The Coal Authority

Resolving the impacts of mining

Annual report and accounts

2016-17

The Coal Authority Annual report and accounts

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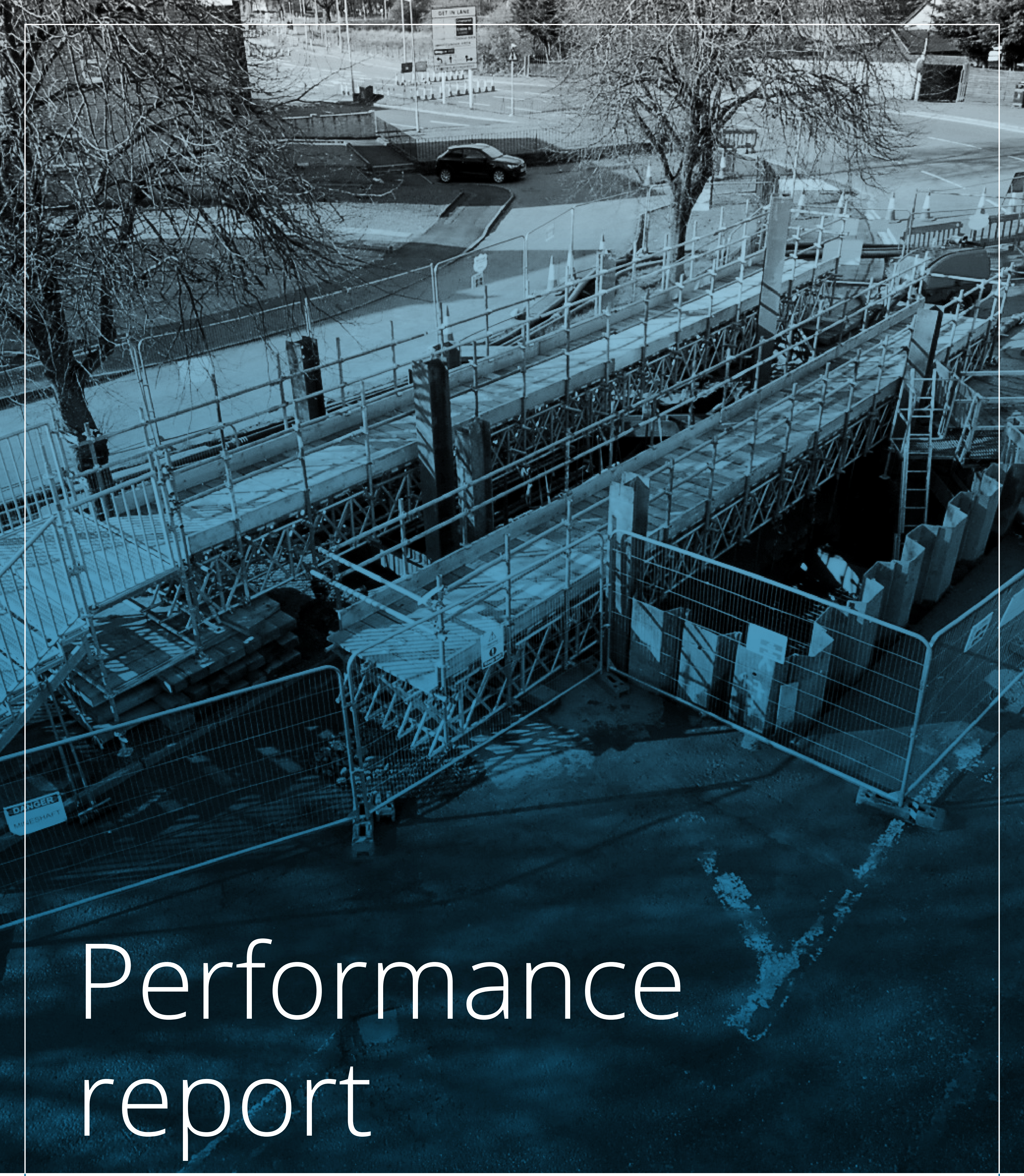


Performance report 2016-17

Overview

Who we are

We're experts at resolving the impacts of mining and manage the related public safety, property and environmental risks.

As a non-departmental public body we provide services to governments, public bodies, private organisations and landowners. We also regulate the coal industry in Britain and manage the long term mining legacy which is approaching £3 billion.

The Department for Business, Energy and Industrial Strategy (BEIS) became our sponsor department in July 2016, our sponsor having previously been the Department of Energy and Climate Change (DECC).

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 and the chair and members of the board have a wealth of experience in the areas in which we work.

Appointments to the board are made by the Secretary of State for BEIS.

Our external values

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

All angles
we bring all our expertise from public safety, environment and information viewpoints to deliver more sustainable solutions

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

Agile
we're agile, responsive and committed to delivering the best value solutions for customers

Living up to our values enables us to become successful in providing services to all our customers.

As we deliver services to a wider range of customers, we'll continue to be agile and inventive and work together with our strategic partners more closely.

Chair's foreword

This has been an exceptional year for the Coal Authority – with increasing demands for our services and expertise in resolving the impacts of mining. Through the hard work and dedication of our people we've met these demands whilst broadening our customer base and continuing to improve our efficiency.

We exist primarily for the purpose of helping to protect people and the environment from the legacy of coal mining and our teams work closely with communities affected by coal mining subsidence.

Our work to remedy coal mining subsidence damage is governed by the Coal Mining Subsidence Act 1991. The Act provides the framework by which we assess and remediate actual damage caused by subsidence events from coal mining activities.

The Act provides powerful remedies for owners of properties with actual damage. I'm proud of the way our people communicate with home owners in such potentially difficult and stressful circumstances and how they interact with the owners of adjacent but undamaged properties.

During this year we've tackled an unusually large number of complex subsidence events. These have arisen both from historic mining activities and from the more recent activities of UK Coal; we became responsible for the latter subsidence claims when Thoresby and Kellingley collieries closed at the end of 2015. We've delivered our required statutory services and taken on additional major projects.

"colleagues from across the business have reacted well to the increasing expectations of our customers"

We've continued to deliver work for the Department for Environment, Food and Rural Affairs (Defra) as well as grow our customer base for new clients in Britain and overseas, including technical reports and independent advice for other governments on managing the legacy of coal mining.

This year we also hosted technical visits for colleagues from across Europe, where they're looking at applying our expertise in managing Britain's coal mining legacy to the challenges they're facing.

Our innovation programme is at the forefront of developing new ways to manage the risks by turning them into opportunities to benefit people and the environment.

A new sponsor department

This year we became part of BEIS and I'm delighted that 2 members of our senior team are playing key roles on the transition programme board that BEIS has put together to manage the amalgamation of the previous Departments of Business, Innovation and Skills and Energy and Climate Change. Our communications and procurement teams are also working closely with colleagues in our new sponsor department to share experiences and expertise. Their work is helping us to link with the other 47 arms length bodies that make up the BEIS family, to share knowledge and expertise and to support our strategic plan and the UK's industrial strategy.

sharing expertise

with BEIS and linking with the other 47 arms length bodies

It was great to be able to welcome the BEIS Permanent Secretary, Alex Chisholm, to the Coal Authority this year to show him how we're applying our innovation and expertise in managing Britain's coal mining legacy.

I'm pleased to echo his view that we're:

"a vibrant, innovative and learning organisation, well equipped to manage our significant environmental and safety responsibilities"

We've also been playing our part in the UK's industrial strategy:

- developing affordable and clean energy on our sites that protect the environment from mine water discharges. We're adopting solar power, using voltage optimisation, allowing grid connections for alternative energy and leading the review of extracting heat from mine water
- upgrading infrastructure by providing infrastructure owners with risk assurance services that help them manage the impact of subsidence or mine water recovery
- supporting science, research and innovation through partnerships with UK and international universities

Our future relies on us working with our strategic partners to create opportunities within communities across Britain's coalfields, develop new clean energy and as 1 of the 2 largest sources of saleable water in the UK start to lower water treatment costs through fresh thinking, innovation and collaborative approaches.

We work hard to engage with the public affected by mining and our stakeholders across Britain. As part of this programme we held a formal event in Edinburgh this year and I'm looking forward to a similar event in Cardiff in July.

This year we said farewell to Tricia Henton who has been one of our non-executive directors since October 2010. Tricia brought a wealth of experience to the board and I'd like to thank her for her contribution and wish her well for the future. I'm delighted that Tricia's work has been recognised by the award of an MBE in the Queen's birthday honours list.

We've also welcomed Steve Wilson who formally took up his post as non-executive director on 1 April 2017. Steve has worked in the water industry for many years and I'm looking forward to working with him.

Due to the great efforts of our people, we're rising to the challenge of becoming world leaders in resolving the impacts of mining and I'm very proud of what they've achieved while also managing the significant increase in subsidence work.

Stephen Dingle
Chair

Alex Chisholm, BEIS Permanent Secretary, at a mine water treatment scheme in Nottinghamshire

Chief executive's report

I'm very pleased with our performance and the progress we've made this year. Our unique ability combined with our wide range of skills and knowledge has enabled us to continue to grow our expertise and transform the way we work so that our people are able to deliver services into competitive markets.

We're becoming more self-sufficient by realising the economic value in our people and information and through partnering with others we're delivering efficiency savings and solutions not only for the public, but for all our customers.

Our expert advice and creative solutions have enabled safe and sustainable management of public safety and environmental issues associated with coal and metal mining and we've continued to deliver our statutory duties in dealing with mining legacy.

Defra continues to be our largest customer, for whom we manage the metal mine water schemes at Wheal Jane, Saltburn Gill and Force Crag and advise on and deliver a £5.1 million metal mine water remediation programme.

We've won substantial work this year in the rail, energy and environmental sectors, as well as generated business from new national and international customers. I'm pleased to report that our growth has exceeded our corporate objectives so our strategy is clearly working.

As well as winning new work we've also seen a growing interest from infrastructure companies and developers to local authorities, public bodies in England, Scotland and Wales and we're building good relationships with these target sectors.

We now have a clear understanding of the services we can offer into our chosen market sectors. To read more about our sectors please see page 13.

Outlook for 2017-18

As we continue to make progress to become a world leader in resolving the impacts of mining, we look forward to further opportunities to grow our customer base and innovate in the year ahead.

Over the past 5 years, we've transitioned to delivering our statutory duties side by side with serving other customers.

In 2017-18 we aim to continue our momentum as we:

- grow our customer base and diversify our income sources
- make significant progress in saving costs through innovation
- deliver our statutory and commercial services side by side
- evaluate our progress and develop our future options, in a continually changing public sector landscape

There are inherent risks in the future, as explained on pages 17 to 19. Our board, however, has a clearly defined risk appetite and is confident that we can deliver.

Our outlook for 2017-18 is to:

- have a higher proportion of expenditure self-funded from realising greater economic value from our people and information through partnerships, products and services
- continue to market our intellectual property in innovation and progress a portfolio of projects delivered by our experts, with our partners, which will deliver further efficiency savings
- transfer knowledge across the organisation by managing succession through effective recruitment, apprenticeships, graduate internships and internal career progression. This will enable us to have more capability to deliver wider services to customers
- have the digital systems and services we need to support our business
- as one expert team, continue to serve the public through our statutory duties and build our business around our core expertise

As our sources of income continue to grow and diversify, we'll become more self-sufficient and less dependent on BEIS for funding.

Philip Lawrence
Chief Executive

Our business model

Mining legacy		Our expertise and experience	Risks managed and value created
We apply our unique expertise, experience and approach	to resolve the impacts of mining	mitigate risks and generate value for our funder, the public	and for our commercial customers
• over 20 years of development and experience in managing Britain's complex mining legacy • unique, authoritative data sets and interpretive capability • one expert team of earth science and environmental mining risk specialists • research and innovation into mining legacy treatments and opportunities • ICT capability and customer focus • understand hazards, explain risks and provide solutions	• provide the skills and know-how to manage approaching £3 billion of liabilities • safeguard the public and property in Britain from the impacts of ground movement, shaft collapse, tip movement and gas and water emissions • design, build and operate 75 schemes to treat over 120 billion litres of mine water a year to protect the environment, drinking water aquifers and water courses • operate 84 flood alleviation and land drainage schemes to protect 70,000 hectares • communicate risks for planning and the property development sector • deliver essential information into the conveyancing market	• provide peace of mind to the public about mining-related risks • improve the quality of our environment • manage mining risks to unlock the value of public sector land for development • minimise future public sector financial liabilities • stimulate innovation • play our part in the UK industrial strategy • manage the closure of Britain's deep coal mining industry	• valuable information for residential and commercial conveyancing customers to make informed decisions • data for users and resellers to innovate and compete • early advice to land owners and property developers to maximise value for their estate • strategic partnerships with major infrastructure companies to manage risk and investment • collaboration with the water sector in innovation and asset use • shared services to public sector and devolved governments • peer review to international governments

Strengthens skills base, provides resilience and reduces cost to the tax payer

Our customers

The public

BEIS funds our work so the impacts of coal mining, estimated to have a legacy cost of approaching £3 billion, are managed.

UK, devolved and local government

As a shared service centre we assist governments and regulators in meeting their water environment obligations and local authorities to manage the risks they face.

Infrastructure

Transport and energy infrastructure can all be affected by mining instability. Reducing costs of managing assets and understanding infrastructure risks is essential.

Developers

Advice to consultants, landowners, planners and developers can unlock value through proportionate risk management and practical experience of mining legacy management.

Home buyers

We aim to be 'best in class' for customer service, delivering expert reports which represent value and provide an extensive range of value added services to help the house buyer better understand the mining risks and to make informed decisions.

International

We offer industry-leading solutions and peer reviews using 20 years' experience of managing the risks of the 'cradle to grave' mining lifecycle.

Information

Data users and resellers can work in commercial confidence with our experts and innovate with our data.

Our market sectors

Risk assurance

To help explain about the impact and consequences of mining, we provide a wide range of services and solutions that better manage the risks for customers. These range from reports for house buyers and consultants to services to inspect property, interpret data, assess risks, quantify exposure and manage solutions.

Environmental

One of the consequences of mining is often the need to treat water and manage mine water levels to protect aquifers and other water bodies. We model the hydrogeology, explain the impacts and design, build and manage solutions.

Other environmental products

We're 1 of the 2 largest sources of saleable water in the UK that can provide an alternative to water companies. Both the heat contained in the water and ferric oxyhydroxide (ochre), which is extracted from the water as part of our treatment process, can generate value. Our innovative approach is not only about realising value from these products, but by also starting to lower water treatment costs.

Our grid access connection is also a valuable asset for energy generation and load balancing which will deliver income for renewable grid customers.

Digital data

We hold the authoritative data sets of coal mining in Britain. This quality assured data underpins much that we do in all market sectors and is also available, under licence, for organisations to use to create mining reports or other products.

Our performance

During 2016-17 we achieved 97% of our strategic objectives. Performance against these is outlined below.

Strategic objective

Business development

To have a higher proportion of expenditure self-funded from realising greater economic value from our people and information through partnerships, products and services.

95% performance

We've won substantial work this year with local authorities and the environmental sector as well as generating business from new national and international customers.

Our unique ability combines our wide range of skills and knowledge. We're growing our expertise and transforming the way we work so that our people are able to deliver services into competitive markets.

There has been a growing interest in our target sectors from public bodies in England, Scotland and Wales, infrastructure companies and international clients. Developers have also recognised that by working with us they can better manage and mitigate their mining risks and are benefiting from our services.

We've also embedded client relationship management and review processes to improve the quality of client engagement and service delivery.

Strategic objective

Continuous improvement

To actively market our intellectual property in innovation; transfer knowledge across the organisation; become an employer of choice and improve our ways of working.

Continuous improvement has also been a strategic focus and we've embedded this into the way we think and work. It covers all aspects of our business including innovation of products and processes, organisation capability and succession, efficiency, productivity and quality.

Our innovation programme has managed a number of initiatives during the year and has highlighted the potential for generating income from assets and by-products (land, ochre, water and heat) and demonstrated feasibility for long-term cost savings.

We've engaged with our water industry partners to share innovation and are currently examining various

Strategic objective

Continuous improvement

95% performance

opportunities including co-treatment and drought alleviation. Our water strategy goes beyond dealing with water companies. Engagement with several other key players in the market has also taken place.

We've continued to invest in the learning and development of our people by providing a stretching environment in which they are supported and receive investment through learning, coaching and development.

We've recruited more great people to add to our skills as well as brought the best out of our existing experienced teams. By working together we've been able to empower our people to deliver at pace, prioritise effectively and work collaboratively.

Strategic objective

Delivering our business

To continue to deliver our business safely whilst conserving the environment.

100% performance

By working together, we've been able to deliver our statutory and commercial services side by side. Our business has proved itself to be resilient to deal with complex projects and stakeholder engagement arising from industry claims and exceptional subsidence events, as well as meet our strategic objectives.

We've lived up to our values in what has been a challenging year. We began to realise benefits, including more successful commercial outcomes through the use of better management information and efficient processes.

To meet our statutory duties we're organised into teams of experts that resolve the following mining issues:

- public safety and subsidence
- environmental
- development

In addition, our mining reports business underpins the property transactions on the coalfields.

These are all supported by mining information, data solutions and corporate service functions, including a skilled ICT team that manage the large and sophisticated ICT demands of a geographical information system, reports service and other business critical systems.

Public safety and subsidence

95%
compliance on incident response times **(KPI 95%)**

686
surface hazard reports received

516
subsidence damage claims assessed

20,199
proactive mine entry inspections **(KPI 20,000)**

Environmental

75
mine water treatment schemes in operation

70,000
hectares of land protected

122 billion
litres of water treated

Development

100%
permits assessed within 28 days **(KPI 95%)**

7,527
responses to planning applications

360
development plan consultations received

Information

338,835
mining reports delivered

98%
dispatched within 1 day **(KPI 90%)**

2.5 million
hits on our interactive map viewer

Strategic risks

Strategic objective: *business development*

Risk	Movement	Progress
Government policy or the regulatory environment may change and inhibit our business development and growth.	↔	• our strategy is approved and supported by BEIS • we continue to proactively engage with our key stakeholders to explain our aspirations and achieve buy-in • we continue to ensure our business model and products comply with the complex and evolving regulatory environment in respect of data and information
Risk	**Movement**	**Progress**
Due to pressure on public finances, spending from our public sector customers may decline.	↔	• the Defra metal mine water remediation programme is ongoing and during 2016-17 we started work under a new contract with Network Rail to help them understand their risk from past mining • there is growing interest in our target sectors from public bodies in England, Scotland and Wales • we also continue to target other, non-government clients within our target sectors

Strategic objective: *continuous improvement*

Risk	Movement	Progress
Innovation is not an exact science and step changes in improving processes and reducing costs through innovation take longer than planned.		• our innovation programme has confirmed the medium term potential for generating income from assets and by-products. During 2016-17 we made our first ochre sale • 2017-18 forecasts however include delays in achieving initial innovation income and cost saving targets • we carefully prioritise opportunities to ensure net savings are realised as soon as practicable

Risk	Movement	Progress
The business transformation that's required to achieve the 5 year plan and assure the future of the Coal Authority fails to materialise due to a lack of capacity or competence or resistant culture.		• our culture continues to evolve and our capability is increasing in line with our aspirations due to strong performance management, training, coaching and empowerment of our managers and recruitment of key positions • another step change in organisation capability is necessary to achieve our aims. Organisational design continues to evolve and includes a new post of Director of People and Transformation to ensure momentum is maintained

Strategic objective: *deliver our business*

Risk	Movement	Progress
An over ambitious business plan or lack of effective prioritisation leads to inconsistency of delivery	↔	• we've carefully evaluated our priorities to ensure strategic alignment • we continue to achieve our corporate objectives • we've improved and integrated our planning processes and systems. We've developed our performance reporting to emphasise cross-team working and regular review of priorities

Case study

In December 2016 we won a commercial contract from Midlothian Council to extinguish a burning bing at the Gore Glen Woodland Park at Gorebridge, Midlothian.

The coal tip had begun to overheat in summer 2016. Due to the risks to the public from the burning ground part of the 108-acre park had already been closed. We worked with the council, who own the site, to get the fire extinguished and the area reopened as quickly as possible.

Given the large amount of dust, ash and smoke the works were going to create, we needed to consult owners of infrastructure and local properties at the planning stage and during remedial works. As the site is located between the A7 and the Borders railway we also made sure Network Rail was fully aware of the existing risks and met with them regularly at the site to talk about progress.

Working together with our stakeholders we were able to excavate the burning material, regrade the area and reinstate the park to as natural a finish as possible to enable the site to be used again as parkland.

temperatures of over

400°C recorded

"From all aspects this has been a real success story. Midlothian Council were extremely pleased with our approach to the work and the outcome.

This project highlights just how capable we are at dealing with commercial projects and how our agile thinking and innovation enables us to deliver a project on time and within budget."

Eric Burgess
Principal Project Manager

Financial review

Introduction

Our strategy of developing our business by realising the economic value in our people and information and of seeking further efficiencies through increased capability and innovation will allow us to continue on our path of becoming increasingly self-sufficient and less reliant on BEIS grant in aid over the medium term. It's pleasing that during 2016-17 we achieved our commercial targets and are rising to the challenge to live within our stretching indicative spending review settlement to 2019-20.

In line with our accounting policy, the provision for resolving the impacts of past coal mining was reviewed at the end of 2016-17 and remains flat at £2.8 billion. This is in contrast to the 2015-16 accounts which were dominated by an increase in provisions of £1.9 billion following a change in the long-term discount rates used by government.

This year was an exceptional year for activity levels in managing subsidence. As well as becoming responsible for discharging subsidence claims at Thoresby and Kellingley Collieries, we've also dealt with a number of significant subsidence events. This increase in activity is reflected in Note 13 to the Accounts (Provisions for liabilities and charges), which shows how we've utilised £11.6 million of our provision during the year (2015-16: £4.4 million).

Cash flow

The net decrease in cash during the year was £5.0 million (2015-16: increase of £14.1 million). This was driven by:

- the receipt of £25.0 million grant in aid from BEIS (2015-16: £25.0 million, DECC)
- a net cash outflow from operating activities of £24.7 million (2015-16: £4.3 million). The largest difference between the 2 years is due to called-in security, which saw a large net receipt of £15.0 million in 2015-16 following the closure of Thoresby and Kellingley Collieries, and a net outflow of £4.3 million in 2016-17 as we use the fund to discharge the associated liability
- net cash outflow from investing activities of £5.3 million (2015-16: £6.6 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 2017 we held £14.4 million cash and cash equivalents (2016: £19.4 million). This includes £12.8 million (2016: £17.3 million) of ring fenced funds in respect of called-in security.

Statement of comprehensive net expenditure

Net expenditure for the year to 31 March 2017 was £27.4 million, as compared to £1,928.9 million in 2015-16.

As previously noted, this swing reflects a return to 'business as usual' after a large provisions expense last year, which arose from a change to the discount rates used to determine the present value of our provisions. There is no such change in discount rates this year, with the provision expense being only £20.0 million this year (2015-16: £1,918.4 million). Further details are in Note 13 to the Accounts.

Other significant movements in the year have been:

- total operating income of £19.4 million (2015-16: £16.8 million) has increased by £2.6 million (primarily a £1.8 million increase in mining information sales and £0.6 million in increased activity in our public safety operations) in line with our commercial aspirations
- staff costs at £11.5 million have increased by £1.5 million compared to the previous year (2015-16: £10.0 million). This is due to a planned growth in workforce to support our strategy as outlined in the performance report
- purchase of goods and services (this does not include costs previously provided) was £8.3 million (2015-16: £9.8 million). This decrease of £1.5 million is primarily driven by a one-off cost of £1.2 million incurred during 2015-16 to safely fill and cap the mineshafts at Hatfield Colliery
- depreciation, revaluation and impairment charges at £7.0 million are broadly similar to 2015-16's £7.5 million

More information is available in Notes 3 to 5 to the Accounts

Statement of financial position

Net liabilities at £2,814.7 million are broadly in line with previous year £2,812.6 million, driven mainly by the Provisions balance of £2,817.0 million (2015-16: £2,820.0 million).

Trade and other payables at £16.6 million (2015-16: £12.4 million) includes an amount of £5.0 million (2015-16: £0.4 million) relating to ongoing subsidence events reflecting the increase in activity levels described earlier in this report.

Going concern

To the extent that they're not met from our other sources of income, our liabilities may only be met by future grants or grants in aid from our sponsor department BEIS. 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 Coal Authority such amount as he may determine to be the amount required by the Coal Authority for the carrying out during that year of its functions under this Act."

On that basis, the board has 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.

People and values

Our values

Our values are brought to life by our people. We demonstrate these both internally and externally which helps to support our unique value proposition. Government departments and other organisations have selected us to work with them because of the way we work and new staff who share our values have been attracted to our business.

Our internal values

Expert

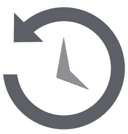
we're passionate about the development of our expertise, and aim to be thought leaders in our specialism

All angles

we enjoy working collaboratively across departments and with external partners

Inventive

we value each other's ideas and creative thinking. We innovate when needed and always remain focused on delivery



Agile

we help each other to deliver at pace and focus on priorities, decision making and delivering commercial value

Wellbeing

The wellbeing of our people remains a key focus that goes beyond statutory duties for their health and safety. During the year we've encouraged our people to focus on both their physical and mental wellbeing.

Employees who have needed specialist help to deal with personal issues have also benefitted from our employee assistance programme.

Learning and development

Along with the coal mining industry, specialist skills and knowledge in dealing with the impacts of mining legacy are in decline. It's therefore essential that we recruit and invest in home grown talent to ensure the business has the right skills now and for the future.

Our people are passionate about the services they deliver and are keen to share their expertise, broadening the skill base in others.

We've reaped the benefits of investing in talent through our 3 year graduate development programme, 2 year apprenticeship scheme and internal knowledge transfer programme. Employees have received coaching, on the job training, secondments and sponsorship to achieve formal qualifications which has led to internal promotions and offers of permanent roles.

Recruitment

Significant time and investment has been placed on recruitment during 2016-17. Recruiting 70 new employees has added to the extensive skills base of the Coal Authority. Historically, our technical roles have been heavily male dominated but over the past few years, we've attracted more females to join us in both technical roles including geochemists, hydrogeologists and project managers as well as non-technical roles.

It's really encouraging to see more females opting for careers in fields including technology, science and engineering. We believe our flexitime and home working policies help our people achieve a better work life balance and help attract talented individuals to work with us.

Significant recruitment has led to greater capacity, increased our agility and had a positive impact on our culture, introducing challenge and new thinking in how we work.

Reward

Our pay structure is reviewed regularly to ensure we continue to be an equal opportunity employer and to reflect the experience and skills of individuals.

Corporate social responsibility

We're 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 our products and services are more accessible and provides new opportunities for our people and partners.

Safety, Health and Environment (SHE)

To us, the safety and wellbeing of those that work for us, both employees and contractors, is of paramount importance. We believe in taking a proactive approach, so that instead of waiting for issues to occur and then finding ways to resolve them, we take positive steps to understand and manage our risks to prevent them occurring in the first place.

Our SHE Culture Group was established in 2012 and has had an important role in achieving these aims.

During the year we've made good progress in continuing to develop our culture and have:

- completed a series of workshops attended by all employees on the theme of role models with the aim of everyone being a role model when it comes to health and safety
- further developed our quarterly staff newsletter
- run our annual wellbeing event, which included a number of activities aimed at keeping wellbeing at the forefront of everyone's mind
- continued to support the EU Healthy Workplaces Campaign, raising awareness that safe and healthy working conditions throughout the whole working life is good for workers, business and society as a whole

Sustainability

Following the development of the Sustainability Framework, this year our focus has been on building our maturity and starting to embed it.

An implementation plan has been developed which provides a method by which we can measure our maturity and sets clear and measurable actions for our key activities. This replaces the previous SHE action plans and provides a more holistic approach.

During the year, we've:

- continued to collate baseline data for all our operational activities
- developed a whole life costing model to enable us to consider the full lifecycle cost and impact when making purchasing decisions
- achieved the Defra sustainable procurement flexible framework level 2

Significant progress has been made with our innovation and research and development programmes which support our overall sustainability goals.

We're pleased to achieve our first sale of ochre which is a by-product of our mine water treatment process. Over the next few years, we intend to build on this success by finding further beneficial uses for ochre and in addition maximising opportunities for using mine water positively in other processes and for heat.

More information on our SHE and sustainability activities can be found in our Sustainability Report 2016-17, which is available at www.gov.uk/coalauthority

Access to information and complaints

As a public body, we've a duty to answer requests under the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR).

A total of 82 FOIA and EIR requests were received during the year, all of which were answered within the required 20 working days, therefore meeting the standards set by the Information Commissioner's Office. No requests went to an appeal.

We received 21 letters from Members of Parliament, 3 letters from Members of the Scottish Parliament and 3 from Welsh Assembly Members with concerns on coal mining legacy issues.

In May 2016, we were the subject of a complaint to the Parliamentary and Health Service Ombudsman's office concerning the possible existence of a mine shaft. The Ombudsman did not uphold the complaint.

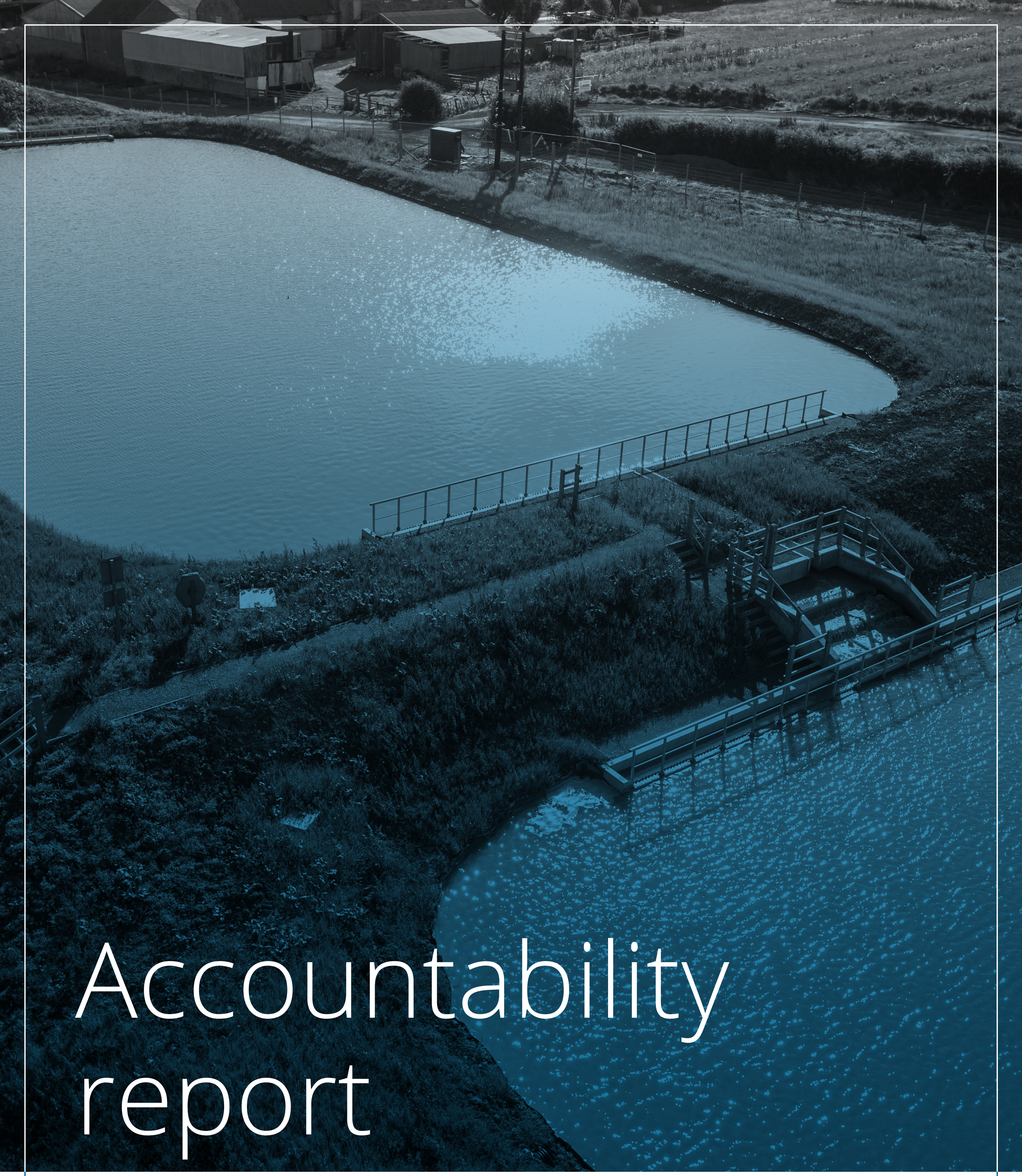
We also received 23 complaints from members of the public and other stakeholders. They were dealt with under our complaints procedure with the majority being resolved by our front line staff. Our complaints procedure is published on our website www.gov.uk/coalauthority

We've continued to monitor, review and evaluate our responses and actions to information requests, letters from elected representatives, and complaints with the aim of improving customer service by meeting the expectations of government and customers.

Social, community and human rights policies

Although we don't have specific social, community or human rights policies, we aim to work to the highest principles in these areas.

Philip Lawrence
Chief Executive and Accounting Officer
19 June 2017



Accountability report

2016-17

Accountability report

The accountability report meets key accountability requirements to Parliament. The requirements are based on the Companies Act 2006, as adapted for the public sector.

It encompasses the matters required to be dealt with in a directors' report and in the remuneration and staff report, as set out in Chapter 6 of the Companies Act. It covers such matters as directors' salaries and other payments, governance arrangements and the audit certificate and report. It is signed and dated by the accounting officer.

The accountability report consists of 3 main parts. These are the:

1. **Corporate governance report**, dealing with the Coal Authority's governance structures and how they support the achievement of the Coal Authority's objectives.
2. **Remuneration and staff report**, which contains information about senior managers' remuneration and other staff related disclosures required by the Companies Act and other governmental sources.
3. **Parliamentary accountability and audit report**, which comprises additional disclosures required by Parliament, is an external view on such matters as regularity of expenditure, fees and charges and long term expenditure trends. It comprises the audit certificate and report.

Corporate governance report

The corporate governance report consists of 3 main parts. These are the:

1. **Directors' report**, which covers a variety of statutory disclosures not outlined elsewhere in the annual report and accounts.
2. **Statement of accounting officer's responsibilities**, which sets out clearly the responsibilities assumed with respect to the annual report and accounts by the nominated accounting officer, and the legislative basis for them.
3. **Governance statement**, which explains the composition and organisation of the Coal Authority's board and governance structures and how they support the achievement of the Coal Authority's objectives.

Directors' report

The Coal Authority presents its report and audited financial statements for the year ended 31 March 2017. The accounts have been prepared in a form directed by the Secretary of State with the consent of HM 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 the British Coal Corporation, licensing of coal mining operations, dealing with coal mining subsidence and providing information.

Review of operations

The chief executive's report on pages 10 to 11 gives a summary of our 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 to the Accounts.

Future developments

Our future developments and objectives have been discussed in other areas of the annual report, including the chief executive's report and the strategic risks section of the performance 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.

Donations

We made no political or charitable donations during the year.

Employee involvement

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

Employment

We're 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 1.69% as against 2.16% for 2015-16.

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 (PCSPS) 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 to the Accounts.

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.

Contingent liabilities

Contingent liabilities are reviewed on an ongoing basis by the directors. Please refer to Note 16 to the Accounts.

Auditors

The Comptroller and Auditor General was appointed under the Coal Industry Act 1994 and reports to Parliament on the audit examination. No remuneration was paid to our auditors for non-audit work and no other services were provided. The audit fee was £45,000.

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.

Board of directors

Stephen Dingle

(Non-Executive Director)

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

Re-appointed to 31 September 2014

Appointed to Chair from 1 April 2013 to 31 March 2017 and 1 April 2017 to 31 March 2020

Gemma Pearce

(Non-Executive Director)

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

Bob Spedding

(Non-Executive Director)

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

Re-appointed to 31 March 2019

Steve Wilson

(Non-Executive Director)

Appointed as Board Director from 1 April 2017 to 31 March 2020

Board and their interests

No board member of the Coal Authority has any financial interest in the Coal Authority. A register of interests is maintained which is open to the public to view at our offices in Mansfield or can be accessed at www.gov.uk/coalauthority.

Any related party transactions are provided in Note 18 to the Accounts.

Tricia Henton

(Non-Executive Director)

Appointed as Board Director from 1 October 2010 to 31 September 2013

Re-appointed to 31 March 2017

Philip Lawrence

(Chief Executive Officer)

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

Re-appointed every 3 years between 31 March 2011 to 31 March 2020

Appointed as Chief Executive 1 January 2007

Paul Frammingham

(Chief Finance and Information Officer)

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 2020

Simon Reed

(Chief Operating Officer)

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 2020

Terms of employment

Details of members’ terms of appointment and service contracts are provided in the remuneration and staff report.

Statement of the accounting officer'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 Coal 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 a going concern basis

The accounting officer for the Department for Business, Energy and Industrial Strategy (BEIS) 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.

Accounting officer's confirmation

As accounting officer, as far as I am aware, there is no relevant audit information of which the Coal Authority's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Coal Authority's auditors are aware of that information.

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Philip Lawrence
Chief Executive and Accounting Officer
19 June 2017

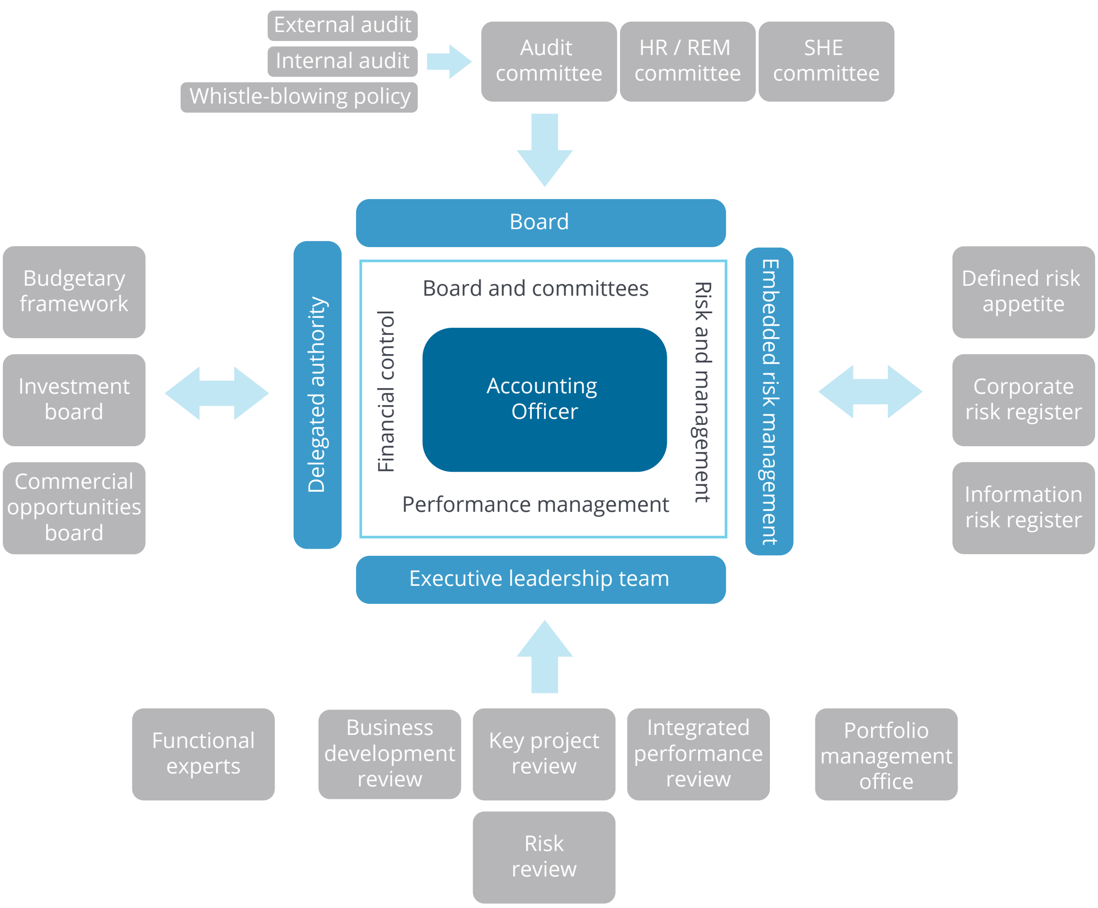
Governance statement

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

The Coal 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 for Business, Energy and Industrial Strategy (BEIS). This sets out the purpose of the Coal Authority, the core elements of the relationship with BEIS, and the framework within which we will operate.

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



1. The board and its committees

1.1 Board of directors

As at 31 March 2017 we had 7 directors (3 executive and 4 non-executive) appointed by the Secretary of State for BEIS.

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 shown below:

		Position	Number of meetings (held) and attended			
			Board (8)	Audit (3)	HR and Remuneration (3)	SHE (3)
Non-Executive Directors (NEDs)	Stephen Dingle	Chair of Board	8		3	
Non-Executive Directors (NEDs)	Tricia Henton	Chair of SHE Committee	7	3	3	3
Non-Executive Directors (NEDs)	Gemma Pearce	Chair of HR and Remuneration Committee	7	3	3	
Non-Executive Directors (NEDs)	Bob Spedding	Chair of Audit Committee	8	3	3	
Executive Directors	Philip Lawrence	Chief Executive	8	3	3	2
Executive Directors	Paul Frammingham	Chief Finance and Information Officer	7	3		
Executive Directors	Simon Reed	Chief Operating Officer	8			3

Tricia Henton stepped down from the board on 31 March 2017.

Steve Wilson was appointed to the board from 1 April 2017 and attended a board meeting and a SHE committee meeting in January 2017 and a HR and remuneration committee meeting in February 2017.

The Director of People and Transformation 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 discussions.

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 arms length body of our size and complexity:

- the board monitors the Coal 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 Coal 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 BEIS and regularly debates the main risks facing the Coal 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 and remuneration committee within the guidelines set by HM Treasury and BEIS. Non-executive remuneration is set by BEIS 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.

The board considers that it has substantively achieved its objectives and operates effectively. The board sees value in regular reviews of performance and intends to undertake a further session during summer 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
- continued to review and challenge 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 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 clarification of our policies on intangible assets and provisions and review of significant judgements made in preparing the accounts including assumptions underlying our provisions balance
- reviewed other internal audit work including a report on the Coal Authority's overall assurance framework, and more detailed reports on the application of that framework within individual operational teams

Despite the significant amount of organisational change outlined in section 4.3, the internal audit opinion provides management with a "moderate" level of assurance over the key risks and corporate objectives of the organisation.

Internal audit identified 2 significant findings during the year. These points have been addressed immediately and the controls in these areas strengthened as appropriate.

Payments in Lieu of Notice (PILON) were made to a number of individuals released under voluntary severance terms who had been retained in the business during their notice period. Approval had been obtained from BEIS and Cabinet Office for the severance terms, but NAO pointed out that as the employees had served their notice period they were not contractually obliged to receive any PILON. The Coal Authority should have obtained Treasury approval before making these extra-contractual payments and hence we agree these are irregular payments. Appropriate approval will be sought for any further payments of this nature in future.

We continue to emphasise the importance of maintaining a strong control environment as the Coal Authority pursues its ambitious strategy.

The HR and remuneration committee

Membership of the HR and remuneration committee comprises of the non-executive directors and the chief executive. This committee is chaired by Gemma Pearce. The Director of People and Transformation attends by invitation along with the Head of HR and Organisational Development and the Senior HR Business Partner.

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

- discussed the Coal Authority's vision to develop a succession planning system to generate experts to solve the in–perpetuity of mining legacy issues
- approved the reward principles to be implemented within the year to ensure that the Coal Authority continues to be an equal opportunity employer

- reviewed employment and contractor status, including the actions being taken to meet the changes to the IR35 legislation, and retention issues in the light of public sector pay restraints
- endorsed the restructuring of the HR and Organisational Development department to meet future business needs
- provided advice on the proposed HR Strategy for 2017-20

Safety, Health and Environment (SHE) committee

The SHE committee was chaired by Tricia 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:

- approved the annual sustainability report for external publication
- reviewed progress with implementation of the sustainability framework
- considered the implications of a contractor's prosecution relating to a fatality in an excavation (on non Coal Authority activity) and reviewed our arrangements to confirm we have suitable controls for such work
- assessed progress with the development of SHE culture and discussed ideas for employee awards to help support it
- debated current and emerging SHE risks and opportunities to inform future priorities
- completed a management review and agreed priorities for 2017-18

2. Performance management

Our executive leadership team (ELT) consisted during the year of the Coal Authority's executive directors, Lisa Stanger, Director of People and Transformation and Richard Hughes, Director of Business Development.

The ELT meets weekly. It has 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
- monthly risk review

3. Financial control

The Coal 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 further development of the quality management system, which provides a framework for delivering our commercial work in a way that appropriately manages risk and reward. Internal audits were carried out across all commercial delivery areas which confirmed that our systems are continuing to establish and mature. Opportunities for improvement were identified which will be implemented as part of future continued development of the system.

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 members 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 and cyber security

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

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

We have an appropriate risk assessment, information risk management policy and an information asset register. Our people are trained annually in information handling.

The senior information risk owner (the chief finance and information officer) is a board member and ensures that proportionate controls are implemented to manage information risk in line with the board's risk appetite.

During October 2016, we undertook an information assurance maturity model self assessment. This assessment rates information assurance maturity across 6 areas scoring them from 0 to 5. The Coal Authority achieved a level 2 rating across all areas, in line with expectation and representing a proportionate response to the Coal Authority's gross information risk.

We are currently undertaking an impact assessment of the EU General Data Protection Regulations, which apply from 25 May 2018.

4.3 Changing control environment and risk appetite

During the year we have continued to undergo significant change as we innovate to become increasingly efficient and realise the economic value in our people and information. During the year 70 new staff have joined the organisation and some support functions, including Finance and HR, have seen significant changes to their teams.

Improvement in key processes and systems, like source to pay and project accounting, has been ongoing during the year. These improvements will provide an efficient control framework appropriate for a more diverse, commercial organisation when complete. In the short term these initiatives along with other business change have put support teams under considerable strain.

We 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 Coal 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:

- government policy or the regulatory environment may change and inhibit our business development and growth
- due to pressure on public finances spending from our public sector customers may decline
- innovation is not an exact science and 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 Coal Authority fails to materialise due to a lack of capacity or competence or resistant culture
- an over ambitious business plan or lack of effective prioritisation leads to inconsistency of delivery

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

4.5 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 Coal Authority for the year ended 31 March 2017 and, as illustrated, up to the date of approval of the annual report and accounts, accords with HM Treasury guidance.

Actions are ongoing to manage our risks, including high level and emerging risks. Based on all of the elements of the Coal Authority Governance Framework illustrated in the diagram on page 35, I am satisfied that the Coal Authority's governance, risk management and internal control arrangements are proportionate, fit for purpose and working as intended.

Philip Lawrence
Chief Executive and Accounting Officer
19 June 2017

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 and remuneration committee. As part of the accountability report, the remuneration and staff report details key information relating to salaries and other payments, any exit payments or other significant awards to current or former senior managers. It also contains certain policies on both pay and wider issues, and statutory disclosure relating to such issues as fair pay and off-payroll engagements.

The HR and remuneration committee

As explained in the governance statement, the Coal Authority has an established HR and remuneration committee. This determines and keeps under review the pay and reward strategy for all staff of the Coal Authority and approves the principles of the pay remit for submission to the Secretary of State for Business, Energy and Industrial Strategy (BEIS). 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 and remuneration committee reviews and makes recommendations about the remuneration of the chief executive which is formally determined by BEIS. The committee follows Senior Civil Service Guidelines and awarded a 1% increase in the chief executive's salary from 1 April 2016.

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 and 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)

PRP is non-contractual and non-pensionable and is subject to obtaining annual approval via the pay remit process from BEIS. The pay remit for 2016-17 was approved by BEIS in September 2016.

PRP is earned based on a corporate award, reflecting corporate and individual performance against objectives. Corporate performance for 2016-17 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 executive directors' contracts are shown below:

	Date appointed	Notice entitlement
Philip Lawrence (Chief Executive)	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

From July 2016 non-executive directors have been appointed by BEIS. Between October 2008 and June 2016 they were appointed by the Department of Energy and Climate Change (DECC) in line with the Code of Practice issued by the Commissioner for Public Appointments. Their terms of engagement and remuneration are now determined by BEIS. They do not participate in the pension schemes or receive PRP.

The fees paid to the non-executive directors are shown below:

	Contract end date	2016-17 £	2015-16 £
Stephen Dingle	31 March 2020	27,050	27,050
Tricia Henton	31 March 2017	11,666	11,666
Bob Spedding	31 March 2019	11,666	11,666
Gemma Pearce	31 March 2019	11,666	3,889
Steve Wilson [(1)]	31 March 2020	2,917	-
Stephen Redmond	31 March 2016	-	11,666

(1) Steve Wilson was appointed on 1 April 2017 but attended a board meeting and a SHE committee meeting in January 2017 and a HR and remuneration committee meeting in February 2017.

Executive directors' remuneration

	Salary £000		Allowance £000		PRP £000		Pension benefits £000		Total £000	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Philip Lawrence [(2)]	125-130	120-125	5-10	5-10	15-20	10-15	60-65	60-65	210-215	205-210
Paul Frammingham	85-90	80-85	15-20	5-10	10-15	10-15	30-35	30-35	145-150	135-140
Simon Reed	85-90	80-85	10-15	5-10	10-15	5-10	30-35	30-35	145-150	130-135

(2) In addition to the remuneration shown in the table, Philip Lawrence earned £45,000 in fees for services as a Non-Executive Director of Headlam Group Plc, which was paid direct to the Coal 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, and for Paul Frammingham and Simon Reed, a retention allowance. No executive directors received any benefits in kind during 2016-17 or 2015-16.

We also participate in a HMRC approved cycle to work scheme. Paul Frammingham has participated in this scheme in both 2016-17 and 2015-16.

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 2016-17 relates to the amount accrued during the year, adjusted for differences in the amounts paid for 2015-16 compared to the amount accrued for 2015-16.

Executive directors' pension entitlements

	Accrued pension at pension age at 31 March 2017 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2017 £000	CETV at 31 March 2016 £000	Real increase in CETV £000
Philip Lawrence	35-40 (no lump sum)	2.5-5.0 (no lump sum)	508	451	31
Paul Frammingham	15-20 (no lump sum)	0-2.5 (no lump sum)	190	167	13
Simon Reed	20-25 plus 70-75 lump sum	0-2.5 plus 5.0-7.5 lump sum	513	459	31

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 is 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 8% and 14.75% (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 0.5% of pensionable salary 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 2 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

The PCSPS is an unfunded multi-employer defined benefit scheme and the Coal 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 2016-17, employers' contributions of £1,556,000 were payable to the PCSPS (2015-16: £1,326,000) 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. One (2015-16: 2) employee opted for a partnership account in the year and the total amount of contribution was £6,325 (2015-16: £13,000).

No persons retired early on ill-health grounds in either 2016-17 or 2015-16, therefore there are no additional accrued pension liabilities in either year.

Average number of persons employed

	Staff	Other	2016-17 Total	Staff	Other	2015-16 Total
Information	24	-	24	28	3	31
Public Safety	38	3	41	41	1	42
Development	23	1	24	25	-	25
Environment	34	6	40	25	2	27
Information Technology	27	3	30	25	3	28
Administration	45	4	49	36	1	37
Staff numbers	**191**	**17**	**208**	**180**	**10**	**190**

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

3.9 full time equivalent persons were charged to capital projects during 2016-17 (2015-16: 1.3).

Staff and related costs

See Note 3 to the Accounts.

Staff composition

As at 31 March 2017	Non-executive directors	Executive leadership team	Senior managers	Staff	Total
Male	2	4	7	119	132
Female	2	1	5	72	80
Total	**4**	**5**	**12**	**191**	**212**

Disability

We're an equal opportunity employer and actively welcome applications from individuals from all backgrounds. We're committed to ensuring equality of opportunity and if requested, provide adjustments for disabled candidates to enable them to attend an interview.

Our commitment to equality standards continues and we champion the career development, career progression and retention of all our employees. We continue to make reasonable adjustments for employees with a disability or impairment by providing workstation changes, adapted equipment and furniture and providing flexible working arrangements as needed to maintain their dignity at work.

Reporting of civil service and other compensation schemes - exit packages

2016-17 (2015-16 in brackets)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
<£10,000	-	0 (1)	0 (1)
£10,000 - £25,000	-	1 (3)	1 (3)
£25,000 - £50,000	-	2 (9)	2 (9)
£50,000 - £100,000	-	2 (2)	2 (2)
Total number of exit packages	**-**	**5 (15)**	**5 (15)**
Total cost - £000	**-**	**201 (538)**	**201 (538)**

During 2016-17 redundancy and other departure costs of £201,000 (2015-16: £538,000) 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 31 March 2017, all amounts were paid (2015-16: £449,000 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 2017 (2016: nil).

Reporting of high paid off-payroll appointments

Off-payroll engagements as of 31 March 2017, of more than £220 per day and that last for longer than 6 months:

	No
Existing engagements as of 31 March 2017	**10**
Of which:	
less than 1 year	6
between 1 and 2 years	2
between 2 and 3 years	1
between 3 and 4 years	-
4 or more years[3]	1

[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 2016 and 31 March 2017, of more than £220 per day and that last for longer than 6 months:

	No
New engagements, or those that reached 6 months in duration	**10**
Of which include contractual clauses giving the right to request assurance in relation to income tax and national insurance obligations	5
For whom assurance has been requested	10
of which:	
assurance has been received	10
assurance has not been received	-
terminations as a result of assurance not being received	-

The Coal Authority now routinely perform checks on proposed roles, including HMRC's Employment Status Service tests, to determine IR 35 status prior to any offer. Where these checks suggest that assurance as to income tax and national insurance obligations is required, contracts include the above-mentioned clauses and assurance is requested from either the worker or the agent through whom they work.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017:

	No
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-
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	9

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 Coal Authority in the financial year 2016-17 was £152,606 (2015-16: £145,369). This was 3.9 times (2015-16: 3.9 times) the median remuneration of the workforce, which was £39,247 (2015-16: £37,545).

In 2016-17 and 2015-16, no employee received remuneration in excess of the highest paid director. Remuneration ranged from £14,641 to £152,606 (2015-16: £14,272 to £145,369).

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

Philip Lawrence
Chief Executive and Accounting Officer
19 June 2017

Parliamentary accountability and audit report

As part of the accountability report, the Parliamentary accountability and audit report sets out those additional disclosures required by Parliament, if not detailed elsewhere in the annual report and accounts, and contains the external audit report.

The following sections are subject to audit.

Regularity of expenditure: losses, special payments and gifts

There have been no material losses, special payments and/or gifts during 2016-17, except for those exit payments disclosed in the staff and remuneration report (page 43).

Fees and charges disclosures

The Coal Authority is required to disclose its compliance with the cost allocation and charging requirements set out in guidance issued by HM Treasury and the Office of Public Sector Information. The disclosures are shown in Note 2 to the Accounts.

Remote contingent liabilities

Remote contingent liabilities are not required to be disclosed under International Accounting Standard (IAS) 37, but are considered here for Parliamentary reporting and accountability purposes. The Coal Authority believes that sufficient disclosure is available in Note 16 to the Accounts: Contingent Liabilities and in Note 13 to the Accounts: Provisions to give the reader a full understanding of the liabilities it faces and may face.

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 2017 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 Parliamentary accountability and audit report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Coal Authority and the Accounting Officer 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 2017 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 £2,795 million. A consequence of the use of 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 part of the Remuneration and Staff Report and Parliamentary accountability and audit report to be audited has been properly prepared in accordance with Secretary of State directions made under the Coal Industry Act 1994; and
- the information given in the 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 parts of the Remuneration and Staff Report and Parliamentary accountability and audit 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 CE Morse
Comptroller and Auditor General

Date: 26 June 2017

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

Financial statements

2016-17

Statement of Comprehensive Net Expenditure year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Income from sale of goods and services		18,422	16,238
Other operating income		954	568
Total operating income	5	**19,376**	**16,806**
Staff costs	3	(11,515)	(9,983)
Purchase of goods and services	4	(8,265)	(9,790)
Depreciation, revaluation and impairment charges	4	(7,017)	(7,509)
Operating expenditure before provision movement		**(26,797)**	**(27,282)**
Provision movement	4	(20,002)	(1,918,378)
Total operating expenditure		**(46,799)**	**(1,945,660)**
Net operating expenditure		**(27,423)**	**(1,928,854)**
Finance income		-	-
Finance expense		(5)	(10)
Net expenditure for the year		**(27,428)**	**(1,928,864)**
Other comprehensive net expenditure			
Net gain on revaluation of property, plant and equipment		277	-
Comprehensive net expenditure for the year		**(27,151)**	**(1,928,864)**

The Statement of Comprehensive Net Expenditure and supporting Notes to the Accounts have been prepared and presented in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury.

Notes on pages 63 to 100 form part of these accounts.

Statement of Financial Position
31 March 2017

	Note	2017 £000	2016 £000
Non-current assets:			
Property, plant and equipment	7	10,164	9,231
Investment property	8	287	256
Intangible assets	9	2,151	2,487
Total non-current assets		**12,602**	**11,974**
Current assets:			
Assets classified as held for sale	8	19	47
Trade and other receivables	10	4,136	4,558
Cash and cash equivalents	11	14,418	19,386
Total current assets		**18,573**	**23,991**
Total assets		**31,175**	**35,965**
Current liabilities:			
Trade and other payables	12	(16,611)	(12,415)
Provisions	13	(25,564)	(21,035)
Total current liabilities		**(42,175)**	**(33,450)**
Total assets less current liabilities		**(11,000)**	**2,515**
Non-current liabilities:			
Other payables	12	(12,311)	(16,146)
Provisions	13	(2,791,436)	(2,798,965)
Total non-current liabilities		**(2,803,747)**	**(2,815,111)**
Net liabilities		**(2,814,747)**	**(2,812,596)**
Taxpayers' equity and reserves:			
General fund		(2,815,100)	(2,812,672)
Revaluation reserve		353	76
Total taxpayers' equity and reserves		**(2,814,747)**	**(2,812,596)**

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

Philip Lawrence
Chief Executive and Accounting Officer
19 June 2017

Notes on pages 63 to 100 form part of these accounts.

Statement of Cash Flows
year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities:			
Net expenditure		(27,428)	(1,928,864)
Depreciation, amortisation and devaluation of fixed assets	4	7,018	7,622
Profit on disposal of fixed assets	4,5	(954)	(568)
Loss on disposal of fixed assets	4,5	5	-
Revaluation of investment properties	4	(6)	(113)
Decrease/(increase) in trade and other receivables		422	(630)
(Decrease)/increase in trade and other payables		(711)	16,217
(Decrease)/increase in provisions		(3,000)	1,902,000
Net cash outflow from operating activities		**(24,654)**	**(4,336)**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(5,012)	(6,561)
Purchase of intangible assets		(1,259)	(1,002)
Proceeds from sale of property, plant and equipment	4,5	957	1,002
Net cash outflow from investing activities		**(5,314)**	**(6,561)**
Net cash outflow from activities		**(29,968)**	**(10,897)**
Cash flows from financing activities:			
Grant in aid		25,000	25,000
Net financing		**25,000**	**25,000**
Net (decrease)/increase in cash and cash equivalents		**(4,968)**	**14,103**
Cash and cash equivalents at the beginning of the period		19,386	5,283
Cash and cash equivalents at the end of the period		**14,418**	**19,386**

Notes on pages 63 to 100 form part of these accounts.

Statement of Changes in Taxpayers' Equity year ended 31 March 2017

	General fund £000	Revaluation reserve £000	Total reserves £000
Balance as at 1 April 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)**
Changes in taxpayers' equity for 2016-17			
Grant in aid funding - capital	7,344	-	7,344
Grant in aid funding - revenue	17,656	-	17,656
Transfers between reserves	-	-	-
Movement on revaluation of fixed assets	-	277	277
Comprehensive expenditure for the year	(27,428)	-	(27,428)
Balance at 31 March 2017	**(2,815,100)**	**353**	**(2,814,747)**

Notes on pages 63 to 100 form part of these accounts.

Notes to the Accounts year ended 31 March 2017

1. Statement of accounting policies

1.1 Basis of preparation

The Coal Authority is an executive non-departmental public body (NDPB) established under the Coal Industry Act 1994 and is sponsored by the Department for Business, Energy and Industrial Strategy (BEIS). Under paragraph 15(1)(b) of Schedule 1 of the Act the Coal 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 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Coal Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted 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 2017 shows net liabilities of £2,814.7 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, BEIS. 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 Coal Authority such amount as he may determine to be the amount required by the Coal 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 Coal Authority has therefore prepared its accounts on a going concern basis.

1.4 Grant in aid

Grant in aid is paid to the Coal 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 Coal 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, following performance of contractual obligations by the Coal Authority, where amounts can be reliably measured and it is probable that the economic benefits will flow to the Coal 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 contracts 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 Coal 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 Coal Authority recognises the expected cost of providing pensions on a systematic and rational basis, over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not the responsibility of the Coal Authority. 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 Coal Authority is involved in a number of statutory obligations and these are outside the scope of output VAT. The Coal 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 the British Coal Corporation

Various assets and liabilities were transferred from the British Coal Corporation under a number of restructuring schemes made by the then Secretary of State for Trade and Industry pursuant to Section 12 of the Coal Industry Act 1994. The assets and liabilities included in these restructuring schemes were originally transferred into the Coal Authority's accounts at their net book values, as previously stated in the financial statements of the British Coal Corporation, under the accounting policies adopted by the Coal 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 Coal Authority's head office and transit properties and are carried at fair value based on existing use, with external professional valuations undertaken biennially.

The Coal Authority holds a number of transit 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.

In addition, the Coal 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 Coal 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 are reviewed on an individual basis in accordance with the guidance provided under IAS 16 Property Plant and Equipment 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 their 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 Coal 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.

Bespoke software development expenditure is either as a result of an external cost of development or as a result of work undertaken by the Coal Authority's internal resources. Internal resource costs are only capitalised for detail design and implementation phases of the software development, using salary and associated payroll costs.

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 the British Coal Corporation and is held at a nil value, being fully depreciated replacement cost.

1.16 Financial instruments

The Coal 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 and carried net of any provision for impairment. A provision for impairment is made when there is evidence that the Coal 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 Coal 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 Coal 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 may include guarantee bonds in favour of the Coal 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 Coal 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 Coal 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 Coal Authority's obligations. Internal costs are not provided for.

The Coal Authority is required to participate in the Carbon Reduction Commitment 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 Coal 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 against the Statement of Comprehensive Net Expenditure or against Property, Plant and Equipment in the Statement of Financial Position as expenditure is incurred.

Significant Public Safety incidents are kept under review. Provisions will be released and an accrual recognised when the Coal Authority has a present obligation as a result of a past event, where there is certainty over the measurement of the obligation and that an outflow of economic benefits will be required to settle that obligation.

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 Coal 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 Coal 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 ascertain and disclose the full extent of the possible effects of assumptions or management estimates 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 balance of £2,817.0 million as at 31 March 2017.

Other than in the review and calculation of provisions, no material accounting judgements, estimates or assumptions were made by the Coal 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 Coal Authority has adopted in these financial statements.

2. Statement of operating costs by operating segments

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

2016-17	Development £000	Information £000	Public Safety £000	Environment £000	Total £000
Expenditure incurred during the year	2,861	6,922	18,390	16,579	44,752
Impairments	-	-	-	5,052	5,052
Less provision utilised	(234)	-	(13,790)	(8,978)	(23,002)
Adjustment to provisions	(68)	-	93	19,977	20,002
Gross expenditure	**2,559**	**6,922**	**4,693**	**32,630**	**46,804**
Income	**(2,224)**	**(12,925)**	**(1,129)**	**(3,098)**	**(19,376)**
Net (income)/ expenditure	**335**	**(6,003)**	**3,564**	**29,532**	**27,428**
Total assets	**1,554**	**4,809**	**16,684**	**8,128**	**31,175**
Memo: net (income)/ expenditure excluding provisions movements	637	(6,003)	17,261	18,533	30,428

2015-16	Development £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 (income)/ expenditure	**3,027**	**(4,642)**	**345,835**	**1,584,644**	**1,928,864**
Total assets	**2,084**	**4,559**	**20,898**	**8,424**	**35,965**
Memo: net (income)/ expenditure excluding provisions movements	1,027	(4,642)	11,835	18,644	26,864

Segmental analysis

The reported segments as analysed above are consistent with the Coal Authority's organisational structure and the management information used by the Coal Authority's management team for the period reported. Reporting for future periods will be aligned to the new structure outlined by the chief executive in the performance report.

Development (referred to as "regulation" in previous years) includes legal, estate management and the planning, licensing and permissions activities. Within development total assets, investment properties valued at £19,000 have been identified as being held for sale (2016: £47,000). 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. One customer, TM Property Searches Limited, was responsible for income of £1,920,000, (2015-16: £1,413,000) which at 10.4%, is more than 10% of the Coal Authority's income. Reliance on this customer is not considered by the directors to pose a significant risk to the Coal Authority's operations.

During the year there was internal cross selling from data solutions to mining reports. This has been completed on an arms 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 £2,767,000 for 2016-17 (2015-16: £3,484,000) was earned for the provision of environmental technical services in the treatment of metal mine water. Work undertaken for Defra is done so at cost plus an allowance for overhead recovery. At 15.02% (2015-16: 21.46 %) of income from activities, this amounts to more than 10% of the Coal Authority's income. The Coal Authority continues to work closely with Defra to resolve the issues arising from past metal mining. Future income is dependent on ongoing government funding for this workstream, and the Coal Authority considers that there is little risk in over-reliance on this customer.

Managing public money – fees and charges

The Coal 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. The Coal Authority's most significant income streams, as outlined at Note 5.1 to the Accounts, are explained below.

Information includes the provision of mining reports which generated income of £12,571,000 (2015-16: £10,815,000), costs of £7,829,000 (2015-16: £8,118,000), and a surplus of £4,742,000 (2015-16: £2,697,000). Expenditure associated with specific programmes and activities is managed and reported under the public safety and development segments, but relates to the enhancement of data and information. Mining reports services are charged at a commercial rate.

Environmental technical services generated income of £2,953,000 (2015-16: £3,543,000), costs of £2,911,000 (2015-16: £3,515,000) and a surplus of £42,000 (2015-16: £28,000). The financial objective in respect of the environmental technical services is full cost recovery including an allowance for overhead recovery.

The licensing and permissions activities provided by Development generated income of £788,000 (2015-16: £941,000, including a one-off fee of £230,000), costs of £577,000 (2015-16: £761,000) and a surplus of £211,000 (2015-16: surplus £180,000). 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

Staff costs comprise:	Staff £000	Other £000	2016-17 Total £000	Staff £000	Other £000	2015-16 Total £000
Wages and salaries	7,441	-	7,441	6,925	-	6,925
Social security costs	880	-	880	622	-	622
Other pension costs	1,556	-	1,556	1,326	-	1,326
Reorganisation costs	199	-	199	538	-	538
Agency staff costs	-	1,439	1,439	-	572	572
Total staff costs	**10,076**	**1,439**	**11,515**	**9,411**	**572**	**9,983**

£439,000 of staff costs were charged to capital projects during 2016-17 (2015-16: £47,000).

Other staff and related disclosures are included in the staff and remuneration report within the accountability report.

4. Operating costs

	Note	£000	2016-17 £000	£000	2015-16 £000
Operating leases:					
Equipment		94		99	
Land and buildings		99		98	
			193		197
Supplies and services:					
Expenditure incurred during the year		30,539		25,303	
Less provision utilised	13	(23,002)		(16,378)	
			7,537		8,925
Research and development		178		322	
Audit remuneration		45		42	
Travel and subsistence		312		304	
			535		668
Sub-total			**8,265**		**9,790**
Non-cash items:					
Depreciation and amortisation:					
Property, plant and equipment	7	443		389	
Intangibles	9	1,664		1,930	
			2,107		2,319
(Revaluation)/devaluation:					
Property, plant and equipment		(141)		-	
Investment properties	8	(6)		(113)	
			(147)		(113)
Impairments:					
Property, plant and equipment	7,9		5,052		5,303
Loss on disposal of assets:					
Property, plant and equipment			5		-
Sub-total			**7,017**		**7,509**
Adjustment to provisions:					
Additional year (50th/100th)	13	43,611		3,832	
Utilised against capital expenditure	13	(5,536)		(4,914)	
Discount rate change	13	15,000		1,925,390	
(Released)/created	13	(9,274)		(16,433)	
Unwinding of discount	13	(23,799)		10,503	
Sub-total			**20,002**		**1,918,378**
Total			**35,284**		**1,935,677**

Loss/(profit) on disposal of property, plant and equipment:	2016-17 £000	2015-16 £000
Proceeds from sale of assets	-	-
Book values	5	-
Loss on disposal	**5**	**-**

5. Income

5.1 Operational income

	2016-17 £000	2015-16 £000
Information - mining reports	12,571	10,815
Environment - technical services	2,953	3,543
Development - licensing and permissions indemnities	788	941
PS&S - technical services	620	62
PS&S - management fee	408	213
Rental income	598	261
Other income	484	403
Income from activities	**18,422**	**16,238**
Profit on disposal of property, plant and equipment	954	568
Total income	**19,376**	**16,806**

The public safety and subsidence (PS&S) management fee relates to charges made against the security fund as the liabilities are discharged during the year.

Profit on disposal of property, plant and equipment:	2016-17 £000	2015-16 £000
Proceeds from sale of investment properties	97	19
Proceeds from clawback	829	903
Proceeds from sale of plant and equipment	31	80
Total proceeds	957	1,002
Book values	(3)	(434)
Profit on disposal	**954**	**568**

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

5.2 Consolidated fund income

Income shown in Note 5.1 to the Accounts includes a contribution to the cost of collection when the Coal 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 are shown as a deduction to Production related rent.

		2016-17		2015-16
	£000	£000	£000	£000
Production related rent (gross)	429		517	
Cost of collection	(60)		(86)	
Production related rent (net)		369		431
Incidental coal (gross and net)		5		14
Options for lease		58		73
Property sale proceeds		-		32
Income payable to the consolidated fund		**432**		**550**

	2016-17	2015-16
	£000	£000
Balances held at start of year	**110**	**229**
Income payable to the consolidated fund	432	550
Payments made to the consolidated fund	(431)	(669)
Balances held at end of year	**111**	**110**

Production related rent 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 £431,000 (2015-16: £669,000), being collections of £110,000 (2015-16: £229,000) relating to prior year and £321,000 (2015-16: £440,000) relating to current year.

6. Taxation

	2016-17 £000	2015-16 £000
Current tax	-	-
Deferred tax	-	-

Corporation tax is calculated at 20% (2015-16: 20%) of the estimated assessable profit for the year.

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

	2016-17 £000	2015-16 £000
Net expenditure after interest	(27,428)	(1,928,864)
Tax at the UK corporation tax rate of 20% (2015-16: 20%)	(5,486)	(385,773)
Tax effect of expenses that are not deductible in determining taxable profit	1,370	1,519
Tax effect of temporary differences on property, plant and equipment	(112)	(104)
Tax effect of temporary differences not recognised	(598)	380,407
Tax effect of losses arising in period not recognised	1,295	507
Tax effect of grant in aid finance for revenue purposes	3,531	3,444
Tax expense for the year	-	-

The following are the major deferred tax liabilities and (assets):

	Recognised at 31 March		Unrecognised at 31 March	
	2017 £000	**2016 £000**	**2017 £000**	**2016 £000**
Tax losses	(16)	(19)	(7,177)	(6,333)
Temporary differences regarding tax relief for provisions	-	-	(478,919)	(507,595)
Property, plant and equipment	-	-	(5,780)	(6,263)
Revaluation of assets	16	19	-	-
Total	**-**	**-**	**(491,876)**	**(520,191)**

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 £2,817 million at 31 March 2017 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 instead of the reduction to 18% as originally planned. The rate reduction to 17% was enacted during the period and therefore the deferred tax has been calculated at 17% (2016: 18%) on the basis that the balance will materially reverse after 1 April 2020.

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 2016	3,606	3,194	5,207	999	601	87,324	8,507	2,049	111,487
Additions	-	435	44	64	-	3,962	414	1,097	6,016
Reclassifications	-	-	1,266	134	-	142	342	(1,884)	-
Disposals	-	-	(644)	(52)	(1)	-	(34)	-	(731)
Revaluations	-	249	-	-	-	-	-	-	249
At 31 March 2017	**3,606**	**3,878**	**5,873**	**1,145**	**600**	**91,428**	**9,229**	**1,262**	**117,021**
Depreciation									
At 1 April 2016	-	84	5,009	749	583	87,324	8,507	-	102,256
Charged in year	-	98	244	92	9	-	-	-	443
Disposals	-	-	(638)	(53)	-	-	(34)	-	(725)
Revaluations	-	(169)	-	-	-	-	-	-	(169)
Impairments	-	-	42	150	-	4,104	756	-	5,052
At 31 March 2017	**-**	**13**	**4,657**	**938**	**592**	**91,428**	**9,229**	**-**	**106,857**
Net book value at 31 March 2016	**3,606**	**3,110**	**198**	**250**	**18**	**-**	**-**	**2,049**	**9,231**
Net book value at 31 March 2017	**3,606**	**3,865**	**1,216**	**207**	**8**	**-**	**-**	**1,262**	**10,164**

The Coal Authority owns all of its assets and has no finance leases or Private Finance Initiative (PFI) contracts.

A valuation was undertaken of the head office land and buildings as at 31 March 2017 by external Chartered Surveyors (Lambert Smith Hampton, a multi-disciplinary chartered surveying practice) in accordance with Royal Institution of Chartered Surveyors' guidelines. The valuation of £3,175,000 is reflected above. Valuations are undertaken on a biennial basis, with the next to be completed in March 2019.

Included within buildings are 4 (2016: 2) transit properties (see Note 1.12 to the Accounts) with a fair value of £764,000 (2016: £343,000). Two were transferred to the Coal Authority by UK Coal in 2015-16 in lieu of cash called-in security and 2 properties were purchased in 2016-17 using 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 to the Accounts).

Valuations will be undertaken on a biennial basis, by the District Valuation Office with the next to be completed in March 2018.

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.

	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 2015	**3,606**	**2,850**	**282**	**334**	**24**	**-**	**-**	**968**	**8,064**
Net book value at 31 March 2016	**3,606**	**3,110**	**198**	**250**	**18**	**-**	**-**	**2,049**	**9,231**

8. Investment properties

	Land £000	Buildings £000	Total £000
Fair value			
At 1 April 2016	303	-	303
Disposals	(3)	-	(3)
Revaluations	6	-	6
Net book value at 31 March 2017	**306**	**-**	**306**
Net book value at 31 March 2016	303	-	303

The Coal Authority owns all of its investment properties and has just completed the final year of a 5 year rolling programme to ensure that all material investment properties are subject to an external valuation. The 5 year rolling programme will recommence in 2017-18.

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 Coal 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 2017 certain properties valued at £19,000 have been identified as being held for sale (2016: £47,000).

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 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

9. Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2016	19,595	1,385	68	21,048
Additions	454	23	851	1,328
Reclassifications	67	-	(67)	-
Disposals	-	(46)	-	(46)
At 31 March 2017	**20,116**	**1,362**	**852**	**22,330**
Amortisation				
At 1 April 2016	17,259	1,302	-	18,561
Charged in year	1,626	38	-	1,664
Impairment	-	-	-	-
Disposals	-	(46)	-	(46)
At 31 March 2017	**18,885**	**1,294**	**-**	**20,179**
Net book value at 31 March 2016	2,336	83	68	2,487
Net book value at 31 March 2017	**1,231**	**68**	**852**	**2,151**

The Coal 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 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 2015	3,381	107	9	3,497
Net book value at 31 March 2016	**2,336**	**83**	**68**	**2,487**

10. Trade receivables and other current assets

Amounts falling due within 1 year:

	2017 £000	2016 £000
VAT	508	1,101
Trade receivables	665	618
Other receivables	2	2
Prepayments and accrued income	2,961	2,837
Total at 31 March	**4,136**	**4,558**

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

11. Cash and cash equivalents

	2017 £000	2016 £000
Balance at 1 April	19,386	5,283
Net change in cash and cash equivalent balances	(4,968)	14,103
Balance at 31 March	**14,418**	**19,386**

The following balances were held at:

Government Banking Services	14,418	19,386
Balance at 31 March	**14,418**	**19,386**

Cash balances incorporate £12,823,000 (2016: £17,300,000) of ring fenced funds held in a separate account. These ring fenced funds represent receipts from Hatfield Colliery Partnership Ltd and from UK Coal following disclaiming the lease/licence for Hatfield Colliery, Daw Mill (2015-16 only), Thoresby and Kellingley Collieries respectively 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:

	2017 £000	2016 £000
Other taxation and social security	400	371
Trade payables	3,065	2,883
Amounts due to government (Coal Royalties - Note 5.2)	111	110
Security fund payables	72	73
Liabilities in relation to called-in security	2,110	2,319
Accruals and deferred income	10,853	6,659
Total at 31 March	**16,611**	**12,415**

The amounts due to government represent amounts still to be remitted to the consolidated fund once trade receivables of £75,000 (2016: £66,000) and accrued income of £36,000 (2016: £44,000) in relation to licensing activities have been collected. See Note 5.2 to the Accounts for further details.

Security fund payables (both within 1 year and after more than 1 year) relate to ongoing coal operations and are held by the Coal Authority to ensure debts and future liabilities are settled should a licensee fail to meet their obligations under a lease or licence. The Coal 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 (both within 1 year and after more than 1 year) 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 (Thoresby and Kellingley Collieries).

Liabilities falling due after more than 1 year in relation to called-in security also include costs expected to be incurred following the termination of operations of ATH Resources PLC, Benhar Developments Ltd and Scottish Coal Company Ltd, and for 2015-16 only, in respect of Daw Mill (UK Coal).

Amounts falling due after more than 1 year:

	2017 £000	2016 £000
Security fund payables:		
In more than 1 year, but not more than 2 years	265	264
In more than 2 years, but not more than 5 years	106	106
In more than 5 years	1,118	875
	1,489	1,245
Liabilities in relation to called-in security:		
In more than 1 year, but not more than 2 years	3,150	3,645
In more than 2 years, but not more than 5 years	5,159	5,717
In more than 5 years	2,513	5,539
	10,822	14,901
Total at 31 March	**12,311**	**16,146**

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:

	2017 £000	2016 £000
Opening balance - falling due within 1 year	73	22
Opening balance - falling due after more than 1 year	1,245	2,886
Opening balance	1,318	2,908
Invoiced and cash receipts	240	81
Interest payable	4	9
Repayments	-	(22)
Security fund transferred	-	(1,479)
Utilisation	(1)	(179)
Movements during the year	243	(1,590)
Closing balance - falling due within 1 year	72	73
Closing balance - falling due after more than 1 year	1,489	1,245
Closing balance	**1,561**	**1,318**

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

	2017 £000	2016 £000
Opening balance - falling due within 1 year	2,319	1,327
Opening balance - falling due after more than 1 year	14,901	2,404
Opening balance	17,220	3,731
Cash receipts	-	14,974
Bond proceeds transferred	292	(160)
Security fund transferred	-	1,479
Repayments	-	(421)
Utilisation	(4,580)	(2,383)
Movements during the year	(4,288)	13,489
Closing balance - falling due within 1 year	2,110	2,319
Closing balance - falling due after more than 1 year	10,822	14,901
Closing balance	**12,932**	**17,220**

13. Provisions for liabilities and charges

	Mine water	Public safety & subsidence	Subsidence pumping stations	Tip management	Other	Total 2016-17	Total 2015-16
	£000	£000	£000	£000	£000	£000	£000
Opening balance	2,178,000	344,000	249,000	28,000	21,000	**2,820,000**	**918,000**
Additional year (100th/50th)	31,453	7,845	3,492	575	246	**43,611**	**3,832**
Utilised against operating spend	(8,978)	(11,645)	(773)	(196)	(1,410)	**(23,002)**	**(16,378)**
Utilised against capital spend	(4,025)	-	(1,511)	-	-	**(5,536)**	**(4,914)**
Created/ (released)	(252)	(9,160)	1,898	(4,131)	2,371	**(9,274)**	**(16,433)**
Unwinding of discount	(18,198)	(3,040)	(2,106)	(248)	(207)	**(23,799)**	**10,503**
Discount rate change	11,000	3,000	1,000	-	-	**15,000**	**1,925,390**
Closing balance	**2,189,000**	**331,000**	**251,000**	**24,000**	**22,000**	**2,817,000**	**2,820,000**

The provision for liabilities and charges at 31 March 2017 is £2,817.0 million (2016: £2,820.0 million). Forecast cash flows included within this provision before discounting amount to £1,884.0 million (2016: £1,899.0 million).

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

In calculating each provision at its present value the real discount rates as specified by HM Treasury, have been used:

Discount rates	**2016-17**	**2015-16**
Short term (0-5 years)	(2.70)%	(1.55)%
Medium term (5-10 years)	(1.95)%	(1.00)%
Long term (exceeding 10 years)	(0.80)%	(0.80)%

Other key assumptions and sensitivities in establishing the provisions at 31 March 2017 are explained on the next pages.

Mine water

The provision relating to mine water treatment schemes is £2,189.0 million (2016: £2,178.0 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 42 schemes by 2027 to remediate existing pollution identified by the Environment Agency (EA), Natural Resources Wales (NRW) and Scottish Environment Protection Agency (SEPA). A further 9 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 £78.0 million (2016: £81.5 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 £362.7 million before discounting (2016: £373.0 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 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 £975.6 million (2016: £962.2 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 £331.0 million (2016: £344.0 million).

Subsidence provisions relate to the estimated cost of settlement of subsidence claims. The Coal 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 Coal 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 £5.0 million per annum (2016: £5.2 million) with the movement reflecting a recent reduction in the underlying claims experience (excluding significant events). In addition, annual costs before discounting are included for the ongoing mine entry inspection programme through to 2019 at £0.3 million per annum (2016: £0.6 million) and reinspection programme thereafter over the life of the provision at a cost of £0.3 million per annum (2016: £0.3 million).

The provision for public safety and subsidence is calculated over 50 years as the Coal 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 £251.0 million (2016: £249.0 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.

Estimates include the costs of a refurbishment programme which will be completed by 2031 at £21.7 million before discounting (2016: £23.1 million), but also reflect an estimate of the ongoing requirement to continue refurbishment beyond 2031 and into the foreseeable future. This ongoing refurbishment programme has been incorporated at £1.0 million per annum, before discounting (2016: £1.0 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 (2016: £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 £24.0 million (2016: £28.0 million).

Tip management is required as the Coal 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 Coal 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 £0.4 million per annum (2016: £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 £22.0 million (2016: £21.0 million).

The Coal 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 Coal 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 £12.7 million before discounting remain at 31 March 2017 (2016: £11.8 million)
- closed colliery site obligations are assessed to be £6.0 million before discounting (2016: £6.2 million) and relate to returning colliery site areas to a condition that is safe and secure and consistent with any required planning permission or lease requirement

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 £63.0 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 £155.0 million.

The level of provisions is sensitive to a change in the discount rates. An increase in the discount rates by 0.5% would decrease the total provision held by £627.0 million (22%). A decrease in the discount rates by 0.5% would increase the total provision by £894.0 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 2018	14,108	6,878	3,135	396	1,047	25,564
Between 2018 and 2022	70,598	24,237	8,969	1,696	4,016	109,516
Between 2022 and 2036	266,076	90,217	32,108	6,616	8,207	403,224
Thereafter	1,838,218	209,668	206,788	15,292	8,730	2,278,696
Total	**2,189,000**	**331,000**	**251,000**	**24,000**	**22,000**	**2,817,000**

14. Capital commitments

	2017 £000	2016 £000
Subsidence pumping stations	185	7
Mine water treatment schemes	1,210	403
Intangible assets	124	313
Total	**1,519**	**723**

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:

	2017 £000	2016 £000
Land:		
Within 1 year	465	431
Between 1 to 5 years	1,730	1,610
After 5 years	12,684	10,506
	14,879	12,547
Buildings:		
Within 1 year	-	-
Between 1 to 5 years	-	-
After 5 years	-	-
	-	-
Others:		
Within 1 year	93	67
Between 1 to 5 years	105	37
After 5 years	-	-
	198	104
Total	**15,077**	**12,651**

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:

	2017 £000	2016 £000
Head office - freehold property:		
Within 1 year	251	246
Between 1 to 5 years	-	129
After 5 years	-	-
Total	**251**	**375**

16. Contingent liabilities

Licensees of mining operations are required to provide security to the Coal 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 Coal Authority is responsible for making good subsidence damage. Where an area of responsibility is extinguished this would transfer to the Coal Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Coal 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.

The above liabilities have been provided for within the Public Safety and Subsidence provision (Note 13 to the Accounts) 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 Coal 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 Coal 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 Coal Authority in respect of subsidence damage "in excess of £100 million" to Wentworth Woodhouse, a Grade 1 listed country house. The Coal Authority has rejected these notices.

The Upper Tribunal (Lands Chamber) has ruled on 4 locations of damage and concluded that the Coal Authority has no liability in respect of any of these. One further area of damage has yet to be considered by the Upper Tribunal (Lands Chamber). Proceedings are ongoing and the Coal Authority will continue to strongly defend its case.

Environmental Information Regulations 2004

The Coal Authority is aware of potential legal proceedings in respect of past fees paid for Mining Information.

In the eventuality of receiving formal notification to commence legal proceedings, the Coal Authority will strongly defend its position.

17. Contingent assets

By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9) the Coal Authority is the beneficiary of restrictive covenants and clawback provisions relating to land and properties sold by the 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.

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

Allen Court - Kirkcaldy

In excess of 25 damage notices have been submitted to the Coal Authority in respect of subsidence damage to properties at Allen Court, Kirkcaldy.

£1.4 million of costs has been recognised during 2016-17.

The property development was undertaken following the provision of a permit by the Authority which incorporated indemnity clauses. The Coal Authority will continue to strongly pursue resolution and expects to recover its costs from the developer.

18. Related party transactions

The Coal Authority is a NDPB of the Department for Business, Energy and Industrial Strategy (BEIS) and received grant in aid during the year, as well as surrendering income due to the consolidated fund in relation to statutory licensing activities.

BEIS continues to provide a consolidated annual report and accounts for the core department and incorporating NDPBs, including the Coal Authority, that are classified within its consolidation boundary.

In addition, the Coal 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 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 Coal 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 BUSINESS, ENERGY AND INDUSTRIAL STRATEGY 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 2017 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 2017 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 for Business, Energy and Industrial Strategy who will consult HM Treasury as necessary.

5. This Direction supersedes the Direction dated 25 May 2016.

Christopher Whelan

Assistant Director - Coal Liabilities Unit
(An official of the Department for Business, Energy and Industrial Strategy
authorised to act on behalf of the Secretary of State)

16 May 2017

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