,076)	(5,537)
Tax effect of expenses that are not deductible in determining taxable profit	951	607
Tax effect of temporary differences on property plant and equipment	(534)	266
Tax effect of utilisation of losses not previously recognised	249	1,063
Tax effect of temporary differences not recognised	37,347	(1,170)
Tax effect of losses arising in period not recognised	1,035	–
Tax effect of grant in aid finance for revenue purposes	4,028	4,771
Tax expense for the year	–	–

The following are the major deferred tax liabilities and assets:

	Recognised at 31 March		Unrecognised at 31 March	
	2013 £000	2012 £000	2013 £000	2012 £000
Tax losses	(1,593)	(555)	(5,880)	(6,054)
Temporary differences regarding tax relief for provisions	–	–	(245,410)	(218,640)
Property, plant and equipment	1,552	427	–	–
Revaluation of assets	41	128	–	–
Total	**–**	–	**(251,290)**	**(224,694)**

No deferred tax asset has been recognised on excess carried forward tax losses of £25.6 million 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 temporary differences arising on taxed reserves. Reserves totalling £1,067.0 million at 31 March 2013 will be deductible when the expenditure is charged against the provision in later periods.

The main rate of Corporation Tax will reduce to 23% with effect from 1 April 2013. The rate reduction to 23% was substantively enacted in July 2012 and therefore has been reflected in the Statement of Financial Position in the calculation of deferred tax. The Government announced it's intention to reduce the main rate of Corporation Tax to 21% by 1 April 2014 and 20% by 1 April 2015 however, the subsequent rate reductions have not been substantively enacted at the Statement of Financial Position date.

8. Property, Plant and Equipment

	Land	Buildings	Information Technology	Plant and Machinery	Furniture and Fittings	Mine Water Schemes	Subsidence Pumping Stations	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2012	3,413	4,070	5,804	774	594	74,527	7,474	3,805	100,461
Additions	22	–	147	24	–	1,737	80	3,973	5,983
Reclassifications	–	–	57	–	–	1,634	–	(1,691)	–
Disposals	–	–	(977)	(19)	(9)	(3,401)	–	–	(4,406)
Revaluations	–	(1,421)	–	–	–	3,821	–	–	2,400
At 31 March 2013	**3,435**	**2,649**	**5,031**	**779**	**585**	**78,318**	**7,554**	**6,087**	**104,438**
Depreciation									
At 1 April 2012	–	779	3,947	246	519	13,754	989	–	20,234
Charged in year	–	82	670	108	54	2,379	208	–	3,501
Reclassifications	–	–	–	–	–	–	–	–	–
Disposals	–	–	(976)	(19)	(9)	(2,606)	–	–	(3,610)
Revaluations	–	(861)	–	–	–	624	–	–	(237)
At 31 March 2013	**–**	**–**	**3,641**	**335**	**564**	**14,151**	**1,197**	**–**	**19,888**
Net Book Value at 31 March 2013	**3,435**	**2,649**	**1,390**	**444**	**21**	**64,167**	**6,357**	**6,087**	**84,550**
Net Book Value at 31 March 2012	3,413	3,291	1,857	528	75	60,773	6,485	3,805	80,227

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

A 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 as at 31 March 2013 in accordance with RICs guidelines.

Mine Water Treatment Schemes have been revalued using appropriate indices provided by the Office for National Statistics in line with the Authority's accounting policies outlined in Note 1.4.

Assets under construction consist predominantly of cost incurred on the development, construction or refurbishment of Mine Water Treatment Schemes.

	Land	Buildings	Information Technology	Plant and Machinery	Furniture and Fittings	Mine Water Schemes	Subsidence Pumping Stations	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation									
At 1 April 2011	3,247	4,070	5,512	403	589	60,123	7,010	7,162	88,116
Additions	166	–	460	400	–	4,867	99	3,150	9,142
Reclassifications	–	–	238	35	–	6,413	–	(6,507)	179
Disposals	–	–	(416)	(65)	(2)	(106)	–	–	(589)
Revaluations	–	–	10	1	7	3,230	365	–	3,613
At 31 March 2012	**3,413**	**4,070**	**5,804**	**774**	**594**	**74,527**	**7,474**	**3,805**	**100,461**
Depreciation									
At 1 April 2011	–	698	3,564	260	457	10,576	755	–	16,310
Charged in year	–	81	749	52	58	2,560	213	–	3,713
Reclassifications	–	–	1	(1)	–	–	–	–	–
Disposals	–	–	(367)	(65)	(2)	(8)	–	–	(442)
Revaluations	–	–	–	–	6	626	21	–	653
At 31 March 2012	**–**	**779**	**3,947**	**246**	**519**	**13,754**	**989**	**–**	**20,234**
Net Book Value at 31 March 2012	**3,413**	**3,291**	**1,857**	**528**	**75**	**60,773**	**6,485**	**3,805**	**80,227**
Net Book Value at 31 March 2011	3,247	3,372	1,948	143	132	49,547	6,255	7,162	71,806

9. Investment Properties

	Land £000	Buildings £000	Total £000
Fair value			
At 1 April 2012	1,082	99	1,181
Disposals	–	(89)	(89)
Revaluations	(416)	–	(416)
Net Book Value at 31 March 2013	**666**	**10**	**676**
Net Book Value at 31 March 2012	1,082	99	1,181

The Authority owns all of its investment properties.

Twelve of the Authority's properties, representing approximately 80% of the property portfolio by value, were valued as at 31 March 2013 in accordance with RICs guidelines, by external Chartered Surveyors (Chartered Surveying practices providing these services being Smith's Gore and Guy Rusling).

A review as at 31 March 2013 of the remaining properties has been undertaken by Phil Brandreth FRICS, Coal Authority Property Manager. Valuations have been adjusted using appropriate property indices to reflect the movement in the property market over the previous year.

As at 31 March 2013 certain properties valued at £50,000 had been identified as being held for sale (2012: £247,000).

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

	Land £000	Buildings £000	Total £000
Fair value			
At 1 April 2011	1,239	134	1,373
Disposals	(7)	–	(7)
Revaluations	(150)	(35)	(185)
Net Book Value at 31 March 2012	**1,082**	**99**	**1,181**
Net Book Value at 31 March 2011	1,239	134	1,373

10. Intangible Assets

	Information Technology £000	Software Licences £000	Total £000
Cost or valuation			
At 1 April 2012	18,530	1,252	19,782
Additions	1,136	99	1,235
Disposals	(2,017)	–	(2,017)
At 31 March 2013	**17,649**	**1,351**	**19,000**
Amortisation			
At 1 April 2012	13,278	490	13,768
Charged in year	1,013	264	1,277
Disposals	(2,017)	–	(2,017)
At 31 March 2013	**12,274**	**754**	**13,028**
Net Book Value at 31 March 2013	**5,375**	**597**	**5,972**
Net Book Value at 31 March 2012	5,252	762	6,014

The Authority owns all of its intangible assets.

Information Technology comprises software developed in-house or by third parties.

Information Technology contains £0.3 million relating to information systems currently in development (2012: £0.7 million).

	Information Technology £000	Software Licences £000	Total £000
Cost or valuation			
At 1 April 2011	18,080	1,219	19,299
Additions	995	82	1,077
Reclassifications	(179)	–	(179)
Disposals	(367)	(51)	(418)
Revaluation	1	2	3
At 31 March 2012	**18,530**	**1,252**	**19,782**
Amortisation			
At 1 April 2011	13,103	258	13,361
Charged in year	320	241	561
Disposals	(145)	(8)	(153)
Revaluation	–	(1)	(1)
At 31 March 2012	**13,278**	**490**	**13,768**
Net Book Value at 31 March 2012	**5,252**	**762**	**6,014**
Net Book Value at 31 March 2011	4,977	961	5,938

11. Revaluations

	2013 £000	2012 £000
Charges to the Statement of Comprehensive Net Expenditure Account		
PPE – Information Technology	–	(6)
PPE – Mine Water	(19)	(71)
PPE – Plant and Machinery	–	(1)
PPE – Subsidence Pumping Stations	–	(24)
Intangibles – Information Technology	–	(1)
Intangibles – Software Licences	–	(1)
	(19)	(104)
Charges to the Revaluation Reserve		
PPE – Buildings	560	–
PPE – Furniture & Fittings	–	(1)
PPE – Information Technology	–	(4)
PPE – Mine Water	(3,178)	(2,533)
PPE – Subsidence Pumping Stations	–	(320)
Intangibles – Software Licences	–	(2)
	(2,618)	(2,860)
Total	**(2,637)**	**(2,964)**

Revaluations have been carried out in line with the accountancy policies outlined in Note 1.4, being; PPE – Buildings through an external professional valuation and PPE – Mine Water through the use of appropriate indices.

In instances where assets are being carried below their historical cost carrying amounts, this will result in a charge to the Statement of Comprehensive Net Expenditure where there is no reserve against the assets to charge the devaluation. When a negative number is charged to the Statement of Comprehensive Net Expenditure this represents a reversal of a previous devaluation.

12. 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.

13. Trade Receivables and Other Current Assets

Amounts falling due within one year:

	2013 £000	2012 £000
Trade receivables	491	787
Other receivables	707	854
Prepayments and accrued income	1,933	2,631
Total debtors at 31 March	**3,131**	**4,272**

Intra-Government balances are analysed below:

	2013 £000	2012 £000
Balances with other central Government bodies	738	920
Balances with Local Authorities	358	477
Subtotal: Intra-Government balances	1,096	1,397
Balances with bodies external to Government	2,035	2,875
Total debtors at 31 March	**3,131**	**4,272**

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

14. Cash and Cash Equivalents

	2013 £000	2012 £000
Balance at 1 April	1,057	3,423
Net change in cash and cash equivalent balances	3,635	(2,366)
Balance at 31 March	**4,692**	**1,057**
The following balances were held at:		
Government Banking Service	4,691	1,056
Cash in hand	1	1
Balance at 31 March	**4,692**	**1,057**

15. Trade Payables and Other Liabilities

Amounts falling due within one year:

	2013 £000	2012 £000
Taxation and social security	223	231
Amounts payable to Government	260	162
Trade payables	1,270	122
Security fund payables	242	127
Accruals and deferred income	8,045	6,255
Total creditors at 31 March	**10,040**	**6,897**

The amounts payable to Government represent amounts still to be remitted to the Consolidated Fund once trade and accrued debts, in relation to licensing activities, has been 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 is an operating cash inflow and a payment of security funds a cash outflow financed by grant in aid.

Accruals and deferred income incorporates a compensation scheme exit package of £207,000 (2012: £401,000) that is due to be paid during 2013-14.

Intra-Government balances are analysed below:

	2013 £000	2012 £000
Balances with other central Government bodies	1,043	675
Balances with Local Authorities	48	112
Balances with Public Corporations and Trading Funds	–	–
Subtotal: Intra-Government balances	1,091	787
Balances with bodies external to Government	8,949	6,110
Total creditors at 31 March	**10,040**	**6,897**

Amounts falling due after more than one year:

Other payables of £2,317,000 (2012: £2,324,000) 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:

	2013 £000	2012 £000
Security funds payable:		
In more than one year, but not more than two years	56	173
In more than two years, but not more than five years	308	229
In more than five years	1,953	1,922
Total creditors at 31 March	**2,317**	**2,324**

Analysis of movements on cash security funds:

	2013 £000	2012 £000
Opening balance – falling due within one year	127	113
Opening balance – falling due after more than one year	2,324	1,949
Opening balance	2,451	2,062
Invoiced during the year	223	443
Interest during the year	12	11
Repayments to licensees during the year	(127)	(65)
	2,559	**2,451**
Closing balance – falling due within one year	242	127
Closing balance – falling due after more than one year	2,317	2,324
Closing Balance	**2,559**	**2,451**

16. Provisions for Liabilities and Charges

	At 31 March 2012	Additional Year (100th, 50th)	Utilised against Operating Spend	Released to offset Depreciation	Utilised against Capital Spend	Created/ (Released)	Unwinding	At 31 March 2013
	£000	£000	£000	£000	£000	£000	£000	£000
Mine Water	553,000	1,641	(8,367)	(2,164)	(4,713)	149,712	10,891	700,000
Public Safety and Subsidence	233,000	2,574	(8,954)	–	–	13,248	5,132	245,000
Subsidence Pumping Stations	90,000	214	(729)	(208)	– (80)	(43)	1,846	91,000
Tip Management	20,000	192	(465)	–	–	(2,158)	431	18,000
Sub Total	896,000	4,621	(18,515)	(2,372)	(4,793)	160,759	18,300	1,054,000
Other	15,000	45	(1,210)	–	–	(1,146)	311	13,000
Total	**911,000**	**4,666**	**(19,725)**	**(2,372)**	**(4,793)**	**159,613**	**18,611**	**1,067,000**

The provision for liabilities and charges at 31 March 2013 is £1,067.0 million (2012: £911.0 million). Forecast cash flows included within this provision before discounting amount to £2,161.0 million (2012: £1,782.0 million).

Movements in provisions are provided for in-line with accounting policies stated in Note 1.17.

In calculating each provision at its present value the real discount rates, including negative short and medium term rates for 2012-13, as specified by HM Treasury have been used:

Discount Rates	2012-13	2011-12
Short term (0 – 5 years)	(1.8)%	2.2%
Medium term (5 – 10 years)	(1.0)%	2.2%
Long term (exceeding 10 years)	2.2%	2.2%

The movement in the discount rate assumption between 2011-12 and 2012-13 has had the effect of increasing total provisions by £52.2 million when applied to the latest forecast cash flows. Other key assumptions and sensitivities in establishing the provisions at 31 March 2013 are explained below.

Mine Water

The provision relating to Mine Water Treatment Schemes is £700.0 million (2012: £553.0 million). The effect of the change in discount rates is to increase the provision by £34.0 million.

In order to comply with the EU Water Framework Directive (EUWFD), a strategy has been developed to design and build a further 45 schemes by 2027 to remediate existing pollution identified by the Environment Agency and SEPA. A further eight preventative schemes are programmed to be built to avoid new pollution based on scientific projections of water quality and levels. The provision against Mine Water Treatment includes costs of £124.6 million (2012: £114.4 million), before discounting, against the commissioning and capital maintenance of these schemes. In addition to this the costs of refurbishing Mine Water Schemes over the life of the provision have been incorporated into the balance for the first time at £325.5 million before discounting (resulting in an increase of £112.2 million to the provision).

The EUWFD includes the principle of disproportionate cost, and since 2010-11 this principle has been applied in assessing the viability of remedial schemes. Schemes will be deferred whilst new technologies are sought to build schemes for a cost in line with the benefits generated. Should such technology not become available these schemes may not be built and are therefore not provided for. Work with the EA and SEPA is ongoing to further understand the cost benefit ratio of the remedial schemes within the existing programme.

Operating costs, net of achieved and planned efficiency measures, have been modelled to reflect the new, varying types of scheme coming on-line. Before discounting, total operating cashflows stand at £1,010.6 million (2012: £1,020.3 million).

The provision for Mine Water Treatment is calculated over 100 years as scientists have concluded that the conditions for causing pollution will continue and there is no foreseeable option to dispense with treatment schemes. Beyond 100 years the inherent uncertainties to the future costs and timing of cashflows prevent provisions being made.

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

Public Safety and Subsidence

The provision relating to Public Safety and Subsidence activity is £245.0 million (2012: £233.0 million). The effect of the change in discount rates is to increase the provision by £11.5 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 £7.3 million per annum (2012: £7.7 million per annum) and has been based on the historical normalised claims experience with the long term trend indicating that costs have stabilised. As at 2013, an ongoing mine entry re-inspection programme has been incorporated throughout the whole life of the provision for the first time at £0.3 million per annum before discounting.

The provision for Public Safety and Subsidence is calculated over 50 years as 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. Inherent uncertainties for Public Safety & Subsidence are significantly higher than for Mine Water and Subsidence Pumping Stations, therefore beyond 50 years the future costs and timing of cashflows prevent provisions being made.

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

Subsidence Pumping Stations

The provision relating to Subsidence Pumping Stations is £91.0 million (2012: £90.0 million). The effect of the change in discount rates is to increase the provision by £6.0 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 2030 at £27.4 million before discounting (2012: £26.9million), but also reflects an estimate of the on-going requirement to continue refurbishment beyond 2030 and into the foreseeable future. This programme extension has been incorporated at £1.2 million per annum, before discounting (2012: £1.4 million) In addition estimates include the cost of maintaining and operating these stations for the next 100 years at £0.6 million per annum before discounting (2012: £0.6 million).

The provision for Subsidence Pumping Stations is calculated over 100 years as scientific evidence indicates that due to the effects of subsidence certain pumping stations will be required for a considerable period of time. Beyond 100 years the inherent uncertainties to the future costs and timing of cashflows prevent provisions being made.

Significant uncertainties beyond 100 years include: the life of the stations and plant and machinery and the level of renewals required.

Tip Management

The provision relating to Tip Management is £18.0 million (2012: £20.0 million). The effect of the change in discount rates is to increase the provision by £1.0 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 41 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 £0.6 million per annum (2012: £0.7 million) over the next 50 years, before discounting.

Beyond 50 years the inherent uncertainties to the future costs and timing of cashflows prevent provisions being made.

Significant uncertainties beyond 50 years include the future costs of major repair projects following adverse weather conditions.

Other Provisions

The provision relating to other items is £13.0 million (2012: £15.0 million). The effect of the change in discount rates is to decrease other provisions by £0.3 million.

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.

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 £7.0 million remain at 31 March 2013 (2012: £6.0 million), after discounting.

Provisions relating to opencast site rehabilitation are 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 £0.1 million (2012: £0.1 million).

Closed colliery site obligations are assessed to be £5.9 million (2012: £8.9 million), after discounting 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.

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 £32.0 million. Similarly, should predicted costs for Mine Water 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 £42.1 million.

The level of provisions is sensitive to a change in the discount rate. An increase in the discount rates by 0.5% would decrease the total provision held by £118.8 million (11%). A decrease in the discount rates by 0.5% would increase the total provision by £151.0 million (14%).

Analysis of timing of discounted flows:

	Mine Water	Public Safety and Subsidence	Subsidence Pumping Stations	Tip Management	Other	Total
	£000	£000	£000	£000	£000	£000
Up to 2014	13,353	7,271	760	580	1,694	23,658
Between 2015 and 2018	66,667	33,523	8,785	2,430	2,441	113,846
Between 2019 and 2033	215,060	96,035	29,682	7,165	5,568	353,510
Thereafter	404,920	108,171	51,773	7,825	3,297	575,986
Total	**700,000**	**245,000**	**91,000**	**18,000**	**13,000**	**1,067,000**

17. Capital Commitments

	2013 £000	2012 £000
Property, plant and equipment	981	2,393
Intangible assets	165	857
Total	**1,146**	**3,250**

There were capital commitments authorised, contracted, and provided for at 31 March 2013 of £1,146,000 (2012: £3,250,000).

Property, plant and equipment capital commitment of £981,000 relates to the build of nine and refurbishment of three mine water treatment schemes.

Intangible assets capital commitment of £165,000 is in respect of further development to the Authority's Information System.

18. Commitments Under Leases

Operating leases (Lessee)

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

	2013 £000	2012 £000
Land:		
Within one year	391	378
Between one to five years	1,506	1,457
After five years	11,079	11,230
	12,976	13,065
Buildings:		
Within one year	50	50
Between one to five years	38	50
After five years	–	–
	88	100
Others:		
Within one year	61	51
Between one to five years	56	–
After five years	–	–
	117	51
Total	**13,181**	**13,216**

Finance leases (Lessee)

The Authority as has no obligations under finance leases.

Operating leases (Lessor)

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

	2013 £000	2012 £000
Head Office – Freehold Property:		
Within one year	252	114
Between one to five years	639	200
After five years	–	–
Total	**891**	**314**

Finance leases (Lessor)

The Authority receives no operating income under finance leases.

19. Contingent Liabilities

Licensees of mining operations are required to provide security to the Authority to cover the future costs of settling subsidence damage liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the 1994 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 16) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid.

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

The 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.

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

UK Coal Operation Ltd

The Daw Mill Colliery, operated by UK Coal Operations Ltd, has been closed following a fire that broke out during February 2013. A security fund is in place that includes an amount to cover future cost arising from associated subsidence liability should the Authority be asked to determine the lease and revoke the licence in respect of Daw Mill. This is expected to be adequate to cover such costs.

Wentworth Woodhouse

Damage Notices have been submitted to the Authority in respect of subsidence damage "in excess of £100 million" to Wentworth Woodhouse, a Grade 1 listed Country House. The Authority has rejected these notices.

Lands Tribunal proceedings are ongoing and the Authority will continue to strongly defend its case.

20. 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.

21. Related Party Transactions

The Authority is a Non-Departmental Public Body (NDPB) of the Department of Energy and Climate Change (DECC) and received grant in aid during the year, as well as surrendering income due to the Consolidated Fund in relation to statutory licensing activities.

DECC continue to provide a consolidated Annual Report and Accounts for the core department and incorporating NDPB's, including the Authority, that are classified within its consolidation boundary.

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

There have been no material transactions undertaken between Board or Executive Members and the Authority during the year.

22. Events After the Reporting Period

There were no significant events after the reporting period that require disclosure other than:

Aardvark TMC Ltd (trading as ATH Resources) ("ATH")

ATH Resources entered administration in May 2013. There are certain leases and other liabilities including those involving mine water that may return to the Government.

The Authority holds security in the form of bonds worth £470,000 against ATH and its subsidiaries for costs arising covering liabilities under the Authority licences and leases granted to the company. This bonding is expected to be adequate to cover such costs should leases held by ATH or its subsidiaries be disclaimed and licences revoked.

Subject to an appropriate cost benefit analysis, the Authority has agreed to bring into its portfolio the cost of a mine water treatment scheme at Muir Dean. This is likely to cost between £1.5 million to £2.5 million to build and up to £100,000 per annum to operate thereafter.

In the short term, it is possible that the Authority, along with other interested parties will need to finance pumping costs. It is expected that this will be for a period of three months pending finalisation of restoration plans. The cost to the Authority may be up to £90,000.

Scottish Coal Company Ltd

The Scottish Coal Company went into liquidation during April 2013. The liquidators have applied to the courts to disclaim certain Authority leases. The Authority holds security in the form of bonds to the value of £1.374.0 million covering liabilities under the Authority licences and leases granted to the company. This bonding is expected to be adequate to cover such costs.

Date accounts authorised for issue

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

Accounts Direction given by the Secretary of State for 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

Licensing

During the year 34 new applications were made for new licences and agreements covering underground and surface mining, underground coal gasification, coal exploration, coal methane and minewater heat recovery. Figure 1 shows the applications received since 1 April 1995 sub-divided by country and Figure 2 shows the applications received in 2012-13 sub-divided by type.

Figure 1: Applications since 1995/96

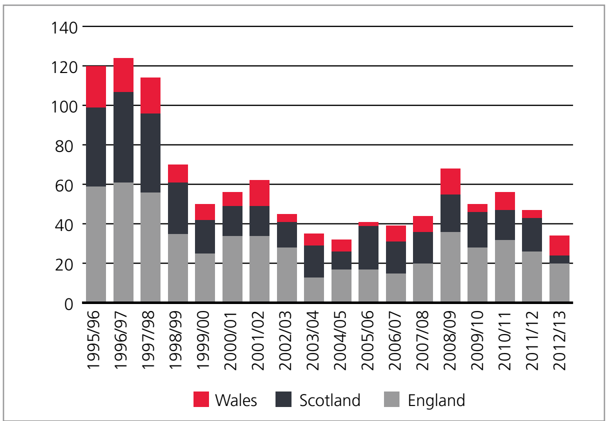
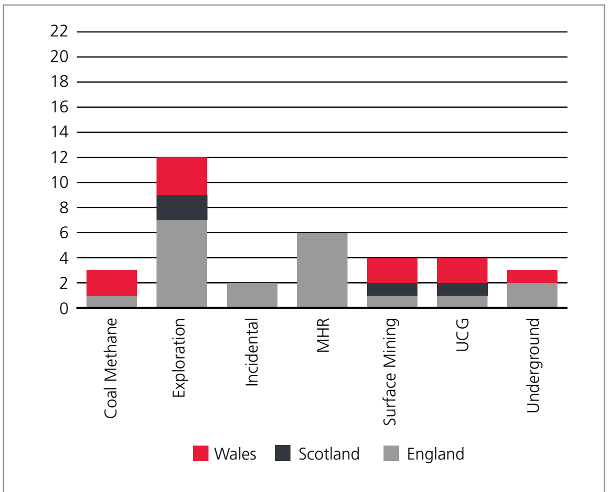
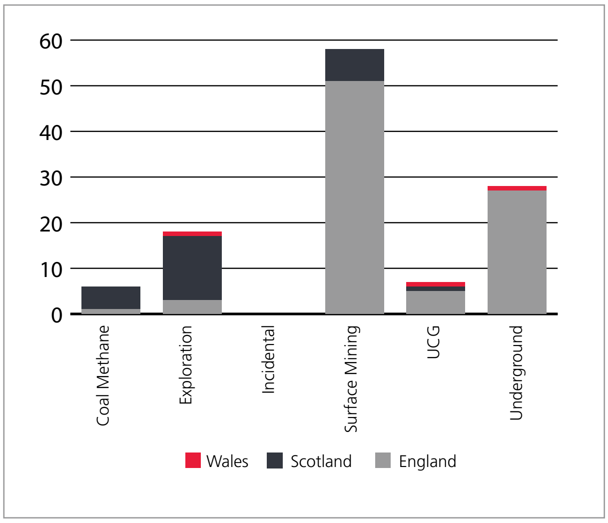


Figure 2: Applications in 2012/13



We also received 117 applications to vary existing agreements during the year but it should be noted that some 76 of these involved formal assignments due to the re-structuring of UK Coal. These variations included extensions to licence periods, assignments between operators and changes or additions to licence areas, some of which were quite substantial and equivalent to new licences or agreements. Figure 3 shows the breakdown of these variation applications by country and mining type.

Figure 3: Variation applications in 2012/13

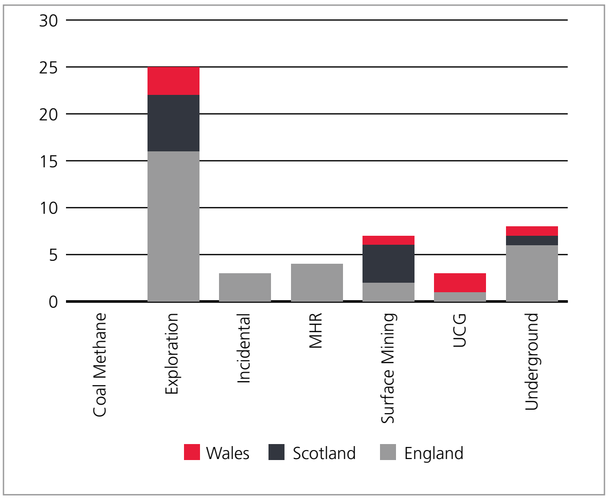


Licences and Agreements Granted

There were 50 new licences and agreements and 102 variations to existing licences and agreements granted during the year.

In addition, eight leases were granted in conjunction with surface mining and underground operating licences containing potentially 3.7 million tonnes of recoverable coal together with 13 lease options for future surface, underground or underground coal gasification operations. Figure 4 shows a breakdown of these grants.

Figure 4: Granted in 2012/13



Coal Production

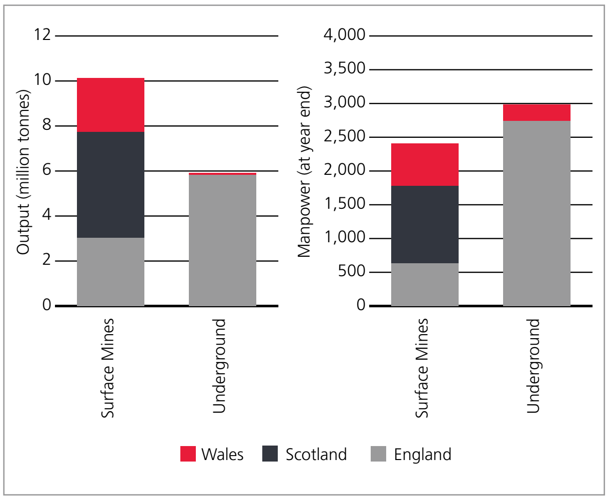
Coal production for the financial year was 16.05 million tonnes a decrease from the previous year of 1.04 million tonnes (6.1%). Underground mined output fell substantially by 0.94 million tonnes (13.7%) while surface mined output only fell by 0.35 million tonnes (3.4%).

At 31 March 2013, some 5,444 persons were declared by the operators as being employed at 11 underground mines and 34 surface mine sites. This was a decrease of 591 (9.8%) over the previous 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 incidental coal sites, which include quarries, clay pits and surface developments, produced some 8,260 tonnes during the year.

The details of coal production and manpower declared by operators in 2012-13 are shown at Figure 5 below.

Figure 5: Coal Production and Manpower 2012/13



Assessment of Coal Reserves and Resources

We have updated our assessment on coal reserves and resources within Britain following activities during the year as shown on the table below. The table does not include any estimated resources in underground coal gasification prospects.

Underground Mining

Current Mines & Licences

	Million Tonnes
Operational mines	105
Planning granted	0
In planning process	0
Pre-planning	140
Licensed prospects	1,170
	1,415
Closed mines still in licence	265

British Coal Prospects

Well developed	1,130
Identified	880
	2,010
Total	**3,690**

Surface Mining

Current Sites & Licences

	Million Tonnes
Operational sites	35
Planning granted	30
In planning process	15
Pre-planning	50
	130

British Coal Prospects

Well developed	120
Fully & partly proved	140
Potential	515
	775
Total	**905**

GB Total	**4,595**

Appendix 2

Annual Environmental Review 2012-2013

Review of the year

This report relates to all activities we have undertaken during the financial year 2012-13. We manage all of our activities in accordance with our Environmental Management System (EMS), which is structured to meet the standards of BS EN ISO14001:2004.

1. Purpose

This review is intended to show our environmental performance for the financial year 2012-13 and is presented in the format set out by HM Treasury to provide consistency with our sponsoring department Department of Energy and Climate Change (DECC).

2. Summary of Performance

We are exempt from the Greening Government Commitments (GGCs), however, being part of the DECC family and given the nature of our work and the high level environmental objectives (HLEO) we have set we aim to follow these commitments.

In some cases, the GGCs are not appropriate, such as setting absolute reduction targets for greenhouse gas emissions. This is because our activities are continually expanding through our programme of installing mine water treatment schemes. In these circumstances, suitable and stretching targets have been set, using the same period (2011-15) and baseline year (2009-10). The objectives and progress towards meeting these objectives are contained later in this review.

3. Greenhouse Gas (GHG) Emissions		2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tCO_2e)	Scope 1 *	150	135	114	90
	Scope 2 *	13,845	9,183	11,503	15,018
	Scope 3 *	53	35	44	40
	Total	14,049	9,352	11,661	15,149
	Emissions per FTE (tonnes)	82	58	88	96
Financial indicators (£)	CRC Gross Expenditure (2011 onwards)	N/A	N/A	c£152,000	c£205,000

* Scope 1 – Direct GHG emissions from sources owned or controlled by the Authority e.g. from owned vehicles.
Scope 2 – Indirect GHG emissions e.g. from the generation of purchased electricity.
Scope 3 – Other indirect emissions e.g. from supply chain products and services.

Graphical analysis, targets and commentary

The main direct impact is in our use of electricity. The majority of electricity used is at our operational sites (mine water treatment schemes, gas fan stations, pumping stations etc) and at our Mansfield office.

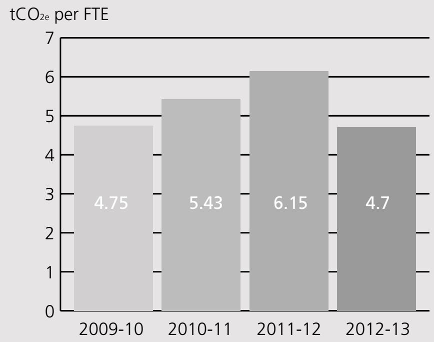
Our position in the Carbon Reduction Commitment (CRC) performance league table (PLT), which ranks the performance of CRC Energy Efficiency Scheme participants against three weighted metrics, was 1,309 out of 2,097. This is lower than the previous year, where we were 334 out of 1,301. The main reason for our lower position in the table is that we are unable to benefit from the growth metric used in the CRC system even though our portfolio of sites increased between the reporting years. This is evidenced by the fact that we successfully retained the Carbon Trust Standard, following a re-certification assessment in November 2012. The Carbon Trust Standard certifies organisations for real carbon reductions and commitment to ongoing reductions.

Carbon emissions from our Mansfield office

The HLEO is a 25% reduction in greenhouse gas emissions per full time employee (FTE) by 2014-15 compared to 2009-10.

The figures show a reduction of 1% in carbon emissions per FTE compared to 2009-10. The reason for such a small overall reduction is that the baseline year was before our re-organisation, which resulted in a significant reduction in FTE numbers. By contrast, a reduction of 23.6% has been achieved compared to 2011-12. This reduction is due to a significant increase in FTE in 2012, due to new tenants taking occupation at our Mansfield office.

A specific objective has been set for 2013-14 to re-configure the air conditioning in the server room at Mansfield, which currently accounts for approximately 40% of the total office site energy use and hence greenhouse gas emissions. It is anticipated that this will achieve a large reduction in emissions per FTE for the target year of 2014-15. This will be further improved by another increase in FTE, as additional tenants take up occupation in 2013-14.

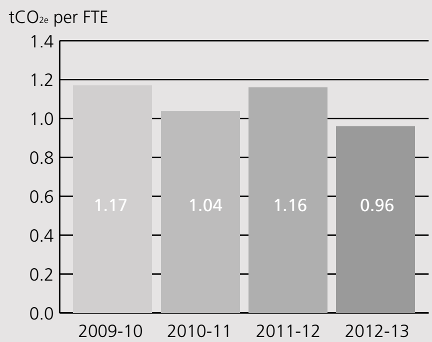


Greenhouse Gas Emission per FTE Mansfield office

Carbon emissions from business travel

The HLEO is a 25% reduction in greenhouse gas emissions per full time equivalent employee (FTE) by 2014-15 compared to 2009-10.

Carbon emissions per FTE from business travel continue to show a downward trend with an overall reduction of 17.9% compared to 2009-10 and 17.2% compared to 2011-12. The main reasons for this are a change in the car fleet to lower emission vehicles and an increased use of telephone and video conferencing leading to less car journeys. There was an increase between 2010-11 and 2011-12, which was as a result of increased use of short haul flights to Scotland and long haul flights to Seoul and Johannesburg.



Greenhouse Gas Emission – Business Travel

Carbon emissions from mine water treatment schemes and pumping stations

The HLEO is to quantify the greenhouse gas emissions per mega litre per metre lift (CO_2/Mlm) for all mine water pumped by 2011-12 and achieve a 10% reduction by 2014-15.

We have been unable to obtain the figure for 2011-12 or for all mine water pumped as this requires specific testing to be carried out. However, we have been able to obtain the figure for 15 of our largest mine water pumping stations for the year 2011-12 and this was 3.01 CO_2e/Mlm. These 15 sites represent approximately 87% of our entire greenhouse gas emissions.

This HLEO is to be reviewed, and a new reduction target set for 2014-15 to cover those schemes where testing has been undertaken. An initial assessment of planned efficiency improvements suggests that a reduction of approximately 20% is achievable.

4. Waste

The HLEO's are:

For waste produced at Mansfield, introduce source segregation for non-hazardous waste, all non-hazardous waste to be sent to a materials recovery facility, ensure zero waste is sent to landfill, maximise the reuse and recycling of all ICT and WEEE equipment.

For other sites, develop and implement a strategy for ochre sludge that ensures:

- ***the installation of sludge drying beds at the largest 10 mine water treatment schemes to reduce the overall amount requiring removal from site by 2015;***
- ***the recovery or recycling of 20% of the total amount removed from sites.***

Commentary

Our direct waste is from our Mansfield office, which is, in order of priority, reused, recycled or incinerated for energy. Operational site waste consists predominantly of ochre sludge and, to a lesser extent, reed bed cuttings.

Waste at Mansfield is segregated into co-mingled recyclables and general waste. All waste is taken into a local materials recovery facility and any residual waste is incinerated for energy recovery.

Legal advice had been sought as to the status of ochre sludge. This will assist in developing our future sludge management strategy.

To achieve the proposed 20% reduction in ochre sludge removed from mine water treatment schemes a number of alternatives to disposal have been sought. The progress as at the end of 2012-13 is:

- Sludge drying beds have been constructed at three schemes (Frances in Scotland, Bates and Blenkinsopp in Northumberland).
- A large scale trial was conducted for over six months using the ochre produced at Dawdon in the manufacture of bricks. The trial proved to be successful. This has now become our preferred method of disposal.

5. Finite Resource Consumption – Water		2009-10	2010-11	2011-12	2012-13
Non-financial indicators	Water Consumption (m^3)	1,175	1,371	1,045	1,243
	Water Consumption (m^3/FTE including tenants)	6.87	8.57	7.86	7.87
Financial indicators (£)	Water Supply Costs	£7,625	£7,373	£8,383	£8,250

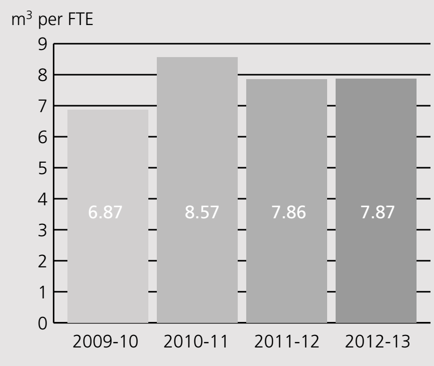
Graphical analysis, targets and commentary

The HLEO is to reduce water consumption at the Mansfield premises to below 6m³ per FTE by 31 March 2015.

Water consumption per FTE has remained virtually the same as in 2011-12. The profile of the site changed during 2012-13 in terms of tenants on site. The tenants have been included in the FTE calculation.

A specific objective has been set for 2013-14 to undertake a feasibility study of the benefits of installing a rainwater harvesting system to help reduce the amount of mains water used. Quotations will be obtained from prospective suppliers.

Water usage continues to be recorded on a monthly basis.



Annual Water Use – Head Office

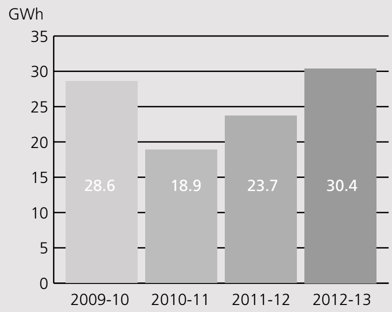
6. Finite Resource Consumption – Energy		2009-10	2010-11	2011-12	2012-13
Non-financial indicators (GWh)	Electricity Mansfield	1.7	1.8	1.7	1.5
	Electricity Wheal Jane	N/A	N/A	2.3	4.2
	Electricity Total	28.6	18.9	23.7	30.4
	Gas	N/A	N/A	N/A	N/A
Financial indicators (£)	Total Energy Expenditure	£2,300,000	£1,900,000	£2,056,605	£2,700,000

Graphical analysis and commentary

All of our direct energy use is from our office estate and mine water treatment schemes, pumping stations and gas fan stations.

Overall usage has risen as a result of the increase in our portfolio of sites. New sites taken on during the year were Woodside, A Winning and Morton.

Revised pumping levels and operating systems at a number of sites have produced reductions in the use of electricity:



Electricity Usage – Whole Authority

Woodside	Optimised pump selection and a pumping test at this site following its acquisition have resulted in an annual saving of £65,000. Further savings should be achieved following a refurbishment of the site based on the pumping test findings.
A Winning	A mechanical and electrical (M&E) refurbishment is underway to ensure that the station will pump efficiently when pumping commences. The existing infrastructure at A Winning and equipment acquired following transfer was old and very inefficient.
Old North East Pumping Stations	Pumping stations that had been on standby for potential reinstatement have now all been decommissioned, resulting in annual savings of £24,000 and 63,000kWh.
Pumping Station Reviews	Following the review of our mine water pumping stations, the capital procurement of new pumps has been completed. These pumps are to be installed in the first quarter of 2013-14. Savings are expected to be in the region of £50,000 and 675,000 kWh per annum.

7. Climate Change Adaptation and Mitigation

The HLEO is:

To continue to develop resilience to climate change by:

- ***implementing the climate change adaptation plan (CCAP);***
- ***reviewing and updating the CCAP annually;***
- ***identifying and commissioning work to assist in improving understanding of future climate change impacts on our property, activities, products and services.***

Commentary

The Climate Change Action Plan is reviewed and updated on an annual basis and reflects the new organisational structure.

A joint workshop with the Meteorological Office and Environment Agency took place in May 2012 to discuss the impact of weather extremes on mine water and the way forward in utilising the available data in the design of new schemes. The workshop concluded that due to the current inability to predict severe weather events with any degree of detail, there is limited scope at the present time for further work in this area.

Weather monitoring stations have been installed on several disused tips in order to gain data on severe weather events to help inform future water management strategy.

8. Biodiversity and Protection of the Natural Environment

The HLEO is to:

- ***review UK, country and local biodiversity action plans and implement systems to enable it to contribute to them in its activities;***
- ***measure and promote the positive impact on biodiversity resulting from its activities.***

Commentary

Departmental environmental action plans have been developed incorporating targets aimed at improving our work on the protection of the natural environment.

Biodiversity studies in respect of three existing mine water treatment schemes; Mousewater in Scotland, Morlais in South Wales and Bridgewater in the North West have been completed and the information will be used to demonstrate the positive contribution that our schemes make to local and national biodiversity targets. They will also be used as supporting information when discussing new schemes with local planning authorities and other interested parties. Further studies are planned at existing and new schemes, to help extend our knowledge on the associated biodiversity benefits.

Consideration is being given to the inclusion of biodiversity benefits within the cost benefit analysis for future mine water treatment schemes.

9. Sustainable Procurement

The HLEO is to embed sustainable procurement practices by:

- ***developing a sustainable procurement policy by 2011-12;***
- ***commencing implementation of the policy by 2012-13;***
- ***reviewing and updating the policy annually.***

Commentary

A champion was appointed in July 2012 to provide a focus and lead the implementation of our sustainable procurement policy. The policy was published in July 2012 and circulated internally to all of our staff and suppliers. A presentation to staff explaining the policy was delivered in October 2012 and is now included in the new starter induction process.

During the year we have adopted the Government Buying Standards and this has helped us to procure more sustainably. To raise awareness and generate good ideas for improving our sustainability generally, an Environmental Champions Group has been formed, consisting of staff who have a keen interest in sustainability issues.

Further work is planned, including an analysis of our supply chain, to help identify those suppliers that we can influence most in terms of sustainability. Research is also being undertaken into the application of whole life costing for our projects and suppliers.

10. Sustainable Construction

The HLEO is to:

- ***improve the reuse and recycling of construction, demolition and excavation waste (CDEW) by the introduction of site waste management plans for all notifiable Construction Design and Management (CDM) projects by 2011-12 – Completed;***
- ***reuse, recover or recycle 90% of waste materials on all notifiable projects > £300k in value by 2015;***
- ***use a minimum of 15% recycled products in construction projects > £300k in value by 2015.***

Commentary

The completion of site waste management plans for all notifiable CDM projects has focused attention on the reuse and recycling of construction, demolition and excavation waste (CDEW).

Further work is planned to enable us to quantify the amount of CDEW material that is reused or recycled.

11. People and Quality of life

The HLEO is to:

- ***promote employee awareness of environmental issues to support delivery of environmental objectives and encourage positive behavioural change;***
- ***encourage and facilitate opportunities for Authority employees to participate in local environmental improvement projects;***
- ***publicise the environmental benefits of the Authority's activities.***

Commentary

Environmental awareness training was provided to all new employees during the year. This training provides an insight into environmental issues relevant to our activities, highlighting priorities in relation to continual environmental improvement and explaining what staff can do to assist.

This was also extended to our contractors, for whom we ran a series of workshops on environmental standards and expectations aimed at educating them on the standards we expect to see during site works.

As part of our engagement with local and national interest groups offers were made to use our tips for environmental projects. This offer has yet to be taken up but we will maintain dialogue so that should any suitable projects be identified, we are in a position to assist.

12. Environmental Management System

Our Environmental Management System (EMS) continues to be reviewed and revised to reflect changes to structure, personnel and activities.

All staff have received environmental awareness training in order to support delivery of our environmental objectives and encourage positive behavioural change.

The high level environmental objectives developed and approved by the Board continue to be progressed through the departmental environmental action plans. Good progress has been reported during the year.

Regular inspections of contractor activities on site are carried out to monitor their standards.

Internal audits of our EMS have commenced.

Commentary

The first internal audit produced a score of 59%, which was expected to be low given that this was the first of such audits carried out since the introduction of the EMS. The findings and corrective actions resulting will be used to improve both procedures and compliance levels in the future.

13. Environmental Incidents

We document and investigate all environmental incidents and revise our procedures and processes to ensure no recurrence.

Commentary

An enforcement notice was received from the Environment Agency (EA) for providing incorrect information on allowances under CRC Energy Efficiency Scheme Order 2010. We therefore failed to surrender the correct quantity of allowances for the year 2011-12. This has been rectified and more robust reporting arrangements are now in place to prevent a recurrence.

A warning letter was received from the EA, who alleged that iron levels exceeded permitted levels at Dawdon. We requested further details of the allegations but none were provided by the EA prior to issuing the warning letter. We are in discussions with the EA on the discharge consent parameters to help mitigate any future issues of this nature.

Following the adverse weather which caused flooding during November 2012-January 2013 the Cornwall Fire Service assisted us to increase the pumping capacity at Wheal Jane mine water treatment scheme by providing two hi-lift pumps. These pumps enabled the plant to cope with the increased flow, ensuring that it remained compliant throughout. Stakeholders thanked us and the Department for Environment, Food and Rural Affairs for going beyond our statutory duties in order to reduce the risk of uncontrolled discharges of mine water into the environment.

During February 2013 the final discharge from our Lindsay mine water scheme in South Wales entering into the neighbouring watercourse was seen to be discoloured. The EA issued us with guidance. Consideration is being given to a de-sludge intervention during 2013-14 to improve the capacity of the lagoons and reed beds.

Public Information Services

Public Services: 01623 637000
Surface Hazards: 01623 646333

The Authority is responsible for:

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

Further Information

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

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