The Coal Authority

annual report and accounts 2015-16

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performance report

Who we are

We provide expert advice and creative solutions to manage the public safety and environmental issues from coal and metal mining.

As a Non-Departmental Public Body (NDPB) of the Department of Energy and Climate Change (DECC), we provide services to governments, public bodies, private organisations and landowners. We also regulate the coal industry in Britain and manage the £2.8 billion long term mining legacy.

As a result of our heritage and of protecting the public and environment in the mining areas for over 20 years, we bring our experience to deliver more sustainable solutions to resolve the impacts of mining.

Our values will enable us to expand and become successful in providing services to other customers.

Our plan will require us to build on and strengthen our values, in order to:

- develop our business in commercial information products and services
- continuously improve by growing expertise, innovation, organisational capability and efficiency

Our values

Expert: we deliver peace of mind underpinned by our expertise and in-depth knowledge of our subject

All Angles: we bring all our experience from public safety, environmental and information viewpoints to deliver more sustainable solutions

Inventive: we always look for creative and intelligent ways to meet our customers' needs

Agile: we are agile, responsive and committed to delivering the best value solutions for customers

Our governance and strategy

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

Our purpose

Our mission

- to protect the public and the environment in mining areas

Our vision

- to become a world leader in resolving the impacts of mining

Our strategy

- to develop our business by realising the economic value in our people and information
- to improve our capabilities by innovation, organisation capability, efficiency and quality
- to deliver our business safely whilst conserving the environment

We will work to our strengths as we:

- derive commercial value from our unique information, in-depth knowledge and expertise
- expertly manage safety issues from legacy mining to deliver peace of mind to the public
- provide creative, sustainable and agile solutions so that the environment is protected from the effects of water pollution caused by mining
- evaluate the impacts of mining from all angles and communicate risk to citizens and stakeholders for informed decision-making

Our approach to business is to:

- deliver our statutory and commercial services in a mixed economy
- actively manage succession by investing in the technical and management skills of our people
- work to deliver good value, customer satisfaction and proportionate risk management

Our focus

Our focus is on our customers as we provide value for money for the tax payer and better services to the public.

For the Department of Energy and Climate Change (DECC) we will:

- deliver our statutory duties in safeguarding the public, property and environment from mining risks

- through innovation, reduce the cost to the government and therefore the public purse

For government we will:

- be a trusted adviser and thought leader in managing mining-related risks

For home buyers we will:

- be the ‘best in class’ for customer service, delivering expert reports which represent value for the house buyer

- have an extensive range of value added services to help the house buyer better understand the mining risks and to make informed decisions

For our people we will:

- offer a great place to work with exciting career opportunities

Internationally we will:

- offer industry-leading solutions from 20 years’ experience of managing the risks of the ‘cradle to grave’ mining life cycle

For developers and landowners we will:

- unlock value through proportionate risk management and practical experience of mining legacy management

For water companies and environmental services we will:

- lower water treatment costs through fresh thinking, innovation and collaborative approaches

For our data users we will:

- create growth opportunities by licensing our unique, authoritative and quality-assured digital data

For our partners we will:

- by working together, deliver better outcomes as we resolve the impacts of mining

I am only able to report on such a successful year due to the great efforts made by all our people

Stephen Dingle
Chair

Chair's foreword

I am delighted to be reporting on a very encouraging year in our transformation programme as we become a world leader in resolving the impacts of mining

We have continued to deliver our statutory duties and other government services in a professional, agile and inventive manner whilst also seeing tangible results arising from the work undertaken over the last 3 years to extract commercial value from our unique information, expertise and creative abilities.

Our focus is on protecting the safety of the public and the environment by:

- the delivery of high quality products and services to resolve the impacts from the legacy of mining
- providing access to our information to enable decision makers to be best informed on how to use and develop land in former mining areas
- ensuring companies and others involved in mining operations and development in former mining areas consider the safety and environmental impacts of their work
- providing efficient and effective services that generate value from our technical expertise in order to reduce our demand on public funding

It is pleasing to report that following the comprehensive spending review announcement in March 2016 we have secured funding for 2016-17 from:

- the Department of Energy and Climate Change (DECC) necessary to enable the continued delivery of our statutory duties
- the Department for Environment, Food and Rural Affairs (Defra) to both continue with the development of the metal mine water treatment programme in England and operate the Wheal Jane tin mine treatment scheme in Cornwall

5-year plan

The third year of our 5-year plan has seen us begin to realise the value in our people and information. Our investment in our people has played a vital role in the development of new areas for our expertise and information.

We have continued to build our capability by:

- recruiting additional staff with specialist skills to enable the development and delivery of the sustainable and innovative products and services required by our customers
- continuing with our trainee development and apprenticeship programmes to ensure that we have the necessary continuity of skills in place to deliver on our transformational programme
- monitoring the continuous improvement programme that has been introduced into public sector services to ensure that we continue to adopt best practices to further enhance our service delivery

Our blend of long serving and newly recruited experts enables us to provide a balanced team of specialists that identify, develop and deliver sustainable and cost effective solutions to both resolve the legacy of mining and meet the changing demands being placed on us.

2016-17 will be another challenging year as we target new business and further innovation. We have a pipeline of work in place with our partners and are actively pursuing additional work streams to further develop our business.

Industry

It has been a difficult year for the indigenous coal industry with the closure of the final 3 major deep mines, namely Hatfield, Kellingley and Thoresby collieries. We have worked closely with the mine owners and have provided specialist technical expertise at Hatfield to fill and cap the mine shafts to ensure the safety of the public.

We have also taken over the management of coal mining subsidence claims associated with these mines. This will provide a guarantee to members of the public whose property is affected by coal mining subsidence damage from these mines, that we are the responsible body for the remediation of such damage.

Surface mining continues to face a challenging time given the low coal price environment. During this difficult time we were pleased that the Welsh Government adopted our new surface mining code.

Stakeholders

Our stakeholders are vitally important to us in both delivering our current workload and in developing new collaborative partnerships.

Building on previous years we held an event in the Houses of Parliament in March 2016. Members of Parliament and representatives from government departments and other public sector bodies attended, which enabled us to ensure that there is appropriate knowledge of our skills and responsibilities. Further stakeholder events will be held in the coming year.

Board and our people

I am only able to report on such a successful year due to the great efforts made by all our people. Change is being embraced and a real difference is evident throughout the Authority and amongst our stakeholder relationships. The Board is grateful for such a great example of positive behaviours and effort.

This year we said farewell to Stephen Redmond after 6 years as a Non-Executive Director. Stephen made a great contribution to our development and I wish to thank him for his efforts. We have welcomed Gemma Pearce to the Board as a Non-Executive Director and I am looking forward to working with her as our commercialisation journey continues.

Stephen Dingle

Chair

Experts in resolving the impacts of mining

Experts in resolving the impacts of mining

"Every team made a difference in this pivotal year, and in addition to securing funding and building our capability, we delivered our business objectives

Philip Lawrence
Chief Executive

Chief Executive's report

I am very pleased with the progress we made in 2015-16 reaching 97% of our corporate objectives

We've also made strides in line with our 3 part strategy to develop our business and continuously improve.

Business development

We achieved 97% of the milestones against our business development objectives:

- we've continued to gain momentum, with substantial work having been won in local authorities and the environment sector
- our visibility in our markets has grown as well as our business winning capacity and quality management systems
- we have made more data sets available for others to use and have successfully completed the project to license our data
- we have opened up the coal mining reports markets to competition
- we launched our commercial mining reports service in February 2016
- we amended our confidentiality policy to safeguard against conflicts of interest. This was issued and signed by our staff

Continuous improvement

We achieved 97% of the milestones against our continuous improvement objectives:

- we continued to invest in innovation and develop new solutions to deliver our statutory duties more efficiently and effectively
- we have identified new areas of research, collaborated with more partners and aligned programmes with those in Europe
- in partnership with others, we carried out trials to investigate the feasibility of alternative, innovative water treatment and disposal technologies
- from the 353 innovation and efficiency opportunities identified during the year, 11 high priority projects will be taken forward in the coming year
- we are mid-way through implementing our new systems and have delivered phase 1 with further phases planned in 2016-17
- the project management office has improved our ability to plan resources, implemented highlight reporting for key projects and programs and supported the delivery of successful projects

- we successfully launched our Business to Business XML delivery channel and digital permissions process for mining search reports

- we supported our managers in taking greater ownership of their teams to ensure consistent high performance with the delivery of our products and services

- we have embedded knowledge management throughout the business and are managing succession planning by the provision of specialist training, recruitment and by offering placements for graduates and apprentices

- the strategy and methodology for embedding best practice enterprise information management is being adopted within our teams

Delivering our business

We achieved 98% of the milestones against our business delivery objectives:

- we completed the construction of the Whitburn aquifer protection scheme in the North East of England. This scheme protects an important source of drinking water from pollution

- our public safety experts responded to a major ground collapse in the North East of England. More information about this incident is in the review of 2015-16 section of this report

- our Best Practice Guide on Restoration Liability Assessments for Surface Coal Mines was adopted by the Welsh Government. It is hoped that England and Scotland will also adopt the principles set out in the guide for protecting the environment and assessing how restoration liability and security arrangements will be calculated

- we improved the design of our coal and metal mine water schemes in order to deliver efficiency and effectiveness through our innovation work. We started work on our first solar panel project associated with the generation of electricity at our operational sites and we installed 192 photovoltaic panels at our Dawdon mine water treatment scheme

- we completed phase 2 of the construction works at our Saltburn Gill metal mine water treatment scheme in Cleveland

- our Force Crag metal mine water treatment scheme in Cumbria was formally opened by Rory Stewart OBE, MP, Minister for Environment and Rural Affairs in November 2015. This passive scheme, funded by Defra and developed in partnership with the Environment Agency, National Trust and Newcastle University, removes in excess of 90% of the metals from the mine water flowing into Bassenthwaite Lake and the river Derwent

Our provisions balance, which sets out the estimated future expenditure relating to mining legacy liabilities, has increased from £0.9 billion to £2.8 billion. This is due to the changes in the discount rates provided by HM Treasury and results in the Statement of Financial Position showing net liabilities of £2.8 billion. The Board has a reasonable expectation that we will continue to receive funding from DECC to meet our liabilities and we have, therefore, prepared our accounts on a going concern basis.

Damage notices have previously been submitted to the Authority in respect of subsidence damage “in excess of £100 million” to Wentworth Woodhouse, a Grade 1 listed country house. We rejected these notices. Proceedings are ongoing and we will continue to strongly defend our case.

The strategic risks that we continue to manage in order to deliver our objectives are:

- an over ambitious business plan or lack of effective prioritisation leads to inconsistency of delivery. For instance, innovation is not an exact science and step changes in improving processes and reducing cost may take longer than planned
- the business transformation that is required to achieve the 5-year plan and assure the future of the Authority fails to materialise due to a lack of capacity or competence or resistant culture
- government restrictions inhibit implementation of our medium/long term strategy and/or cause spending from our public sector customers to decline

Our Board has a clearly defined risk appetite, and manages our strategic risks closely (see Business strategy and risk section). It is confident that we can deliver on our ambitions and become a world leader in resolving the impacts of mining.

Diver at Whitburn aquifer protection scheme, near Sunderland

Our objectives for 2016-17 are set out below:

Business development

- compete for, win and deliver work for new and existing customers diversifying our income streams
- invest in innovation to further grow our expertise and transform the way we work so that our people are able to deliver services into competitive markets
- embed client relationship management and review processes to improve the quality of client engagement and service delivery
- build resilience into our teams to respond to peak loads of statutory and commercial activity
- further details of our commercial work can be found at www.groundstability.com

Continuous improvement

- through process engineering improve methods for capturing ferric oxide, share innovation with water industry partners, prove the markets for ferric oxide, heat and water, deliver income for renewable grid customers
- continue to invest in the learning and development of our people, recruit more great people to add to our skills, bring the best out of our existing experienced people as we learn to work together, ensure our people are empowered to deliver at pace, prioritise effectively and work collaboratively
- complete the implementation of new procurement, finance and HR systems, begin to realise benefits, including more successful commercial outcomes, through the use of better management information and efficient processes

Jackie Hancock
Customer service team leader

Martin Anderson
Project manager

Deliver our business

- manage claims left behind by deep mining companies effectively, deliver efficiency savings in mine water treatment and continue to enable the UK to comply with water quality standards, deliver in a mixed economy our statutory duties and our commercial services

On behalf of myself and my Directors I would like to thank all our staff for their hard work and dedicated service throughout the year. This has enabled us to continue delivering a high level of service and achieve our corporate objectives for 2015-16.

Philip Lawrence
Chief Executive

Pitfirrane mine water treatment scheme, near Dunfermline

Business strategy and risk

Measuring success

Our strategy has worked when we have:

Business development	Continuous improvement	Deliver our business
Diversified our information products and services and grown their financial contribution to make us more self-sufficient	Delivered our first zero whole life cost mine water treatment scheme	Continued to meet our key performance indicators
Delivered commercial services built upon our data and reports businesses	Put more effective and efficient services, systems and controls in place that support our business	Achieved international recognition for being experts in our field
Measurably grown our commercial services and delivered them into new market sectors	Established a commercial culture and have managed succession	

Our mining reports retail team

Strategic risk

Strategic risk	Movement in year	Mitigation
An over ambitious business plan or lack of effective prioritisation leads to inconsistency of delivery, or step changes in improving processes and reducing costs through innovation take longer than planned		We have carefully evaluated our priorities and ensured alignment with our 5-year plan. Our Board continues to set direction and challenge business performance against our objectives We have continued to embed proportionate project management disciplines and systems. Our key strategic projects have dedicated teams held accountable for delivery We have shown agility in dealing with resource pressures by adjusting organisational design as necessary Through taking these actions we continue to achieve our corporate objectives (97% achievement 2015-16)
The business transformation that is required to achieve the 5-year plan and assure the future of the Authority fails to materialise due to a lack of capacity or competence or resistant culture		We continue to place emphasis on strong performance management and the training, coaching and empowerment of our managers Changes in organisational design have been made with key positions successfully recruited to strengthen our skills base. This will continue through 2016-17 to further improve our commercial focus Our culture continues to evolve and our capability is increasing in line with our aspirations. This will need to continue in order for us to successfully deliver our plans
Government restrictions inhibit implementation of our medium/long term strategy and/or cause spending from our public sector customers to decline		We continue to actively and pro-actively engage with our key stakeholders to explain our aspirations and achieve buy-in We received HM Treasury approval to change the financial objective of our mining reports business enabling commercialisation We received an indicative spending review settlement that supports our strategy and business plan Various government policies and restrictions continue to present operational challenges but this is mitigated by early engagement and seeking early approvals from government wherever possible

A review of 2015-16

Business delivery

Our specialist public safety, information, environment and regulation teams met their key performance indicators (KPIs) and performance targets for the year.

The main picture opposite shows work in progress to repair a major ground collapse in the North East of England. The collapse occurred as a result of an historic coal mining shaft in a residential area. Our regional project teams initially fenced off and filled the void with stone to make it safe. Our in-house engineers then designed a permanent solution.

Throughout these works we kept the residents informed of our progress to minimise the impact.

Public Safety & Subsidence

Our experts provide advice and creative solutions to manage public safety and environmental issues associated with coal mining. We achieved 99% compliance on incident response times compared to 98% in the previous year (KPI 95%).

During the year:

WE RECEIVED

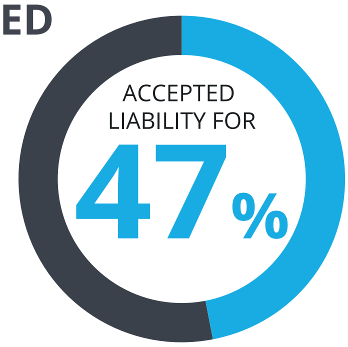
887

SURFACE HAZARD REPORTS

WE DETERMINED

291

SUBSIDENCE CLAIMS



As part of our public protection work, we inspect mine entries around the country to ensure they are safe and to carry out remediation works where necessary.

WE UNDERTOOK

24,894

PROACTIVE MINE ENTRY INSPECTIONS

KPI: **20,000**

WE ACCEPTED

284

SUBSIDENCE CLAIMS

Regulation

As well as providing our expert advice to local authorities on bonding arrangements for surface mines our regulatory team, as a statutory consultee, provides responses to planning applications and consultations.

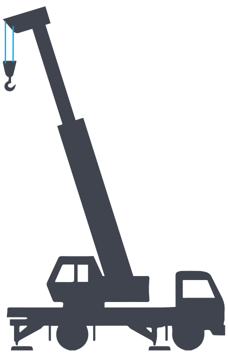
We responded to:

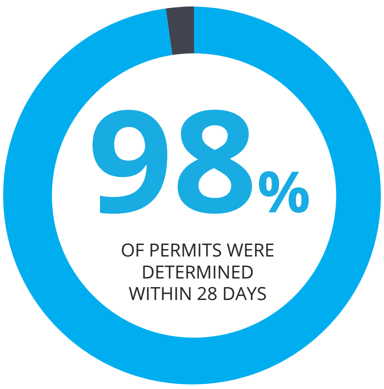
7,595

SITE SPECIFIC PLANNING APPLICATIONS

385

PLANNING CONSULTATIONS





KPI: 98%

Hatfield colliery, near Doncaster

Information

We provide report products to customers in the conveyancing market and other sectors to enable them to better understand and manage the risk associated with past mining and other environmental factors.

WE DELIVERED

345,818

MINING REPORTS

Target: **338,021**

97.4%

OF REPORTS DELIVERED WITHIN **1** DAY

KPI: **90%**

Environment

Our mine water treatment scheme programme ensures the improvement of the environment.

WE OPERATE

75

MINE WATER TREATMENT SCHEMES

During the year we continued to prevent 4,000 tonnes of iron solids from entering water courses and polluting important sources of drinking water for local communities throughout Britain.

WE'VE TREATED

122

BILLION LITRES OF WATER

Financial review

Introduction

It is pleasing that during the year we received an indicative spending review settlement from DECC to March 2021 that will allow us to fulfil our statutory duties. Our actions in reducing annual operating costs, delivering value for money projects and our commercialisation strategy will allow us to continue on our path of becoming increasingly self-sufficient and less reliant on DECC grant in aid over the medium term.

Coal industry

The coal industry continued its decline and notable events in the year include the closure of Hatfield, Kellingley and Thoresby collieries. This required us to safely manage the filling and capping of the Hatfield shafts at a cost of £1.2 million. Claims liabilities in respect of Hatfield, Kellingley and Thoresby have transferred from the operators to the Authority. Called-in security held at 31 March 2016 in respect of these sites, consisting of cash (£16.3 million) and 2 properties (valued at £0.3 million) is expected to be sufficient to cover the liabilities transferred.

£15 MILLION

CASH SECURITY RECEIVED

Cash flow

The net increase in cash during the year was £14.1 million (2014-15: decrease of £2.3 million). This was driven by:

- the receipt of £25.0 million grant in aid from DECC (2014-15: £23.5 million)
- cash received relating to called-in security during the year of £15.0 million (2014-15: £0.1 million)
- a net cash outflow from operating activities (excluding receipts of called-in security) of £19.3 million (2014-15: £20.2 million)
- net cash outflow from investing activities at £6.6 million (2014-15: £5.7 million). This relates to the purchase of property, plant and equipment as part of our ongoing programme to develop and build mine water treatment schemes

At 31 March 2016 we held £19.4 million (2015: £5.3 million). This includes £17.3 million (2015: £3.7 million) of ring fenced funds in respect of called-in security.

Statement of comprehensive net expenditure

Net expenditure for the year to 31 March 2016 was £1,928.9 million (2014-15: (£44.2) million). This significant movement primarily reflects the impact of the annual review of provisions.

Provision expense was £1,918.4 million (2014-15: (£55.3) million), as discussed in Note 13 to the Accounts. This was due to a change in the long term discount rates as advised by HM Treasury resulting in a charge of £1,925.4 million, offset by a reduction of £7.0 million following a detailed review of the assumptions and trends that feed into the provision calculation.

Other significant movements in the year have been:

- total operating income of £16.8 million (2014-15: £15.0 million), has increased by £1.8 million on previous year driven by increased mining report volumes and price review in March 2016

- staff costs at £10.0 million have increased by £1.5 million compared to the previous year (2014-15: £8.5 million). This is due to one-off voluntary redundancy costs (£0.5 million) and an increase in headcount (see Remuneration and staff report) and change in staff mix to support our commercialisation and succession planning strategies

- purchase of goods and services was £9.8 million (2014-15: £7.8 million), an increase of £2.0 million, driven by the one-off costs in relation to the closure of Hatfield Colliery and increased operational costs for mine water treatment schemes

- depreciation, revaluation and impairment charges were £7.5 million, £2.2 million less than the prior year (2014-15: £9.7 million). The majority of this decrease is due to a reduction in impairment charges of £1.8 million driven by the timing of commissioning mine water assets. Our policy is to complete an impairment review when mine water assets under construction are brought into use (see Note 1.12 for further details).

Statement of financial position

The provision for liabilities and charges at 31 March 2016 is £2,820.0 million (2014-15: £918.0 million). The movement in provisions has resulted in our financial position as at 31 March 2016 showing net liabilities of £2,812.6 million compared to £908.7 million in the prior year.

Going concern

To the extent that they are not met from our other sources of income, our liabilities may only be met by future grants or grants in aid from our sponsoring department, DECC. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

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

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

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

Experts in resolving the impacts of mining

Experts in resolving the impacts of mining

Saltburn mine water treatment scheme, Cleveland

Corporate social responsibility

We are committed to the wellbeing of our people and the safety of the mining communities in Britain. Our commitment to corporate social responsibility grows out of our ability to operate a sustainable and innovative organisation. Our work provides for a better environment for communities, ensures that our products and services are more accessible and provides new opportunities for our people and our partners.

Our people

We are witnessing our culture evolve as we continue to make good progress in achieving our 5-year plan.

It has been an exciting year for us; new roles were created and staff recruited to add to the skills mix and bridge gaps in our workforce capability, whilst also providing internal opportunities for career progression. Our organisational design continues to evolve to meet our business needs, ensuring that our commercial activities sit comfortably and operate ethically alongside our statutory functions.

Our values are being demonstrated in all that we do with an emphasis on greater empowerment. This has led to different working methods and continuous challenge to develop ourselves and our approach to meet the evolving needs of the business.

These values and working practices have been promoted by our Communications and Brand team who have made great improvements in raising our profile as we continue to aim to be an employer of choice.

Sharing our success stories and reviewing our employer image in our recruitment has led to an increase in our recruitment selection pools and great candidates being appointed.

Our trainee and apprenticeship programmes have been very successful in attracting new talent to the Authority to develop our own future experts which feeds into our succession planning. We continue to promote ourselves within universities nationally and local schools as we aim to attract candidates from diverse backgrounds. Secondments to other organisations have formed part of the trainees' development along with exposure to senior stakeholder meetings with the Executive Leadership Team (ELT).

We take our corporate social responsibility seriously and were delighted to get involved in a number of local initiatives, including events aimed at introducing students to the workplace organised through the Mansfield Learning Partnership and the Civil Service Local East Midlands Academy which supports the development of talented individuals across the civil service.

Cara Callingham
Trainee Project Manager

By 31 March 2016, we employed 183 staff plus 5 Non-Executive Directors (NED):

As at 31 March 2016	Non-Executive Directors	Executive leadership team	Senior managers	Staff	Total
Male	3	4	7	94	108
Female	2	1	4	73	80
Total	**5***	**5**	**11**	**167**	**188**

*Gemma Pearce was appointed on 1 April 2016 but attended Board and Board committee meetings by invitation and received remuneration from 1 December 2015.

Social, community and human rights policies

Although we do not have social, community and human rights policies, we work to the highest principles in these areas as demonstrated in this report.

Safety, Health and Environment (SHE)

Our people are our greatest resource and their safety, health and wellbeing are vital to the successful delivery of our ambitious objectives. It is also vital to protect those that work for us and the public from the legacy of past mining.

To achieve this we have developed and improved our:

- integrated SHE management system to ensure a clear framework for delivering our business
- culture to achieve a consistent positive attitude towards health and safety
- workplaces and work equipment to support health and safety standards

We have also continued to:

- provide an employee assistance programme
- support the European Union Healthy Workplaces campaign
- run our wellbeing programme
- work in partnership with our contractors to improve health and safety practices
- train our staff and support the implementation of the new construction health and safety regulations

Sustainability

During the year we developed our Sustainability Framework. This sets out our future sustainability strategy which will help us focus on where we can make a difference for our people, the public, our customers and our wider stakeholders.

We commenced work on achieving Defra sustainable procurement flexible framework level 2 during the year, with further work to be completed in the coming year.

Our sustainability objectives for 2015-16 were:

- establishing a baseline set of sustainability measures in order to set quantified targets for continual improvement in future years
- progressing our innovation programme to increase efficiencies across our activities

More information on our SHE and sustainability activities is contained in our Sustainability Report 2015-16 which is available to view at www.gov.uk/coalauthority

Access to information and complaints

We comply with the requirements set out in the Freedom of Information Act 2000 (FOI) and the Environmental Information Regulations 2004 (EIR). We respond positively to all requests for information except where this is constrained by confidentiality or where such requests become vexatious. We received 89 requests under FOI and EIR during the year with all responses issued within 20 working days.

The Parliamentary and Health Service Ombudsman recently completed an investigation into a complaint made by a Member of Parliament on behalf of a constituent. The complaint was not upheld by the Ombudsman due to the actions we had taken.

No incidents occurred during the year relating to the release of personal data.

We received 71 complaints about our work from the public and other stakeholders. They were all dealt with under our improved complaints procedure with the majority being resolved by our front line staff.

We also received 40 letters from Members of Parliament, Members of the Scottish Parliament and Welsh Assembly Members on behalf of constituents. The average time taken to respond was 10 days.

Six environmental complaints were received and all were associated with our mine water treatment and pumping schemes. Remedial actions were taken to resolve the problems and discussions continue with the regulators.

We received a final warning letter from the Scottish Environment Protection Agency in respect of one of the environmental complaints. This was associated with an uncontrolled discharge of mine water into a local water course. We are reviewing the performance of the scheme to identify whether it can operate more efficiently.

Transparency

We publish at www.gov.uk/coalauthority our structure, salaries of staff earning £58,200 and above, senior staff expenses, details of all our expenditure and details of our contract awards and current requirements valued over £10,000. These are updated regularly in line with the timetable published by the government.

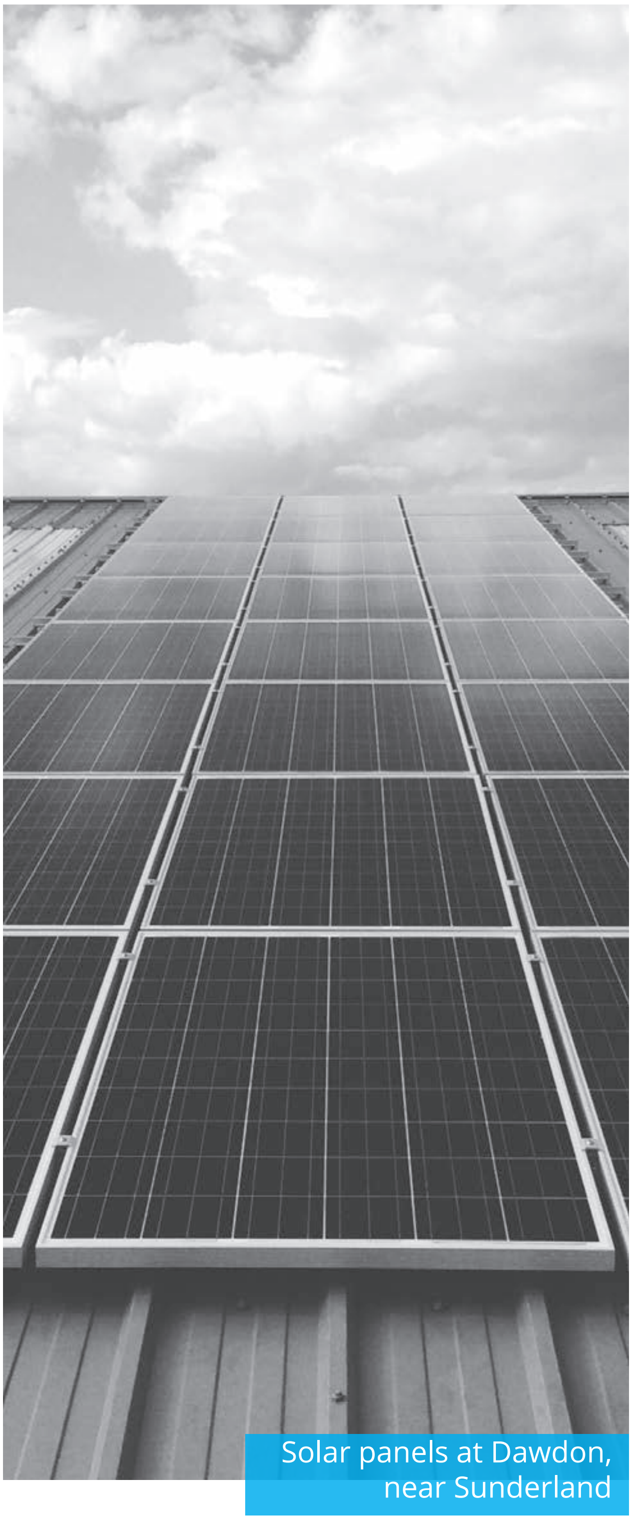
Local community and charity

Our staff organised fundraising events during the year for local and national charities which raised a total of £2,264.

We gave 6 interactive presentations on coal mining to 6 to 8 year old children at local schools during the year as part of their local history studies.

We also provided a work experience placement for a 17 year old student.

Philip Lawrence
Chief Executive and Accounting Officer
14 June 2016



Solar panels at Dawdon, near Sunderland

accountability report

Corporate governance report

Director's report

The Authority presents its report and audited financial statements for the year ended 31 March 2016. The accounts have been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 ("the Act"). The Accounting Officer authorised these financial statements for issue on the date of certification by the Comptroller and Auditor General.

Functions, duties and powers of the Coal Authority

We were established by the Act and became a legal entity on 19 September 1994. We assumed our functions on 31 October 1994. These functions are set out at www.gov.uk/coalauthority but are essentially with respect to the coal industry and the management of interests inherited from British Coal Corporation, licensing of coal mining operations and dealing with coal mining subsidence and providing information.

Review of operations

The Chief Executive's report on pages 15 to 19 gives a summary of the Authority's activities during the year and the future outlook.

Finance risk management

The Governance Statement sets out the governance structures that we have used to monitor and control risk and the Board's approach to risk management. It also identifies and discusses the significant risks and the mitigation in place. We have a strong system of financial control and active financial risk management. We have no borrowings and rely on grant in aid and other income to fund our cash requirements. We therefore have minimal exposure to liquidity, credit and cash flow risk. All assets and liabilities are denominated in sterling and so there is no exposure to currency risk. We do not hold any assets that are directly impacted by interest rate movements nor do we engage in any hedge accounting.

We hold some items on the Statement of Financial Position that are discounted using rates specified by HM Treasury, specifically provisions. HM Treasury vary these discount rates from time to time, which will affect both the Statement of Financial Position and the Statement of Comprehensive Net Expenditure. Please refer to Note 13.

Future developments

Our future developments and objectives have been discussed in the strategic report.

Research and development activities

We undertake a range of research and development activities to improve efficiency and deliver world class solutions that provide best value for money. Our research and development activities include mineshaft and mine entry monitoring, coal and metal mine water treatment methodologies and technologies.

Post balance sheet events

We have no post balance sheet events requiring disclosure.

Branches outside the UK

We have no branches outside the UK.

Terms of employment

Details of Directors' terms of appointment and service contracts are provided in the Remuneration and staff report.

Board and their interests

No Board Director 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 our Mansfield Office or can be accessed at www.gov.uk/coalauthority. Any related party transactions are provided in Note 18 to the Accounts.

Experts in resolving the impacts of mining

Stephen Dingle
(Non-Executive Director)

Appointed as Board Director from 1 May 2008 to 30 April 2011

Re-appointed to 30 September 2014

Appointed as Chair 1 April 2013 to 31 March 2017

Bob Spedding
(Non-Executive Director)

Appointed as Board Director from 1 April 2013 to 31 March 2016

Re-appointed to 31 March 2019

Gemma Pearce
(Non-Executive Director)

Appointed as Board Director from 1 April 2016 to 31 March 2019

Paul Frammingham

Attended the Board from 6 May 2008 to 31 March 2011

Appointed as Board Director from 1 April 2011 to 31 March 2014

Re-appointed to 31 March 2017

Board of Directors

Tricia Henton
(Non-Executive Director)

Appointed as Board Director from 1 October 2010 to 30 September 2013

Re-appointed to 31 March 2017

Philip Lawrence

Appointed as Board Director from 9 November 2006 to 31 March 2008

Re-appointed to 31 March 2011; 31 March 2014 and 31 March 2017

Appointed as Chief Executive 1 January 2007

Simon Reed

Attended the Board from 1 January 2010 to 31 March 2011

Appointed as Board Director from 1 April 2011 to 31 March 2014

Re-appointed to 31 March 2017

Stephen Redmond*
(Non-Executive Director)

Appointed as Board Director from 1 March 2010 to 30 September 2013

Re-appointed as Board Director to 31 March 2016

* Absent from picture

Donations

We made no political or charitable donations during the year.

Employee involvement

We are committed to engaging with staff throughout the business. We have a Staff Liaison Group which deals with non-contractual staff matters.

Employment

We are committed to equal opportunities. This commitment means that decisions to appoint, reward, train, develop and promote are taken purely on the basis of skills and abilities, as matched against the requirements of the job.

We seek to attract and retain high calibre employees. Opportunities for training are given high priority to ensure that all staff can contribute to their own career development.

The absence rate for the year was 2.16% as against 1.92% for 2014-15.

Pensions and other post retirement benefits

Former and current employees who have chosen to join are covered by the provisions of the Principal Civil Service Pension Scheme which is an unfunded multi-employer defined benefit scheme. The accounting policy is given in Note 1 to the Accounts and further information about the Scheme is provided in the Remuneration and staff report.

Personal data

No personal data related incidents occurred during the year.

Fees and charges

We comply with the cost allocation and charging requirements set out in HM Treasury's Managing Public Money and Office of Public Sector Information guidance. Please refer to Note 2 in the financial accounts for further details.

Long term expenditure trends

Long term expenditure trends are reviewed by the Directors as part of the annual review of provisions. Please see Note 13 to the Accounts for details.

Contingent liabilities

Contingent liabilities are reviewed on an ongoing basis by the Directors. Please refer to Note 16 of 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 remuneration was paid to our auditors for non-audit work and no other services were provided. The audit fee was £42,000.

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.

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 Secretary of State, with the consent of HM Treasury, has directed the Coal Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Authority and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer 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

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

Philip Lawrence
Chief Executive and Accounting Officer
14 June 2016

Governance statement

This Governance statement outlines the governance, risk management and control arrangements in place to ensure achievement of the Authority's objectives. It concludes that these are effective and continue to evolve at a sufficient pace to manage the Authority's risks as we transform to become a world leader in resolving the impacts of mining.

The Authority's governance framework

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

The Authority has an established governance framework supported by an appropriate organisational culture. This is summarised below at Figure 1 and explained through this statement.

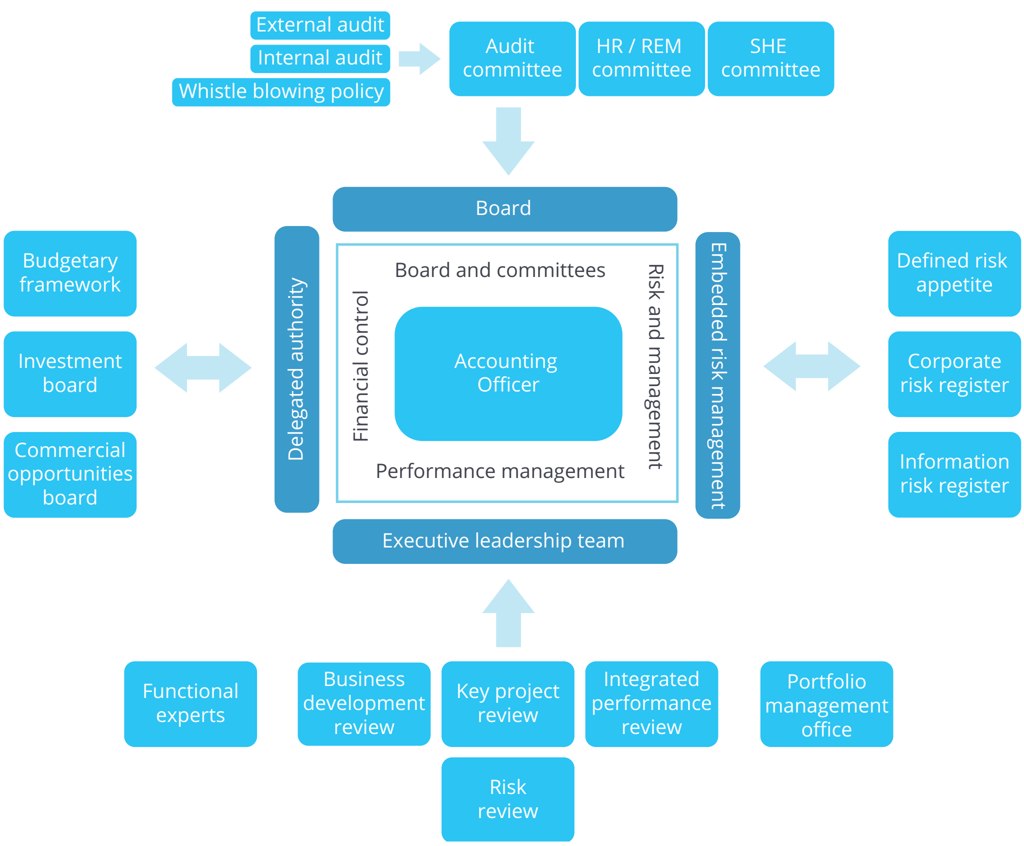


Figure 1.

1. The Board and its committees

1.1 Board of Directors

As at 31 March 2016 we had 7 Directors (3 executive plus 4 Non-Executive appointed by the Secretary of State of DECC).

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

Membership and attendance of the Board and its committees is summarised in the table below:

	Name	Position	Number of meetings (held) and attended			
			Board (7)	Audit (5)	HR/ Remuneration (2)	SHE (3)
Non-Executive Directors	Stephen Dingle	Chair (Board)	7	n/a	2	1
Non-Executive Directors	Tricia Henton	Senior NED (Chair of Safety, Health & Environment)	7	5	2	3
Non-Executive Directors	Stephen Redmond	NED (Chair of HR/ Remuneration)	7	4	2	n/a
Non-Executive Directors	Bob Spedding	NED (Chair of Audit)	7	5	2	n/a
Executive Directors	Philip Lawrence	Chief Executive	7	5	2	3
Executive Directors	Paul Frammingham	Chief Finance and Information officer	7	4	n/a	n/a
Executive Directors	Simon Reed	Chief Operating Officer	7	n/a	n/a	3

Gemma Pearce was appointed to the Board from 1 April 2016 and attended Board meetings in January 2016 and March 2016, an audit committee meeting in March 2016 and HR & remuneration committee meeting in March 2016, by invitation.

The Director of People and Retail Client Services and the Director of Business Development attend the Board by invitation. Other senior managers attend the Board in order to present papers and join strategy discussion.

In accordance with the principles of open government, Board meetings continue to be open to members of the public and media. The agendas and dates of its meetings can be found on www.gov.uk/coalauthority.

1.2 Board performance

Compliance with the corporate governance code

We comply with the Corporate governance code and government guidance in respect of its application in so far as is relevant and practical for an Arm's Length Body of our size and complexity:

- the Board monitors the Authority's performance and supports us in directing its business in an effective manner including playing an active role in managing stakeholder relationships
- the Chair is responsible for leading the Board and Non-Executive Directors to constructively challenge and help develop strategy
- the quality of information received by the Board is of a satisfactory standard. Papers and reports are normally concise, relevant and timely. The Board receives frequent updates on the Authority's financial position, forecasts and sensitivities
- the Board has an appropriate balance of skills and experience to enable it to discharge its responsibilities
- the Board ensures that a balanced and reasonable assessment of performance is reported to DECC and regularly debates the main risks facing the Authority and, through the Audit committee, maintains sound risk management and internal control systems. The Board annually reviews the terms of reference for its sub-committees
- executive remuneration is determined by the HR & remuneration committee within the guidelines set by HM Treasury and DECC. Non-Executive remuneration is set by DECC and reviewed annually

Board performance and effectiveness review

The Board undertakes regular evaluation of its own performance and that of its Directors.

The Board last assessed its performance during May 2016 by way of considering its progress against its annual objectives and measuring itself against a list of best practice criteria as set out by the National Audit Office (NAO).

The Board considers that it has substantively achieved its objectives and operate effectively. The Board sees value in regular reviews of performance and intends to undertake a further session in 2017.

1.3 Board committees

The Board is supported by its committees as outlined below:

Audit committee

The audit committee is chaired by Bob Spedding, who has recent, relevant financial experience.

The committee ensures that we operate effective and integrated risk management and control systems, reviews external audit strategy and results, recommends the approval of the Annual Report and Accounts, and oversees the internal audit function provided by the Government Internal Audit Agency.

During the year the audit committee has:

- continued to focus on risks emerging from our commercialisation, ensuring that financial controls in relation to commercial contracts and policies concerned with promoting ethical walls between commercial and public task activities are fit for purpose
- reviewed and challenged controls relating to our Business and Operational Support Systems programme. This programme will ensure that our systems and processes remain fit to support an increasingly ambitious and commercial organisation
- reviewed other internal audit reports including those on contract management, information assurance, and the effectiveness of our safety, health and environmental audits
- reviewed policies that are key to our control framework, including our whistle-blowing policy, to ensure that they are fit for purpose and effective
- continued to focus on financial reporting risk. This includes ongoing review of our accounting policies including the impact of the implementation of IFRS13, Fair Value measurement and the adaptation by HM Treasury of IAS16, Property, Plant and Equipment, and review of significant judgements made in preparing the accounts including assumptions underlying our provisions balance

Based on the work that Internal Audit has completed, its opinion on mitigating controls over the risk to the delivery of objectives is that:

> *"the framework of governance, risk management and control is adequate and effective"*

This opinion is consistent with that of previous years.

The HR & remuneration committee

Membership of the HR & remuneration committee comprises the Non-Executive Directors and the Chief Executive. This committee was chaired by Stephen Redmond to 31 March 2016 and will be chaired by Gemma Pearce from 1 April 2016. The Director of People and Retail Client Services attends by invitation along with the Head of HR and Organisational Development and the Organisational Development and Learning Principal Manager.

The HR & remuneration committee has continued to support the Authority in improving organisational capability in line with its 5-year plan and has:

- discussed recruitment and retention challenges, including impact of brand and rising levels of pay in the labour market
- approved a 3-year pay strategy to support these issues within ongoing government pay restraint
- reviewed succession planning for senior managers and approved a learning and development strategy to further develop leadership skills through the organisation and embed commercial and political awareness
- endorsed the Executive Leadership Team focus on cultural development and empowerment of its managers

Safety, Health and Environment (SHE) committee

The SHE committee is chaired by Patricia Henton and attended by the Chief Executive, Chief Operating Officer, Head of SHE and relevant departmental heads. Its main responsibilities are to develop SHE strategy and to oversee the SHE management system.

It met 3 times during the year and:

- developed and approved a new Sustainability Framework which replaces the existing corporate SHE objectives and targets
- reviewed and agreed a simplified governance structure
- following an internal audit, it reviewed and approved the mitigating actions to address gaps in control identified
- following the introduction of new construction health and safety legislation, it completed a review of the effectiveness of our contractor procurement and management processes and agreed actions to provide greater clarity and improved effectiveness
- issued an annual review of its work

2. Performance management

Executive Leadership Team (ELT)

Our ELT consists of the Authority's Executive Directors, Lisa Lax, Director of People and Retail Client Services and Richard Hughes, Director of Business Development.

The team normally meet weekly. They have a formalised, rolling agenda to maintain focus on key areas which includes a:

- review of business development opportunities and actions
- review and challenge of business performance including performance against financial indicators and key milestones
- monthly review of key projects including Business Operational Support Systems (BOSS) and Innovation
- monthly risk review

The Project Management office continues to facilitate improved programme and project management capability across the organisation. This is important in managing the Authority's strategic risks as outlined in section 4.

Over 2015-16 good progress has been made in embedding our Project Management system and standardised processes, organisation wide resource management and capacity planning, and integrated business, project and financial planning processes.

3. Financial control

The Authority has a strong system of financial control based on well-defined levels of delegated authority and a clear budgetary framework. This system remains effective with no control issues of note identified by Internal or External Audit during the year.

Control is exercised through 2 key Boards:

- an Investment Board for approval of key programmes and capital expenditure. This has reinforced risk management concepts, clarified sponsorship of projects, and promoted a culture of financial awareness
- a Commercial Opportunities Board, to ensure that the risk and reward of commercial opportunities are properly evaluated

Systems have evolved during the year with the Investment Board focusing on higher risk expenditure whilst delegating further authority to heads of department and programme sponsors, and the implementation of a Quality Management System in respect of our commercial work.

Executive Leadership Team

4. Risk

4.1 Embedded risk management and culture

Risks are discussed and managed through the organisation on a real time basis. Examples of this include:

- Board focus on strategy and associated risk
- ongoing interaction between our managers and Board Directors that promotes an understanding of risk appetite including NED representation on key project boards
- a risk register that is current, subject to quarterly management sign off, and subject to periodic audit committee, ELT and Business Team review
- the ELT continued focus on strategic issues and key risks around the culture, capacity and competence of our organisation
- the Investment Board and Commercial Opportunities Board, as outlined above

4.2 Information assurance

We have continued to operate under our risk management policy during the year and I am not aware of any material breaches of security or policy or any loss of personal protected information during the year.

The Authority does not hold top secret or secret information and the inherent information risk posed to government through the Authority is relatively low.

We have an appropriate risk assessment, Information Risk Management Policy and an information asset register. Our staff are also trained annually in information handling. The Senior Information Risk Owner (the Chief Finance and Information Officer) is a Board Director and ensures that proportionate controls are implemented to manage these risks in line with the Board's risk appetite.

During September 2015, we undertook an Information Assurance Maturity Model (IAMM) self-assessment, the information security arm of government. This assessment rates information assurance maturity across 6 areas scoring them from 0 to 5. The Authority achieved a level 2 rating across all areas, in line with expectation and representing a proportionate response to the Authority's gross information risk.

4.3 Changing control environment and risk appetite

As we innovate to become increasingly efficient and realise the economic value in our people and information we have and will continue to evolve our control framework so that it remains up to date with business changes, effective and proportionate. We neither attempt to eliminate risk, nor pursue opportunities without ensuring risk is considered and managed.

Explicit reference to risk appetite allows us to adopt a common language across the Authority and develop a framework under which managers can confidently make risk based decisions. During the year the Board reviewed and confirmed its risk appetite.

Risk appetite is required to be referenced in Board, Investment Board and Commercial Opportunities Board papers. Understanding of the concept of risk appetite continues to be promoted through coaching and live, real time conversations with managers.

4.4 Risk assessment

The key risks that we will need to manage to deliver the plan are:

- an over ambitious business plan or lack of effective prioritisation leads to inconsistency of delivery, or step changes in improving processes and reducing costs through innovation take longer than planned
- the business transformation that is required to achieve the 5-year plan and assure the future of the Authority fails to materialise due to a lack of capacity or competence or resistant culture
- government restrictions inhibit implementation of our medium/long term strategy and/or cause spending from our public sector customers to decline

We continue to manage these risks closely. Further explanation of the risks and control measures is given in the performance report.

Effectiveness of control environment

The system of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control has been in place in the Authority for the year ended 31 March 2016 and, as illustrated, up to the date of approval of the annual report and accounts, accords with HM Treasury guidance.

No significant control issues have arisen in the year. Actions are ongoing to manage our risks, including high level and emerging risks. Based on all of the elements of the Authority's Assurance Framework illustrated at Figure 1, I am satisfied that the Authority’s governance, risk management and internal control arrangements are proportionate, fit for purpose and working as intended.

Remuneration and staff report

Introduction

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

The HR & remuneration committee

As explained in the Governance Statement, the Authority has an established HR & remuneration committee. This determines and keeps under review the pay and reward strategy for all staff of the Authority and approves the principles of the Pay Remit for submission to the Secretary of State for DECC. The Committee's terms of reference prescribe that the Chief Executive shall not be present when his remuneration and conditions of employment are being considered.

Remuneration policy for the Executive Directors

With the exception of the Chief Executive, the Executive Directors' remuneration is determined via the Pay Remit process approved by the Secretary of State. The HR & remuneration committee reviews and makes recommendations about the remuneration of the Chief Executive which is formally determined by DECC. The Committee follows Senior Civil Service Guidelines and awarded a 1% increase in the Chief Executive's salary from 1 April 2015.

Performance management system (PMS)

The Executive Directors participate in our PMS. Individual assessments are made by the Chief Executive and Chair and reviewed by the HR & remuneration committee. Appraisal of individual performance is based on the achievement of defined objectives and behaviours which are assessed against 4 performance scores.

Performance related pay (PRP)

Performance related pay (PRP) is non-contractual and non-pensionable and is subject to obtaining annual approval via the Pay Remit process from DECC and the Pay Remit for 2015-16 was approved by DECC in July 2015.

PRP is earned based on a corporate award, reflecting corporate and individual performance against objectives. Corporate performance for 2015-16 has been assessed by the Board at 97% and payment of PRP for the year has been adjusted accordingly.

Executive Directors' contracts

It is our policy that Executive Directors should have contracts with an indefinite term providing for 6 months' notice.

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

Directors' contracts	Date appointed as Director	Notice entitlement
Philip Lawrence	2 May 2006	6 months
Paul Frammingham	6 May 2008	6 months
Simon Reed	1 January 2010	6 months

The notice period to be given by the Chief Executive is 6 months and by the remaining Executive Directors, 3 months.

The following paragraphs of the Remuneration Report have been audited.

Non-Executive Directors

Non-Executive Directors have been appointed by the Department for Business, Innovation and Skills (BIS) or Department of Energy and Climate Change (DECC) (from 3 October 2008) in line with the Code of Practice issued by the Commissioner for Public Appointments. Their terms of engagement and remuneration are now determined by DECC. They do not participate in the pension schemes or receive PRP.

Fees paid	Contract end date	2015-16 £	2014-15 £
Stephen Dingle	31 March 2017	27,050	27,050
Tricia Henton	31 March 2017	11,666	11,666
Stephen Redmond	31 March 2016	11,666	11,666
Bob Spedding	31 March 2019	11,666	11,666
Gemma Pearce[1]	31 March 2019	3,889	–

[1] Gemma Pearce was appointed on 1 April 2016 but attended Board and Board Committee meetings by invitation and received remuneration from 1 December 2015.

Executive Directors' remuneration

	Salary £000		Allowance £000		PRP £000		Pension benefits £000		Total £000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Philip Lawrence[2]	120-125	120-125	5-10	5-10	10-15	10-15	60-65	45-50	205-210	190-195
Paul Frammingham	80-85	80-85	5-10	5-10	10-15	5-10	30-35	30-35	135-140	130-135
Simon Reed	80-85	80-85	5-10	5-10	5-10	10-15	30-35	15-20	130-135	115-120

[2] In addition to the remuneration shown in the table, Philip Lawrence earned £33,000 in fees for services as a Non-Executive Director of Headlam Group Plc, which was paid direct to the Authority. He did not retain any part of these fees.

Executive Directors' remuneration includes: salary, non-consolidated performance related pay earned in the year under the PMS (which is non-contractual), and the value of pension benefits accrued during the year. Allowances include car allowances but in the case of Paul Frammingham also a retention allowance. No Directors received any benefits in kind during 2015-16 or 2014-15.

We also participate in a HMRC approved cycle to work scheme. Paul Frammingham has participated in this scheme during 2015-16 (2014-15: Paul Frammingham, Philip Lawrence and Simon Reed).

PRP is based on performance levels attained and is made as part of the appraisal process.

PRP relates to the performance in the year in which it becomes payable to the individual.

PRP for 2015-16 relates to the amount accrued during the year. PRP for 2014-15 was paid in line with amounts accrued during that year.

Executive Directors' pension entitlements

	Accrued pension at pension age as at 31 March 2015 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2016 £000	CETV at 31 March 2015 £000	Real oncrease in CETV £000
Philip Lawrence	30-35 plus 0 lump sum	2.5-5.0 plus 0 lump sum	451	367	25
Paul Frammingham	11-15 plus 0 lump sum	0-2.5 plus 0 lump sum	167	133	10
Simon Reed	20-25 plus 60-68 lump sum	0-2.5 plus 5.0-7.5 lump sum	459	395	28

Cash equivalent transfer values (CETV)

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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic, premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium, classic plus, nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

(The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Average number of persons employed:

			2015-16			2014-15
	Staff	**Other**	**Total**	**Staff**	**Other**	**Total**
Information	28	3	31	25	3	28
Public Safety	41	1	42	49	2	51
Regulation	25	–	25	21	1	22
Environment	25	2	27	20	5	25
Administration	61	4	65	53	2	55
Staff numbers	**180**	**10**	**190**	**168**	**13**	**181**

Average number of persons employed as analysed above is consistent with the Authority's organisational structure for both years.

1.3 full time equivalent persons were charged to capital projects during 2015-16 (2014-15: 0.2).

Pensions

The PCSPS is an unfunded multi-employer defined benefit scheme and the Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2015-16, employers' contributions of £1,326,000 were payable to the PCSPS (2014-15: £1,085,000) at one of 4 rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every 4 years following a full scheme valuation. The salary bands and contribution rates are set to meet the cost of the benefits accruing during the year to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Two (2014-15: nil) Authority employees have opted for a partnership account in the year and the total amount of contributions was £13,000 (2014-15: nil).

No persons retired early on ill-health grounds during 2015-16 (2014-15: No persons), therefore there are no additional accrued pension liabilities in the year (2014-15: nil).

Reporting of civil service and other compensation schemes – exit packages

	Number of compulsory redundancies	**Number of other departures agreed**	**Total number of exit packages**
<£10,000	–	1	1
£10,000 - £25,000	–	3	3
£25,000 - £50,000	–	9	9
£50,000 - £100,000	–	2	2
£100,000 +	–	–	–
Total number of exit packages	–	**15**	**15**
Total cost – £000	–	**538**	**538**

During 2015-16 redundancy and other departure costs of £538,000 (2014-15: nil) were recognised in the Statement of Comprehensive Net Expenditure in accordance with the provisions of the Civil Service Compensation scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs were accounted for in full in the year of departure following a period of consultation and where there was certainty over the amounts to be paid and agreed exit dates. As at 2015-16 £449,000 (2014-15: nil) was held within accruals and deferred income in the Statement of Financial Position.

There have been no further compensation schemes accrued for the year ended 31 March 2016 (2015: nil).

Reporting of high paid off-payroll appointments

Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than 6 months:

	No
Existing engagements as of 31 March 2016	**6**
Of which existed for;	
less than 1 year	4
between 1 and 2 years	1
between 2 and 3 years	–
between 3 and 4 years[3]	1
4 or more years	–

[3] Relates to services provided intermittently through a framework agreement.

New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than 6 months:

	No
New engagements, or those that reached 6 months in duration between 1 April 2015 and 31 March 2016	**4**
Of which include contractual clauses giving the right to request assurance in relation to income tax and national insurance obligations	
For whom assurance has been requested	4
of which for whom;	
assurance has been received	4
assurance has not been received	–
terminations as a result of assurance not being received	–

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016:

	No
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Number of individuals that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both off-payroll and on-payroll engagements.	7

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce.

The remuneration of the highest paid Director in the Authority in the financial year 2015-16 was £145,369 (2014-15: £146,827). This was 3.9 times (2014-15: 3.9 times) the median remuneration of the workforce, which was £37,545 (2014-15: £37,108).

In 2015-16 and 2014-15, no employee received remuneration in excess of the highest paid Director. Remuneration ranged from £14,272 to £145,369 (2014-15: £16,659 to £146,827).

Total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Philip Lawrence
Member, Chief Executive and Accounting Officer
14 June 2016

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 2016 under the Coal Industry Act 1994. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report and the parliamentary accountability disclosures within the accountability report that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Board, Accounting Officer and Auditor

As explained more fully in the Statement of the Authority's and Chief Executive's responsibilities, the Coal Authority and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Coal Industry Act 1994. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Coal Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Coal Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Coal Authority's affairs as at 31 March 2016 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Coal Industry Act 1994 and Secretary of State directions issued thereunder.

Emphasis of matter

Without qualifying my opinion I draw attention to the disclosures made in Note 13 concerning the uncertainties in the likely costs in respect of the Coal Authority's liabilities for mine water treatment, public safety and subsidence claims, subsidence pumping stations and tip management totalling £2,820.0 million. The increase in the liability in 2015-16 arising from the changes in the long term discount rate underlines the uncertainty inherent in management's estimate. A further impact of the change to a negative long term discount rate for provisions is that the later years, for which there is greater uncertainty over future costs, constitute a larger proportion of the liability estimate, thereby increasing the overall level of uncertainty. It is not possible to quantify with certainty the settlement of these liabilities or the impact on the Coal Authority's future financial results.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and staff report and the parliamentary accountability disclosures to be audited has been properly prepared in accordance with Secretary of State directions made under the Coal Industry Act 1994; and
- the information given in the Performance report and accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and staff report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 28 June 2016

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

financial statements

Statement of Comprehensive Net Expenditure
Year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Income from sale of goods and services		16,238	14,344
Other operating income		568	645
Total operating income	5	**16,806**	**14,989**
Staff costs	3	(9,983)	(8,510)
Purchase of goods and services	4	(9,790)	(7,845)
Depreciation, revaluation and impairment charges	4	(7,509)	(9,685)
Operating expenditure before provision movement		**(27,282)**	**(26,040)**
Provision movement	4	(1,918,378)	55,288
Total operating expenditure		**(1,945,660)**	**29,248**
Net operating (expenditure)/income		**(1,928,854)**	**44,237**
Finance income		–	46
Finance expense		(10)	(14)
Net expenditure for the year		**(1,928,864)**	**44,269**
Other comprehensive net expenditure			
Net loss on revaluation of property, plant and equipment		–	(51)
Comprehensive net (expenditure)/ income for the year		**(1,928,864)**	**44,218**

The Statement of Comprehensive Net Expenditure and supporting Notes to the Accounts have been prepared and presented in accordance with the guidelines provided by HM Treasury's Financial Reporting Manual (FReM).

Notes on pages 70 to 101 form part of these accounts.

Statement of Financial Position
31 March 2016

	Note	2016 £000	2015 £000
Non-current assets:			
Property, plant and equipment	7	9,231	8,064
Investment property	8	256	582
Intangible assets	9	2,487	3,497
Total non-current assets		**11,974**	**12,143**
Current assets:			
Assets classified as held for sale	8	47	42
Trade and other receivables	10	4,558	3,928
Cash and cash equivalents	11	19,386	5,283
Total current assets		**23,991**	**9,253**
Total assets		**35,965**	**21,396**
Current liabilities:			
Trade and other payables	12	(12,415)	(6,838)
Provisions	13	(21,035)	(21,582)
Total current liabilities		**(33,450)**	**(28,420)**
Total assets less current liabilities		**2,515**	**(7,024)**
Non-current liabilities:			
Provisions	13	(2,798,965)	(896,418)
Other payables	12	(16,146)	(5,290)
Total non-current liabilities		**(2,815,111)**	**(901,708)**
Net liabilities		**(2,812,596)**	**(908,732)**
Taxpayers' equity and reserves:			
General fund		(2,812,672)	(908,808)
Revaluation reserve		76	76
Total taxpayers' equity and reserves		**(2,812,596)**	**(908,732)**

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

Philip Lawrence
Chief Executive and Accounting Officer
14 June 2016

Stephen Dingle
Chair
14 June 2016

Notes on pages 70 to 101 form part of these accounts.

Statement of Cash Flows
Year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities:			
Net expenditure		(1,928,864)	44,269
Depreciation, amortisation and devaluation of fixed assets	4	7,622	9,722
Profit on disposal of fixed assets	4,5	(568)	(625)
Devaluation of investment properties	4	(113)	(38)
(Increase)/decrease in trade and other receivables		(630)	315
Increase/(decrease) in trade and other payables		16,217	(1,767)
Increase/(decrease) in provisions		1,902,000	(72,000)
Net cash outflow from operating activities		**(4,336)**	**(20,124)**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(6,561)	(5,477)
Purchase of intangible assets		(1,002)	(940)
Proceeds from sale of property, plant and equipment	4,5	1,002	709
Net cash outflow from investing activities		**(6,561)**	**(5,708)**
Net cash outflow from activities		**(10,897)**	**(25,832)**
Cash flows from financing activities:			
Grant in aid		25,000	23,500
Net financing		**25,000**	**23,500**
Net increase/(decrease) in cash and cash equivalents		**14,103**	**(2,332)**
Cash and cash equivalents at the beginning of the period		5,283	7,615
Cash and cash equivalents at the end of the period		**19,386**	**5,283**

Notes on pages 70 to 101 form part of these accounts.

Statement of changes in Taxpayers' Equity
Year ended 31 March 2016

	General fund £000	Revaluation reserve £000	Total reserves £000
Balance as at 1 April 2014	**(976,579)**	**129**	**(976,450)**
Changes in taxpayers' equity for 2014-15			
Grant in aid funding – Capital	5,444	–	5,444
Grant in aid funding – Revenue	18,056	–	18,056
Transfers between reserves	2	(2)	–
Movement on revaluation of fixed assets	–	(51)	(51)
Comprehensive expenditure for the year	44,269	–	44,269
Balance at 31 March 2015	**(908,808)**	**76**	**(908,732)**
Changes in taxpayers' equity for 2015-16			
Grant in aid funding – Capital	7,779	–	7,779
Grant in aid funding – Revenue	17,221	–	17,221
Transfers between reserves	–	–	–
Movement on revaluation of fixed assets	–	–	–
Comprehensive expenditure for the year	(1,928,864)		(1,928,864)
Balance at 31 March 2016	**(2,812,672)**	**76**	**(2,812,596)**

Notes on pages 70 to 101 form part of these accounts.

Notes to the Accounts Year ended 31 March 2016

1. Statement of accounting policies

1.1 Basis of preparation

The Authority is an executive Non-Departmental Public Body (NDPB) established under the Coal Industry Act 1994 and is sponsored by the Department of Energy and Climate Change (DECC). Under paragraph 15(1)(b) of Schedule 1 of the Act the Authority is required to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction, as determined by the Secretary of State, with the consent of HM Treasury.

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting convention

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

1.3 Going concern

The Statement of Financial Position at 31 March 2016 shows net liabilities of £2,812.6 million. This reflects the inclusion of future expenditure for liabilities falling due in future years which cover periods of 50 and 100 years into the future. To the extent that they are not met from other sources of income, they may only be met by future grants or grants in aid from our sponsoring department, DECC. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

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

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

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

1.4 Grant in aid

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

1.5 Income and revenue recognition

Income

Income represents the amounts, exclusive of VAT, arising from leases/licences and invoiced sales of goods and services.

Income is measured at the fair value of the consideration received or receivable and is recognised in the Statement of Comprehensive Net Expenditure. This is based on following the performance of contractual obligations by the Authority, where amounts can be reliably measured and it is probable that the economic benefits will flow to the Authority. Where this applies to services income, the amount recognised will be dependent upon the stage of completion.

Income received in advance of discharging contractual obligations is held on the Statement of Financial Position, and is released to the Statement of Comprehensive Net Expenditure as contractual obligations are fulfilled.

Amounts recoverable on contract are recognised on an accruals basis relating to the period in which the income is earned.

Operating lease income

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

Consolidated fund income

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

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

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

1.6 Staff costs

Under IAS 19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of the untaken leave has been determined using data from electronic leave records.

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. The Authority recognises the expected cost of providing pensions on a systematic and rational basis, over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not the responsibility of the Authority. The costs of all employer pension contributions are charged to the Statement of Comprehensive Net Expenditure when incurred.

1.8 Operating lease expenditure

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

1.9 Research and development

Research

Expenditure is recognised as an expense in the period in which it is incurred.

Development

Expenditure is capitalised as an internally generated intangible asset only if the criteria of IAS 38 are met.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1.10 Taxation

VAT

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

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

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

1.11 Assets and liabilities inherited from British Coal

Various assets and liabilities were transferred from British Coal under a number of restructuring schemes made by the then Secretary of State for Trade and Industry pursuant to Section 12 of the Coal Industry Act 1994. The assets and liabilities included in these restructuring schemes were originally transferred into the Authority's accounts at their net book values, as previously stated in the financial statements of British Coal, under the accounting policies adopted by the Authority.

1.12 Property, plant and equipment

Assets are capitalised as property, plant and equipment if they are intended for use on a continuing basis and their original purchase cost, on an individual or group basis, is £2,000 or more.

Property

Freehold land and buildings relate to the Authority's Head Office and transit properties and are carried at fair value based on existing use, with external professional valuations undertaken biennially.

The latest Head Office valuation was undertaken at the end of 2014-15 and the carrying value adjusted accordingly, with the next valuation scheduled to be undertaken at the end of 2016-17.

The Authority holds a number of properties which are used as operational assets to provide temporary accommodation to members of the public whose own properties have been affected by mining activities. These transit properties were transferred to the Authority during 2015-16 and external professional valuations undertaken.

In addition, the Authority owns a number of shafts that access abandoned mines. These are used in the monitoring of underground movements in water and gases. As there is no open market on which to base a valuation, these are held at nil value

Non-property:
Information technology, plant and machinery and furniture and fittings

In accordance with the FReM, the option has been taken to value these assets on a depreciated historical cost basis over the assets' remaining service potential as a proxy to fair value, where assets have short useful economic lives or are of low value, or both.

At each reporting date the Authority reviews asset carrying amounts, for both residual values and useful economic lives, to determine whether there is any indication that an impairment loss has been suffered.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets under construction are valued at cost.

Mine water treatment schemes and subsidence pumping stations

Operational schemes relating to coal are held at nil value on the Statement of Financial Position. The cost of building these schemes has been provided for in previous periods as these assets are commissioned to resolve legacy mining issues, for which the benefits have previously been received.

Costs incurred in the design, build, refurbishment and bringing the assets into working condition for their intended operational use are capitalised following completion of a feasibility study and gateway review. When the assets are brought into operational use, the carrying values are subject to an impairment review and are impaired to nil value, with the loss being recognised through the Statement of Comprehensive Net Expenditure.

Schemes that relate to metal mining activity will be reviewed on an individual basis in accordance with the guidance provided under IAS 16 Property Plant and Equipment (PPE) and other relevant standards. This review will be completed in conjunction with reference to the underlying contractual agreement in place with third parties.

Decommissioning costs are not provided for on the basis that the mine water schemes and subsidence pumping stations will continue to operate in perpetuity.

Assets under construction are valued at cost.

1.13 Depreciation

Property, plant and equipment assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over the estimated useful economic lives.

The rates of depreciation are as follows:

Freehold land	not depreciated
Long leasehold land	not depreciated
Transit properties	50 years
Freehold buildings	50 years
Information technology	3 to 5 years
Plant and machinery	3 to 10 years
Furniture and fittings	5 to 10 years

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

1.14 Investment properties

The Authority holds a number of properties and is undertaking a rolling disposal programme, the timing of which is dependent on property market conditions. These have been classified as investment properties and are not depreciated in accordance with IAS 40, but may be impaired or revalued to provide a carrying value at their estimated fair value. Full valuations by external chartered surveyors are undertaken by means of a rolling programme over 5 years. A desk top review is undertaken by in-house chartered surveyors on those properties that have not been subject to a full external valuation during the year.

Gains and losses arising from changes in fair value of investment property are recognised in the Statement of Comprehensive Net Expenditure.

Investment properties identified as held for sale are disclosed where conditions established under IFRS 5 have been met.

1.15 Intangible assets

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

Low value software licences are amortised on a straight line basis over the shorter of useful economic life (5 years) or the term of the licence. Higher value bespoke software is amortised on a straight line basis over 5 years.

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

1.16 Financial instruments

The Authority does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables, as disclosed within Notes 10 and 12 to the Accounts.

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

1.17 Security fund creditors

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

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

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

1.18 Provisions

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

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

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

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

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

Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to unwind 1 year's discount so that liabilities are shown at current price levels.

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

Specific provision periods have been established as follows:

Mine water treatment schemes	100 years
Subsidence pumping stations	100 years
Subsidence damage liabilities	50 years
Surface hazard treatment	50 years
Tip maintenance	50 years

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

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

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

1.19 Contingent assets and liabilities

In addition to contingent liabilities or assets disclosed in accordance with IAS 37, the Authority discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts, and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.20 Accounting judgements, estimates and assumptions

In relation to provisions, to the extent that it is sometimes impracticable to disclose the full extent of the possible effects of assumptions or management estimate at the end of a reporting period, based on the best existing knowledge at the time, it is reasonably possible that outcomes for the next accounting period could require material adjustments to the provisions balances of £2,820.0 million as at 31 March 2016.

Other than in the review and calculation of provisions, no material accounting judgements, estimates or assumptions were made by the Authority in preparing these accounts.

1.21 New standards, amendments and interpretations not yet effective

There are no standards currently in issue but not yet effective, that the Authority needs to adopt in the financial statements.

During the year, IFRS 13 "Fair Value Measurement" was adopted for periods beginning on or after 1 April 2015. This standard provides a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. The Directors have reviewed the requirements of the standard and confirm no changes are required to the Authority's current accounting policies.

2. Statement of operating costs by operating segments

The following analysis by operating segment of gross expenditure, income, net expenditure/(income) and total assets are stated below in accordance with IFRS 8.

2015-16	Regulation £000	Information £000	Public Safety £000	Environment £000	Total £000
Expenditure incurred during the year	2,729	6,441	12,230	16,980	38,380
Impairments	–	–	–	5,290	5,290
Less provision utilised	(239)	–	(6,315)	(9,824)	(16,378)
Adjustment to provisions	2,239	–	340,315	1,575,824	1,918,378
Gross expenditure	**4,729**	**6,441**	**346,230**	**1,588,270**	**1,945,670**
Income	**(1,702)**	**(11,083)**	**(395)**	**(3,626)**	**(16,806)**
Net expenditure/(income)	**3,027**	**(4,642)**	**345,835**	**1,584,644**	**1,928,864**
Total assets	**6,179**	**4,559**	**10,097**	**15,130**	**35,965**
Memo: Net expenditure/(income) excluding provisions movements	1,027	(4,642)	11,835	18,644	26,864

2014-15	Regulation £000	Information £000	Public Safety £000	Environment £000	Total £000
Expenditure incurred during the year	2,697	5,837	11,724	15,650	35,908
Impairments	181	–	–	6,677	6,858
Less provision utilised	(226)	–	(6,577)	(9,909)	(16,712)
Adjustment to provisions	464	–	(35,660)	(20,092)	(55,288)
Gross expenditure	**3,116**	**5,837**	**(30,513)**	**(7,674)**	**(29,234)**
Income	**(1,727)**	**(10,239)**	**(237)**	**(2,832)**	**(15,035)**
Net expenditure/(income)	**1,389**	**(4,402)**	**(30,750)**	**(10,506)**	**(44,269)**
Total assets	**5,858**	**4,997**	**4,397**	**6,144**	**21,396**
Memo: Net expenditure/(income) excluding provisions movements	1,151	(4,402)	11,487	19,495	27,731

Segmental analysis

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

Regulation includes legal, estate management and the planning, licensing and permissions activities. Within Regulation total assets, investment properties valued at £47,000 have been identified as being held for sale (2015: £42,000). Other than the element retained to finance licensing activities, royalties and mining income is surrendered to the HM Treasury consolidated fund when received.

The Information segment includes mining records, mining reports and data solutions and involves the provision of mining and environmental data sets and Commercial Mining and Environment reports. During the year there was internal cross selling from data solutions to mining reports. This has been completed on an arm's length basis and is done so at cost plus an allowance for overhead recovery.

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

Environment covers projects for mine water operations and subsidence pumping schemes. The most significant customer within Environment is Defra. Income of £3,484,000 for 2015-16 (2014-15: £2,758,000) was earned for the provision of environmental technical services in respect of the treatment of metal mine water. Work undertaken for Defra is done so at cost plus an allowance for overhead recovery. This accounts for 21.46% (2014-15: 19.23 %) of income from activities.

Managing public money – fees and charges

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

Information includes the provision of mining reports which generated income of £10,815,000 (2014-15: £9,995,000), costs of £8,118,000 (2014-15: £7,554,000), and a surplus of £2,697,000 (2014-15: £2,441,000). Expenditure associated with specific programmes and activities is managed and reported under the Public Safety and Regulation segments, but relates to the enhancement of data and information. The financial objective in respect of the provision of Public Task products and services by Information is full cost recovery plus an allowance for overhead recovery. Information also undertakes commercial services, including the provision of environmental information products, which are charged at a commercial rate.

Environmental technical services generated income of £3,484,000 (2014-15: £2,738,000), costs of £3,264,000 (2014-15: £2,723,000) and a surplus of £220,000 (2014-15: Surplus £15,000). The financial objective in respect of the environmental technical services is full cost recovery plus an allowance for overhead recovery.

The licensing, permissions and planning activities provided by regulation generated income of £941,000 (2014-15: £822,000), costs of £991,000 (2014-15: £1,221,000) and a deficit of £50,000 (2014-15: deficit £399,000). The financial objective for the provision of licensing and permissions services is full cost recovery plus an allowance for overhead recovery.

3. Staff and related costs

	2015-16 Staff £000	2015-16 Other £000	2015-16 Total £000	2014-15 Staff £000	2014-15 Other £000	2014-15 Total £000
Wages and salaries	6,925	–	6,925	6,091	–	6,091
Social security costs	622	–	622	517	–	517
Other pension costs	1,326	–	1,326	1,085	–	1,085
Re-organisation costs	538	–	538	–	–	–
Agency staff costs	–	572	572	–	817	817
Total staff costs	**9,411**	**572**	**9,983**	**7,693**	**817**	**8,510**

£47,000 of staff costs were charged to capital projects during 2015-16 (2014-15: £9,000).

4. Operating costs

	Note	£000	2015-16 £000	£000	2014-15 £000
Operating leases:					
Equipment		99		105	
Land and buildings		98		146	
			197		251
Supplies and services:					
Expenditure incurred during the year		25,303		23,288	
Less provision utilised	13	(16,378)		(16,712)	
			8,925		6,576
Research and development		322		645	
Audit remuneration		42		42	
Travel and subsistence		304		311	
Loss on disposal of assets		–		20	
			668		1,018
Sub-total			**9,790**		**7,845**
Non-cash items:					
Adjustment to provisions:					
Additional year (50th/100th)	13	3,832		4,124	
Utilised against capital expenditure	13	(4,914)		(4,607)	
Discount rate change	13	1,925,390		3,337	
Created/(released)	13	(16,433)		(69,721)	
Unwinding of discount	13	10,503		11,579	
Sub-total			**1,918,378**		**(55,288)**
Depreciation and amortisation:					
Property, plant and equipment	7	389		768	
Intangibles	9	1,930		1,850	
		2,319		2,618	
(Revaluation)/devaluation:					
Investment properties	8	(113)		(37)	
Impairments:					
Property, plant and equipment	7,9	5,303		7,104	
Sub-total			**7,509**		**9,685**
Total			**1,935,677**		**(37,758)**

Loss/(profit) on disposal of property, plant and equipment:

	2015-16 £000	2014-15 £000
Proceeds from sale of assets	–	–
Book values	–	20
Loss on disposal	**–**	**20**

5. Income

5.1 Operational income

	2015-16 £000	2014-15 £000
Information – mining reports	10,815	9,995
Environment – technical services	3,484	2,758
Regulation – permissions indemnities	509	470
Regulation – licensing	432	351
PS&S – technical services	303	154
Rental income	261	269
Other income	434	347
Income from activities	**16,238**	**14,344**
Profit on disposal of property, plant and equipment	568	645
Total income	**16,806**	**14,989**

Profit on disposal of property, plant and equipment:

	2015-16 £000	2014-15 £000
Proceeds from sale of investment properties	19	180
Proceeds from clawback	903	529
Proceeds from sale of plant and equipment	80	–
Total proceeds	1,002	709
Book values	(434)	(64)
Profit on disposal	**568**	**645**

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

During the year, the Authority completed the transfer of 2 investment properties to the Homes and Communities Agency pursuant to s53A (5) of the Housing and Regeneration Act 2008, for nil consideration. As part of the transfer a market valuation exercise was completed resulting in a revaluation gain of £91,000 being recognised in the Statement of Comprehensive Net Expenditure, along with a loss on disposal of £380,000.

5.2 Consolidated fund income

Income shown in Note 5.1 includes a contribution to the cost of collection when the Authority is acting as agent for the consolidated fund rather than as principal and does not include amounts collected as agent for the consolidated fund. The amounts collected as agent for the consolidated fund were:

		2015-16		2014-15
	£000	£000	£000	£000
Production related rent (gross)	517		944	
Cost of collection	(86)		(138)	
Production related rent (net)		431		806
Incidental coal		14		8
Options for lease		73		77
Property sale proceeds		32		4
Income payable to the consolidated fund		**550**		**895**

	2015-16	2014-15
	£000	£000
Balances held at start of year	229	197
Income payable to the consolidated fund	550	895
Payments made to the consolidated fund	(669)	(863)
Balances held at end of year	**110**	**229**

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

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

Property sale proceeds are recognised within the consolidated fund income where the initial purchase was made from grant in aid in previous periods. Income is recognised following the exchange of contracts and on completion of the sale of property.

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

Balances held at end of year represent amounts still to be remitted to the consolidated fund.

Consolidated fund payments amounted to £669,000 (2014-15: £863,000), being collections of £229,000 (2014-15: £197,000) relating to prior year and £440,000 (2014-15: £666,000) relating to current year.

6. Taxation

	2015-16 £000	2014-15 £000
Current tax	–	–
Deferred tax	–	–

Corporation tax is calculated at 20% (2014-15: 21%) of the estimated assessable profit for the year.

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

	2015-16 £000	2014-15 £000
Net expenditure after interest	(1,928,864)	44,269
Tax at the UK corporation tax rate of 20% (21%)	(385,773)	9,296
Tax effect of expenses that are not deductible in determining taxable profit	1,519	2,018
Tax effect of temporary differences on property, plant and equipment	(104)	(98)
Tax effect of temporary differences not recognised	380,407	(15,108)
Tax effect of losses arising in period not recognised	507	100
Tax effect of grant in aid finance for revenue purposes	3,444	3,792
Tax expense for the year	**–**	**–**

The following are the major deferred tax liabilities and assets:

	Recognised at 31 March 2016 £000	2015 £000	Unrecognised at 31 March 2016 £000	2015 £000
Tax losses	(19)	(50)	(6,333)	(6,636)
Temporary differences regarding tax relief for provisions	–	–	(507,595)	(183,600)
Property, plant and equipment	–	–	(6,263)	(6,611)
Revaluation of assets	19	50		–
Total	**–**	**–**	**(520,191)**	**(196,847)**

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

Deferred tax has also not been recognised in respect of temporary differences arising on taxed reserves. Reserves totalling £2,820.0 million at 31 March 2016 will be deductible when the expenditure is charged against the provision in later periods.

The main rate of Corporation Tax reduced to 20% with effect from 1 April 2015 and is expected to further reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. These rate reductions were substantively enacted in October 2015. In March 2016, the Government announced that the rate would further reduce to 17% from 1 April 2020 but this further reduction has not been substantively enacted at 31 March 2016. The 18% rate has therefore been reflected in the Statement of Financial Position in the calculation of deferred tax, where applicable.

7. Property, plant and equipment

	Land	Buildings	Information technology	Plant and machinery	Furniture and fittings	Mine water schemes	Subsidence pumping stations	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2015	3,606	2,850	5,067	1,014	605	83,021	7,607	968	104,738
Additions	–	344	111	8	1	3,659	755	1,968	6,846
Reclassifications	–	–	35	–	–	707	145	(887)	–
Disposals	–	–	(6)	(23)	(5)	(63)	–	–	(97)
At 31 March 2016	**3,606**	**3,194**	**5,207**	**999**	**601**	**87,324**	**8,507**	**2,049**	**111,487**
Depreciation									
At 1 April 2015	–	–	4,785	680	581	83,021	7,607	–	96,674
Charged in year	–	84	206	92	7	–	–	–	389
Disposals	–	–	(6)	(23)	(5)	(63)	–	–	(97)
Impairments	–	–	24	–	–	4,366	900	–	5,290
At 31 March 2016	**–**	**84**	**5,009**	**749**	**583**	**87,324**	**8,507**	**–**	**102,256**
Net Book Value at 31 March 2016	**3,606**	**3,110**	**198**	**250**	**18**	**–**	**–**	**2,049**	**9,231**
Net Book Value at 31 March 2015	**3,606**	**2,850**	**282**	**334**	**24**	**–**	**–**	**968**	**8,064**

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

A valuation was undertaken of the Head Office land and buildings by external Chartered Surveyors (Lambert Smith Hampton, a multi-disciplinary chartered surveying practice) based on existing use value of £2,925,000 as at 31 March 2015 in accordance with RICS guidelines. Valuations are undertaken on a biennial basis, with the next to be completed at 31 March 2017.

Included within buildings are 2 (2015: nil) transit properties (see Note 1.12) with a fair value of £343,000. These were transferred to the Coal Authority by UK Coal Production Ltd in lieu of cash called-in security. The properties will be used for operational purposes in the short term before being sold to generate cash to cover subsidence liabilities (see Note 13). Valuations will be undertaken on a biennial basis by District Valuation Office.

Assets under construction primarily consist of costs incurred on the development, construction or refurbishment of coal mine water treatment schemes and subsidence pumping stations.

For schemes relating to coal mining activity the assets brought into operational use have been subject to an impairment review and impaired to nil. This impairment loss has been recognised through the Statement of Comprehensive Net Expenditure.

Contributions received towards the construction of metal mining schemes have been offset against the cost of capital purchase.

	Land	Buildings	Information technology	Plant and machinery	Furniture and fittings	Mine water schemes	Subsidence pumping stations	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2014	3,445	3,313	4,982	992	605	76,855	7,249	3,200	100,641
Additions	161	15	159	4	–	3,372	358	607	4,676
Reclassifications	–	–	27	18	–	2,794	–	(2,839)	–
Disposals	–	–	(101)	–	–	–	–	–	(101)
Revaluations	–	(478)	–	–	–	–	–	–	(478)
At 31 March 2015	**3,606**	**2,850**	**5,067**	**1,014**	**605**	**83,021**	**7,607**	**968**	**104,738**
Depreciation									
At 1 April 2014	–	89	4,184	561	573	76,855	7,249	–	89,511
Charged in year	–	93	566	101	8	–	–	–	768
Reclassifications	–	–	–	–	–	–	–	–	–
Disposals	–	–	(100)	–	–	–	–	–	(100)
Impairments	–	–	135	18	–	6,166	358	–	6,677
Revaluations	–	(182)	–	–	–	–	–	–	(182)
At 31 March 2015	**–**	**–**	**4,785**	**680**	**581**	**83,021**	**7,607**	**–**	**96,674**
Net Book Value at 31 March 2015	**3,606**	**2,850**	**282**	**334**	**24**	**–**	**–**	**968**	**8,064**
Net Book Value at 31 March 2014	**3,445**	**3,224**	**798**	**431**	**32**	**–**	**–**	**3,200**	**11,130**

8. Investment properties

	Land £000	Buildings £000	Total £000
Fair value			
At 1 April 2015	624	–	624
Disposals	(434)	–	(434)
Revaluations	113	–	113
Net Book Value at 31 March 2016	**303**	**–**	**303**
Net Book Value at 31 March 2015	624	–	624

The Authority owns all of its investment properties and is currently in its fourth year of a 5-year rolling programme to ensure that all investment properties are subject to an external valuation.

At 31 March 2016, 55 properties, representing approximately 96% of the property portfolio by value have been reviewed in accordance with RICS guidelines by the District Valuation Office. Under the rolling programme there are currently 15 investment properties that will be subject to external valuations in the final year.

All investment properties that have not been subject to an external valuation during the year have been subject to an internal valuation, undertaken by a suitably qualified Authority property manager. Internal valuations have been established using appropriate property indices to reflect the movement in the property market over the previous year.

As at 31 March 2016 certain properties valued at £47,000 have been identified as being held for sale (2015: £42,000).

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

	Land £000	Buildings £000	Total £000
Fair value			
At 1 April 2014	596	55	651
Disposals	(9)	(55)	(64)
Revaluations	37	–	37
Net Book Value at 31 March 2015	**624**	**–**	**624**
Net Book Value at 31 March 2014	596	55	651

9. Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2015	18,758	1,352	9	20,119
Additions	833	33	67	933
Reclassifications	8	–	(8)	–
Disposals	(4)	–	–	(4)
At 31 March 2016	**19,595**	**1,385**	**68**	**21,048**
Amortisation				
At 1 April 2015	15,377	1,245	–	16,622
Charged in year	1,873	57	–	1,930
Impairment	13	–	–	13
Disposals	(4)	–	–	(4)
At 31 March 2016	**17,259**	**1,302**	**–**	**18,561**
Net Book Value at 31 March 2016	**2,336**	**83**	**68**	**2,487**
Net Book Value at 31 March 2015	3,381	107	9	3,497

The Authority owns all of its intangible assets.

Information technology includes information systems developed in-house or by third parties and assets under construction consist predominantly of cost incurred in the further development of these information systems.

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2014	17,779	1,369	273	19,421
Additions	716	43	9	768
Reclassifications	263	10	(273)	–
Disposals	–	(70)	–	(70)
At 31 March 2015	**18,758**	**1,352**	**9**	**20,119**
Amortisation				
At 1 April 2014	13,616	1,027	–	14,643
Charged in year	1,580	270	–	1,850
Impairment	181	–	–	181
Disposals	–	(52)	–	(52)
At 31 March 2015	**15,377**	**1,245**	**–**	**16,622**
Net Book Value at 31 March 2015	**3,381**	**107**	**9**	**3,497**
Net Book Value at 31 March 2014	4,163	342	273	4,778

10. Trade receivables and other current assets

Amounts falling due within 1 year:

	2016 £000	2015 £000
VAT	1,101	694
Trade receivables	618	501
Other receivables	2	1
Amounts recoverable on contracts	88	45
Prepayments and accrued income	2,749	2,687
Total debtors at 31 March	**4,558**	**3,928**

There are no amounts falling due after more than 1 year.

11. Cash and cash equivalents

	2016 £000	2015 £000
Balance at 1 April	5,283	7,615
Net change in cash and cash equivalent balances	14,103	(2,332)
Balance at 31 March	**19,386**	**5,283**

The following balances were held at:

Government Banking Services	19,386	5,283
Balance at 31 March	**19,386**	**5,283**

Cash balances incorporate £17,300,000 (2015: £3,731,000) of ring fenced funds held in a separate account. These ring fenced funds represent receipts from Hatfield Colliery and UK Coal Production Ltd following disclaiming the lease / licence for Daw Mill, Kellingley and Thoresby Collieries and from bond providers following the termination of operations of ATH Resources PLC, Benhar Developments Ltd and Scottish Coal Company Ltd. The balances have been offset against the settlement of the operators' liabilities. Balances are to remain ring fenced until such time that all future liabilities are settled.

12. Trade payables and other liabilities

Amounts falling due within 1 year:

	2016	2015
	£000	£000
Other taxation and social security	371	289
Trade payables	2,883	961
Amounts due to government (Coal Royalties – Note 5.2)	110	229
Security fund payables	73	22
Liabilities in relation to called-in security	2,319	1,327
Accruals and deferred income	6,659	4,010
Total creditors at 31 March	**12,415**	**6,838**

The amounts due to government represent amounts still to be remitted to the consolidated fund once trade receivables of £66,000 (2015: £120,000) and accrued income of £44,000 (2015: £109,000) in relation to licensing activities have been collected. See Note 5.2 for further details.

Security fund payables relate to ongoing coal operations and are held by the Authority to ensure debts and future liabilities are settled should a licensee fail to meet their obligations under a lease or licence. The Authority does not ring fence these funds. Receipt of security funds is an operating cash inflow and any payments of security fund a cash outflow financed by grant in aid.

Liabilities in relation to called-in security are in respect of the settlement of future subsidence claims following the termination of operations and disclaiming of the lease / licence for Hatfield Colliery and UK Coal Production Ltd (Daw Mill, Kellingley and Thoresby Collieries).

Amounts falling due after more than 1 year:

	2016	2015
	£000	£000
Security fund payables:		
In more than 1 year, but not more than 2 years	264	1,725
In more than 2 years, but not more than 5 years	106	96
In more than 5 years	875	1,065
	1,245	2,886
Liabilities in relation to called-in security:		
In more than 1 year, but not more than 2 years	3,645	746
In more than 2 years, but not more than 5 years	5,717	-
In more than 5 years	5,539	1,658
	14,901	2,404
Total creditors at 31 March	**16,146**	**5,290**

Liabilities in relation to called-in security are in respect of the settlement of future subsidence claims following Hatfield Colliery and UK Coal Production Ltd disclaiming the lease / licence for Daw Mill, Kellingley and Thoresby Collieries and in respect of costs expected to be incurred following the termination of operations of ATH Resources PLC, Benhar Developments Ltd and Scottish Coal Company Ltd.

Where cash has been received from bond providers, any amounts not utilised, following the settlement of all future liabilities, will remain payable to the respective bond provider.

Analysis of movements on security fund payables:

	2016	2015
	£000	£000
Opening balance – falling due within 1 year	22	196
Opening balance – falling due after more than 1 year	2,886	2,473
Opening balance	2,908	2,669
Invoiced and cash receipts	81	228
Interest payable	9	13
Repayments	(22)	–
Security fund transferred	(1,479)	–
Utilisation	(179)	(2)
Movements during the year	(1,590)	239
Closing balance - falling due within 1 year	73	22
Closing balance - falling due after more than 1 year	1,245	2,886
Closing balance	**1,318**	**2,908**

Analysis of movements on liabilities in relation to called-in security:

	2016	2015
	£000	£000
Opening balance - falling due within 1 year	1,327	1,039
Opening balance - falling due after more than 1 year	2,404	3,846
Opening balance	3,731	4,885
Cash receipts	14,974	75
Bond proceeds transferred	(160)	–
Security fund transferred	1,479	–
Repayments	(421)	–
Utilisation	(2,383)	(1,229)
Movements during the year	13,489	(1,154)
Closing balance - falling due within 1 year	2,319	1,327
Closing balance - falling due after more than 1 year	14,901	2,404
Closing balance	**17,220**	**3,731**

13. Provisions for liabilities and charges

	Mine water	Public safety & subsidence	Subsidence pumping stations	Tip management	Other	Total 2015-16	Total 2014-15
	£000	£000	£000	£000	£000	£000	£000
Opening balance	612,000	205,000	73,000	15,000	13,000	**918,000**	990,000
Additional year (100th, 50th)	1,596	1,856	177	153	50	**3,832**	4,124
Utilised against operating spend	(9,824)	(4,410)	(578)	(388)	(1,178)	**(16,378)**	(16,712)
Utilised against capital spend	(3,801)	–	(1,113)	–	–	**(4,914)**	(4,607)
Created/ (released)	7,654	(26,169)	1,030	(599)	1,651	**(16,433)**	(69,721)
Unwinding of discount	7,315	2,107	857	158	66	**10,503**	11,579
Discount rate change	1,563,060	165,616	175,627	13,676	7,411	**1,925,390**	3,337
Closing balance	**2,178,000**	**344,000**	**249,000**	**28,000**	**21,000**	**2,820,000**	**918,000**

The provision for liabilities and charges at 31 March 2016 is £2,820.0 million (2015: £918.0 million). Forecast cash flows included within this provision before discounting amount to £1,899.0 million (2015: £1,936.0 million).

Movements in provisions are provided for in line with accounting policies stated in Note 1.18.

In calculating each provision at its present value the real discount rates, including negative short and medium term rates for 2015-16, as specified by HM Treasury have been used:

Discount rates	**2015-16**	**2014-15**
Short term (0 - 5 years)	(1.55)%	(1.50)%
Medium term (5 -10 years)	(1.00)%	(1.05)%
Long term (exceeding 10 years)	(0.80)%	2.20%

Other key assumptions and sensitivities in establishing the provisions at 31 March 2016 are explained overleaf.

Mine water

The provision relating to mine water treatment schemes is £2,178.0 million (2015: £612.0 million). The effect of the change in discount rates has been to increase the provision by £1,563.1 million.

In order to comply with legislation, including the Water Environment (Water Framework Directive) (England and Wales) Regulations 2003 and the Water Environment and Water Services (Scotland) Act 2003, , a strategy has been developed to design and build a further 44 schemes by 2027 to remediate existing pollution identified by the Environment Agency (EA) and Scottish Environment Protection Agency (SEPA). A further 10 preventative schemes are programmed to be built to avoid new pollution based on scientific projections of water quality and levels. The provision against mine water treatment includes costs of £81.5 million (2015: £81.6 million), before discounting, against the commissioning and capital maintenance of these schemes. In addition, a refurbishment programme over the life of the provision is included at a cost of £373.0 million before discounting (2015: £356.4 million).

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

Operating costs, net of efficiency measures expected as part of the operational partnership contract, have been modelled to reflect the new, varying types of scheme coming on line. Before discounting, total operating cashflows stand at £962.2 million (2015: £971.9 million).

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

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

Public safety and subsidence
The provision relating to public safety and subsidence activity is £344.0 million (2015: £205.0 million). The effect of the change in discount rates has been to increase the provision by £165.6 million.

Subsidence provisions relate to the estimated cost of settlement of subsidence claims. The Authority has obligations under the 1994 Act and Subsidence Act 1991 to investigate and settle claims in respect of coal mining subsidence damage arising outside designated Areas of Responsibility associated with licences granted to coal mining operators.

Surface hazards provisions relate to the costs of treating ground collapses, shaft collapses and other hazards relating to former coal mining activities. The Authority has obligations under the 1994 Act and Subsidence Act 1991 to investigate and treat hazards arising from coal and to have regard for public safety.

The estimate of costs included within the provision for investigating and treating claims, before discounting, is £5.2 million per annum (2015: £6.2 million per annum) with the movement reflecting a recent reduction in claims experience that is expected to continue. In addition, annual costs before discounting are included for the ongoing mine entry inspection programme through to 2019 at £0.6 million per annum (2015: £0.6 million) and re-inspection programme thereafter over the life of the provision at a cost of £0.3 million per annum (2015: £0.3 million).

The provision for public safety and subsidence is calculated over 50 years as the Authority expects to settle subsidence claims and surface hazards for a considerable period of time as the conditions for subsidence and surface hazards will always be in existence. Inherent uncertainties for public safety and subsidence are significantly higher than for mine water and subsidence pumping stations; therefore beyond 50 years the future costs and timing of cashflows prevent provisions being made.

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

Subsidence pumping stations
The provision relating to subsidence pumping stations is £249.0 million (2015: £73.0 million). The effect of the change in discount rates has been to increase the provision by £175.6 million.

Subsidence pumping station provisions relate to the costs of 84 pumping stations which control water on land affected by subsidence. This includes obligations under the Doncaster Drainage Act 1929 and 8 pumping stations that have been transferred during the year following the closure of the Hatfield, Kellingley and Thoresby collieries.

Estimates include the costs of a refurbishment programme which will be completed by 2030 at £23.1 million before discounting (2015: £22.2 million), but also reflects an estimate of the ongoing requirement to continue refurbishment beyond 2030 and into the foreseeable future. This ongoing refurbishment programme has been incorporated at £1.0 million per annum, before discounting (2015: £0.9 million). In addition estimates include the cost of maintaining and operating these stations for the next 100 years at £0.6 million per annum before discounting (2015: £0.6 million).

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

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

Tip management

The provision relating to tip management is £28.0 million (2015: £15.0 million). The effect of the change in discount rates has been to increase the provision by £13.7 million.

Tip management is required as the Authority has obligations under the 1994 Act, the Mines and Quarries (Tips) Act 1969 and The Mines and Quarries (Tips) Regulations 1971 to have regard to public safety. Tips may become insecure when water or ground conditions make them unstable. The Authority has responsibility for 41 tips and keeps them secure, monitors water drainage, constructs tunnels and ponds to capture the water runoff and undertakes a regular programme of maintenance.

The cost of tip management provided is £0.5 million per annum (2015: £0.5 million) over the next 50 years, before discounting.

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

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

Other provisions

The provision relating to other items is £21.0 million (2015: £13.0 million). The effect of the change in discount rates has been to increase other provisions by £7.4 million.

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

These include the following items:

- The Authority has obligations under the Bridgewater Canal Act 1907 to maintain elements of the canal which have been affected by coal mining subsidence. A 50 year programme of works has been prepared and costs estimated at £14.0 million remain at 31 March 2016 (2015: £8.0 million), after discounting.
- Closed colliery site obligations are assessed to be £7.0 million (2015: £4.9 million), after discounting and relate to returning colliery site areas to a condition that is safe and secure and consistent with any required planning permission or lease requirement.

Sensitivity of trends and assumptions

The calculations as explained above necessarily include estimates and assumptions.

The level of provisions is reasonably sensitive to these assumptions. For example, should predicted costs for subsidence, surface hazards or tip management increase or decrease by £1.0 million per annum, the total provision over 50 years in current day prices would increase or decrease by £62.0 million. Similarly, should predicted costs for mine water or subsidence pumping stations increase or decrease by £1.0 million per annum, the total provision over 100 years in current day prices would increase or decrease by £154.3 million.

The level of provisions is sensitive to a change in the discount rate. An increase in the discount rates by 0.5% would decrease the total provision held by £629.4 million (22%). A decrease in the discount rates by 0.5% would increase the total provision by £892.7 million (32%).

Analysis of timing of discounted flows:

	Mine water	Public safety & subsidence	Subsidence pumping stations	Tip management	Other	Total
	£000	£000	£000	£000	£000	£000
Up to 2017	11,554	5,060	3,045	463	913	21,035
Between 2017 and 2021	63,126	25,870	8,643	1,922	3,629	103,190
Between 2021 and 2035	264,800	92,282	31,737	7,620	7,796	404,235
Thereafter	1,838,520	220,788	205,575	17,995	8,662	2,291,540
Total	**2,178,000**	**344,000**	**249,000**	**28,000**	**21,000**	**2,820,000**

14. Capital commitments

	2016 £000	2015 £000
Subsidence pumping stations	7	194
Mine water treatment schemes	403	383
Information technology	–	9
Intangible assets	313	–
Total	**723**	**586**

15. Commitments under leases

15.1 Operating leases (Lessee)

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

	2016 £000	2015 £000
Land:		
Within 1 year	431	419
Between 1 to 5 years	1,610	1,610
After 5 years	10,506	10,936
	12,547	12,965
Buildings:		
Within 1 year	–	–
Between 1 to 5 years	–	–
After 5 years	–	–
	–	–
Others:		
Within 1 year	67	61
Between 1 to 5 years	37	119
After 5 years	–	–
	104	180
Total	**12,651**	**13,145**

15.2 Operating leases (Lessor)

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

	2016	2015
	£000	£000
Head Office – Freehold Property:		
Within 1 year	246	242
Between 1 to 5 years	129	262
After 5 years	–	–
Total	**375**	**504**

16. Contingent liabilities

Licensees of mining operations are required to provide security to the Authority to cover the anticipated future costs of settling subsidence damage liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the 1994 Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished this would transfer to the Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Authority also has an ongoing liability to secure and keep secured the majority of abandoned coal mines. In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities.

Both of the above liabilities have been provided for within the Public Safety and Subsidence provision (Note 13) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid.

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

The Authority is subject to various claims and legal actions in the ordinary course of its activities. Where appropriate, provisions are made in the accounts on the basis of information available and in accordance with guidance provided under the FReM and IFRS. The Authority does not expect that the outcome of the above issues will materially affect its financial position.

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

Wentworth Woodhouse

As noted in prior year accounts, damage notices have been submitted to the Authority in respect of subsidence damage “in excess of £100 million” to Wentworth Woodhouse, a Grade 1 listed country house. The Authority has rejected these notices.

Proceedings in the Upper Tribunal (Lands Chamber) are ongoing and the Authority will continue to strongly defend its case.

17. 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 land and properties sold by British Coal Corporation. In the event that the purchasers are able to retrospectively 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.

18. Related party transactions

The Authority is a NDPB of the Department of Energy and Climate Change (DECC) and received grant in aid during the year, as well as surrendering income due to the consolidated fund in relation to statutory licensing activities.

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

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

There have been no material transactions undertaken between Board or executive members, or other related parties, and the Authority during the year, that require disclosure.

19. Events after the reporting period

There were no significant events after the reporting period that require disclosure.

Date accounts authorised for issue

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

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR ENERGY AND CLIMATE CHANGE IN ACCORDANCE WITH THE COAL INDUSTRY ACT 1994

1. This direction applies to the Coal Authority.

2. The Coal Authority shall prepare accounts for the financial year ended 31 March 2016 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ('the FReM') which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.

3. The accounts shall be prepared so as to:

   (a) give a true and fair view of the state of affairs at 31 March 2016 and subsequent financial year-ends and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended; and

   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Department of Energy and Climate Change who will consult HM Treasury as necessary.

5. This Direction supersedes the Direction dated 29 April 2016.

Christopher Whelan

Assistant Director - Coal Liabilities Unit
(An official of the Department of Energy and Climate Change
authorised to act on behalf of the Secretary of State)

25 May 2016

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