THE COAL AUTHORITY

Report & Accounts

2006–2007

Lamesley minewater treatment scheme near Gateshead.

The Coal Authority

Annual Report and Accounts 2006–2007

Annual Report presented to Parliament on 25 July 2007 by the Secretary of State for Business, Enterprise and Regulatory Reform in pursuance of section 60(6) of the Coal Industry Act 1994.

The Audited Accounts were laid before Parliament by the Comptroller and Audit general on 11 July 2007 as HC 1406 in pursuance of paragraph 15(4) of Schedule 1 to the Coal Industry Act 1994.

Ordered by the House of Commons to be printed on 25 July 2007.

HC 942 London: The Stationery Office £18.00

CONTENTS

Front Cover Photography:
Left: Powerfuel's Hatfield Colliery.
Right: Glyn Corrwg minewater treatment scheme South Wales.

Photograph above:
Coalface at UK Coal's Kellingley Colliery

OFFICERS AND PROFESSIONAL ADVISERS

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

Bankers
The Office of HM Paymaster General
National Investment and Loans Office
1 King Charles Street
London SW1A 2AP

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

Six Bells minewater treatment scheme, South Wales.

CHAIR'S STATEMENT

Introduction

The Coal Authority's (Authority) statutory roles are set out on pages 44 and 47 and are summarised as:

- Licensing coal mining and interacting with industry and Government.
- Managing property and associated historic liabilities.
- Managing the legacy, safety and environmental issues.
- The provision of mining information.

This annual report describes the manner in which these responsibilities have been discharged.

The Authority has continued to focus on performance and delivery of its products and services throughout the year and is committed to an efficiency agenda. Discussions have continued with other public and private sector bodies to seek collaborative partnership agreements on the delivery of new products and expertise for the benefit of stakeholders. Policies and activities have been the subject of searching review.

The year has seen Philip Lawrence being appointed Chief Executive following the retirement of Albert Schofield at the end of December 2006. On behalf of the Authority, I would like to thank Albert for his efforts in ensuring that the Authority continued to develop and deliver its products and services in a timely and cost efficient manner and to wish Philip success in taking the Authority forward to meet the ever increasing aspirations of stakeholders. Both Philip and Stephen Pennell, Director of Mining Information and Services were appointed to the Board in November 2006.

A number of major initiatives commenced during the year and are described below.

Operations

During the year work commenced on developing the most complex preventative minewater treatment scheme to be built by the Authority. Major reviews were also commenced on the work of the Authority in the areas of public safety and the provision of information. The results of these reviews are expected in 2007–2008 and could have a major influence on the future strategies adopted for these areas of work. The Authority is liaising closely with the Department for Business, Enterprise and Regulatory Reform (BERR), which has inherited responsibilities of the former Department of Trade and Industry (DTI), on these matters.

DAWDON MINEWATER TREATMENT SCHEME

Since 2004 the Authority has successfully operated a temporary minewater treatment scheme on the former Horden Colliery site to prevent the pollution of the major aquifer in the area which provides the North East region with eight million gallons of drinking water per day. It also allowed the time necessary for the location of the permanent active scheme to be identified.

Dawdon in Country Durham was the location chosen by the technical working group following in depth studies. A feasibility study was undertaken to determine the capital, operational and whole life cost estimates for the active treatment scheme to enable the Authority to prepare the business case seeking BERR approval to spend in excess of £6 million to build and operate the scheme. BERR approval was received and contracts were awarded to allow site preparatory works to commence at the end of May/June 2007. The scheme should be completed in 2008–2009.

Dawdon minewater treatment scheme under construction.

PUBLIC SAFETY

The Authority commenced a public safety review following a small number of highly significant incidents that occurred during the year. Initially a review was undertaken of the information and knowledge retained by the Authority to ensure all relevant information was contained in the Authority's database. Following a major shaft collapse in Bolton a pro-active review was undertaken to identify the shafts in Lancashire that had been capped using the same technique. From this review a physical inspection of a number of these shafts will be carried out to ensure the continued safety of the public.

A number of other areas in Britain have been identified where proactive investigations will be undertaken. The Authority is also reviewing the methods whereby it can communicate better with local authorities on public safety matters. Following the tragic incident that led to the death of an elderly couple in Dudley due to carbon monoxide entering their property, the Authority has reviewed the procedures under which it permits third parties to enter its property (coal) and is running an awareness programme for drillers to ensure that the dangers associated with drilling into the Authority's property are properly understood and the necessary precautions are undertaken. The review is ongoing with the initial findings due in the forthcoming financial year.

PROVISION OF INFORMATION

The Authority continues to seek new ways in which to communicate the information it holds. The Ground Stability Report was introduced in October 2006 in partnership with the British Geological Survey and although it currently generates only 5.4% of the total demand for reports, 45% of those reports have been provided to customers off the coalfield areas of Britain. A review is underway of additional ways in which the Authority can disseminate its information including risk based reports. A consultation with stakeholders will be carried out to determine what information should be released and the methods to be adopted to provide it. Additional electronic receipt and delivery services are also being explored. The outcome of this work is expected later in the forthcoming financial year.

CHANGE OF APPLICATION OF ACCOUNTING POLICIES

The Authority has reviewed and revised a number of its accounting policies during the year which have had a significant impact on its financial statements. The most significant change has been to record on the balance sheet an estimate of the expenditure it expects to incur in fulfilling its obligations and duties in the future.

Although the Authority has been managing the historic liabilities associated with coal for 13 years, it has not previously had sufficient reliable data to be able to estimate the cost of this to the public purse. Subsidence claims, surface hazards and tip remediation issues which were passed to it had steadily declined during this period with future trends unclear. Claims were provisioned on an individual basis after liability had been accepted. The Authority now considers that sufficient reliable knowledge and information is available to it for estimated costs to be established in accordance with financial reporting standards.

The Authority has also assumed responsibility for preventing and remediating pollution caused by recovering minewater and has built up a network of over 730 monitoring sites in order to record rising water levels throughout the British coalfields. Data from these sites provides a reliable basis for planning. The EU Water Framework Directive (WFD) was issued in 2000 to regulate water quality levels. This was laid before Parliament in 2003 and guidance on implementing the WFD was issued by the Department of Environment, Food and Rural Affairs (Defra) in August 2006 in the River Basin Planning Guidance.

In order to comply with the WFD and to provide BERR with an estimate of the likely costs of compliance, particularly for the current Comprehensive Spending Review (CSR), the Authority has during the year completed a strategic review of its minewater programme. Using the best available scientific methods and analysing the vast quantities of collected data, a risk based programme has been developed to prevent further, and remediate existing minewater pollution. The costs of building and operating this programme over the next 100 years have been estimated at £600.5 million at current day prices.

Financial Reporting Standard 12 “Provisions, Contingent Liabilities and Contingent Assets” (FRS 12) require that once the obligation has been established and costs can be estimated, the cost should be provided on the balance sheet. This has been completed and due to the fundamental impact on previous years, the change has been affected by a prior year adjustment.

The principles involved in provisioning for the minewater programme have also been applied to the other obligations of managing historic liabilities. Costs of remediating subsidence damage, treating surface hazards, managing tips and operating subsidence pumping stations have all stabilised in the past few years and provide a reasonable basis for estimating future claims. In addition, a programme has been established in the year to refurbish subsidence pumping stations by 2017–2018. Consequently, given that the Authority now has sufficient reliable information, it has been possible to apply FRS 12 for the first time and provide for the cost of managing the Authority's obligations. These amount to £243.8 million.

The Authority's principal duty has always been to manage historic mining issues. It is now in a position reliably to estimate the scale of the expenditure required and, following these accounting changes, has recorded an estimate for these liabilities on the balance sheet. The scale of the liability represents the Authority's best estimates of the cash flows it will incur and reflects the belief that the consequences of mining in the UK will last for a considerable period of time. There are, of course, considerable uncertainties and risks in making long term predictions of costs. Notes 1 and 16 in the financial statements explain these risks and the impact of this change and other accounting adjustments made in the year.

Funding for these programmes is received from BERR through annual budget allocations. Indicative budgets through to 31 March 2011 are currently being reviewed.

FINANCING

During the year the Authority received £12 million (2006 – £27.2 million) grant in aid from BERR to carry out its functions. The Authority generated £4.7 million (2006 – £12.5 million) from rents and the sale of property and a further £12.6 million (2006 – £11 million) for the provision of information and services. The Authority also received a contribution to their environmental projects function of £1 million from UK Coal plc for the development of a minewater scheme.

Income received from licensees relating to the coal owned by the Authority on behalf of the state is appropriated by Government after the retention of some of the administration costs. The cash transferred during the year amounted to £0.4 million (2006 – £0.4 million).

Relationships and Appreciation

At the end of September 2007 I have to stand down after eight years as Chair. It has been a period of considerable significance for energy policy and the energy industry as the realisation becomes greater that there are very real and pressing issues to be faced in relation to security of supply and the need to respond decisively to climate change. It has been a privilege to participate in the debate of these issues and the contribution of clean coal as solutions to both.

I would like to express my appreciation to all stakeholders with whom the Authority has been able to engage so positively and constructively. The working relationship has been exceptional and a delight in which to participate. Above all, I would like to express my appreciation to the team at the Authority – my non-executive colleagues, the Chief Executive and Executive Directors and staff; I am proud to be associated with such a dynamic and effective group of people who are so strongly motivated to deliver a truly professional and quality service. I hope to see the British coal mining industry and the Authority continue to make an important contribution to the nation's interests.

I am delighted to report that the Secretary of State has appointed Dr Helen Mounsey as my successor and wish her well. She will take up her position as Authority Chair on 1 October 2007.

The Role for Coal and the UK Energy Policy

The world's insatiable demand for energy is forecasted to continue into the foreseeable future, with significant increases expected in the emerging economies in the far east and the pacific rim. Coal is the most abundant source of energy worldwide and will continue to play an important role in meeting this demand. The last year has seen a dramatic increase in the cost of energy in the UK and it is difficult to see the price fall whilst demand continues to increase. The continuing high demand for coal in meeting the UK energy requirements has seen coal account for 38% of electricity produced throughout 2006 and peaking above 40% during the winter months (in the winter of 2005–2006 it peaked at over 50%). Power generation utilised 57.5 million tonnes of coal in 2006 of which 18 million tonnes was British mined.

The responses to the Government's review of the UK energy policy supported the view that coal should continue to have an important role in meeting the nation's energy needs as part of a balanced energy mix, contributing to security of supply. The UK is becoming increasingly dependent upon imports of energy and will be vulnerable to price volatility and disruption of supplies even after the additional energy supply links have been established. The belief of the British coal operators is that they have the ability to produce up to 20 million tonnes per annum for the foreseeable future which would alleviate world price volatility and assist the nation's balance of payments position.

The Coal Forum was established as a result of the energy policy review which brought together the stakeholders involved in the coal and energy markets: its remit is to "work to ensure that (the Government) has the right framework ...to secure the long term contribution of coal-fired power generation and optimise the use of economic coal reserves in the UK". The Authority has contributed to the work of the Forum and its Sub-Groups established to advise on specific issues. The work of the Forum continues with a progress overview on the issues reviewed due to be published during the summer 2007.

The Government has confirmed a continuing role for indigenous coal in the 2007 Energy White Paper. The Chancellor announced as part of the 2007 Budget speech that a competitive process would be undertaken to allocate funding for a carbon capture and storage pilot project. An announcement is expected in early 2008. The success of the project is likely to be an important element in the development of a new age of clean coal power stations.

OUTLOOK

The ongoing need for the Authority's statutory roles to be delivered is highlighted in this report and will continue indefinitely. The potential synergies with both the public and private sectors have been identified and are being pursued. Our policies will need to be kept under review to ensure their relevance and appropriateness as circumstances change.

The Authority will continue with its efficiency agenda to facilitate the delivery of best value services to customers and stakeholders whilst continuing to meet the aims of Government.

The reduction of the resource allocation for 2007–2008 led to the Authority reviewing its minewater new build programme. A return to previous levels of funding will be required from 2008–2009 to enable the minewater build programme to be on target in order to improve the quality of water flowing through the nation's watercourses thereby improving the environment of the coalfield communities and meeting the regulatory requirements of the EU Water Framework Directive to which the Government is committed.

John Harris CBE
Chair

Tip environmental improvement works in South Wales.

MANAGEMENT COMMENTARY

Introduction

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

Mission

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

High Level Objectives

To meet its mission a set of high level objectives have been adopted which are regularly reviewed and which were subject to some change during the year:

1. To maximise the economic benefit, and contribution to security of supply, from the UK's coal reserves.
2. To be the leading public sector provider of property conveyance information.
3. To have regard for the safety of individuals and their property in so far as they may be affected by the legacy of the coal-mining industry and its continuing activities.
4. To be an exemplar e-business public body.
5. To manage effectively the Authority's land and mineral estate and the liabilities/responsibilities associated therewith.
6. To implement expeditiously schemes to treat all anticipated and existing minewater discharges in compliance with the requirements of the EU Water Framework Directive.
7. To seek out and exploit commercial opportunities, in accordance with the Government's Wider Markets Initiative, which are within the Authority's vires and ambit.

A review of the Authority's activities against the above objectives was undertaken during the year and this highlighted the fact that a number of the objectives had been achieved. Revised objectives for 2007-2008 to meet the Mission and the forward programme of work were adopted and these are:

1. Manage the legacy environmental and safety issues arising from the UK coal mining industry which are within our responsibility, addressing liabilities efficiently and treating minewater pollution appropriately within the legal framework.
2. Expand the provision of coal mining reports and records and public sector information to meet the needs of the market and to use our resources and expertise to distribute electronically a range of other information.
3. Manage the Authority's land and mineral estate and the associated liabilities and responsibilities.

4. To seek out and exploit commercial opportunities, in accordance with the Government's Wider Markets Initiative, which are within the Authority's vires and ambit.
5. Interact with industry and Government to promote the use of the UK's coal reserves as part of a diverse and secure energy portfolio.

Performance Against Targets

The Authority is committed to fulfil its four primary functions as set out on page 1 in an efficient and cost effective manner, within the limits of the resources it has at its disposal. This objective was met during the year as its activities were financed from within its budget.

The Authority monitors the overall effectiveness of customer delivery and progress against objectives through a suite of key performance indicators. All but one of the key performance indicators for 2006–2007 were met. The payment of invoices within contractual terms was 99% against the target of 100%. The following table provides the outturns for the year and the targets for the three succeeding years.

Coal Authority Headquarters at Mansfield.

Key Performance Indicators and Targets Summary

Year ended 31 March		2002	2003	2004	2005	2006	2007	2008	2009	2010
Inspect all operational mines at least once annually (%)	Target	100	100	100	100	100	**100**	100	100	100
	Outturn	100	100	100	100	100	**100**			
First inspection of residential subsidence claims within four weeks (%)	Target	90	94	97	100	100	**100**	100	100	100
	Outturn	99	99	100	100	100	**100**			
Communicate decision on residential subsidence claims to claimants within three weeks (%)	Target	90	94	97	98	98	**99**	99	99	99
	Outturn	99	99	98	100	99	**99**			
Requests for mining reports responded to within two working days (%)	Target	85	85	87	89	91	**92**	93	94	95
	Outturn	78	84	97	96	94	**96**			
Requests for mining reports responded to within five working days (%)	Target	95	95	95	98	98	**98**	98	98	98
	Outturn	98	98	99	98	98	**98**			
Commence site works to remediate four (2002), six (2003), eight (2004-2006) and one (2007) minewater discharges	Target	100	100	100	100	100	**100**	100		
	Outturn	100	100	100	88	88	**100**			
All valid invoices to be paid within contract terms (%)	Target	100	100	100	100	100	**100**	100	100	100
	Outturn	94	99	99	99	99	**99**			

Review of Activities

INTRODUCTION

The Authority has four key classes of business being Mining Information, Public Safety and Subsidence, Environmental Projects and Property Management. A detailed review of the activities of each of the Authority's functions, together with an outlook for the future, is set out in the following paragraphs. A summary of the financial results for each function is given in Note 3 to the Financial Statements.

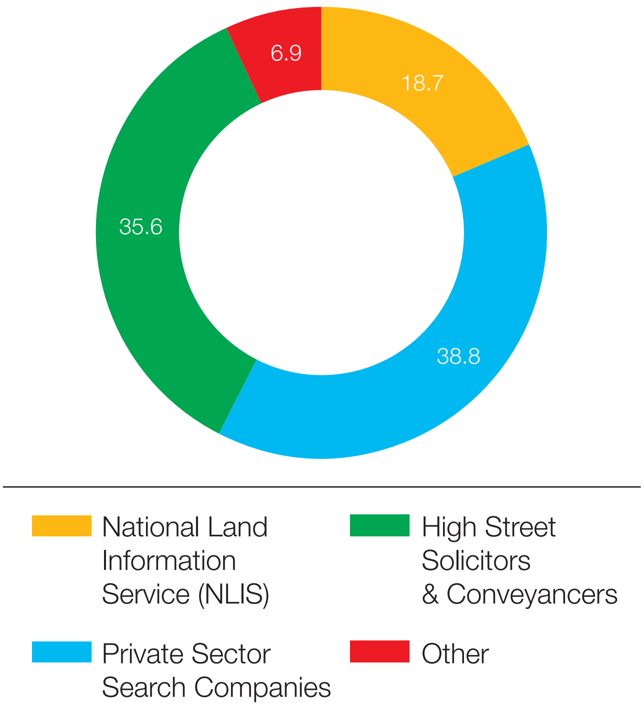
Mining Information

MINING REPORTS

The mining reports service provides information on past, present and future underground and surface coal mining activity for any individual property or site in Britain. It is a highly computerised service utilising its Mining Reports and Surface Damage System (MRSDS) which draws on a unique database of coal mining information.

During the year the Authority produced 565,702 reports. This is 11% higher than last year and is consistent with the recovery of the property market nationwide. The majority of reports were provided to solicitors and private search companies acting on behalf of property purchasers in former coal mining areas as shown in Figure 1.

Figure 1
Customer Business Sector Percentage of Overall Volume of Reports



Mining Reports can be ordered and returned by post, fax or electronically via the internet and e-mail (www.groundstability.com). They can also be ordered by telephone. A fully electronic link to the National Land Information Service (NLIS) provides a further channel for customers to order and receive mining reports. These electronic services have significantly improved efficiency and by 31 March 2007, 86% of reports were being ordered and returned electronically.

The Authority works closely with its customers, their representatives and other key stakeholders, to maintain awareness of customer requirements and to develop and improve further its service.

A questionnaire issued to customers generated a 98% satisfaction rating for the overall service provided.

Throughout the year, the Authority has been working in collaboration with British Geological Survey and the Cheshire Brine Subsidence Compensation Board on the development and introduction of a comprehensive and user friendly ground stability report. This extension to a mining search incorporates information about natural ground subsidence risk and brine subsidence claims data. The initiative was supported by customer and key stakeholder feedback, and driven by the Modernising Government agenda, the E-Conveyancing programme, Gershon efficiency requirements on public sector organisations and the introduction of Purchasers' Information Pack in Scotland and Home Information Pack in England and Wales. The ground stability report service was successfully introduced in October 2006. Although currently only generating 5.4% of the total demand for reports, 45% of such requests are for properties not on the coalfield areas of Britain.

An updated Law Society CON29(M) mining report service, in collaboration with the Cheshire Brine Subsidence Compensation Board was also successfully introduced in October 2006.

The planned phasing of mapping improvements by the Ordnance Survey's Positional Accuracy Improvement Programme was completed during 2006. The Authority has commenced the introduction of these changes within its mining database ensuring continued correlation between them and the recorded mining features used extensively in the variety of mining reports produced by the Authority. This work will be completed during 2007.

The Authority has continued with its search for original and unique coal mining information to add to its comprehensive database records. Interaction with the Health and Safety Executive, The National Archives, British Geological Survey, local and county records and archive centres together with the searching of private collections ensures that the Authority fully maintains its unprecedented library of both coal and non-coal mining information.

MINING HERITAGE CENTRE

The Authority houses its collections of records in a purpose built Mining Heritage Centre which incorporates a visitor area where the publicly available records can be viewed.

MINING RECORDS

The Mining Records section contains the coal mine abandonment plans and other mining records and during the year 763 visitors viewed the collections as against 886 visitors the previous year. This figure excludes a number of school party visits made throughout the period. All visits were accommodated within four working days except at the visitor's own request.

The number of visitors viewing the electronically copied data by means of computer terminals at Mansfield increased from 65% to 80% in the year.

There was a small rise in the number of written requests received during the year. The total of 1,817 was the largest recorded for a single year since the office moved to Mansfield. The total answered within four working days was 1,791 (98.5%), in line with the KPI of 98%.

Scanning of abandonment plans is nearing completion with the total number of plans having been scanned exceeding 100,000. The overhead large-format scanning system, comprising six scan back cameras was commissioned in October 2005 and so far 6,500 of the large/fragile plans have been scanned.

With regard to the other scanning work, the Authority has in conjunction with the Health & Safety Executive obtained on a temporary basis the collections of official 'non-coal' abandonment plans that are held in the various County Archives throughout England and Wales. The scanning of the entire collection was completed by the end of April 2007 when in excess of 7,000 plans had been scanned.

RECORDS MANAGEMENT

The Authority's records management service continues to respond promptly and efficiently to the demands of internal departments and external stakeholders. A coal library facility is being developed and a major review of records disposal policies underway.

The Authority has worked with The National Archives (TNA) to successfully pilot the "Seamless Flow Project" for the electronic transfer of selected records for permanent preservation at TNA.

There has been a 75% growth in the Authority's Electronic Documents and Records Management (EDRM) electronic file store during the year.

ACCESS TO INFORMATION

The Authority is a "responsible person" under the Environmental Information Regulations 2004 and is subject to the Re-use of Public Sector Information Regulations 2005. The Authority responds to all requests for information except where this is constrained by confidentiality. A publication scheme under the Freedom of Information Act 2000 was published in November 2002. This scheme compliments the Authority's existing practices which adopt the principles set out in the Government paper "Modernising Government". During the year 28 requests for information were received under the access provisions. All have been complied with within the 20 working day time limit.

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

The Authority undertakes to respond to requests for information within two weeks where possible, and within four weeks at most. If that is not possible, it will explain the reasons for the delay to the enquirer. During the year the Authority received 37 letters from Members of Parliament and other public representatives (2006 – 45 letters). The average time taken to reply to such letters was under nine days, with all responses being submitted within the 20 working day target.

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

FUTURE ACTIVITIES

In the year ending 31 March 2008 the Authority expects to produce an estimated 600,000 coal mining reports within one working day of receipt in 90% of cases, in two working days in 93% of cases and five working days in 98% of cases. It anticipates issuing 90% of mining reports electronically by the end of the year.

The Authority will continue to seek to develop additional electronic receipt and delivery mechanisms to improve the service to stakeholders and investigate methods in which it may licence its information data sets.

The national coal mining database will be maintained and updated, including the correlation of mining data, to match the Ordnance Survey's Positional Accuracy Improvement Programme.

The Authority continues to strengthen its product base and mining service facility by identifying and exploiting commercial opportunities in collaboration with both private and public sector bodies working in the property search industry. Commercial work for both the public and private sector within the guidelines of the Government's Wider Markets Initiative and using the Authority's large scale scanning camera system has been successfully introduced and will continue to be exploited during the coming year.

Public Safety and Subsidence

The Authority manages public safety and subsidence issues through two teams. Surface Hazards investigate and remediate safety hazards and Subsidence review and remediate damage caused by subsidence.

SURFACE HAZARDS

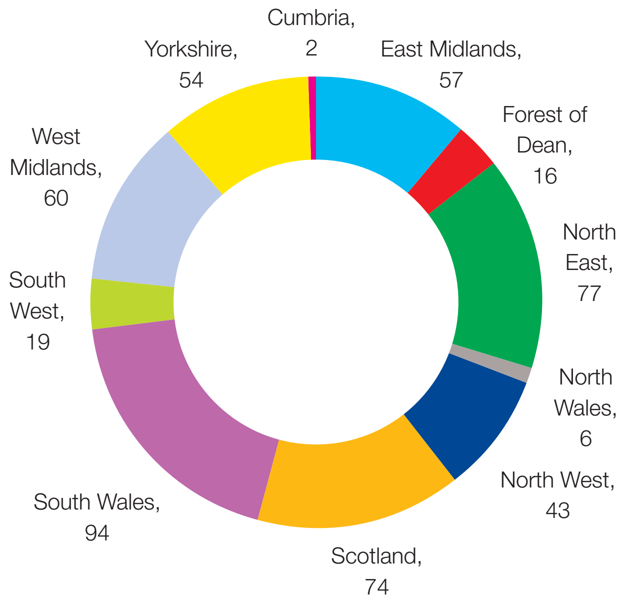
The Authority's surface hazards management team provides a 24 hour, 365 day emergency response service to incidents which pose a risk to the safety of the public that are associated with former coal mining operations. The team also manages 44 disused coal tips in the Authority's ownership and deals with a variety of other projects associated with the UK's coal mining legacy.

These projects and incidents include such occurrences as:

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

During the year 502 new projects were managed of which 364 were attended to as emergency call outs, 39% of which were found on investigation to be related to past coal mining, and subsequently received remedial works. Figure 2 sets out the number of projects by region. The Authority is assisted by the Mines Rescue Service Limited and term contractors in providing any required safety works. Occasionally a single project may require a number of separate features to be addressed. The number of individual features dealt with by the Authority in the year totalled 652.

Figure 2
Surface Hazards Projects by Region – April 2006 to March 2007



The types of project dealt with during the year were larger and more complex than previous years and this situation is being monitored. The Authority responded to 61 incidents associated with coal mineshafts of which 13 were within the boundary of properties. Expenditure on surface hazards work during the year totalled £3.1 million.

The Authority has set itself a number of key performance indicators which are set out in the table below.

The Authority achieved its targets on all but three occasions when traffic congestion caused the target to be missed by 24, 39 and 50 minutes.

The Authority continues to implement a policy of risk assessment to define the extent to which the Authority should act at each individual incident. Throughout this process the Authority balances risks with the extent of hazard posed, the likely safety impacts and the value for money.

The Authority has successfully completed two years of insourced tip management, with each of the 44 tips in its ownership being inspected at least twice a year on an established timetable in accordance with the Authority's own Code of Practice. Landscape aftercare continued through

Number of incidents attended to as emergency call outs	Mines Rescue informed within one hour of notifying call	Inspected within two hours of Mines Rescue Service receiving notifying call	Secured within six hours of original notification to the Authority, or longer by arrangement with stakeholders	Regional Engineer on site within 24 hours of original notification to the Authority
364	364	361	364	364
	100%	99.2%	100%	100%

the year on 12 tip sites where improvements or full restoration had previously been undertaken. The landscaping is becoming well-established on most of these sites with benefits for local communities and for wildlife. Two of the larger tip sites in England – Calverton and Littleton – have been identified as important for the conservation of rare species of butterfly. The Authority is co-operating with Butterfly Conservation to manage these sites in the best way to protect valuable habitats.

Since 2000 the Authority has planted over 400,000 trees on disused tips and as part of tip restoration works. The vast majority are in woodland planting, however, 5,000 trees were planted in hedgerows where growth is restricted. In excess of 40,000 shrubs have also been planted together with 40 hectares of heathland being sown and 500 square metres of wild flowers.

This insourced management structure continues to enable the team to deliver efficiency benefits including undertaking inspections of all the Authority's properties and liability sites throughout the year, replacing previously outsourced arrangements.

FUTURE ACTIVITIES

Public safety remains the Authority's number one priority and, as referred to in the Chair's Statement, it has commenced a review of the risk to public safety associated with the Authority's property and the manner in which it communicates those risks to stakeholders.

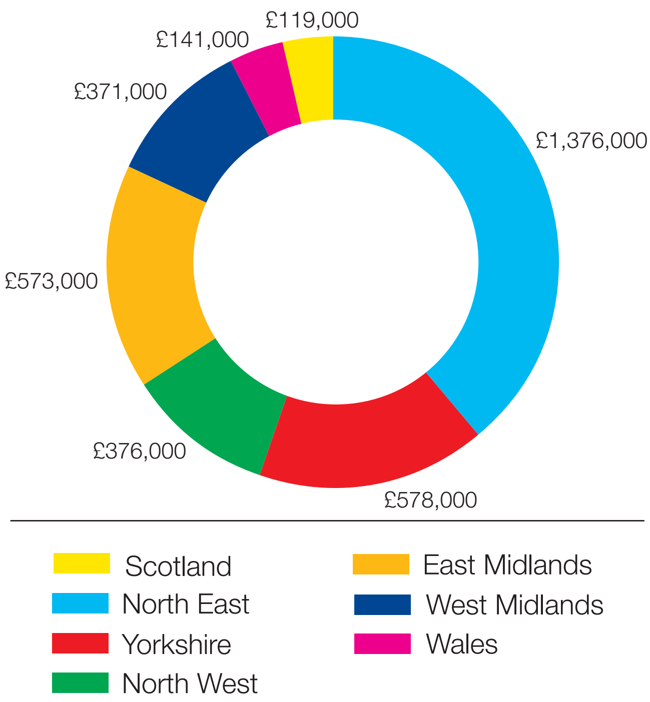
SUBSIDENCE

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

During the year, the Authority received 499 claims for alleged mining subsidence damage, a reduction of 130 from the previous year. Of these claims, 292 were from owners of domestic residential properties, the remaining being associated with statutory undertakings and commercial and agricultural operations. The Authority resolved 548 claims during the year, leaving a balance of 345 claims outstanding at the 31 March 2007.

Excluding the costs of refurbishing pumping stations, Bridgewater Canal repairs and the one-off payments for crop losses the cost of subsidence work during the year totalled £3.534 million. A breakdown of expenditure per region is set out in Figure 3.

Figure 3
Subsidence Expenditure by Region in 2006–2007



New claims received are becoming more complex to determine with many requiring physical investigation works to be carried out prior to the Authority being able to confirm whether the damage was caused by past coal mining. Loss adjusters are also becoming prevalent in this field of work which is leading to the number of new claims remaining constant.

It is envisaged that the number of new claims received for the financial year 2007–2008 will remain at around 500.

All subsidence claims are administered internally which has improved the control of claims management and lowered the cost of subsidence claim administration.

The Authority maintains its contracts with consultants, who provide specialist advice on claims, and employs term contractors throughout the country to undertake building, structural, land drainage and other remedial works.

The level of service provided to claimants is established by monitoring the number of justified complaints received from members of the public or their representatives. All complaints receive prompt attention within a specified time scale.

Where disputes arise, claimants can refer their dispute to the Lands Tribunal or Arbitration for resolution. The arbitration scheme is administered by the Chartered Institute of Arbitrators and offers a relatively quick and low cost scheme to members of the public who have residential subsidence claims. During the year there were eight awards made under this scheme and all but one were awarded in favour of the Authority.

The Authority deals with a number of complex and environmentally sensitive claims involving rivers, lakes, canals, churches and drainage schemes. The Authority uses specialist advisors such as the Environment Agency and English Nature to ensure that claims are dealt with in an environmentally sensitive and sympathetic manner considering both conservation and architectural heritage. It has also had to deal with a number of complex claims throughout the country which have required extensive investigations prior to determining liability.

Subsidence repair work in the North East.

Properties following completion of the work.

These claims have ranged from large value domestic properties to a stately home in Yorkshire.

The Authority also has a subsidence liability in respect of pumping stations and land which fall outside the parameters of the 1991 Act. The Authority has a liability to maintain over 40 pumping stations and associated watercourses which fall within the scope of the Doncaster Drainage Act 1929. During the year work commenced on refurbishing seven pumping stations of which four were completed by the year end.

The Authority also has a liability to maintain 11.5 km of the Bridgewater Canal under the Manchester Ship Canal (Bridgewater Canal) Act 1907. This is an ongoing liability to keep the "mining length" of the canal open and navigable.

FUTURE ACTIVITIES

The Authority will continue to employ experienced staff to deal with a wide range of complex and challenging issues who will have awareness of changing legislation and events that may impact on the Authority.

It will focus its resource on communicating the risks associated with subsidence with local authorities, planners and developers so that appropriate remediation can be undertaken prior to development in the coalfield areas of Britain, to reduce the risk of subsidence.

Environmental Projects

Environmental Projects manages the issues arising from minewater through a team that designs and develops property and a second team which build and operate schemes and pumping stations.

The Authority has 46 operational minewater treatment schemes remediating in excess of 150 kilometres of previously contaminated rivers and preventing contamination of a similar length of watercourse. Over 1,200 tonnes of iron per annum is being removed from the minewater before it enters the nation's watercourses.

The Authority seeks to build passive schemes whenever possible, however, there are discharges that require to be pumped and occasionally, due to the quality of water, active schemes have to be installed. Of the 46 schemes, three are highly technical active schemes, seven are pumped active, 21 pumped passive and 15 gravity passive. Five pumping stations and two minegas stations are also operated.

The Authority continues to maintain its close working relationship with the Environment Agency and the Scottish Environment Protection Agency to ensure that its minewater programme conforms to the requirements of the EU Water Framework Directive (WFD). It has representation on the mining sensitive River Basin District Liaison Panels which form an important part of the river basin planning process prescribed by the Directive.

Construction of four new schemes took place during the year at Lambley Farm and Allerdean Mill in Northumberland, Ewan Rigg near Maryport, Cumbria and Smithy Brook Park near Wigan, Lancashire. All were operational by the end of March 2007.

Planning consent for the active preventative scheme at Dawdon, County Durham was granted in June 2006, with detailed design work to allow construction contracts to be placed being substantially completed by the year end. The Business Case to spend in excess of £6 million on the scheme based on this design work was produced and approved by BERR. Site works commenced in June 2007. The construction of this scheme will provide a permanent solution to the rising minewater situation in the East of Wear mining block, thereby protecting the aquifer on which Northumbrian Water depends for 20% of its water supply for the North East.

A number of pumping stations were inherited from British Coal Corporation, the equipment for which required to be upgraded. Two projects were undertaken during the year, the results of which will enable the operating costs to be reduced. At Vinovium in County Durham the pumping operation has been replaced by a gravity drain to manage minewater levels and at Woolley in South Yorkshire the deep pumps have been upgraded to improve operational efficiency.

The Mousewater minewater treatment scheme in North Lanarkshire received a commendation in the Saltire Society awards for Environmental Sustainability of a construction project.

Monitoring of minewater and mine gas continues to play a central role in understanding and controlling rising minewater. A further seven new monitoring sites have been added to the network which stands at 732.

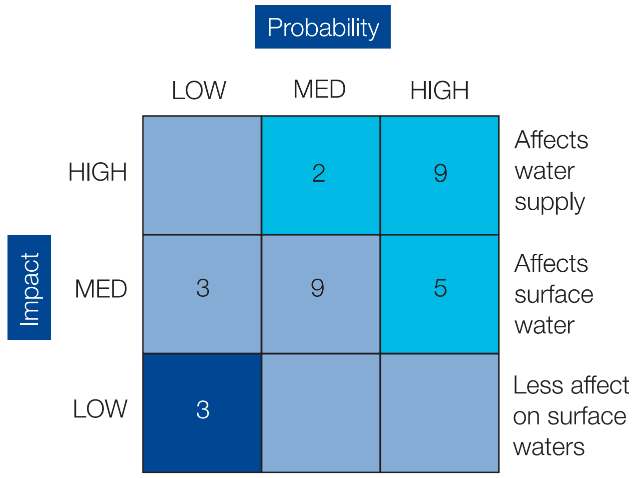
We are delighted that the Authority with Newcastle University and Atkins were awarded a two year contract by Defra to identify and prioritise the scale of water pollution and the risk of minewater outbreaks from non-coal abandoned mines in England and Wales. This demonstrates the expertise the Authority has developed in this area.

FUTURE ACTIVITIES

A formal review of the minewater programme was undertaken to ensure full compliance with the Directive, the results of which produced a comprehensive preventative and remediation programme over three consecutive cycles of the WFD up to 2026. Detailed budgets necessary to meet the programme of work for the period 2007–2008 to 2015–2016 were also developed as part of the review. The revised programme includes a further 84 existing minewater pollution sites that require remediation and has been endorsed by both of the environmental regulators. This forms the basis of the Authority's future work programme.

A preventative programme risk matrix based upon the probability of significant pollution occurring and the impact on the receptor was produced and is set out at Figure 4. There are 31 potential preventative sites required prior to 2015, 14 of which have a high probability and have been included in the Authority's build programme.

Figure 4
Preventative Programme Risk Matrix



- High impact schemes will potentially affect drinking and industrial water supplies.
- Medium impact schemes will potentially affect surface waters such as rivers, canals and streams.
- Low impact schemes would have a smaller but still significant impact upon surface waters.

Post feasibility and design work will be progressed to build up a portfolio of schemes for future years so that land acquisitions and securing planning consents are no longer constraints, allowing construction to be progressed as funding is made available.

Property Management

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

Licensing

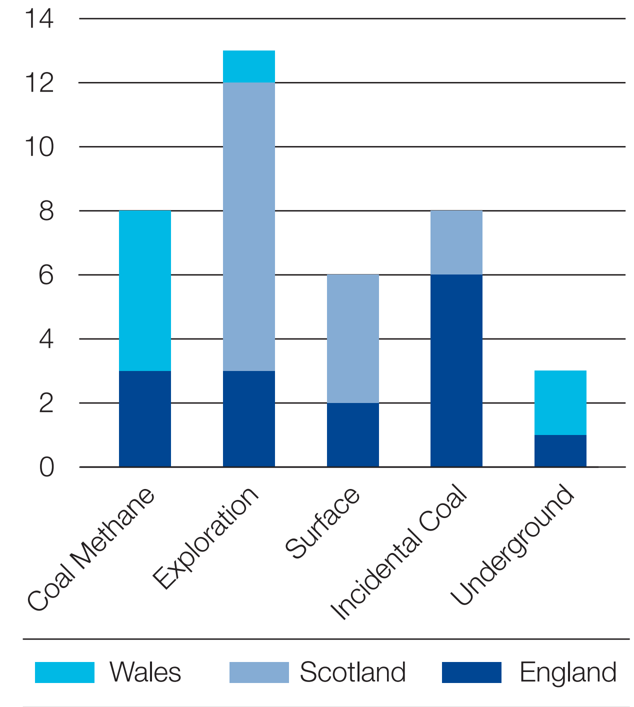
APPLICATIONS

During the year 38 new applications were made to the Authority for licences and agreements to enter its coal, a reduction of three (7%) on the previous year. A reduction of two applications in England and seven in Scotland was largely offset by an increase of six applications from Wales.

Applications relate to new projects as well as the continuation of existing operations where previous permissions have expired. Exploration applications dropped back sharply to 13 from the 21 received the previous year. This was due to the phasing of the surface mine operators' forward exploration programmes. There was also a drop in surface mining activity from nine applications in 2005–2006 to six in 2006–2007 although the future trends look better with several sites obtaining planning consent in the year.

Activity in the methane sector doubled from the previous year with eight applications; incidental coal agreements rose from six to eight whilst underground applications increased from one to three. However there was only one underground application relating to new mining, the others relating to a residual area following the transfer of Maltby Colliery to new owners and a permission to investigate a long closed small mine for possible re-opening in the future. A breakdown of the applications received is shown in Figure 5.

Figure 5
Applications Received in 2006–2007



During the period the Authority also received applications for 22 variations to existing licences and agreements. These variations included assignments to different operators, extensions to the licence period and changes or additions to licence areas, some of which were quite substantial, containing an additional 1.1 million tonnes of surface coal and 12.5 million tonnes of underground coal.

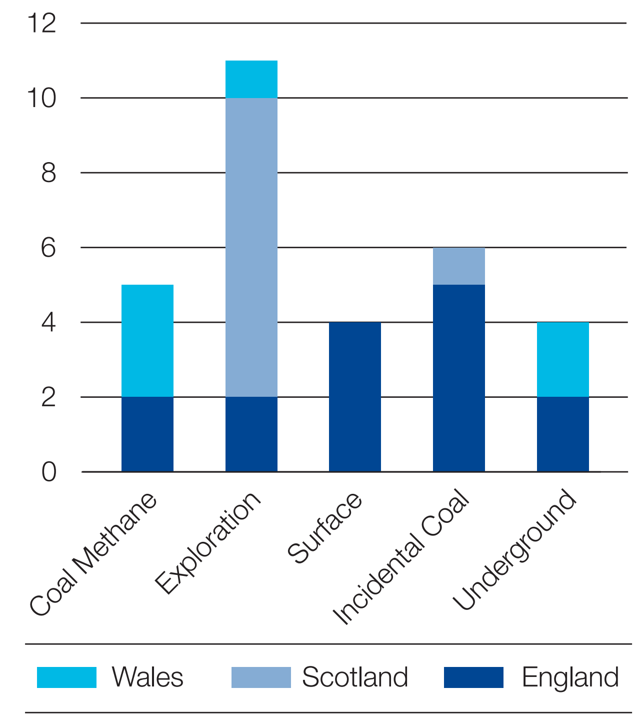
LICENCES AND AGREEMENTS GRANTED

There were 30 licences and agreements granted during the year, a reduction of seven from 2005–2006.

In addition six leases were granted in conjunction with surface and underground operating licences containing potentially 31.4 million tonnes of recoverable coal.

Figure 6 details the licences and agreements granted in 2006–2007.

Figure 6
Licences/Agreements Granted in 2006–2007



COAL PRODUCTION

Coal production in the year totalled 16.6 million tonnes, a substantial reduction in output from the previous year of 3.9 million tonnes (19%). There was a fall in output in both surface and underground sectors, surface mining reducing by 1.8 million tonnes (17%) to 8.4 million tonnes and underground reducing by 2.2 million tonnes (21%)

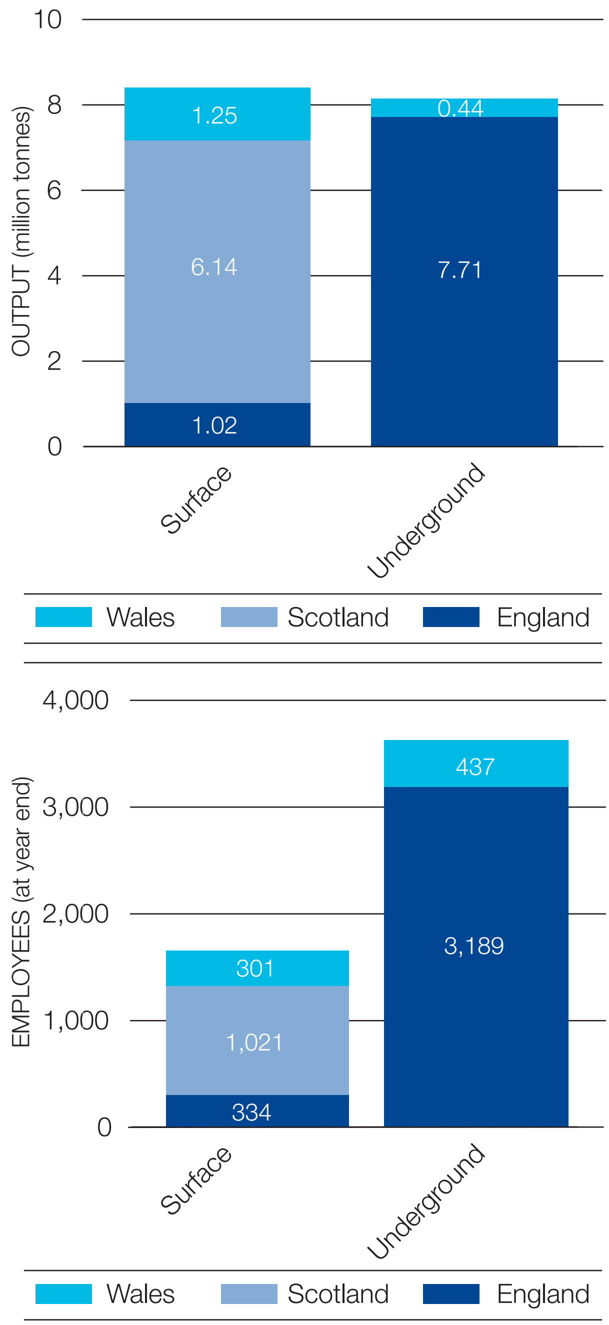
to 8.2 million tonnes. The overall decline was mainly due to reductions in English underground and Scottish surface output of 2.1 and 1.6 million tonnes respectively. English surface output also reduced by 0.2 million tonnes whilst in Wales the position remained almost static, surface output increasing by less than 0.05 million tonnes and underground output reducing slightly by 0.1 million tonnes.

At the end of March 2007 some 5,282 persons were reported as being employed at 31 producing or developing surface mines, 18 producing or developing underground mines and three sites or collieries on care and maintenance.

The production figures do not include coal produced from non-licensable activities such as tip washing and slurry recovery and also exclude output from sites with authorisation to dig and carry away coal in the course of non-coal mining activities. These sites, which include quarries, clay pits and industrial developments, produced some 13,572 tonnes of coal during the year.

The details of coal production and employees declared to the Authority in 2006–2007 are shown at Figure 7.

Figure 7
Coal Production and Employment



ASSESSMENT OF LICENSED TONNAGE

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

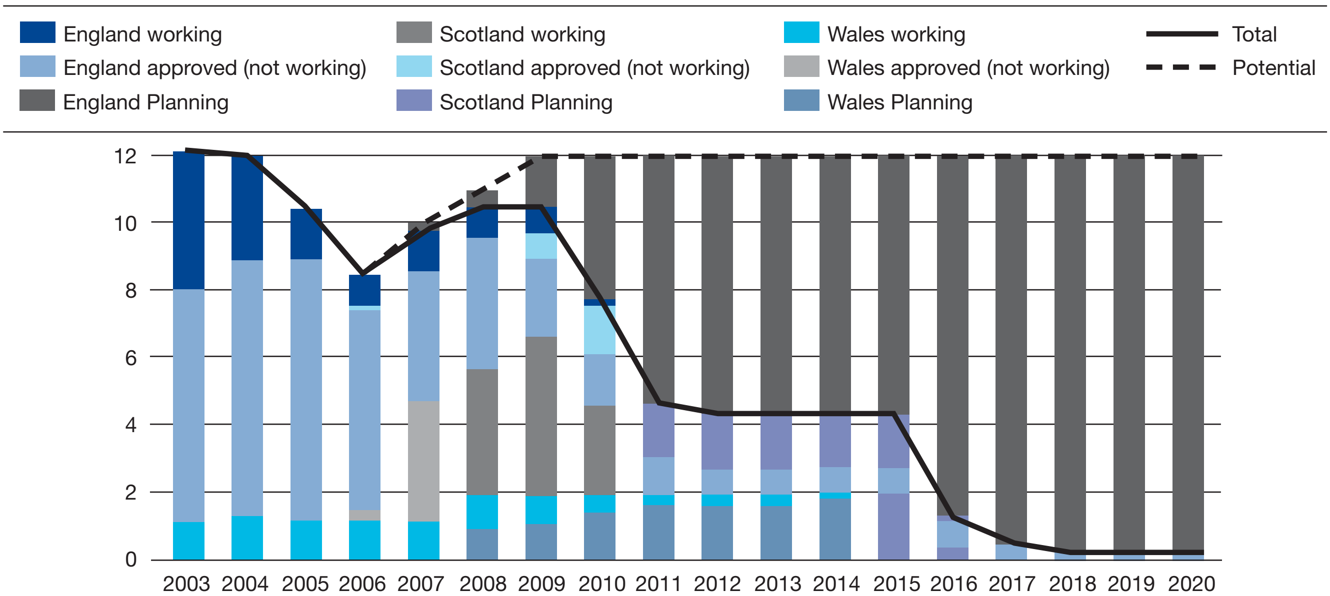
The table below illustrates the approximate tonnage of coal reserves and resources in underground and surface licences at March 2007. It includes reserves and resources of coal within licence at operating underground and surface mines; the coal within conditional licences and coal which, although still within licence, is located at closed mines.

ASSESSMENT OF COAL RESERVES & RESOURCES IN LICENCE						
Estimate of Reserves & Resources remaining in Licence in the U.K. (million tonnes)						
YEAR ENDING	UNDERGROUND			SURFACE		
	Operating	Closed *	Conditional	Operating	Closed *	Conditional
March 2007	143	183	57	43	3	3

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

Figure 8

Actual and Predicted Surface Production (million tonnes)
Sites working or developing at 30 September 2006 and those in planning process



Note: Estimated annual output from sites (while reserves exist): England 1.5mt, Scotland 7mt, Wales 2mt

Under the revised Planning Framework the Authority is seeking to become a consultee in the local authorities Development Plan process to ensure that economically viable indigenous coal reserves and resources are not unnecessarily sterilized and safety and stability issues are brought to their attention.

The Authority made a presentation to the Coal Forum on the coal resource in October 2006 which can be accessed on the BERR website at www.berr.gov.uk. This work included a review of the potential for surface mining to 2020. This has subsequently been updated and is shown at Figure 8. The industry through the Confederation of United Kingdom Coal Producers (Coalpro) briefed the Coal Forum of the potential coal production which could be achieved on a consistent basis for an indefinite period ahead if the conditions were right for both deep and surface mine extraction.

Significant Licensing Issues in 2006–2007

MARGAM WEST

Following a competitive process the Authority offered a conditional licence and option for lease to Corus. This offer was challenged by Abbey Mine Limited (AML), the unsuccessful bidder via Judicial Review proceedings. The full hearing took place in March 2007. Judgment was given in the Authority's favour by the High Court and leave to appeal was refused. AML subsequently applied to the Court of Appeal for leave to appeal. The application will be heard on 25 July 2007.

HATFIELD COLLIERY

The Authority re-licensed Hatfield Colliery in April 2006 and development work has now restarted at the mine following an £800 million partnership between Powerfuel, the licensees, and one of Russia's largest coal mining firms, Kuzbassrazrezugol. The colliery hopes to produce 2 million tonnes of coal per year by 2009 with a clean coal power station being developed on the site.

HARWORTH COLLIERY

Harworth Colliery was mothballed in June 2006. The decision given by the operators, UK Coal, was the inability to secure a sales contract to justify the investment necessary to access further coal reserves at the Colliery. The mine remained on care and maintenance with a skeleton workforce.

TOWER COLLIERY

The operators of Tower Colliery announced that the mine will close at the end of 2007 due to exhaustion of reserves. The mine has operated successfully since 1995 when, following closure by British Coal, the workforce bought the mine and re-opened it. A joint venture is now planned between Tower and the operators of the nearby Aberpergwm Colliery which will see workers from Tower transferring to Aberpergwm and expanding production there.

UNITY MINE

The licensees of the former Pentreclywdau South mine in Neath Port Talbot re-opened the mine in 2006, re-naming it Unity Mine. New jobs have been created and work is being carried out by employees and contractors to recover the mine. It is hoped to resume production in 2007.

ROSSINGTON COLLIERY

Rossington Colliery ceased production at the end of March 2006 and was put into care and maintenance. UK Coal stated that this was due to severe financial losses as a result of encountering geological problems and an inability to secure large capital investment to open up further reserves and improve the mine infrastructure. Following a period of salvage a decision was taken to close the mine and steps are being taken to seal the mine entries.

FFOS-Y-FRAN

This site in South Wales is the third and final phase of the "East Merthyr Land Reclamation Scheme", and the intention is to reclaim 370 hectares of derelict land for productive and beneficial use and produce around 10.8 million tonnes of coal.

Planning permission for the site was granted in February 2005 following a public inquiry but this was challenged and quashed on judicial review by the High Court in December 2005. The Welsh Assembly successfully appealed this decision at the end of 2006 and the permission was re-instated, but there was a further appeal to the House of Lords. The appeal was unsuccessful and the operators have started work on site.

COAL METHANE

There has been a revival in interest in the coal methane sector both in methane from abandoned mines (coal mine methane) and coal bed methane from unworked seams.

Composite Energy Limited in Scotland is developing a coal bed methane programme. New wells were established during the year and further wells and the construction of a power generation and water treatment plant are planned for 2007–2008.

Nexen Exploration UK established a coal bed methane development site in the North West of England which is on test and the company plan a programme of further wells on additional sites during 2007–2008.

Greenpark Energy developed its coal mine methane portfolio with work commencing at several sites. It also moved into coal bed methane with a project being undertaken on the borders of England and Scotland.

Established coal mine methane operator, Alkane Energy, also increased its number of operational sites.

UNDERGROUND COAL GASIFICATION

The benefits of underground coal gasification are the elimination of large scale mine infrastructure, absence of waste tips and the availability of the energy as a clean fuel gas as it can be processed to remove carbon dioxide. It can also provide access to large deposits of British coal which may otherwise not be exploited including substantial coal resources under the North Sea. Worldwide it is generating much interest but no projects are yet underway in the United Kingdom.

INSPECTIONS

The Authority and the Health and Safety Executive collaborated successfully to introduce working arrangements which reflect the spirit of the Hampton Review recommendations in respect of the inspection of operational mine sites.

FUTURE PLANS

The Authority will maintain an effective licensing service including securing adequate financial security.

Developments that could impact on the potential for further utilisation of the coal resource will be monitored and in the context of the 2007 Energy White Paper will foster an appreciation of the potential contribution of indigenous coal to secure and balanced energy needs.

Permissions

PERMITS TO ENTER OR DISTURB AUTHORITY MINING INTERESTS

During the year the Authority received 562 requests for permits to enter or disturb coal, mines of coal and other underground property in its ownership. This represents an increase of 169 (43%) on the previous year.

Following a review, it was found necessary to revise the fee structure for the granting of permits to better reflect the costs incurred by the Authority when considering applications. Accordingly, new fee arrangements, along with simplified application procedures were introduced on 1 April 2006.

Following the tragic incident at Dudley referred to in the Chair's Statement, the permissions process was reviewed in order to reconsider the public safety aspects of coal being entered and the possible hazards thereby created.

Estates

The Authority holds 1,700 hectares of land. The total receipts from property activities including land disposals, clawback and release of covenant receipts amounted to £3.3 million in the year. The disposal of the former Clipstone Colliery baths site in Nottinghamshire and a plot adjacent to the Authority's office at Mansfield for residential development generated proceeds approaching £1.5 million.

Income arising from clawback and release of restrictive covenants on past disposals by British Coal Corporation or the Authority amounted to £1.5 million. The income was down on previous years, a trend which is likely to continue as the clawback period on most of British Coal sales of land with commercial interest expires.

Some progress was made on acquisitions for minewater treatment schemes during the year; however, much work remains and may require the use of compulsory purchase powers where it is not proven possible to acquire land by negotiation.

FUTURE ACTIVITIES

The Authority will maintain effective control processes for the residual estate and its obligations and provide expertise throughout the business particularly to acquire land needed for future minewater schemes.

Change of Application of Accounting Policies

The Authority has changed the application of four accounting policies in the year which have had a material impact on the accounts.

ACCOUNTING FOR HISTORICAL OBLIGATIONS

As set out in the Chair's Statement and Notes 1 and 16 to the Accounts, the Authority has for the first time been in a position to estimate the full cost of managing its obligations in respect of minewater pollution. As a result of the implementation by Defra of the WFD, the Authority has developed a long term strategy based on monitoring and making scientific projections. The costs of this programme have been estimated using assumptions based on our experience to date.

FRS 12 requires obligations arising from past events to be provided for when reliable estimates can be made. As coal mining has created this obligation, and the obligation is clearly that of the Authority's, it has made a provision for £600.5 million at 31 March 2007 for the expected costs of managing minewater treatment over the next 100 years. Beyond this period the uncertainties in making estimates prevent any meaningful provisions being made.

Also during the year, a strategic review of subsidence pumping stations has been undertaken and a long term repairs and renewals programme agreed. This has enabled the Authority to calculate estimates of subsidence pumping costs.
A provision of £27.7 million at 31 March 2007 has been made for the costs of managing this obligation over the next 100 years.

The long term trend in the costs of managing subsidence, surface hazards and tips have also been analysed as the costs have stabilised. These clear trends have enabled the Authority to draw assumptions and estimate future levels of expenditure. A further provision of £216.1 million at 31 March 2007 has been established for the costs of managing these activities for the next 50 years. Forming assumptions beyond this period is impracticable given the number of uncertainties involved.

ACCOUNTING FOR CAPITAL ASSETS

The Authority owns land and buildings, such as minewater pumping, treatment and monitoring stations which it uses to manage its obligations. In previous years the Authority assumed that by their nature they have no intrinsic value and therefore no value was attributed to them in the financial statements.

Now that provision has been made for the obligation to manage the liabilities, these assets do have a value in that they enable the Authority to meet its obligations. It is now appropriate to capitalise the costs of these projects and allocate the costs by depreciation over their useful economic lives.

As a consequence, land has been capitalised together with post feasibility costs of design and construction of buildings, plant and machinery and civil engineering works relating to subsidence pumping stations and minewater treatment schemes.

Consequently additional assets with a net book value of £40.9 million have been recognised as at 31 March 2007.

ACCOUNTING FOR GRANT IN AID

HM Treasury introduced new guidance in the Government Financial Reporting Manual on accounting for Grant in Aid. Previously this was treated as income but shall now be treated as financing cash flow because it is regarded as a contribution from a controlling party, which gives rise to a financial interest in the Authority. The interest will be recognised in reserves and not as income on the face of the income and expenditure account.

This has no net impact on the net assets of the Authority.

ACCOUNTING FOR SECURITY FUNDS

Cash deposits are required from licensees to cover the future costs of settling subsidence liabilities, securing abandoned coal mines and to cover the debts and any other liabilities arising under a lease or licence that could revert to the Authority. These are returned after the licensees have fulfilled their obligations.

These cash deposits were treated as operating cash flow and reduced the need to call on grant in aid. Consequently receipts were credited to income and a notional recoverable balance due from BERR was recorded. Following the changes to grant in aid above, it is no longer appropriate to recognise Security Fund receipts as income. The notional recoverable balance of £2.4 million at 31 March 2006 has been written off to income and in future, receipts will remain as cash flow items being recorded in cash and amounts repayable to licensees on the balance sheet.

PRIOR YEAR ADJUSTMENT

In line with FRS 3 “Reporting Financial Performance”, due to the fundamental impact on previous years these changes have been affected by a prior year adjustment and have been reflected in our comparative results. Consequently, we have adjusted our comparative balance sheet at 31 March 2006 and opening reserves at 31 March 2005 and have amended the income statement for the year ended 31 March 2006.

Further background to the changes to provisions is set out below. Note 1 to the Accounts sets out the full impact of these changes.

RATIONALE FOR PROVIDING FOR LONG TERM LIABILITIES

The Authority’s principal activity is managing and remediating historical liabilities arising from coal mining. These include settling subsidence damage claims where liability does not fall on coal mine operators and historic liabilities, arising from ownership of coal and mines of coal, including dealing with minewater pollution.

Additional obligations have been passed to the Authority. These include the Doncaster Drainage Act 1929 (DDA 1929) – to pump water from an area of land which has suffered from subsidence, and the Bridgewater Canal Act 1907 (BWA 1907) – to maintain a canal that passes over land that has been lowered by subsidence.

A new obligation has recently been placed on the Authority by the EU Water Framework Directive, which requires water pollution to be remediated. As the owner of coal and many abandoned mines, the Authority has responsibility for remediating and preventing minewater pollution. Fulfilling these obligations has a cost which is met by cash outflows from BERR through the Authority.

FRS 12 requires that a provision should be recognised on the balance sheet when:

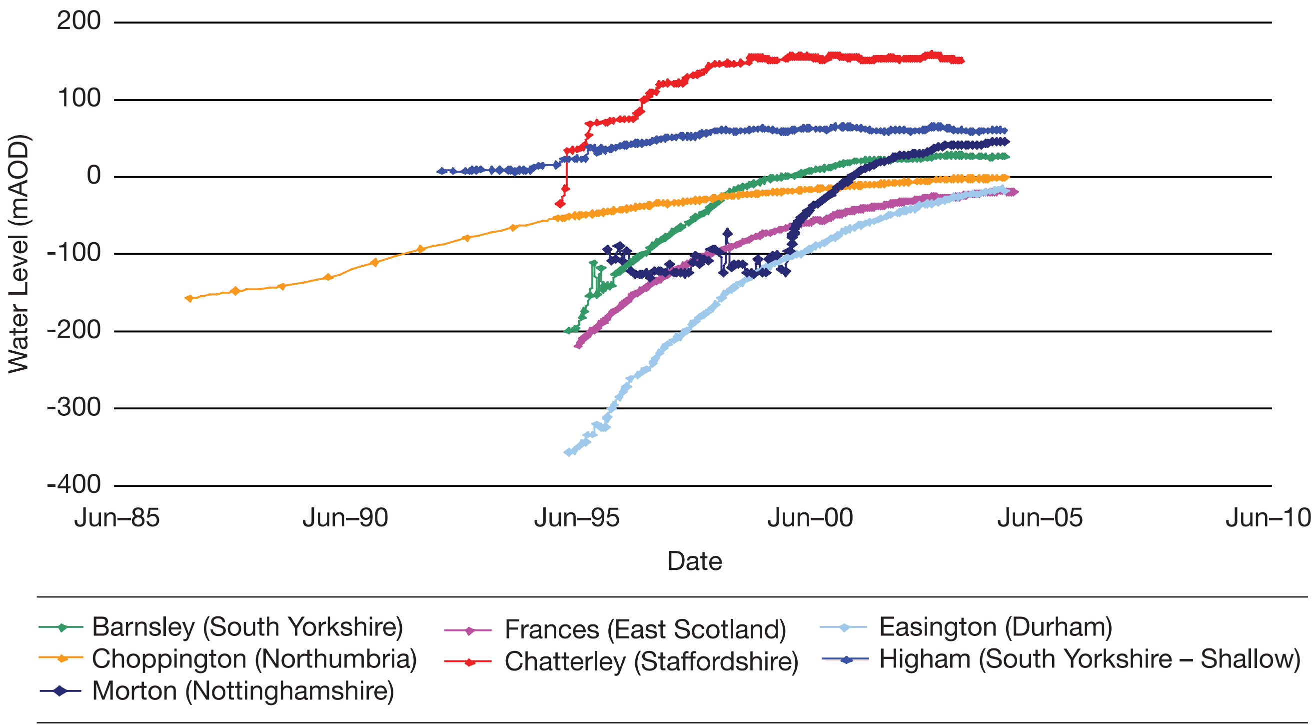
(i) A legal or constructive obligation has arisen as a result of a past event, and

(ii) It is probable that a transfer of economic benefit will be required to settle the obligation, and

(iii) A reliable estimate can be made of the amount of the obligation.

The Authority can now estimate from sufficiently reliable information the cost of meeting its obligations and believes that the conditions for providing under FRS 12 have been met. As set out below, there are uncertainties in drawing assumptions from trends and making estimates.

Figure 9
General UK Minewater Recovery Curves



However, the provision represents the best estimate by the Authority and these estimates and assumptions will be reviewed and updated annually as better information becomes available.

ENVIRONMENTAL PROJECTS – MINEWATER

For many centuries underground coal mining has had to manage water in order to operate. Water pumping was required at collieries to keep underground water levels artificially low while the mine was in operation. The pumped water arose from rainfall percolating through shallow strata to deeper workings, and also de-watering of strata around the workings.

The impact of mining is three fold:

(i) To increase the permeability of the strata by many orders of magnitude as roadways were driven through strata.

(ii) To allow oxygen access to a variety of strata based pollutants. The oxidised substances are then easily dissolved into recovering waters.

(iii) To lower the ground levels as subsidence occurred during the mining process.

In many cases, as mines closed pumping stopped and water levels recovered towards the surface. Water from flooded mine workings may, if left uncontrolled, break out on the surface at the lowest discharge point or migrate into underground water supplies in aquifers adjacent to the abandoned workings. Outbreaks of minewater may cause flooding and pollution to surface and ground waters.

There are around 50 recovering coal mine blocks, which are currently recovering at different rates. The recovery is being monitored at c730 monitoring points and follows a steady and predictable trend. The future impact of this recovery is well understood, as seen in Figure 9 and the timing can be predicted with reasonable certainty over a 20 year period.

POLLUTION

As water passes through the strata and abandoned mine workings it collects iron, chlorides and other pollutants. Polluted water has to be treated prior to it being discharged into a watercourse in order to comply with UK and EU legislation, for example by typically reducing the iron content down to 1mg/l. This requires pollutant reducing treatment schemes to be built and operated. At 31 March 2007, the Authority operates five pumping stations, two gas emission stations and 46 minewater schemes to manage these issues.

MINEWATER PROGRAMME REVIEW

The issue by Defra in August 2006 of the River Basin Planning Guidance led the Authority to evaluate its programme and, using eight years of experience in managing minewater, it has undertaken a review of all the available data and produced a risk based programme to manage the issue.

For the first time, the Authority is able to estimate with a fair degree of certainty, where and when outbreaks will occur, and how many schemes we will need to build to remediate and prevent pollution and the cost of doing so.

This programme review then led the Authority to consider its financial presentation of this obligation. The programme review demonstrated that:

- Historic coal mining has created the conditions for pollution to occur.
- Pollution can reliably be predicted by hydrologists and is demonstrably in the process of happening.
- The number of schemes required can be determined by reference to existing data provided by ongoing monitoring.
- An estimate can be made of the cost of the obligation for build costs and operating costs over the next 100 years. Beyond this period, the uncertainties prevent the estimation of a provision.

The significant uncertainties which relate to the future costs and timing of cash flows surround new technology, environmental regulations, price inflation of construction and other costs, positioning of schemes and related land costs and number of future preventative schemes required. Water will still be recovering in 100 years time, but these uncertainties prevent any estimates being made.

Consequently, we have made a provision under FRS 12 amounting to £600.5 million at 31 March 2007, being £329.4 million to comply with the WFD and operate and build all schemes by 2027, and £271.1 million to operate the schemes for the remainder of the 100 years.

IMPACT ON OTHER OPERATIONS

In the light of adopting this accounting treatment for minewater pollution, the Authority examined other areas of the business.

Many operational areas deal with managing and remediating historic liabilities or liabilities caused by coal mining. Applying similar principles, the Authority concluded that it is now in a position to be able to estimate the cash outflows of managing pumping stations, subsidence and surface hazards, and tip management. The Authority has been able to apply this accounting treatment in respect of these areas.

SUBSIDENCE PUMPING STATIONS

The Authority operates 72 subsidence pumping stations; some under the DDA 1929 and others are part of custom and practice in other areas.

The Doncaster area is situated on a perched water table where water is contained within the strata near to ground level. Mining has dropped the ground level and as a result the area is more susceptible to flooding and always will be. A system of dykes and pumping stations manage the water and flooding.

The Authority has obligations under the DDA 1929 to pay for all or part of the operation of Internal Drainage Boards (“IDB’s”) which manage the water system and run and maintain 46 pumping stations.

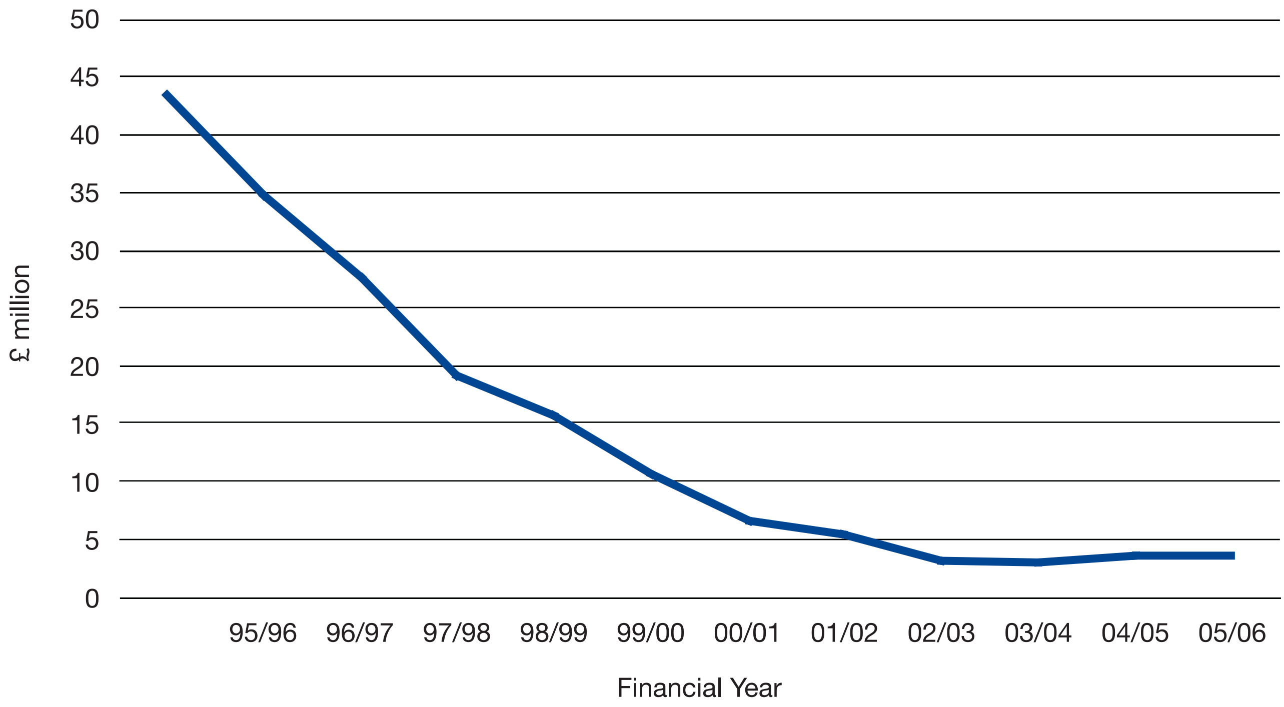
The remaining 26 stations in other areas have similar water issues and the cessation of pumping cannot be foreseen.

From time to time, significant one off costs are incurred in refurbishment and renewal of pumping stations. The Authority has concluded a review into the state of repair of pumping stations and agreed a rebuilding and refurbishment programme with the Internal Drainage Boards through to 2017–2018. Beyond this period, the need for and timing of further refurbishments is unclear. As with minewater above, operating costs for the next 100 years can be estimated.

The Authority believes that:

- The costs are stable and predictable.
- The issue of flooding will always need to be managed due to the geology and hydrology of the land.
- The obligation is firmly with the Authority under the DDA 1929 and the Coal Industry Act 1994 (1994 Act); and
- These costs cannot be avoided, as transferring ownership of these schemes to another body would need to be accompanied by a dowry.

Figure 10
Subsidence Claims (£ million) Residential and Non-Residential



Consequently the Authority has concluded that all operating costs over 100 years and capital costs to 2017–2018 should be provided under FRS 12. There are uncertainties in relation to the future costs and timing of cash flows surrounding the life of the stations and plant and machinery and what level of renewals will be required post 2017–2018. The liability remains the best available estimate at the present time. The provision amounts to £27.7 million at 31 March 2007, being £18.5 million to operate and refurbish stations through to 2017–2018 and £9.2 million to maintain and operate them thereafter.

COAL MINING SUBSIDENCE

Coal mining subsidence occurs when the overlying geological strata collapse into the void created by the removal of coal. This can result in damage to overlying land and buildings located in the zone of influence of such undermining.

The Coal Mining Subsidence Act 1991 established that, where the withdrawal of support has caused damage to land, building structures or works, the mine operator has a duty to remedy the damage by either: executing remedial work; paying costs for others to undertake remedial work; or pay depreciation in value payments. Written damage notice claims are required to be sent by the claimant but places a time limit of six years from the time when the damage was first noticed. The 1994 Act places the liability for subsidence onto the Authority where there is no licensed operator to settle the claims.

The Authority receives and settles damage claims to residential and non-residential property and land, including crop loss for land which has sunk and is periodically flooded.

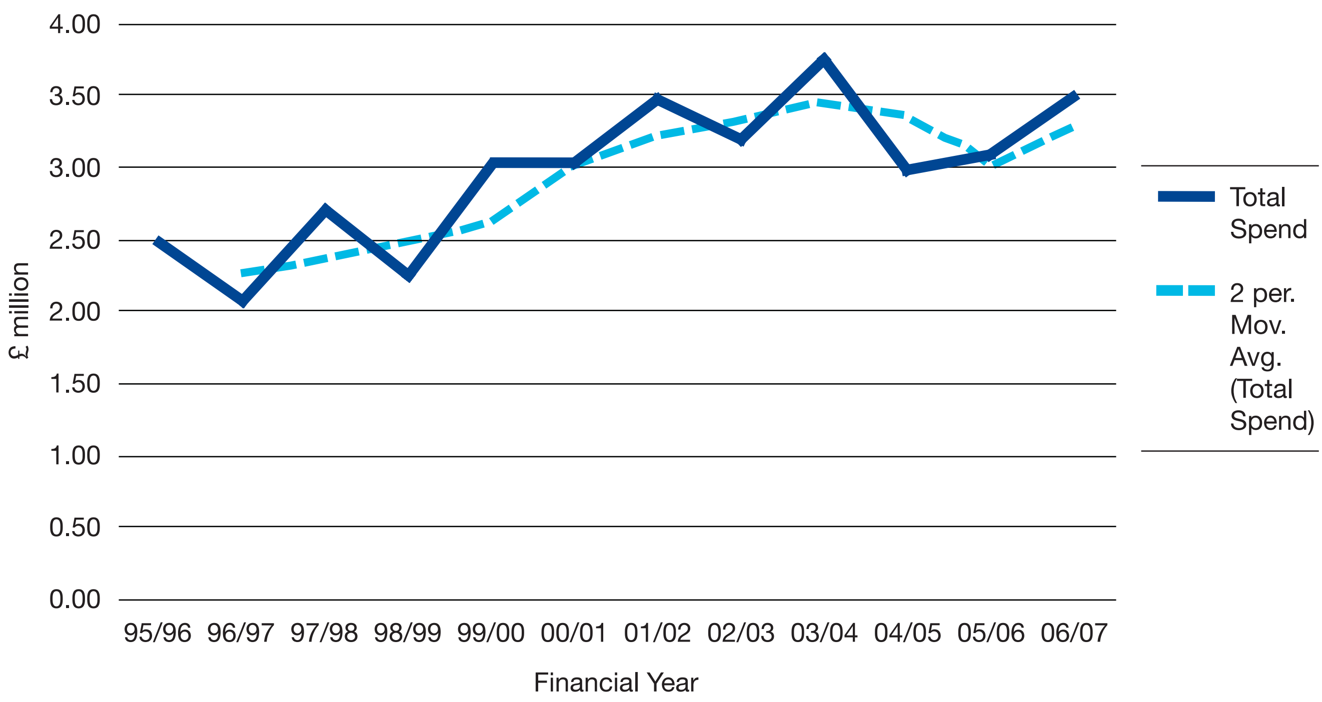
SUBSIDENCE TRENDS

The long term trend for treating claims is downwards as seen below. But the cost of treating claims has now stabilised and is expected to continue at this level into the future. The conditions for subsidence to occur will never be removed as the mining (withdrawal of support which is reasonably expected to cause damage) cannot be stabilised.

The Authority has reviewed the trend seen in Figure 10 and considers that the normalised cost of treating claims will remain stable at around £3.5 million per annum.

There are significant uncertainties in relation to the future costs and timing of cash flows relating to: new technology or methods of treatment which may be introduced; price inflation of contractor and material costs; new planning regulations to stabilise land prior to development; regeneration projects or land stabilisation programmes. Furthermore, a subsidence collapse and the damage it causes cannot be predicted. However, the shallow coalfields cover around 11% of the UK and the Authority believes that subsidence will continue to occur. Even though the position of the next collapse cannot be known the trends and related liability remains the best available estimate at the present time.

Figure 11
Surface Hazards Expenditure



CONCLUSION

The Authority has concluded that under FRS 12 provision should be made for the estimated future costs of remediating subsidence damage. Given the uncertainties, the provision will cover costs for a period of 50 years as the uncertainties are inherently higher than those for water pumping and treatment.

Based on the current normalised expenditure run rate of c£3.5 million per annum, and additional costs of treating abnormal claims, a provision of £107.6 million has been established at 31 March 2007. This provision will be reviewed annually in the light of changes to the experienced trend.

SURFACE HAZARDS

The Authority has a duty under the 1994 Act to have regard to the need to secure the safety of the members of the public from coal mining related hazards for which they are responsible.

SURFACE HAZARDS TRENDS

Figure 11 sets out the total spend on surface hazards and the two year average costs curve.

Contractors' costs were rising from £3 million to £3.5 million per year until work was insourced in 2004–2005 leading to rejection rates increasing and costs falling.

Claims received have been impacted by publicity events undertaken by the Authority and similarly, future projects and costs will be impacted by:

- Profile of the Authority – publicity of its duties has always led to an increase in claims.
- Need for the Authority to become more proactive in identifying and treating hazards before they are reported. A project team is currently reviewing this issue.

The trends above show that hazards are a regular occurrence, however, the location of hazards cannot be predicted from one year to the next, mainly because the coalfields are so large and there are so many potential hazards. The coalfields provide the conditions for hazards to continue to occur for many generations.

The Authority has reviewed the trend seen in Figure 11 and considers that the normalised cost of treating claims will stabilise at around £3.1 million per annum.

There are significant uncertainties in relation to the future costs and timing of cash flows as set out in relation to subsidence above. In addition to new damage, as time passes, shallow workings and shafts which have been treated in the past will need further remediation and monitoring.

It is difficult to predict where surface hazards will next occur. The profile and approach towards managing public safety of the Authority impacts the quantum of issues. The liability remains the best available estimate at the present time.

CONCLUSION

The Authority believes that under FRS 12 provision should be made. The provision will cover costs for a period of 50 years as the uncertainties are inherently higher than those for water pumping and treatment. The current estimate of normalised future annual costs is £3.1 million per annum for external contractors. A provision of £93.4 million has been established to cover this normalised run rate and foreseen abnormal claims.

TIP MANAGEMENT

Tips can become insecure if water or ground conditions make them unstable. The Authority has responsibility for 44 tips and keeps them secure, monitors water drainage, builds tunnels and ponds to capture the water run off, greens them and undertakes basic maintenance to culverts.

The cost being spent on tips has now stabilised and represents a profile that will be required to be spent for as long as the tip is there.

There are some uncertainties in relation to the future costs and timing of cash flows, particularly in respect of major repair projects following adverse weather conditions. The liability remains the best available estimate at the present time.

CONCLUSION

On the basis that the costs are the responsibility of the Authority, are unavoidable and can be reasonably estimated over a 50 year period, the Authority has concluded that under FRS 12 a provision should be made. The basis of the provision is the current projection of maintenance and major works project costs which are forecast to be £0.5 million per annum giving rise to a provision of £15.1 million.

OTHER HISTORIC LIABILITIES

The Authority manages and makes provision for other liabilities such as opencast site rehabilitation, closed colliery sites, spoil heaps and property liabilities. It will continue to provide for costs to meet these other known obligations when it is made aware of a site requiring rehabilitation, restoration or expenditure for safety and security reasons, and can reliably determine their costs.

SUMMARY OF CHANGE OF APPLICATION OF PROVISIONS POLICY ESTIMATES

The change in application of accounting policies has a fundamental impact on previous years and requires the Authority to restate its results and balance sheet for this year and the comparative period. Further details of its impact are set out in Notes 1 and 16 to the accounts. In summary, the provisions as at 31 March 2007 are set out below. Further information is provided in Note 16 to the accounts.

	£ million
Minewater costs to operate, develop and build	600.5
Subsidence pumping stations	27.7
Subsidence residential and non-residential in perpetuity	107.6
Surface hazards	93.4
Tip management	15.1
Total Discounted Provision	**844.3**

All material provisions are expressed at current price levels and discounted at 2.2%, the 2006–2007 rate specified by HM Treasury, to take account of the time value for money.

Provisions are reviewed annually at the year end to ensure all material liabilities have been provided. The long term trends used as the basis for making key assumptions will be examined in detail every year and when there is evidence of a revised trend the assumptions will be updated and the value of the provision will change.

The forecast undiscounted expenditure to 2030 underpinning the provisions is set out below. The Authority will report each year changes to the assumptions which have lead to a revision of the provisions value.

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

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

Financial Review

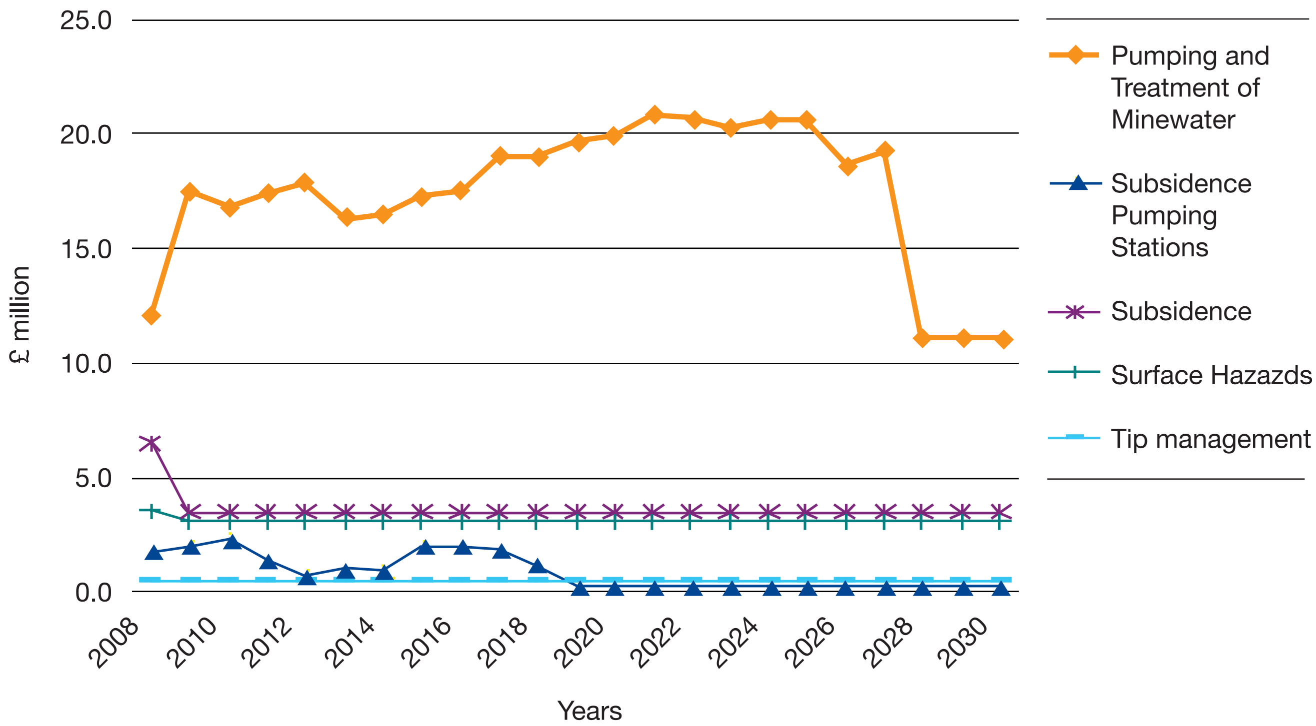
During the year ended 31 March 2007 the Authority earned £4.7 million (2006 – £12.5 million) from rents and the sale of surplus properties and £12.6 million (2006 – £11 million) from fees and charges for the provision of information and services. In addition, the Authority received £12 million (2006 – £27.2 million) of grant in aid directly from BERR. The Authority has changed a number of its accounting policies the impact of which is detailed in Note 1.

INCOME AND EXPENDITURE

Gross income for the year was £14.4 million (2006 – £12 million) and after administration expenses of £41.3 million (2006 – £250 million) a pre-tax operating deficit of £26.9 million (2006 – £238 million) is reported. In the prior year a change of £212.6 million was made due to HM Treasury reviewing the discount rate.

Profit arising on the sale of fixed assets was £2.8 million (2006 – £11.1 million). Gross proceeds were

Figure 12
Forecast Future Undiscounted Expenditure



£4 million (2006 – £11.7 million) with £1.9 million (2006 – £0.7 million) resulting from the sale of surplus properties and income of £2.2 million (2006 – £11 million) from restrictive covenants and clawback contained in the sale conditions of property formerly owned by British Coal Corporation.

Income of £11.4 million from the mining information services was £0.8 million above last year's level of £10.6 million due to an increase in report volumes. The activity produced a trading surplus before capital and other notional charges of £1.2 million compared with the previous year's surplus of £1.5 million.

There is no tax liability for the year (2006 – £1.9 million) mainly due to the use of capital losses against property disposals and clawback receipts.

A deficit arose on ordinary activities after taxation of £23.9 million (2006 – £226.6 million deficit) and after income surrendered a retained deficit of £24.2 million is reported (2006 – £228.9 million deficit).

BALANCE SHEET

Fixed assets increased by £2 million to £52.8 million (2006 – £50.8 million). Capital expenditure amounted to £5.7 million mainly in relation to the construction of minewater schemes and subsidence pumping station refurbishment. Depreciation amounted to £2.5 million.

Net current assets decreased by £7.8 million to a liability of £1.3 million due to a decrease in debtors of £3.3 million, and a decrease in cash of £4.5 million. The decrease in debtors relates mainly to the receipt of £3.9 million accrued clawback income. Cash balances have been reduced to meet normal operating requirements.

The increase in provisions for liabilities and charges of £5.6 million to £864.5 million was driven by two factors. First, minewater cashflow was increased for additional expenditure on the development of the Dawdon minewater treatment scheme. Second, an additional provision was recognised for increased costs for the Authority's 50 year rolling programme of obligations for subsidence on the Bridgewater canal.

GOING CONCERN

The balance sheet shows net liabilities of £814 million at 31 March 2007. This reflects the inclusion of liabilities falling due in future years which, as explained above, cover 50 and 100 years into the future. To the extent that they are not met from the Authority's other sources of income, they may only be met by future grants or grants in aid from the Authority's sponsoring department, BERR. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

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

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

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

OUTLOOK

The Authority is currently in discussion with BERR concerning its budgetary requirements and is participating in the 2008–2011 Comprehensive Spending Review to ensure that its non-discretionary expenditure can be funded. At the same time the Authority is reviewing efficiencies and pressing ahead with income generating opportunities.

Corporate Governance

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

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

BOARD OF DIRECTORS

As at 31 March 2007 the Authority has seven Members (four Non-Executive and three Executive) appointed by the Secretary of State for Trade and Industry.

Non-Executive Directors are appointed by BERR in-line with the Code of Practice issued by the Commissioner for Public Appointments. The members who served during the year were:

John Harris, CBE, DL, MA, LLM (Non-Executive Chair)

Appointed as Board Member 1 September 1999

Appointed as Chair 19 September 1999 – 18 September 2004

Re-appointed as Chair and Board Member to 30 September 2007

John Hawksley, FCA (Non-Executive Member)

Appointed as Board Member 17 April 2000 – 31 March 2005

Re-appointed as Board Member to 30 September 2008

Barrie Jones, CBE, PhD, BSc (Hons), CEng, FIMMM (Non-Executive Member)

Appointed as Board Member 22 May 2000 – 31 March 2005

Re-appointed as Board Member to 30 September 2009

David Lumley, FCCA

Appointed as Board Member from 1 July 2002 – 31 March 2005

Re-appointed as Board Member to 31 March 2008

Retired from the Authority on 31 May 2006

Helen Mounsey, PhD, BSc (Hons) (Non-Executive Member)

Appointed as Board Member from 7 November 2002 – 31 October 2007

Albert Schofield, OBE, BSc, FRICS, C. Dir

Appointed as Board Member from 1 December 1998 – 31 March 2000

Extended from 1 April 2000 – 31 March 2005

Re-appointed as Board Member to 31 March 2008

Retired from the Authority on 31 December 2006

Ian Wilson, FRICS

Appointed as Board Member from 26 November 2002 – 31 March 2005

Re-appointed as Board Member to 31 March 2008

Philip Lawrence, ACA, BSc (Hons)

Appointed as Board Member from 9 November 2006 – 31 March 2008

Stephen Pennell, Dip Dir

Appointed as Board Member from 9 November 2006 – 31 March 2008

Members of the Authority's Board are required under the Act and the Authority's own Codes of Practice to declare any interests which may potentially conflict with their roles within the Authority.

The Board meets formally a minimum of six times a year to determine the strategic direction of the Authority and informally in those months where no formal meeting is scheduled. The Board monitors the performance of the Authority; assesses risk; ensures value for money and that resources are utilised effectively; ensures that sound environmental policies and practices are developed and adopted; and ensures that the Authority is accountable to its stakeholders. A table showing attendance at these meetings and at meetings of the Audit Committee and the HR & Remuneration Committee is set out below.

Name	Board (12)	Audit (5)	HR and Remuneration (3)
Mr J C Harris	12	–	3
Mr J R Hawksley	12	5	3
Dr B Jones	12	5	3
Dr H M Mounsey*	11	4	3
Mr A Schofield	9 (out of 9)	–	1
Mr D J Lumley	2 (out of 2)	–	–
Mr I Wilson	12	–	–
Mr P J Lawrence	5 (out of 5)	–	1
Mr S Pennell	5 (out of 5)	–	–

* Missed one Board and Audit Committee meeting (same day) for family reasons.

The Authority held its eleventh annual public meeting in London in September 2006 where members of the Authority explained its work and answered questions from the public. This was preceded by an energy industry conference to which invited speakers made a number of presentations on energy related issues. The Authority's twelfth annual public meeting will be held in Edinburgh on 13 September 2007.

The meeting will commence with a conference at which invited speakers will address the audience on the role for coal in power generation, following which the Authority's public meeting will take place. Details of the meeting will be advertised in the local media and will appear on the Authority's website (www.coal.gov.uk).

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

COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee comprises three independent Non-Executive Directors under the chairmanship of Mr J Hawksley, a chartered accountant with the other members being Dr B Jones and Dr H Mounsey.

The Committee met five times during the year prior to Board meetings. These committee meetings were also attended by the Chief Executive, the Finance Director and the internal and external auditors. The Chair and Executive Directors were also invited to attend the meetings. The Committee also met with the auditors without the presence of the management.

The Committee has clearly defined terms of reference which outline its objectives and responsibilities relating to financial reporting, internal controls, risk management and the application of appropriate accounting policies and procedures. Specific responsibilities include reviewing and recommending for approval the Annual Report and Accounts, reviewing accounting policies, reviewing risk management and reviewing the strategy and results of the external audit. The terms of reference were reviewed and updated to meet the revised requirements set out in the Audit Committee Handbook published by HM Treasury on 13 March 2007.

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

RISK MANAGEMENT COMMITTEE

The Risk Management Committee met three times during the year and considered public safety and the role of the Authority and the risk management process. During the year it has refined the risk register to include greater detail on controls and sources of assurance. It also developed a risk assessment matrix.

HR AND REMUNERATION COMMITTEE

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

EXECUTIVE DIRECTORS' COMMITTEE

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

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

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

Health and Safety

The Authority has a duty under the Health and Safety at Work Act 1974 to ensure the health and safety of its employees and of other persons who may be affected by its work activities. The Authority's Health and Safety Policy Statement is backed up with a detailed Health and Safety Management System and the management structure is suitable to ensure effective health and safety arrangements within the organisation. This is underpinned by effective staff involvement, effective communication and the promotion of competence.

The Health and Safety Management System was independently audited by Internal Audit during the year and the system was classified as satisfactory by the auditors.

The key health and safety goals identified for 2006–2007 were achieved and the Health and Safety Committee have agreed further goals for 2007–2008.

Public safety remains the top priority within the Authority and work on reviewing the associated public safety risks was undertaken in 2006–2007 and this is scheduled for completion during 2007–2008.

The Safety, Health & Environment Advisor undertook 35 health, safety and environmental audits on the Authority's contractors and work towards improving particular areas of concern was addressed.

To further strengthen the emphasis on health and safety management and promote continuously improving standards amongst the Authority's contractors, an annual award for health and safety will be presented at the Authority's public meeting in Edinburgh on 13 September 2007.

The Authority is proud that its staff have not suffered reportable accidents and no enforcement action was taken against the Authority by health and safety enforcing bodies during 2006–2007.

FUTURE ACTIVITIES

Further work and commitment towards improving the health and safety management system will seek to ensure a safer working environment for staff and others affected by the Authority's activities.

The Authority will actively participate in the European Week for Health and Safety in October 2007.

Environment

The Authority has an Environmental Policy Statement and Management System which embrace the environmental management standard, ISO 14001. Formal accreditation to the standard will be considered during 2007–2008.

Climate change is one of the biggest challenges facing society today and in facing this challenge, the Authority has commenced work towards critically evaluating its carbon footprint. With the aid of more energy efficient technologies and improved planning, a number of opportunities exist for reducing the carbon footprint. Renewable energy sources provide 30% of the Authority's electricity demands and a 10% reduction (based on 2005-2006 data) has been set for the energy use at the Mansfield Headquarters site by the end of 2007–2008.

The Authority has, through its Environment Group chaired by Dr Helen Mounsey, reviewed the Government Sustainable Development Strategy and will be implementing the requirements set out in the Strategy into its Environmental Management System in order to monitor consultants and contractors against these requirements. The Authority adheres to the requirements set out in Guidance for Public Authorities on Implementing the Biodiversity Duty.

The Authority did not incur regulatory action from its activities for breaches of environmental legislation during 2006–2007 and environmental training has been undertaken by staff to further raise environmental awareness.

The Authority's Safety, Health & Environment Advisor identified that environmental awareness amongst the Authority's contractors is generally good. Two annual awards will be presented at the Authority's public meeting in Edinburgh for environmental management and continuous improvement in environmental standards.

FUTURE ACTIVITIES

The Authority takes its environmental role seriously and sets challenging targets for environmental performance. It will continue to promote environmental improvement.

P J Lawrence
Member, Chief Executive and Accounting Officer

ACCOUNTING OFFICER'S REPORT

The Authority presents its report and audited financial statements for the year ended 31 March 2007. The Accounts have been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 ("the Act"). The Report and Accounts will be laid before Parliament on 25 July 2007 and presented to the Annual Public Meeting on 13 September 2007.

Functions, Duties, Powers and Prohibitions of the Coal Authority

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

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

Duties

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

Licensing and Leasing Coal

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

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

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

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

Property Management and Disposal

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

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

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

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

Subsidence

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

Provision of Information

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

Directions by the Secretary of State

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

Powers and Prohibitions

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

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

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

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

Review of Operations

The Chair's Statement and the Management Commentary on pages 1 to 43 give a summary of the Authority's activities during the year and the future outlook.

Supplier Payment Policy

The Authority observes the principles of the Better Payment Practice Code and aims to pay valid invoices within 30 days of receipt or as agreed with suppliers. In the year ended 31 March 2007, this was achieved for 99% of invoices.

Board Members and their Interests

The Board members who served during the year were:

Mr J C Harris
Mr J R Hawksley
Dr B Jones
Mr P J Lawrence (appointed 9 November 2006)
Mr D J Lumley (retired 31 May 2006)
Dr H M Mounsey
Mr S Pennell (appointed 9 November 2006)
Mr A Schofield (retired 31 December 2006)
Mr I Wilson

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

No Board member of the Authority has any financial interest in the Authority. A Register of Interests is maintained which is open to the public to view at the Authority's Mansfield Office or can be accessed at www.coal.gov.uk. Any related party transactions are provided in Note 24 to the Accounts.

Authority's Executive Directors' Committee

The Executive Directors' Committee comprised:

Mrs S A Brook Shanahan	Solicitor and Secretary
Mr P J Lawrence	Director of Finance from 1 June 2006 and Chief Executive from 1 January 2007
Mr D J Lumley	Director of Finance to 31 May 2006
Mr S Pennell	Director of Mining Information and Services
Mr A Schofield	Chief Executive to 31 December 2006
Mr I Wilson	Director of Mining Projects and Property

Donations

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

Employee Involvement

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

A Values and Behaviours Charter has been developed by staff and approved by the Board and was officially launched on 7 July 2006.

Employment

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

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

Pensions and Other Post Retirement Benefits

Former and current employees who have chosen to join are covered by the provisions of the Principal Civil Service Pension Scheme which is a defined benefit scheme and is both unfunded and non-contributory. The accounting policy is given in Note 2 to the Accounts and further information about the Scheme is provided in the Remuneration Report and Note 6 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 £39,000.

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
20 July 2007

REMUNERATION REPORT

Introduction

This report has been prepared in accordance with the Government Financial Reporting Manual which introduced the requirement for a Remuneration Report for the year ended 31 March 2007. The report is made by the Accounting Officer on behalf of the Board on the recommendations of the HR and Remuneration Committee.

HR and Remuneration Committee

The Authority has established a HR and Remuneration Committee whose membership comprises all of the Non-Executive Directors and the Chief Executive. The Committee's Terms of Reference prescribe that the Chief Executive shall not be present when his remuneration and conditions of employment are being considered. They also annex an Annual Cycle of Business and require a minimum of two meetings per year. The members were: Barrie Jones (Committee Chairman), John Hawksley, Helen Mounsey, John Harris and Albert Schofield to 31 December 2006 and Philip Lawrence from 1 January 2007.

The HR and Remuneration Committee has terms of reference approved by the Board and is responsible for determining and keeping under review the performance related pay structure for all staff of the Authority and approves the 'pay remit' for submission to the Secretary of State for Business, Enterprise and Regulatory Reform.

Remuneration Policy for the Executive Directors

With the exception of the Chief Executive, the Executive Directors remuneration is subject to the 'pay remit' approved by the Secretary of State. The HR and Remuneration Committee determine and review the remuneration of the Chief Executive.

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 Remuneration Committee. Appraisal of performance is based on the achievement of defined Specific, Measurable, Achievable, Realistic and Timely (SMART) objectives which are assessed against a number of performance scores. The level of performance determines the rate of progression through the salary scale and the level of unconsolidated bonus payable under the Corporate Bonus Scheme.

Executive Directors' Contracts

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

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

	Date appointed as Director	Notice Period
Mr A Schofield	1 September 1994	6 months
Mrs S Brook Shanahan	1 January 1998	6 months
Mr D J Lumley	20 July 2001[1]	6 months
Mr I Wilson	5 October 2001[2]	6 months
Mr S Pennell	17 January 2005[3]	6 months
Mr P Lawrence	2 May 2006[4]	6 months

1 commenced employment with the Authority on 1 June 1998
2 commenced employment with the Authority on 1 October 1994
3 commenced employment with the Authority on 31 October 1994
4 appointed Chief Executive with effect from 1 January 2007

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

The following paragraphs of the Remuneration Report have been audited by the National Audit Office.

Non-Executive Directors

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

Fees Paid	Contract End Date	2007 £	2006 £
Mr J C Harris, Chair	30 September 2007	41,257	40,372
Mr J R Hawksley	30 September 2008	10,861	10,625
Dr B Jones	30 September 2009	10,861	10,625
Dr H M Mounsey	31 October 2007	10,861	10,625
		73,840	**72,247**

Executive Directors' Remuneration

Salaries	2007 £	2006 £
Mr A Schofield (to 31 December 2006)[1]	95,210	121,789
Mrs S Brook Shanahan	95,822	92,080
Mr D J Lumley[2]	16,306	87,990
Mr I Wilson	88,879	85,631
Mr S Pennell	81,501	76,312
Mr P Lawrence[3]	85,750	–
	463,468	**463,802**

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

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

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

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

Left to right: John Hawksley, Sally Brook Shanahan, Barrie Jones CBE, Philip Lawrence, Ian Wilson, John Harris CBE, Stephen Pennell and Helen Mounsey.

Executive Directors' Pension Entitlements

	Real increase in pension and related lump sum at age 60 £000	Total accrued pension at age 60 as at 31 March 2007 and related lump sum £000	CETV at 31 March 2006 £000	CETV at 31 March 2007 £000	Real increase in CETV after adjustment for inflation and changes in market investment factors £000
Mr A Schofield	0 – 2.5 plus 2.5 – 5 lump sum	15 – 20 plus 45 – 50 lump sum	351	395	21
Mr D J Lumley	0 – 2.5 plus 2.5 – 5 lump sum	5 – 10 plus 20 – 25 lump sum	172*	167	4
Mr I Wilson	0 – 2.5 plus 2.5 – 5 lump sum	10 – 15 plus 35 – 40 lump sum	226	259	24
Mr S Pennell	0 – 2.5 plus 2.5 – 5 lump sum	5 – 10 plus 30 – 35 lump sum	168	198	25
Mrs S Brook Shanahan	0 – 2.5 plus 2.5 – 5 lump sum	10 – 15 plus 30 – 35 lump sum	145	167	19
Mr P Lawrence	0 – 2.5 plus 0 lump sum	0 – 2.5 plus 0 lump sum	0	13	11

* The CETV at 31 March 2006 has been restated from the previous value of 175k due to revaluation.

The Executive Directors' pension benefits are provided through the Civil Service pension arrangements. They have opted to join the classic scheme. The employer's contribution to the schemes amounts to 25.5% of salary. The pension entitlement shown above for the serving members is that which would be paid annually on retirement based on services to 31 March 2007. Columns 3 and 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Further information as to the terms of the schemes are given in Note 6 to the Accounts.

P J Lawrence
Member, Chief Executive and
Accounting Officer
20 July 2007

FINANCIAL STATEMENTS

STATEMENT OF THE AUTHORITY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

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

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

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

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

P J Lawrence
Chief Executive and Accounting Officer
20 July 2007

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

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

A process of accountability has been agreed with the Department for Business, Enterprise and Regulatory Reform through the Management Statement that involves:

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

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to Handle Risk

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

The Authority's risk management philosophy and policy document, including procedures for risk reporting, are held on the Authority's intranet which is accessible by all staff. The policy sets out the Authority's attitude to risk and defines responsibilities and roles throughout the organisation. The Personnel Performance Management System links individuals' objectives to the Authority's business objectives and the risks of not achieving them.

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

4. The Risk and Control Framework

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

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

5. Review of Effectiveness

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

The following review and assurance mechanisms are in place:

- The Authority has adopted a set of high level objectives which are cascaded to departmental and individual objectives through the Performance Management System ensuring that performance against objectives and the risk of non-achievement are monitored and reviewed at an individual level. Half yearly reports are provided to the Board on progress against these objectives.
- Monthly reports to the Board on performance against key targets and comparison of actual financial results against budgets together with latest forecasts of outturns.
- Quarterly departmental review by Risk Managers of the risk register and progress with the risk action plan.
- Quarterly review and validation by the Risk Management Committee of the report from the Risk Managers on risk issues and progress with the action plan.
- Twice yearly reports from the Risk Management Committee to the Audit Committee which reviews the significant risks and any major issues or changes in risks.
- Annual report via the Audit Committee to the full Board on risk management procedures including the significant risks, details of any control failures together with corrective actions planned or executed. Additionally the Board ask each Executive to complete a Statement of Assurance confirming compliance with the Authority's policies, procedures and risk management processes.
- Reports from the Environment Group and Health and Safety Committee.
- The Authority outsources the internal audit function to KPMG LLP who operate to Government Internal Audit Standards. They submit regular reports to the Audit Committee which include their independent opinion on the adequacy and effectiveness of the system of risk management control and governance arrangements, together with recommendations for improvement as appropriate. The internal audit work assesses the adequacy of internal controls in addressing the risks and confirms that the controls are operating as intended.
- A confidential method of reporting any suspected fraud or other misfeasance to the Chairman of the Audit Committee.

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

P J Lawrence
Member, Chief Executive and Accounting Officer
20 July 2007

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 2007 under the Coal Industry Act 1994. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Coal Authority, Chief Executive and Auditor

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

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

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

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

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

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

Basis of Audit Opinion

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

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

Opinions

AUDIT OPINION

In my opinion:

- the financial statements give a true and fair view, in accordance with the Coal Industry Act 1994 and directions made thereunder by the Secretary of State, of the state of the Coal Authority's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Coal Industry Act 1994 and directions made thereunder by the Secretary of State; and
- information given within the Annual Report, which comprises the Chair's Statement, the Management Commentary and the Accounting Officer's Report, is consistent with the financial statements.

AUDIT OPINION ON REGULARITY

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

Emphasis of Matter – Provisions

Without qualifying my opinion I draw attention to the disclosures made in Note 16 concerning the uncertainties in the likely costs in respect of the Coal Authority's liabilities for Subsidence Pumping Stations, Subsidence Claims, Minewater

Treatment, Surface Hazards Claims and Tip Management totalling £865 million. It is not possible to quantify with certainty the settlement of these liabilities or the impact on the Coal Authority's future financial results.

Report

I have no observations to make on these financial statements.

John Bourn	National Audit Office
Comptroller and	157–197 Buckingham Palace Road
Auditor General	Victoria
23 July 2007	London
	SWIW 9SP

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2007

	Note	Year to 31 March 2007 £000	Year to 31 March 2006 As restated (see Note 1) £000
Gross income			
Operating income	3	14,419	12,003
Total gross income		14,419	12,003
Administration expenses	1,3	(41,309)	(249,994)
Operating deficit	3,5	(26,890)	(237,991)
Profit on disposal of fixed assets	4	2,791	11,126
Interest receivable	7	238	559
Interest payable	8	(16)	(286)
Deficit on ordinary activities before taxation		(23,877)	(226,592)
Taxation on deficit on ordinary activities	9	–	(1,931)
Capital charge	25	28,445	24,778
Surplus/(Deficit) on ordinary activities after taxation		4,568	(203,745)
Income surrendered	10	(349)	(365)
Write back of capital charge		(28,445)	(24,778)
Retained deficit for the year	17	(24,226)	(228,888)

In both the current and preceding years, the Authority had no discontinued operations.
Notes on pages 63 to 89 form part of these accounts.

STATEMENT OF RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 MARCH 2007

	Note	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Prior period adjustments	1		228,888
Surplus arising on revaluation of fixed assets	11,12	1,358	645

BALANCE SHEET

31 MARCH 2007

	Note	31 March 2007 £000	31 March 2007 £000	31 March 2006 As restated (see Note 1) £000	31 March 2006 As restated (see Note 1) £000
Fixed Assets					
Investment properties	11	**607**		1,737	
Other tangible fixed assets	12	**52,210**		49,082	
			52,817		50,819
Current Assets					
Debtors: amounts falling due within one year	13	**2,763**		6,103	
Cash at bank and in hand	19	**2,218**		6,693	
		4,981		12,796	
Creditors					
Amounts falling due within one year	14	**(6,234)**		(6,297)	
Net current Assets/(Liabilities)			**(1,253)**		6,499
Total Assets less Current Liabilities			**51,564**		57,318
Creditors					
Amounts falling due after more than one year	15		**(1,040)**		(1,564)
Provisions for Liabilities and Charges	16		**(864,517)**		(858,879)
Net Liabilities			**(813,993)**		(803,125)
Capital and Reserves	17				
Corporation liability fund			**–**		144
Investment property revaluation reserve			**462**		1,550
Revaluation reserve			**1,901**		793
Income and expenditure account			**(816,356)**		(805,612)
			(813,993)		(803,125)

These financial statements were approved by the Authority on 20 July 2007

Notes on pages 63 to 89 form part of these accounts.

Signed on behalf of the Authority

J C HARRIS CBE
Chair

P J LAWRENCE
Member, Chief Executive and Accounting Officer

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2007

	Note	Year to 31 March 2007 £000	Year to 31 March 2007 £000	Year to 31 March 2006 As restated (see Note 1) £000	Year to 31 March 2006 As restated (see Note 1) £000
Net Cash Outflow from Operating Activities	18		**(16,875)**		(13,537)
Returns on Investment and Servicing of Finance					
Interest received		**238**		559	
Interest paid		**(46)**	**192**	(171)	388
Taxation			**(882)**		(3,385)
Capital Expenditure					
Payments to acquire tangible fixed assets	11,12	**(5,730)**		(16,443)	
Receipts from sales of tangible fixed assets	4	**7,189**	**1,459**	8,177	(8,266)
			(16,106)		(24,800)
Income Surrendered to Government	10		**(369)**		(372)
Cashflow for Financing Activities					
Grant in aid			**12,000**		27,169
(Decrease)/Increase in Cash	19		**(4,475)**		1,997

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

1. Change of Application of Accounting Policy

As set out in the Management Commentary, the Authority has changed the application of four accounting policies in the year.

In previous years, provisions were not made for minewater subsidence pumping stations or tip management as there was insufficient reliable data on which to base estimates. Subsidence and surface hazard provisions were only made for known claims or incidents as conclusions on future trends could not be drawn. For reasons set out in the Management Commentary, assumptions and estimates can now be made in order to comply with FRS 12 and provisions have been recorded for the obligations which the Authority manage.

This change led the Authority to reconsider its capitalisation policy. As future obligations are now recognised as provisions, spend on treatment schemes and pumping stations used to mitigate and manage these obligations have been capitalised.

Changes in accounting for grant in aid and security fund receipts have been made following changes introduced through the Government Financial Reporting Manual.

The impact of these changes on net liabilities and the Income Statement are set out below.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

£000's	As at 31 March 2005 (Net liabilities)	Year ended 31 March 2006 (Retained surplus/deficit)	As at 31 March 2006 (Net liabilities)	Year ended 31 March 2007 (Retained surplus/deficit)	**As at 31 March 2007 (Net liabilities)**
As previously/as otherwise reported	(9,535)	400	(8,490)	(11,923)	**(19,055)**
Provisions					
Tip Management	(12,059)	(3,195)	(15,254)	183	**(15,071)**
Surface Hazards	(72,052)	(20,661)	(92,713)	1,326	**(91,387)**
Subsidence Claims	(76,409)	(25,573)	(101,982)	689	**(101,293)**
Minewater	(430,686)	(163,832)	(594,518)	(5,955)	**(600,473)**
Subsidence Pumping Stations	(21,479)	(2,535)	(24,903)	23	**(25,842)**
	(612,685)	(215,796)	(829,370)	(3,734)	**(834,066)**
Capitalisation					
Minewater Treatment Schemes					
– Cost	23,168	14,010	37,178	3,653	**40,831**
– Depreciation on cost	(1,728)	(667)	(2,395)	(792)	**(3,187)**
Sub Pumping Stations					
– Cost	1,523	7	2,419	–	**3,379**
– Depreciation on cost	(32)	(23)	(55)	(57)	**(111)**
	22,931	13,327	37,147	2,804	**40,912**
Grant in Aid	–	(27,169)	–	(12,000)	**–**
Security Funds	(2,762)	350	(2,412)	627	**(1,784)**
Sub total	(592,516)	(229,288)	(794,635)	(12,303)	**(794,938)**
	(602,051)	**(228,888)**	**(803,125)**	**(24,226)**	**(813,993)**

Of the increase in deficit of £229,288,000 in 2005–2006, £229,173,000 relates to the operating deficit (see Note 3) and £115,000 relates to interest receivable.

The change of provisions estimates increases net liabilities by £612,685,000 as at 31 March 2005. In the year ended 31 March 2006, HM Treasury amended the discount rate from 3.5% to 2.2% leading to an increase of provisions of £212,618,000. Due to this and the unwind of the discount rate, the increase of net liabilities at 31 March 2006 was £829,370,000.

The effect of unwinding the discounted provisions increased them by £17,410,000 and £17,834,000 for the years ended 31 March 2006 and 2007 respectively.

In effecting the prior year adjustment, it is assumed that the key assumptions remained appropriate throughout the period.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

The change in the application of capitalisation policy reduces net liabilities by £22,931,000 at 31 March 2005 and by £37,147,000 at 31 March 2006.

Grant in aid is no longer taken to the Income Statement but is recorded as a financing item in reserves. Consequently, the net income reduces by £27,169,000 and £12,000,000 for the years ended 31 March 2006 and 2007 respectively.

Security funds are cash deposits required from licensees to cover the future costs of settling subsidence liabilities, securing abandoned coal mines and to cover the debts and any other liabilities arising under a lease or licence that could revert to the Authority. These are returned after the licensees have fulfilled their obligations.

These cash deposits were treated as operating income and reduced the need to call on grant in aid. Consequently receipts were credited to income and a notional recoverable balance due from BERR was recorded. Following the changes to grant in aid above, it in no longer appropriate to recognise security fund receipts as income. The notional recoverable balance of £2,412,000 at 31 March 2006 has been written off to income and in future, receipts will remain as cash flow items being recorded in cash and amounts repayable to licensees on the Balance Sheet.

None of the changes affect operating cash flow with the exception of grant in aid which is now recorded as a financing item and is not within operating cash flow.

2. Accounting policies

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified by the revaluation of fixed assets, and in accordance with the accounts direction, given by the Secretary of State for Business, Enterprise and Regulatory Reform pursuant to Paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 on 23 May 1996. The accounts direction requires compliance with accounting standards as issued or adopted by the Accounting Standards Board, and with all applicable Companies Act provisions and in accordance with the 2006-2007 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow the generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The Authority is not required to include a note showing historical cost profits and losses as described in FRS 3. A departure from the provisions of the Companies Act is described under Investment Properties below.

TANGIBLE FIXED ASSETS

CLASSES OF ASSETS

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

Head Office freehold land and buildings.

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

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

Fixtures and fittings which are used at Head Office.

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

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

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

MODIFIED HISTORIC COST

Except for Head Office freehold land and buildings which are carried at open market valuation assets are carried at modified historical cost.

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

The MHCA exercise has shown that for the first time there is a material effect on the net book value of fixed assets so the differences have been reflected as a current year adjustment. Net liabilities have reduced by £554,000.

INITIAL COST

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

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

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

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

DEPRECIATION/IMPAIRMENT

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

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

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

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

INVESTMENT PROPERTIES

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

The Authority also holds freehold land at sites with potential coal reserves below the surface. No value is attributed to these unworked coal reserves.

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

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

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 Secretary of State for Trade and Industry pursuant to Section 12 of the Coal Industry Act 1994. The assets and liabilities included in these restructuring schemes are stated at their net book values, as previously stated in the financial statements of British Coal, under the accounting policies adopted by the Authority, except for the mining records database, mining assets and other fixed assets which were revalued by the Authority at the transfer dates, the revaluation being credited to a revaluation reserve.

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

PROVISIONS FOR LIABILITIES AND CHARGES

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

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

MINEWATER TREATMENT

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

(i) All minewater treatment schemes required to remediate pollution currently identified by environmental regulators. The Authority has identified 65 schemes and these have been included in the strategy to be built by 2027 in order to comply with the EU Water Framework Directive (WFD) requiring the restoration to good ecological status of controlled waters.

(ii) A further 17 schemes forecast to be needed to prevent the occurrence of new pollution. These forecasts are based on scientific data of rising minewater levels across the coalfields. Schemes are programmed to be built prior to pollution occurring in order to comply with the WFD requiring the prevention of any deterioration of controlled waters.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

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

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

SUBSIDENCE PUMPING STATIONS

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

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

SUBSIDENCE DAMAGE LIABILITIES AND SURFACE HAZARDS

The Authority expects to settle subsidence claims and surface hazards for a considerable period of time as the conditions for subsidence and surface hazards will always be in existence. The costs of expected future claims and hazards are based on the historical normalised trends which, in the opinion of the Authority, form the best estimate of the future. Provision is made for these costs for the next 50 years as the uncertainties are inherently higher than those for water pumping and treatment. Specific significant claims which are outside of the normalised trend are additionally provided for. Once costs have been incurred accruals are made and the provision utilised.

TIP MANAGEMENT

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

The cost trend has now stabilised and represents a profile that will be required to be spent for as long as the tip is there. The Authority believes that this will last for a considerable period of time and has provisioned for the cash flows for the next 50 years. Beyond this period the inherent uncertainties prevent a provision being recorded. The basis of the provision is the current projection of maintenance and major works project costs.

OTHER LIABILITIES

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

DISCOUNTING

All material provisions are expressed at current price levels and discounted at 2.2%, the 2006–2007 rate specified by HM Treasury, to take account of the time value for money.

REVIEW OF TRENDS AND ASSUMPTIONS

Provisions are reviewed annually at the year end to ensure all material liabilities have been provided. The long term trends used as the basis for making key assumptions will be examined in detail every year and when there is evidence of a revised trend the assumptions will be updated and the value of the provision will change.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

The Authority will report each year on the changes to the assumptions which have lead to a revision of the provisions value. The level of provisions is sensitive to the trend. For example, should predicted costs for subsidence, surface hazards or tip management increase or decrease by £1 million per annum, the total provision over 50 years in current day prices would increase or reduce by £30 million.

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

The trends represent costs external to the Authority such as consultants and contractors. Trends do not include internal costs such as payroll as the Authority is largely a contract manager setting and implementing strategy and project managing outsourced consultants and contractors.

GROSS INCOME

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

GRANT IN AID

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

ROYALTIES AND MINING INCOME

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

SECURITY FUND

Cash deposits may be required from licenses to cover the future costs of settling subsidence liabilities, securing abandoned coal mines and to cover the debts and any other liability arising under a lease or licence that could revert to the Authority. If the licensees fulfil their obligations, the deposits are returned, together with interest accrued under the terms of the lease/licence.

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

CORPORATION LIABILITY FUND

Small mine operators licensed under Section 36 of the 1946 Act were required to make non-refundable deposits to the British Coal Corporation to cover the future costs of making mining sites secure where the operators did not fulfil their obligations. Cash required each year for this purpose is provided from grant in aid. The Corporation Liability Fund recognises the Authority’s resulting liability for these costs. The fund is debited with the security costs incurred each year as charged to the income and expenditure account, and amounts no longer required are credited to the income and expenditure account. This fund was fully utilised at 31 March 2007.

OPERATING LEASES

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

DEFERRED TAXATION

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

PENSION AND OTHER POST RETIREMENT BENEFITS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Authority recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not the responsibility of the Coal Authority.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

3. Analyses of income, operating deficit and net assets

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

Year to 31 March 2007	Operating income £000	Administrative expenses £000	Operating surplus/(deficit) £000	Net assets/ (liabilities) £000
Class of business				
Continuing operations:				
Mining Information Services	**11,397**	**(10,241)**	**1,156**	**4,333**
Public Safety and Subsidence	**69**	**(12,086)**	**(12,017)**	**(249,188)**
Environmental Projects	**1,211**	**(15,975)**	**(14,764)**	**(559,170)**
Property Management	**1,742**	**(3,007)**	**(1,265)**	**(9,968)**
	14,419	**(41,309)**	**(26,890)**	**(813,993)**

Year to 31 March 2006	Operating income £000	Administrative expenses As restated (See Note 1) £000	Operating surplus/(deficit) As restated (See Note 1) £000	Net assets/ (liabilities) (See Note 1) £000
Class of business				
Continuing operations:				
Mining Information Services	10,580	(9,036)	1,544	8,145
Public Safety and Subsidence	25	(67,557)	(67,532)	(248,740)
Environmental Projects	9	(165,251)	(165,242)	(558,918)
Property Management	1,389	(8,150)	(6,761)	(3,612)
	12,003	(249,994)	(237,991)	(803,125)

The operating deficit report last year for 2005–2006 of £8,818,000 has increased by £229,173,000 to £237,991,000 as a result of the restatements explained in Note 1. Net liabilities reported at 31 March 2006 of £8,490,000 have increased by £794,635,000 to £803,125,000.

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

4. Profit on disposal of fixed assets

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

	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Sale of investment properties	**1,882**	688
Clawback relating to previous disposals	**2,178**	11,018
Sale of other assets	**4**	5
Total income	**4,064**	11,711
Book values	**(1,273)**	(585)
Profit	**2,791**	11,126

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.

Investment property income of £196,196 and clawback income of £587,791 were accrued but not received at 31 March 2007 (31 March 2006 – clawback income of £3,909,000) as legal completion occurred before 31 March 2007 with majority of the proceeds received in May 2007.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

5. Operating deficit

	Year to 31 March 2007 £000	Year to 31 March 2006 As restated (see Note 1) £000
Operating deficit is after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	**2,464**	2,140
Assets written off	**599**	–
Devaluation of fixed assets	**752**	
Rentals under operating leases		
Hire of plant and machinery	**317**	220
Other operating leases	**198**	462
Travel and subsistence	**381**	359
Auditors' remuneration		
Audit fees	**39**	33
Other services	**–**	–

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

6. Employees

	Agency No.	Direct No.	**Year to 31 March 2007 Total No.**	Year to 31 March 2006 Total No.
Average number of persons employed by the Authority including agency staff and Executive Directors:				
Licensing	–	5	**5**	5
Mining records and reports	2	49	**51**	54
Subsidence and historic liabilities	1	59	**60**	60
Administration and support services	1	44	**45**	45
	4	157	**161**	164
Staff costs incurred during the year in respect of employees were:	£000	£000	£000	£000
Wages and salaries	–	4,893	**4,893**	4,644
Social security costs	–	403	**403**	389
Other pension costs	–	945	**945**	870
Agency staff costs	61	–	**61**	146
	61	6,241	**6,302**	6,049

PENSIONS

All employees of the Authority are members of one of the Principal Civil Service Pension Schemes (PCSPS) for the year ended 31 March 2007. The PCSPS are unfunded multi-employer defined benefit schemes but the Coal Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation. Normal employers' contributions of £944,798 were payable in the year to the PCSPS (2006 – £869,655) at one of four rates in the range 17.10% to 25.50% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classis plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

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

The Coal Authority also operates an Early Retirement Scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. The Coal Authority bears the costs of those benefits until normal retiring age of the employees retired under the Early Retirement Scheme. The total pensions liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee until normal retiring age are then charged annually against the provision.

7. Interest receivable

	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Other interest receivable	**238**	559

8. Interest payable

	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Interest on security fund deposits	**104**	115
Other interest payable/(release of accrual)	**(88)**	171
	16	286

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

9. Tax on deficit on ordinary activities

	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Current taxation		
UK corporation tax charge for the year	–	2,118
Adjustments in respect of prior periods	–	(187)
Tax on surplus on ordinary activities	–	1,931

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

	Year to 31 March 2007 £000	Year to 31 March 2006 £000 (As restated)
Surplus/(Deficit) on ordinary activities before tax	(23,877)	(226,592)
Tax at standard rate 30%	(7,163)	(67,978)
Factors affecting charge:		
Capital allowances in excess of depreciation	587	(401)
Expenses not deductible for tax purposes	307	241
Movement in short term timing differences	(8,300)	1,832
Increase in loss not provided	15,672	1,203
Capital gains adjustments	(837)	(631)
Non taxable income	(266)	(994)
Prior period adjustments	–	(187)
Restatement	–	68,846
Current tax charge for period	–	1,931

Deferred tax assets have not been recognised in respect of timing differences relating to accelerated capital allowances, provisions and tax losses, as there is insufficient evidence that the assets will be recovered. The amount of the assets not recognised is £253,102,197 (2006 – £245,212,733). The assets would be recovered if it was considered to be more likely than not that there would be suitable taxable profits from which any future reversal of the underlying timing differences could be deducted.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

10. Income surrendered

	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Total cash appropriated in year	369	372
Amounts received this year by the Coal Authority that were accrued in the previous year	(88)	(95)
Amounts accrued this year	68	88
	349	365

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

11. Investment properties

	Freehold land and buildings 31 March 2007 £000
Cost or valuation	
At beginning of year	1,737
Disposals	(1,269)
Adjustment arising on revaluation	139
At 31 March 2007	607

The internal Estates Managers and the Directors of the Authority have reviewed the valuations at 31 March 2007 and, where appropriate, adjustments have been made to reflect current market values.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

12. Other tangible fixed assets

	Freehold land and buildings £000	Minewater schemes £000	Fixtures and fittings £000	Equipment and IT £000	Subsidence pumping stations £000	Assets under construction £000	Totals £000
Cost of valuation							
As originally stated	4,146	2,166	511	18,264		108	25,195
Change in accounting policy (Note 1)		31,040			1,017	7,541	39,598
As restated	4,146	33,206	511	18,264	1,017	7,649	64,793
Additions		2,400		289	879	2,162	5,730
Transfers		4,569		56	928	(5,553)	–
Disposals				(49)			(49)
Revaluations		1,316	41	(1,098)	(17)		242
At 31 March 2007	**4,146**	**41,491**	**552**	**17,462**	**2,807**	**4,258**	**70,716**
Accumulated depreciation							
As originally stated	290	301	146	12,525			13,262
Change in accounting policy (Note 1)		2,394			55		2,449
As restated	290	2,695	146	12,525	55		15,711
Charge for the year	82	1,124	60	1,142	56		2,464
Disposals				(44)			(44)
Impairment				599			599
Revaluations		133	5	(362)			(224)
At 31 March 2007	**372**	**3,952**	**211**	**13,860**	**111**	**–**	**18,506**
Net book value at 31 March 2007	**3,774**	**37,539**	**341**	**3,602**	**2,696**	**4,258**	**52,210**
At 31 March 2006	3,856	30,511	365	5,739	962	7,649	49,082
At 31 March 2006 originally stated	3,856	1,865	365	5,739	–	108	11,933

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

Freehold land and buildings have been valued by external Chartered Surveyors (Lambert Smith Hampton, multi disciplinary chartered surveying practice, based on existing use value on 31 March 2006 with estimated value of £4.45 million) in accordance with RICS guidelines during the past five years. The Directors of the Authority have reviewed the valuations at 31 March 2007 and considered there were no material changes and therefore no adjustments have been made to reflect existing use values.

Assets under construction consist of work in progress with the construction of 16 minewater treatment schemes (£3.7 million) and the refurbishment of seven subsidence pumping stations (£0.5 million). Equipment and IT includes Mining Information Database of £10 million which has been fully depreciated. It also includes software of £2,629,000 which is depreciated over five years.

13. Debtors

13(a) Analysis by type

	2007 £000	2006 £000 As restated
Amounts falling due within one year		
Trade debtors	**328**	419
Other debtors	**393**	453
Prepayments and accrued income	**2,042**	5,231
	2,763	6,103

13(b) Intra-Government Balances

Amounts falling due within one year

	2007 £000	2006 £000
Balances with other Central Government Bodies	**393**	453
Balances with Local Authorities	**427**	374
Balances with public corporations and trading funds	**776**	5
Sub-total: Intra-Government Balances	**1,596**	832
Balances with bodies external to Government	**1,167**	5,271
Total Debtors at 31 March	**2,763**	6,103

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

14. Creditors: Amounts falling due within one year

14(a) Analysis by type

	2007 £000	2006 £000
Trade creditors	1,505	673
Corporation tax	–	882
Other creditors	752	704
Amounts repayable to Government	71	88
Accruals and deferred income	3,906	3,950
	6,234	6,297

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

14(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007 £000	2006 £000	2007 £000	2006 £000
Balances with other Central Government Bodies	80	1,117	–	–
Balances with Local Authorities	464	112	–	–
Balances with Public Corporations and trading funds	107	–	–	–
Sub-total: Intra-Government Balances	651	1,229	–	–
Balances with bodies external to Government	5,583	5,068	1,040	1,564
Total Creditors at 31 March	6,234	6,297	1,040	1,564

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

15. Creditors: Amounts falling due after more than one year

	2007 £000	2006 £000
Other creditors payable		
In more than one year, but not more than two years	**206**	626
In more than two years, but not more than five years	**516**	573
In more than five years	**318**	365
	1,040	1,564

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

The movements on cash security funds during the year were:

		2007 £000	2006 £000
Opening balances	(Note 15)	**1,564**	1,764
	(Note 14)	**704**	851
		2,268	2,615
Unpaid at the beginning of year		**–**	(2)
Receipts during the year		**334**	96
Interest during the year (Note 8)		**104**	115
Repayments to licensees during the year		**(922)**	(556)
Unpaid at the end of year		**–**	–
Closing balance		**1,784**	2,268
Note 15		**1,040**	1,564
Note 14		**744**	704
		1,784	2,268

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

16. Provisions for liabilities and charges

	At 31 March 2006 £000	Prior Year Adjustment £000	Restated (Note 1) £000	Created in year £000	Released in year £000	Utilised in year £000	Unwinding of discount £000	**At 31 March 2007 £000**
Subsidence pumping stations	2,809	24,903	27,712	34	(57)	(511)	537	**27,715**
Subsidence claims	6,547	101,982	108,529	1,179	–	(4,457)	2,388	**107,639**
Minewater	–	594,518	594,518	1,268	(1,041)	(6,507)	12,235	**600,473**
Surface hazards	1,226	92,713	93,939	1,044	–	(3,620)	2,067	**93,430**
Tip management	–	15,254	15,254	168	–	(687)	336	**15,071**
Other total	18,927	–	18,927	2,082	(266)	(825)	271	**20,189**
Final total	29,509	829,370	858,879	5,775	(1,364)	(16,607)	17,834	**864,517**

Minewater provisions relate to the expected cost of managing polluted minewater discharging from abandoned mines within the Authority's control. These costs include the cost of designing, building and operating minewater schemes across the coalfields. In order to comply with the EU Water Framework Directive, a strategy has been developed to build 65 schemes by 2027 to remediate existing pollution identified by the Environment Agency and SEPA. A further 17 preventative schemes are programmed to be built to avoid new pollution based on scientific projections of water quality and levels.

The cost estimates are based on current experience of external costs from building and operating existing schemes. As scientific evidence does not foresee that minewater will cease to recover or pollution fall below levels that require treatment, there is a reliable basis on which to provide for future costs. Given that uncertainties increase the further into the future estimates are made, the cashflows for only the next 100 years form the basis of the provision and are discounted at the HM Treasury rate of 2.2% to current day prices. The significant uncertainties in relation to the future costs and timing of cash flows are surrounding new technology, environmental regulations, price inflation of construction and other costs, positioning of schemes and related land costs and the number of future preventative schemes required.

The liability remains the best reliable estimate at the present time and is based upon a nationwide assessment of recovering minewater and on data from over 730 monitoring sites.

Subsidence pumping station provisions relate to the costs of 72 pumping stations which control water in land affected by subsidence. This includes obligations under the Doncaster Drainage Act 1929. Scientific evidence indicates that these pumping stations will be required in perpetuity. Estimates include the costs of a refurbishment programme which will be completed by 2017–2018 and the cost of maintaining and operating these stations for the next 100 years. Beyond 2017–2018, the need for and timing of further refurbishments is unclear and has not been taken into account. The related cash flows are discounted at the HM Treasury rate of 2.2% to current day prices.

There are uncertainties in relation to the future costs and timing of cash flows surrounding the life of the stations and plant and machinery and what level of renewals will be required post 2018. However, the liability remains the best reliable estimate at the present time.

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 in respect of damage arising outside designated Areas of Responsibility associated with licences granted to coal mining operators. Claims can be made by affected parties up to six years after the damage becomes observable or ascertainable.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

Subsidence damage is caused by deep and shallow mining. In the case of shallow mining, subsidence can occur at any time and on mine workings which are several hundred years old. Mining surveyors within the Authority expect subsidence to continue to occur for a considerable period of time while shallow mines are in existence, as it is not practicable to remediate all the shallow coal workings.

The estimate of costs for investigating and treating claims has been based on historical claims experience with the long term trend indicating that costs have stabilised. The Authority expects the current profile of claims and costs to continue, and therefore has a reliable basis on which to provide for known and expected future subsidence claims. Any material claims outside of the normal expected trend are also provisioned. The related cash flows are discounted at the HM Treasury rate of 2.2% to current day prices.

There are significant uncertainties in relation to the future costs and timing of cash flows relating to: new technology or methods of treatment which may be introduced; price inflation of contractor and material costs; new planning regulations to stabilise land prior to development; regeneration projects or land stabilisation programmes. Furthermore, a subsidence collapse and the damage it causes cannot be predicted. However, the shallow coal fields cover 11% of the UK and the Authority believes that subsidence will continue to occur. Even though the position of the next collapse cannot be known the trends and related liability remains the best available estimate at the present time.

Given that the uncertainties increase the further out costs are estimated, the provision will cover costs for a period of 50 years. This recognises that the uncertainties are inherently higher than those for water pumping and treatment where 100 years is provided.

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.

As with subsidence collapses, mining surveyors within the Authority expect hazards to occur on the shallow coal fields in perpetuity and therefore has provided for known and expected future hazards for a considerable period of time.

The estimate of costs for investigating and remediating hazards has been based on historical experience with the long term trend indicating that costs have broadly stabilised. The Authority expects the current profile of claims and costs to continue and has a reliable basis on which to provide. Any material claims outside of the normal expected trend are also provisioned. These cash flows are discounted at the HM Treasury rate of 2.2% to current day prices.

There are significant uncertainties in relation to the future costs and timing of cash flows as set out in relation to subsidence above. In addition to new damage, as time passes, shallow workings and shafts which have been treated in the past will need further remediation and monitoring. It is difficult to predict where surface hazards will next occur. The profile and approach towards managing public safety impacts the quantum of issues. The liability remains the best reliable estimate at the present time. Given that the uncertainties increase the further out costs are estimated, the provision will cover costs for a period of 50 years. This recognises that the uncertainties are inherently higher than those for water pumping and treatment.

Tip management provisions are required as the Authority has obligations under the 1994 Act to have regard to public safety. Tips become insecure when water or ground conditions make them unstable. The Authority has responsibility for 44 tips and keeps them secure, monitors water drainage, constructs tunnels and ponds to capture the water run off and undertakes basic maintenance.

The cost being spent on tips has now stabilised and represents a profile that will be required to be spent for as long as the tip remains. The Authority believes that this will last for a considerable period of time. The basis of the provision is the current projection of maintenance and major project costs over the next 50 years. These cash flows are discounted at the HM Treasury rate of 2.2% to current day prices.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

There are some uncertainties in relation to the future costs and timing of cash flows, particularly in respect of major repair projects following adverse weather conditions. The liability remains the best reliable estimate at the present time.

Other provisions relate to 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. These cash flows are discounted at the HM Treasury rate of 2.2% to current day prices.

Opencast site rehabilitation relates to obligations under the planning consents. The provisions also include compensation payments due under agreements to occupy third party land during the rehabilitation period. There is some uncertainty with regard to the provision for a restoration obligation however the Authority's current provision is at the cautious end of the range estimated by external advisers.

Closed colliery site obligations relate to returning colliery site areas to a condition that is safe and secure and consistent with any required planning permission or lease requirement.

Spoil heaps require expenditure to bring them to a condition consistent with planning conditions and restoration schemes approved by Mineral Planning Authorities.

Other property liabilities regarding obligations associated with property interests transferred from British Coal under various Restructuring Schemes that do not result from past mining activity.

The Authority meets the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Provision is made in full when the employee's retirement becomes binding on the Authority.

DISCOUNTING

All material provisions are expressed at current price levels and discounted at 2.2%, the 2006–2007 rate specified by HM Treasury, to take account of the time value for money.

REVIEW OF TRENDS AND ASSUMPTIONS

Provisions are reviewed annually at the year end to ensure all material liabilities have been provided. The long term trends used as the basis for making key assumptions will be examined in detail every year and when there is evidence of a revised trend our assumptions will be updated and the value of the provision will change.

The Authority will report each year on changes to the assumptions which have lead to a revision of the provisions value. The level of provisions is sensitive to the trend. For example, should predicted costs for subsidence, surface hazards or tip management increase or decrease by £1 million per annum, the total provision over 50 years in current day prices would increase or reduce by £30 million.

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

17. Movements on reserves

	Corporation liability fund £000	Investment property revaluation reserve £000	Revaluation reserve £000	Income and expenditure account £000	**Total £000**
Balance at 31 March 2006					
– As originally stated	144	1,550	793	(10,977)	**(8,490)**
– Change of accounting policy (Note 1)				(794,635)	**(794,635)**
– As restated	144	1,550	793	(805,612)	**(803,125)**
Retained Deficit for the year				(24,226)	**(24,226)**
Surplus on revaluation		139			**139**
Transfer of amount equivalent to the net book value of disposed fixed assets		(1,227)		1,227	**–**
Transfer of amount equivalent to additional depreciation on revalued assets			(17)	17	**–**
Utilised	(144)			144	**–**
Grant in aid financing for revenue purposes				6,270	**6,270**
Grant in aid financing for capital purposes				5,730	**5,730**
Arising on MHCA revaluation			1,357		**1,357**
Backlog depreciation on MHCA			(138)		**(138)**
Realised element of MHCA			(94)	94	**–**
Balance at 31 March 2007	–	462	1,901	(816,356)	**(813,993)**

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

18. Reconciliation of operating deficit to net cash flow from operating activities

	2007 £000	2006 £000 As restated (See Note 1)
Operating deficit	**(26,890)**	(237,991)
Depreciation and revaluation charges	**3,815**	2,140
(Increase)/Decrease in debtors	**215**	350
Decrease in creditors	**347**	(992)
Increase/(Decrease) in provisions	**5,638**	222,956
Net cash outflow from operating activities	**(16,875)**	(13,537)

19. Reconciliation of net cash flow to movement in net funds

	2007 £000	2006 £000
(Decrease)/Increase in cash in the year	**(4,475)**	1,997
Net funds at 1 April	**6,693**	4,696
Net funds at 31 March	**2,218**	6,693

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

Analysis of Closing Balances:

	2007 £000	2006 £000
Office of HM Paymaster General	**2,009**	6,281
Commercial banks	**209**	412
	2,218	6,693

20. Capital commitments

There were capital commitments authorised and contracted for but not provided at 31 March 2007 of £209,270 (2006 – £231,179)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

21. Contingent liabilities

Licensees of mining operations are required to provide security to the Authority to cover the future costs of settling subsidence liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished the Authority would become responsible for the discharge of outstanding subsidence liabilities.

The Authority has an ongoing liability to secure and keep secured some operating and most abandoned coal mines. The cost of this activity is charged to the income and expenditure account in the year that it arises. The future cost of this activity is not provided in these financial statements as it is not possible to estimate the timing of colliery closures and the Authority's contribution to the cost. In the majority of cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to limit the Authority's exposure. It is expected that any deficit will be covered by future allocations of grant in aid.

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

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

22. Contingent assets

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

23. Operating lease commitments

At 31 March 2007 the Authority was committed to make the following payments during the next year

	2007 Land and buildings £000	2007 Other £000	2006 Land and buildings £000	2006 Other £000
Leases which expire:				
Within one year	–	77	103	12
Between one to five years	1	240	1	82
After five years	343	–	322	220

24. Related party transactions

The Authority is a Non-Departmental Public Body of the Department for Business, Enterprise and Regulatory Reform and during the year has had a number of material transactions with the Department.

Dr B Jones, Non-Executive Member, is the Chief Operating Officer of Mines Rescue Service Ltd which has a contract with the Authority to provide surface hazard emergency call out cover, training and rescue services (mandatory for certain incidents) and provide room hire, the value of which was £456,211 during the year.

25. Notional cost of capital

Treasury guidance requires that notional charges be made for the cost of capital, calculated at 3.5% (2006 – 3.5%) of average capital employed during the year. Capital employed comprised total assets less all liabilities. Cash balances with the Office of HM Paymaster General are excluded as they are charged at a nil rate.

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

26. Financial instruments

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

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

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

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2007

27. Post balance sheet events

On 28 June 2007, the Department of Trade and Industry ceased to exist and has been replaced by the Department for Business, Enterprise and Regulatory Reform which is the sponsoring body of the Coal Authority. The Financial Statements were authorised for issue by the Accounting Officer, Philip Lawrence, on 25 July 2007.

28. Reconciliation of movements in the authority's deficit

	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Surplus/(Deficit) on ordinary activities for the		
financial year – As previously stated		765
– Prior period adjustment (See Note 1)		(229,288)
– As restated	**(23,877)**	(228,523)
Income surrendered	**(349)**	(365)
	(24,226)	(228,888)
Other recognised gains relating to the year	**1,358**	645
Grant in aid	**12,000**	27,169
Net reduction/(increase) in deficit	**(10,868)**	(201,074)
Opening deficit	**(803,125)**	(602,051)
Closing deficit	**(813,993)**	(803,125)


UK Coal's Stoney Heap surface mine.

Roofbolting at Maltby Colliery.

HEADQUARTERS

200 Lichfield Lane Mansfield Nottinghamshire NG18 4RG

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

PUBLIC INFORMATION SERVICES

Subsidence and Mining Reports: T: 0845 7626848
Surface Hazards: T: 01623 646333

The Authority is responsible for:

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

FURTHER INFORMATION

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

Corporate Affairs Manager
The Coal Authority
200 Lichfield Lane
Mansfield
Nottinghamshire
NG18 4RG

T: 01623 637250
F: 01623 622072

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5620071 07/07

Printed on Paper containing 75% recycled fibre content minimum.

Minewater treatment scheme, North East England.

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

Online
www.tsoshop.co.uk

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

TSO Shops
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295073-1

9 780102 950731