The Coal Authority

Resolving the impacts of mining

Annual report and accounts 2017-18

HC 1168

The Coal Authority

Annual report and accounts 2017-18

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

Ordered by the House of Commons to be printed 28 June 2018.

HC 1168

This publication is available at www.gov.uk/government/publications

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This publication is available at https://www.gov.uk/government/publications and www.gov.uk/coalauthority

ISBN 978-1-5286-0570-0

CCS0418390584-1 06/18

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

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Performance report **2017-18**

Overview

The Coal Authority is a partner organisation of the Department for Business, Energy & Industrial Strategy (BEIS) and we're experts at resolving the impacts of mining. We manage related public safety, property and environmental risks.

We're more relevant now than at any other time in our 24 year history as we manage more social, economic and environmental impacts across a broader range of customers than our original remit including public bodies such as Network Rail and the Department for Environment, Food & Rural Affairs (Defra).

We continue to work towards our vision of being a world leader at resolving the impacts of mining. We provide reassurance and solutions to individuals, communities and businesses as well as protect the natural environment from pollution.

Our purpose is to:

- safeguard the public, providing peace of mind and enabling stakeholders to make informed decisions
- protect and restore the environment in mining areas, leaving the environment in a better state than we found it
- create value and minimise long term costs, reducing the burden on the taxpayer and stimulating economic growth

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 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, environmental and information viewpoints to deliver more sustainable solutions

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

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

£4 billion
coal mining legacy managed

601
surface hazards reported to us

80%
of staff reported a positive culture

96%
of incidents responded to within target time

323,173
mining reports delivered

12,454
mine entry inspections carried out

51
new members of staff recruited

593
subsidence damage claims assessed

1,804
permits issued

122
billion litres of water treated

Chair's foreword

It has been an inspiring year for the Coal Authority as we have continued to grow and transform into an organisation that is increasingly sustainable. We continue to serve the public by carrying out our statutory duties efficiently and effectively and are developing new ways of unlocking value through our innovation programme.

The Department for Business, Energy & Industrial Strategy (BEIS) funds our statutory work, which enables us to resolve the impacts of mining and manage the related public safety, property and environmental risks. We also regulate the coal industry in Britain and manage the long term legacy. However, to enable us to continue to become a more sustainable organisation in the long term, we have been working with strategic partners to create opportunities where we can realise the value in the by-products that some of our processes create. Over 450 revenue generating or cost reducing ideas have been created by our innovation team, with some already successfully implemented.

In December 2017, we welcomed the Tailored Review which was conducted by BEIS in accordance with Cabinet Office principles. It recommended that we continue to deliver our statutory obligations as currently structured. It recognised that since the 2014 Triennial Review, we have grown our commercial offering and that this activity is complementary to the organisation's statutory responsibility.

It's really pleasing to receive such strong endorsement of our role and duties as we follow our vision to become a world leader at resolving the impacts of mining.

In April 2018, we published our next 5 year business plan, which highlights our strategy for the future and the progress we have made in our journey so far. You can read more details about our business plan in the chief executive's report on pages 11 and 12 and about our strategy on page 19.

We're proud that our brand is recognised and respected in our chosen markets and that our experts are valued for not only the work they do but the advice and support they give to government departments, local authorities, landowners and developers.

Supporting others

Members of our senior team continue to be involved in key roles within the BEIS transformation programme, which in turn has been valuable as we move forward in our own evolutionary journey. As a partner organisation of BEIS we have also been playing our part in the UK's Industrial Strategy by adopting solar power at some of our mine water treatment schemes and we have been evaluating the clean energy source stored in mine workings.

As we push the boundaries of innovation to achieve greater sustainability we're also looking forward to supporting Defra in its 'A Green Future: 25 year plan' to improve the environment within a generation. We have a primary duty to manage water pollution from mining so by working with them we can share our expertise and, by minimising and better managing our waste materials, we can help to achieve the mission of a cleaner, greener country for us all.

Earlier in the year, the Chancellor announced that a new Geospatial Commission will be established to provide strategic oversight to the public bodies who hold geospatial data. We have been involved in this venture from the beginning and are delighted to be one of the 6 partner organisations to be supporting the government in this policy.

Throughout the year, we have continued to work hard to engage with the public affected by mining. We held a formal event in Cardiff in July 2017 and our teams regularly meet with stakeholders up and down the UK to make sure they are informed and have a voice about what is happening in areas that affect them.

Our board and people

I feel very privileged to be supported by a great board and would like to thank all my fellow members for their passion, dedication and support this year. In November 2017, our performance was assessed by way of a board development session and it's pleasing to report that it concluded we all work well together and that we possess a diverse range of skills and styles.

I would also like to congratulate Lisa Stanger, our Director of People and Transformation who formally joined the board in April 2017 as a statutory director.

After a number of years of stability amongst our executive directors we have recently said goodbye to our Chief Executive Officer, Philip Lawrence and will shortly be saying farewell to our Chief Operating Officer, Simon Reed.

Philip led the Authority with great distinction for 11 years and left us on 31 May 2018 to pursue a new career path. I would like to wish him well for the future and thank him for all his hard work, support, enthusiasm and dedication he has given us over the years.

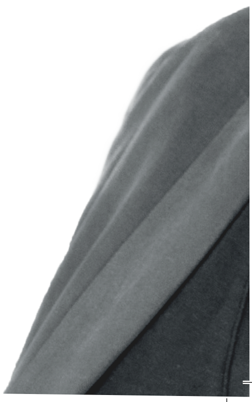
I am delighted to welcome Lisa Pinney MBE who became our Chief Executive Officer on 1 June 2018. I am looking forward to working with Lisa as she leads the implementation of our new 5 year plan.

Simon Reed has been part of the Coal Authority since its formation in 1994. He joined the board in April 2011 and has been our Chief Operating Officer since June 2014. Simon leaves us to take up new opportunities in August 2018 and goes with our thanks for all he has achieved here.

My final thank you goes to all the staff at the Coal Authority. They have worked extremely hard in meeting the increasing demands of the business and I am very proud to be part of such a vibrant and innovative organisation. Working as one team, they make a difference to the communities within the UK's mining areas and protect the environment so that future generations can enjoy it.

I'm very proud of what we do to support communities affected by mining events and am looking forward to the year ahead.

Stephen Dingle
Chair



Chief executive's report

I am delighted to have recently joined the Coal Authority as Chief Executive Officer and am looking forward to leading the organisation as we continue to grow and transform to enable us to deliver our next 5 year plan.

This plan is an evolution of the strategy followed over the last 5 years. It balances a strong focus on core operational delivery, to keep people safe and improve environments impacted by the UK's mining legacy, with a continued clear focus on innovation and opportunity to reduce costs to the taxpayer and ensure we sustain the specialist skills we need to deliver for the future.

Our 2018-19 to 2022-23 business plan can be found at https://www.gov.uk/government/organisations/the-coal-authority/about/publication-scheme. It sets out our challenging vision to be a world leader at resolving the impacts of mining and a clear strategy to deliver this.

We'll:

- deliver for our customers – working with partners to become even more customer centric
- invest for the future – to sustain and grow our unique expertise and derive value from our information
- build enabling capabilities – around leadership and management, governance and performance

We know our plan contains some key challenges and have outlined on pages 20 to 21 the strategic risks we mitigate.

The following pages provide highlights of the past year, a review of performance and an outlook for 2018-19. It's already clear to me that the Coal Authority delivers well, protecting people and the environment from the impacts of mining. Our key customers have provided great feedback on our service and expertise. We promote economic opportunity from the UK's coal mining legacy and our income from services and innovation is growing.

We have proved ourselves to be resilient, rising to the challenge of managing our biggest subsidence damage claim in our history this year at West Allotment near Newcastle upon Tyne. Our teams worked closely with the community and the residents affected. To find out more, see our case study on pages 30 to 31.

The Coal Authority has a well-deserved reputation for being expert and professional. This comes from our people and our board who are all passionate about delivering better outcomes for the communities we serve. Our expertise and commitment are key to our success and we'll continue to support the development and the wellbeing of our people.

I have also been very impressed with the strong ethos for continuous improvement across all areas of the business. Like all businesses we need to continue to change and adapt to a more complex world and I look forward to leading this change and our people into the future.

Lisa Pinney MBE
Chief Executive Officer

Highlights in **2017-18**

We're proud of the progress we have made this last year. We have continued to grow our customer base, diversified our income and made significant progress in saving costs through innovation. We have also strengthened our resilience in key areas by recruiting additional skills as well as developing internal talent.

We have:

- further developed our mine related services to enable those in government, infrastructure and development sectors to manage risk and cost. Our largest customer Defra, for whom we manage the metal mine water schemes, has increased their programme with us
- enabled a mining reports market and seen competition develop in line with our business plan. We have launched a new report for consultants and conveyancers
- continued to adapt and respond to major events, including flooding, the closure of the UK's deep coal mining industry and significant subsidence events
- continued to market our intellectual property in innovation by working with partners; this has delivered further savings and our sources of income continue to grow
- introduced new ways of working over the year to further improve efficiency and governance, which is part of our commitment to grow and transform

Outlook for **2018-19**

Our vision remains to be a world leader at resolving the impacts of mining. We'll continue to grow and transform investing in the future, developing our people and delivering to our customers.

We will:

- deliver public safety and our subsidence programmes and effectively operate the coal mine water schemes as well as delivering £8.1 million capital programme within budget
- launch pre-application services to complement the statutory consultee process for planners and developers
- save £0.7 million through solar installations, power efficiencies and research and development
- generate advisory services income of £2.1 million with a forward order book at year end of £1.7 million, delivering customer programmes to time and budget
- complete feasibility for sales of ochre to pigment and water treatment markets, establish techniques for improved drying of ochre and establish potential for water sales through water retailers
- enhance content and values of CON29M, build brand awareness and grow volumes of our non-residential and value added reports
- establish a portfolio, programme and project office structure (P30)
- implement a new leadership and management programme
- undertake information maturity assessment, agree priorities and develop medium term strategy
- support government initiatives including the Geospatial Commission

Our performance

We agree strategic objectives each year and monitor performance against a combination of deliverable timescales and KPIs. During 2017-18 we achieved 90% of our strategic objectives. Performance against these is detailed below:

Business development

To grow our income from realising greater economic value from our people and information through partnerships, products and services.

We have encouraged the ongoing development of the mining reports market, enabling viable competition and alternative products to enter the sector. We enhanced our market presence via a number of road shows and seminars and released a new mining report product that has been well received.

Our advisory services have continued to grow in the year and we have broadened services to include risk assessment reports and pre-application advice.

Sales of by-products were not as strong in the year as anticipated, but good progress has been made in laying the foundations for new sales opportunities of our by-product ochre, which will both reduce costs of waste disposal and increase revenue in the years ahead.

Efficiency savings as a result of innovative methods of working exceeded targets by 30%.

2017-18 has delivered a strong foundation upon which to build the growing income generating aspirations necessary to deliver our new 5 year plan.

Continuous improvement

To actively market our intellectual property in innovation; and progress a portfolio of projects delivered by our experts, with our partners, which will deliver efficiency savings.

To 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 our customers.

To have the digital systems and services we need to support our business.

Continuous improvement is firmly established within operational ways of working throughout the Coal Authority.

In the year we have implemented new procurement and project accounting systems to strengthen governance, streamlined ordering and reporting processes, as appropriate, and enriched management information to assist in our ongoing strategy of cost reduction.

We identified critical staff knowledge requirements to sustain effective management of our mining legacy liability. We have reviewed core learning to protect succession through skill development of existing staff.

We developed a new product for the mining reports market. Bringing this facility in-house has delivered both agile working and cost efficiency benefits.

In the year, we recruited a number of staff to strengthen core skills. This included the appointment of 2 new members to the executive leadership team who bring with them commercial and operational experience to broaden the capacity of the team.

The innovation programme has delivered ongoing cost saving efficiencies and established a market for by-product sales. The team continues to work with water and heat industry partners to investigate potential areas of collaboration.

Delivering our business

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

We have worked together to continue to deliver our statutory services alongside significant and complex industry claims; these have required additional stakeholder management and careful cost control.

Our revenue-generating streams are now closely aligned to our legacy liability and this will remain the focus going forward.

New methods of project development, alongside wider internal and cross-functional communication, have also contributed to a greater degree of collaboration between teams to deliver our strategic objectives and enhance governance in a developing working environment.


The Coal
Authority
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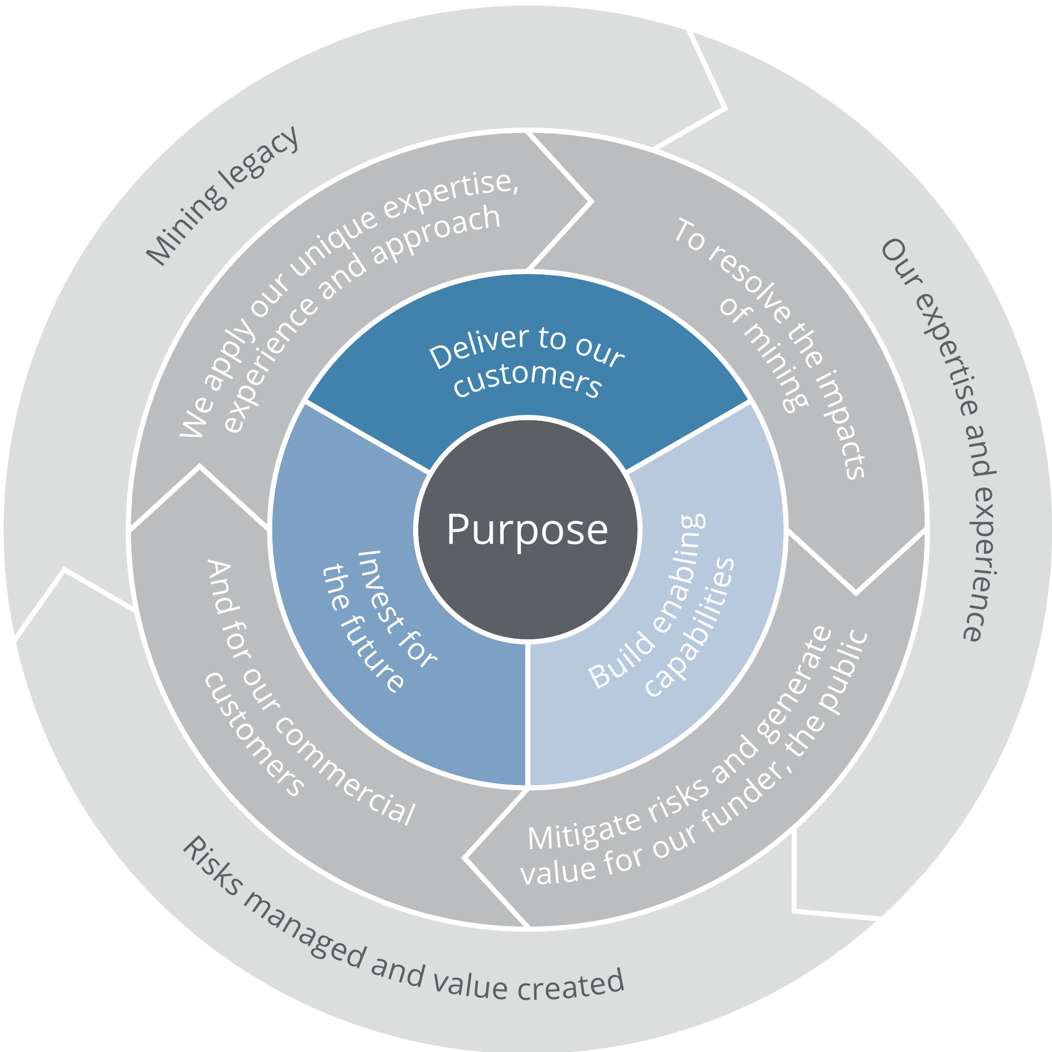
Authority

Our business model

We'll continue to build a sustainable operating model ensuring we develop the appropriate level of skills and services to deliver our core functionality and revenue generating aspirations to reduce our cost to the taxpayer.

Our purpose:

- safeguard the public providing peace of mind and enabling stakeholders to make informed decisions
- protect and restore the environment in mining areas, leaving the environment in a better state than we found it
- create value and minimise long term costs, reducing the burden on the taxpayer and stimulating economic growth



Our strategy

Public duties:
- safeguard the public
- protect and restore the environment in mining areas
- create value, minimise long term costs and stimulate economic growth

Advisory services:
- be a leading provider of mine related advisory services
- build critical mass of skills and knowledge
- provide a financial contribution through a commercially aware culture

By-products:
- realise value and create markets
- reduce disposal costs through commercial activities
- build brand awareness

Data and information:
- to maintain revenue and contribution in the information products function
- to remain the leading provider of information on risks arising from past coal mining
- continuously improve the statutory service we provide

Sustain and grow our expertise:
- capability to recruit, train and retain our own experts
- our expertise will be valued

Deliver to our customers

Invest for the future

Build enabling capabilities

Enterprise information management:
- the value and usefulness of our data will be maximised
- our people will value the data
- records management ensures compliance with government standards

Leadership and management:

Skilled leaders who stand out because they:
- are focused on the customer
- put first the corporate good, challenge, listen and make timely decisions and are not afraid to change their mind
- communicate with integrity and empathy and build strong relationships
- recognise their own limitations and know when to seek the help of others

Governance and performance:
- control and risk management culture
- we use real time risk recognition and resource allocation

Customer centric:
- we have a recognised and respected brand in our chosen markets
- we focus on our customers' needs
- all our people work to common priorities, working smartly across teams

Strategic risks

We assess strategic and operational risks on a quarterly basis for existing and all new programmes of work to ensure we have mitigating actions or response plans in place. The key risks to delivery of our latest strategy are detailed below:

	Risks	Progress
Deliver to our customers	**Information markets:** changes in legislation or new technologies inhibit our ability to maintain financial contribution.	We're the market leader in the supply of mining information reports and have capability to manage our accounts, develop products and compete within the mining reports market. We'll continue to work with partners to share information and release new products to market. We're participating within the Geospatial Commission and will be involved in any changes to policy and regulation surrounding the supply of information and data.
	Other markets: our markets for selling advisory services and by-products develop more slowly or opportunities are not converted.	We have a strong record of provision of advisory services to public bodies including Defra and Network Rail; our plan looks to further strengthen our business development team to ensure we're well placed to win new opportunities. Our innovation team has undertaken a number of successful by-product trials in the last year, which have allowed us to create strong strategic links in new sales markets. We have stress tested and validated the market opportunities and our capability and approach is being strengthened to make further headway.

	Risks	Progress
Build enabling capabilities	**Capacity to change:** transformation absorbs capacity, heightens risk and takes time. The pace of change may fall below that required to deliver growth, innovation and the right culture.	The executive leadership team has been expanded in the last 12 months to broaden capacity and is experienced at change management. Our new plan strengthens capability delivery and corporate services as well as development enhanced programme and portfolio management to manage the transformation.
Invest for the future	**Innovation:** innovation is not an exact science and step changes in improving processes and reducing costs through innovation could take longer than planned.	The focus of innovation activity has been narrowed following the creation of our new 5 year plan to concentrate only on areas that are aligned to our core activities. Our innovation programme has already delivered a large number of new ways of working to reduce our ongoing operating costs. The team continues to have key management and resource support to develop further opportunities.
	Financial support: the reactive nature of our work means that short term financial settlements remain challenging.	Our new 5 year plan focuses on continuing to create revenue generating opportunities to reduce our reliance on government funding. Strong, open and transparent relationships exist and will be maintained with BEIS on performance, sensitivities and contingency levels. We continue to balance our duties to those affected, with value for money to the taxpayer.

Financial review

Introduction

The year has seen continued good progress against our strategy of realising the economic value in our people and information and of seeking further operating efficiencies. The strategy seeks to build a sustainable organisation, which continues to deliver our legacy liability, at a lowering cost to government.

We have marginally exceeded our targets for non BEIS income, primarily due to continued strong performance in our mining reports business. In the year, the success of our strategy to promote a healthy and competitive mining reports market has seen our overall share reduce in line with our expectations. We're maintaining a strong presence by ensuring our products evolve in an agile way to meet market requirements. This year we launched a new mining report product, aimed at the consultant and conveyancer markets, which was well received.

Our innovation programme also continues to generate significant efficiency savings and deliver environmental benefits, by reviewing new ways of delivering our core services and reducing our energy requirements.

In line with our accounting policy, the provision for resolving the impacts of past coal mining was reviewed at the end of 2017-18. Forecast future cashflows before discounting included within this provision remain in line with previous year at £1.9 billion. However, a change in the long term discount rates used by government means that the final discounted provision has risen by £1.5 billion to £4.3 billion (2016-17: £2.8 billion). More details can be found on pages 99 to 103 .

Cash Flow

There was a net decrease in cash during the year of £4.6 million (2016-17: net decrease of £5.0 million). This was driven by:

- the receipt of £30.0 million grant in aid from BEIS (2016-17: £25.0 million)
- a net cash outflow from increased operating activities of £28.3 million (2016-17: £24.7 million). The increase in cash outflow compared to previous year relates to the work undertaken on exceptional public safety claims accrued within the previous year and increased salary costs (as explained later)
- a net cash outflow from investing activities of £6.3 million (2016-17: £5.3 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 and ongoing investment in system development to support our mining information and operational business

At 31 March 2018 we held £9.8 million cash and cash equivalents (2017: £14.4 million). This includes £7.9 million (2017: £12.8 million) of ring fenced funds in respect of called-in security: this movement reflects that £4.6 million has been used to discharge our industry claim liabilities (in relation to called-in security).

Statement of Comprehensive Net Expenditure

Excluding provisions movement, comprehensive net expenditure for the year was £8.5 million (2016-17: £7.1 million). After the increase in the provision for resolving the impacts of past mining, comprehensive net expenditure was £1,536.6 million, (2016-17: £27.2 million).

Other significant items in the year included:

- a £0.5 million reduction in operating income to £18.9 million (2016-17: £19.4 million) primarily due to a £0.4 million reduction in mining reports income in line with our strategic objective to stimulate market development with an anticipated reduction in market share

- staff costs of £12.5 million increased by £1.0 million compared with the previous year (2016-17: £11.5 million). This was due to planned growth in workforce, supporting our strategy to deliver increasing by-product and advisory service income to reduce our net cost to BEIS over the next 5 years
- purchase of goods and services (not including costs previously provided) remained broadly static at £8.6 million (2016-17: £8.3 million)
- depreciation, revaluation and impairment charges of £6.5 million, which are broadly in line with 2016-17 (£7.0 million)

More information is available in Notes 3 and 4 to the Accounts.

Statement of Financial Position

Net liabilities at £4,321.5 million increased against the 2016-17 outturn (£2,814.7 million), driven mainly by the revaluation of the provisions balance to £4,326.0 million (2016-17: £2,817.0 million) following the annual update to the discount rate used by government.

Other significant movements include:

- property, plant and equipment at £11.6 million (2016-17: £10.2 million) include assets under construction at £2.5 million (2016-17: £1.3 million) representing a change in the level of mine water treatment scheme construction at this period year on year. Additionally, the movement in intangible assets to £2.6 million (2016-17: £2.2 million) was due to the transfer of key software to new technologies to reduce operating costs and increase longevity
- cash and cash equivalents at £9.8 million (2016-17: £14.4 million) reflected the reducing value of the UK coal liability as this is used to satisfy resulting industry claims; this was mirrored in the reduction of non-current liabilities at £7.0 million (2016-17: £12.3 million)
- trade and other payables at £16.5 million (2016-17: £16.6 million) included an amount of £3.9 million (2016 -17: £5.0 million) relating to ongoing subsidence events

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'll 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 remain at the heart of what we do and our people demonstrate these values daily in delivering to our public sector and industry customers.

Transformational change

The transformation journey has continued across the organisation with the introduction of new ways of working and new systems and process. These initiatives have played a part in shifting the organisation's culture to one that is more agile and customer focused.

We're pleased that even during a period of significant change the 2017-18 people survey reported that 68% of people felt fully engaged with the purpose of the Coal Authority and 80% of staff reported a positive culture within the organisation. The survey was completed by 88% of our staff.

Wellbeing

We care about the physical and mental wellbeing of our people and we strive to ensure our working environment is one that provides stimulating and challenging work within an empowering and supportive culture.

With so many change initiatives we're very mindful of the potential impact these can have on the wellbeing of our staff. Our mental health strategy meets the core and enhanced standards outlined in the government-commissioned Farmer and Stevenson report and these strategies help us to support all our employees to thrive at work.

We support our staff using a range of initiatives, and where appropriate additional assistance is available from an occupational health provider and the Employee Assistance Programme.

Our 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

Recruitment

We have continued to work hard to recruit the right people with the right skills and increase our diversity as well as raise the profile of our organisation.

We were pleased to be eligible to receive the Disability Confident (Committed) status awarded by the Department for Work and Pensions in June 2017. This recognition further enhances our commitment to an inclusive diverse workforce and we have disability, diversity and inclusion training planned for 2018-19.

Of the 51 additional people recruited we have attracted more women to work with us in professional positions. By broadening our recruitment strategies we want to further increase the diversity of people applying to work with us in all roles, including science, technology, engineering and mathematics (STEM).

Significant knowledge transfer has been undertaken and our new people have also brought with them new ideas and new ways of working. Opportunities for internal staff development (including graduate and trainees) has resulted in 22 people being promoted.

Learning and development

We continue to invest in growing our own talent, recruiting and focusing on knowledge transfer in order to ensure we have the specialist expertise now and for the future. We support all colleagues to take ownership of their individual development plan.

Our values **in action**

Living up to our values enables us to be successful in providing services to all our customers. We deliver peace of mind underpinned by our expertise, we're agile, responsive and committed to delivering for our customers. We drive innovation and we look from all angles to deliver more sustainable solutions.


The Coal Authority
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Case study

We deliver **peace of mind**

In July 2016 several houses on an estate in the north-east of England were suspected of experiencing subsidence damage.

Following extensive ground investigations, including underground camera and laser void surveys, the root cause was revealed to be coal mine workings at a depth greater than 30 metres and dating back around 120 years.

The surveys showed that this specific area had been extensively worked with extraction rates at over 70% compared to typical rates of between 45% and 50% in neighbouring areas. This along with a fractured sandstone layer above the coal seam resulted in an underground collapse and subsequent movement at the surface which ended up affecting 35 properties, 18 of which have since been demolished. This incident is the largest single event we have ever dealt with in our 24 year history.

Once the findings were known, our engineers designed a solution to stabilise the ground by drilling and grouting the old mine workings and broken strata to prevent further movement.

The situation is still being monitored whilst the site is being prepared for redevelopment. Tim Marples, Head of our Public Safety and Subsidence team said:

> “Our experts are experienced at dealing with the complex impacts historic coal mining has on the public, properties and land. As part of the coal mining legacy we deal with a wide variety of incidents, including mining shaft collapses, shallow coal working collapses, subsidence damage claims whilst also managing a programme of mine entry inspections.


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Case study

We drive **innovation**

Our innovation programme has managed a number of initiatives this year and has highlighted the potential for saving costs and generating income from our water treatment schemes, including installing ground-based solar and the development of ochre as a fine art product. We have also engaged with water industry partners to examine various opportunities for water including co-treatment, supply and drought alleviation.

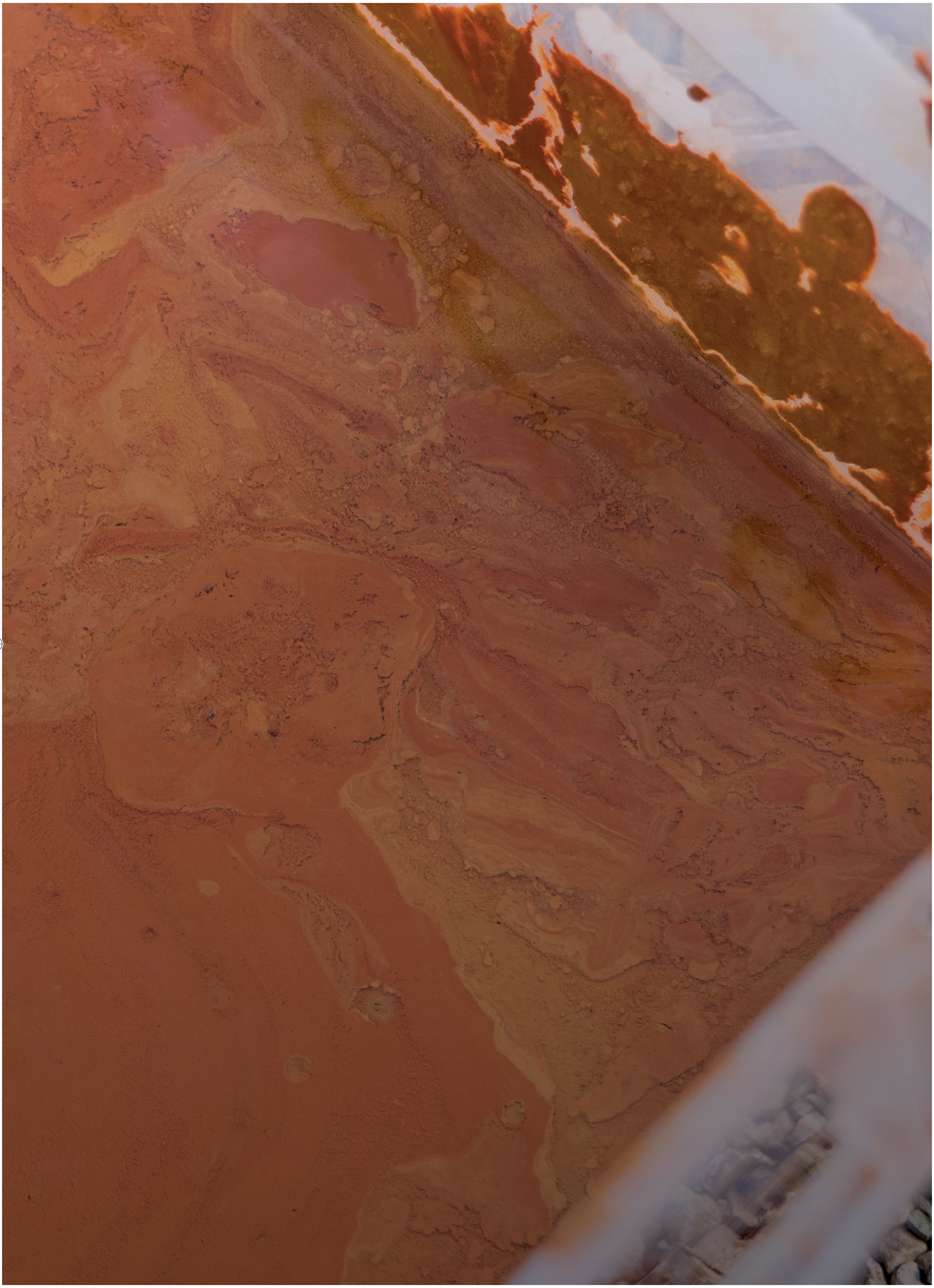
Solar installations and power efficiencies delivered this year alone will save us in the region of £0.7 million next year and by creating value and minimising our long term costs we can in turn reduce the amount of funding we need from the taxpayer as well as stimulate economic growth. We have also investigated a number of opportunities to utilise heat from mine workings to support sustainable energy initiatives.

Our innovative approach to our mining legacy and how we look at using by-products led to us winning the edie sustainability award for recycling and resources 2018.

The submission was based on our innovation work with ochre which can help prevent certain contaminants leaching into the surrounding ground so has application in the land remediation and water treatment areas as well as being ideal for use as a pigment.

The edie judges said:

> “Taking an innovative approach to mining legacy, the Coal Authority has demonstrated how previously unsustainable operations can be transformed for the good of the planet. This is industrial symbiosis at its finest.



Corporate social responsibility

We safeguard the public by providing peace of mind and protect and restore the environment in mining areas leaving it in a better state than we found it.

We're committed to protecting the public in mining areas by enabling our stakeholders to make informed decisions. We also protect the environment from the impacts of past coal mining and stimulate economic growth from Britain's mining legacy.

Safety, Health and Environment (SHE)

We have a specific committee, chaired by a non-executive director whose responsibility it is to provide strategic direction including the continued development of a positive SHE culture.

The health and safety of our employees and those that work for us is of paramount importance and we take a holistic approach to managing it. We review and update our policies routinely and have a structured system of monitoring to provide assurance that they are effective and being implemented consistently. We place great emphasis on proactive monitoring as this helps highlight safety hazards and allows them to be addressed before they can cause harm.

Sustainability

We published our Sustainability Framework in 2016, which outlined the positive contribution we make to the public and the environment and highlighted our plans to become increasingly sustainable in delivering our purpose. To enable us to measure our performance against best practice, we have identified key goals for health and safety, environment, people and economy.

Climate change is a significant global issue and we have made great progress in reducing our greenhouse gas emissions and building our resilience through identifying risks to our activities from a warming world and taking steps to reduce or adapt. Steps include monitoring changing weather patterns to enable us to improve our response to extreme rainfall events on our tips and identifying opportunities for using abandoned coal mines to manage flood risk.

We're making good progress towards our sustainability goals and this year we have:

- increased our portfolio of solar arrays taking our renewable generating up to 713kW installed capacity
- recycled over 3,700 tonnes of reedbed waste therefore reducing the environmental impacts associated with landfill
- continued to support Defra in their Water and Abandoned Metal Mines programme and in doing so were able to support local small and medium-sized enterprises

We're currently reviewing the sustainability framework in line with our new 5 year plan.

Access to information and complaints

As a public body, we answer requests under the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR). Customer feedback is important to us.

A total of 73 requests (FOIA, EIR and subject access request) were received during the year, all of which were answered within the required deadlines, therefore meeting the standards set by the Information Commissioner's Office. No requests went to appeal.

We received a total of 16 letters from elected representatives (10 from Members of Parliament, 5 from Members of the Scottish Parliament and 1 from a Welsh Assembly Member) with concerns on coal mining legacy issues.

We also received 12 complaints from members of the public. They were all dealt with under our complaints procedure and all were resolved by our staff at varying levels within our procedure with none being referred to the Ombudsman.

Our complaints procedure is published on our website www.gov.uk/coalauthority.

We have continued to monitor, review and evaluate our responses and actions to information requests, letters from elected representatives, and complaints with the aim of improving our customer service.

Anti-bribery, anti-corruption and whistleblowing

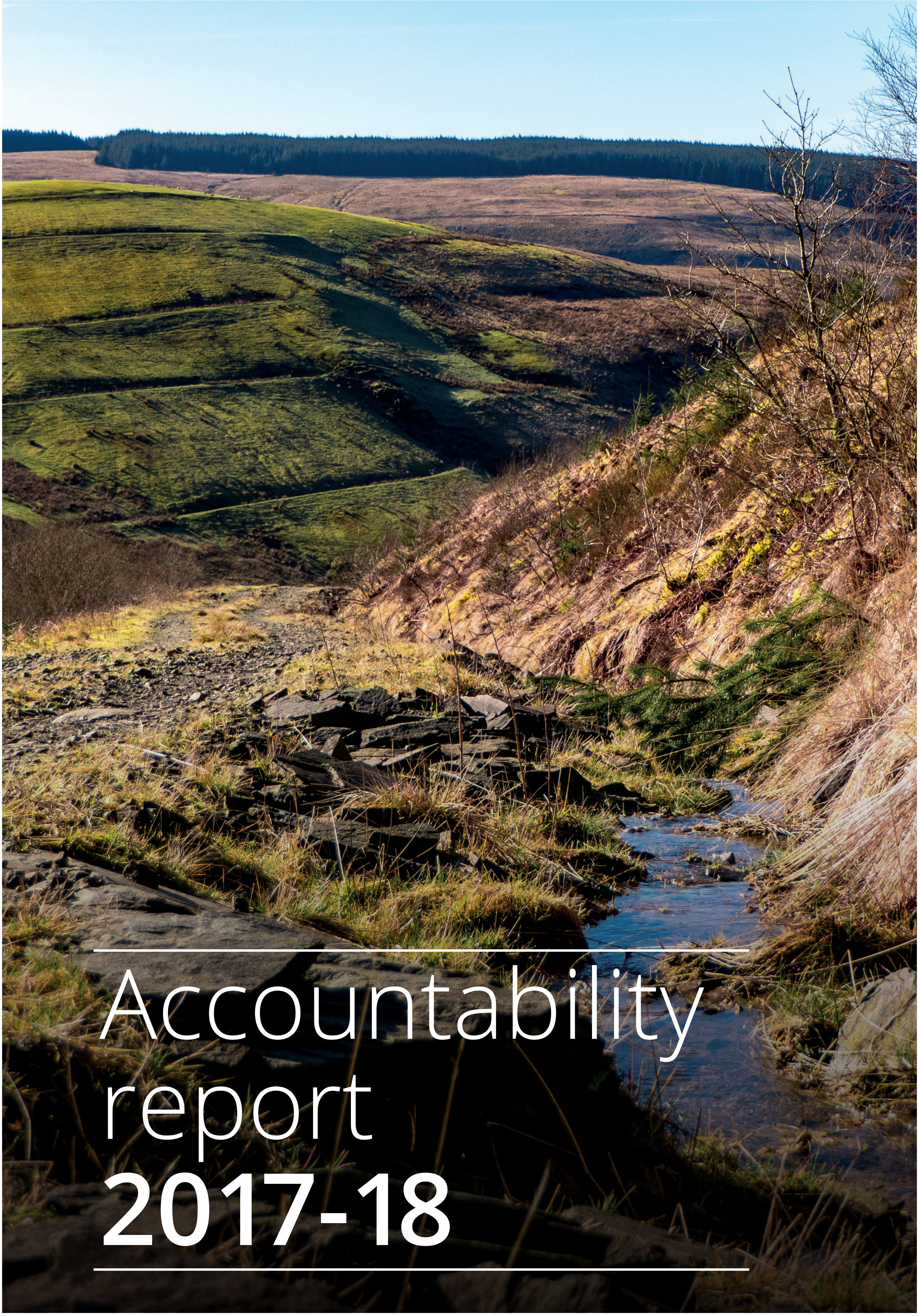
We're committed to adherence to our policies for anti-fraud, which incorporates bribery and corruption, and whistleblowing. Each policy provides clear guidance to staff and is communicated as part of induction. Both policies are reviewed on an annual basis for relevance and clarity, before being re-briefed to all staff and published on our intranet. Assessment of activity and feedback confirms that policies are well understood, effective and easy to use. The board is particularly committed to ensuring that staff feel empowered, supported and protected should they need to raise any areas of concern.

Social, community and human rights policies

We're committed to working to the highest principles of social, community and human rights policies, although we don't have any specific policies in these areas.

This performance report has been approved by the chief executive and accounting officer.

Lisa Pinney MBE
Chief Executive and Accounting Officer
18 June 2018



Accountability report 2017-18

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 2018. 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 11 and 12 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 don't 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 12 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 mine shaft 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 as outlined in our People and Values section on pages 26 and 27.

Employment

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

We seek to attract and retain high calibre employees. Opportunities for training are given high priority to ensure that all staff can contribute to their own career development. The absence rate for the year was 2.5% as against 1.7% for 2016-17.

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 multiemployer defined benefit scheme. The accounting policy is given in Note 1.7 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.

Long term expenditure trends

Long term expenditure trends are reviewed by the directors as part of the annual review of provisions. Please see Note 12 to the Accounts.

Contingent liabilities

Contingent liabilities are reviewed on an ongoing basis by the directors. Please refer to Note 15 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 they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Board of directors

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 17 to the Accounts.

Stephen Dingle
Non-Executive Director

- appointed as Board Director from 1 May 2008 to 30 April 2011
- reappointed to 31 September 2014
- appointed to Chair from 1 April 2013 to 31 March 2017
- reappointed 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
- reappointed to 31 March 2019

Steve Wilson
Non-Executive Director

- appointed as Board Director from 1 April 2017 to 31 March 2020

Philip Lawrence
Chief Executive Officer (until 31 May 2018)

- appointed as Board Director from 9 November 2006 to 31 March 2008
- reappointed every 3 years between 31 March 2011 to 31 May 2018
- appointed as Chief Executive Officer from 1 January 2007

Lisa Pinney MBE
Chief Executive Officer (from 1 June 2018)

- appointed as Board Director from 1 June 2018 to 31 March 2020
- appointed as Chief Executive Officer from 1 June 2018

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
- reappointed to 31 March 2017
- reappointed 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
- reappointed to 31 March 2017
- reappointed to 31 March 2020

Lisa Stanger
Director of People and Transformation

- attended the board from 1 August 2011 to 31 March 2017
- appointed as Board Director from 1 April 2017 to 31 March 2020

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 & Industrial Strategy (BEIS) has designated the chief executive officer 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 reviewed this annual report and accounts with Philip Lawrence, who was Accounting Officer through 2017-18 and to 31 May 2018. I have taken all other 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's fair, balanced and understandable.

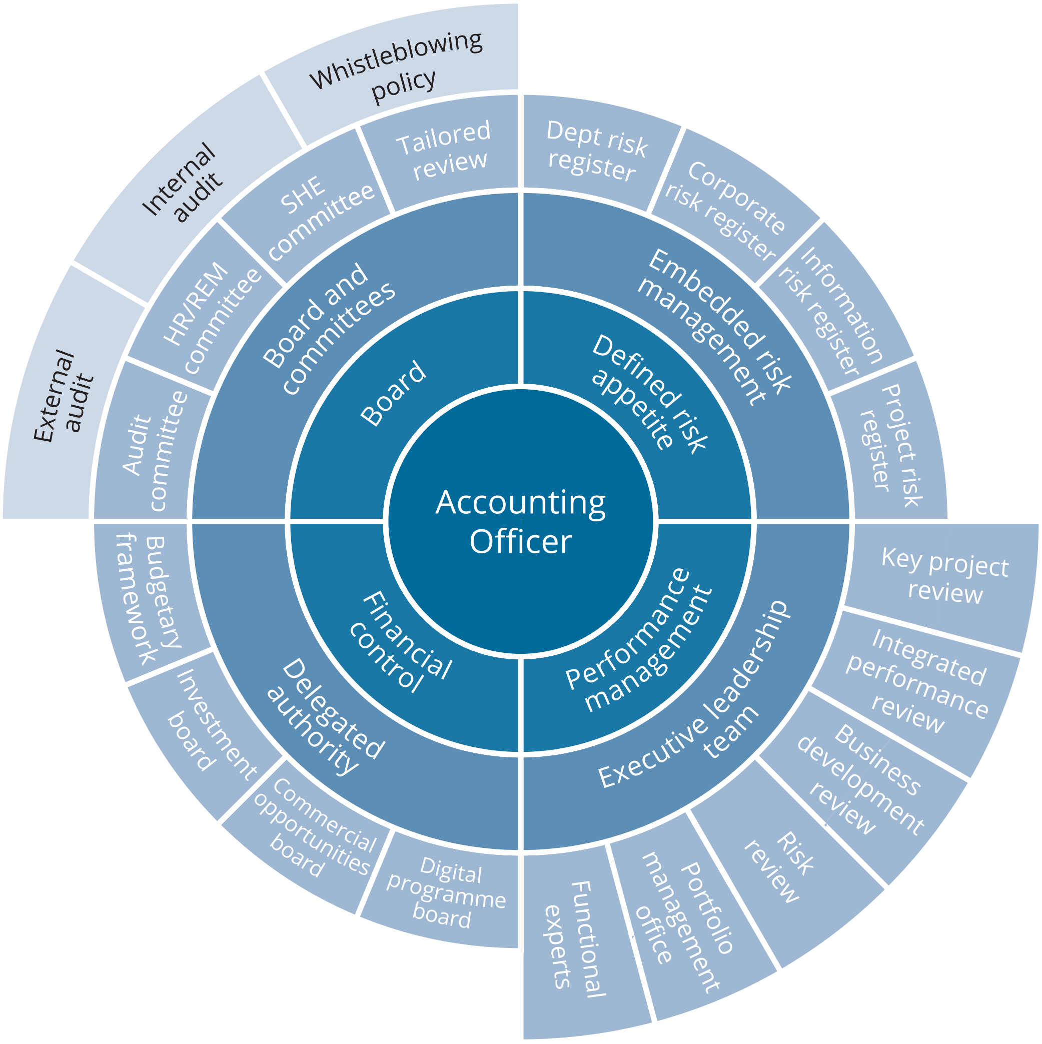
Governance statement

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.

Our governance framework

We're 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 & 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'll 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 2018 we had 8 directors (4 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 (7)	Audit (5)	HR and Remuneration (3)	SHE (3)
Non-Executive Directors (NEDs)	Stephen Dingle	Chair of Board	7	-	3	-
	Steve Wilson	Chair of SHE committee	7	5	3	3
	Gemma Pearce	Chair of HR and Remuneration committee	7	5	3	-
	Bob Spedding	Chair of Audit committee	7	5	3	-
Executive Directors	Philip Lawrence	Chief Executive Officer	7	5	3	3
	Paul Frammingham	Chief Finance and Information Officer	7	5	1 (1)	-
	Simon Reed	Chief Operating Officer	7	-	1 (1)	3
	Lisa Stanger	Director of People and Transformation	7	-	3	-

(1) attended June 2017 to discuss the transformation programme only

Steve Wilson and Lisa Stanger were both appointed to the board from 1 April 2017.

The finance and commercial director and the director of operations attend the board by invitation. Other senior managers attend the board in order to present papers and join strategy discussions.

The appointment of a new chief executive officer, following the resignation of Philip Lawrence, was led by the Chair, Stephen Dingle, supported by Gemma Pearce and Lisa Stanger. To ensure the strongest field of candidates and transparent impartiality the panel engaged the services of a specialist executive search and leadership consultant, Saxton Bampfylde. The successful candidate, Lisa Pinney MBE, joined from the Environment Agency and assumed the role of chief executive officer on 1 June 2018.

Board meetings continue to be open to members of the public and media, with the exception of discussion of items of commercial confidentiality. 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 HM Treasury's corporate governance code and government guidance in respect of its application in so far as is relevant and practical for an arm's length body of our size and complexity:

- the board monitors the 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 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 November 2017 by way of an externally facilitated board development session.

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 2018.

1.3 Board committees

The board is supported by its committees as outlined below:

Audit committee

The audit committee is chaired by Bob Spedding, Non-Executive Director, 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 review and challenge controls relating to the implementation of the business and operational support systems programme
- reviewed policies that are key to our control framework, including our whistleblowing policy, to ensure that they are fit for purpose and effective
- reviewed the processes for risk management and application of risk appetite
- 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
- in respect of the financial statements, reviewed the overall position regarding the provision for legacy obligations which has increased significantly as a result of changes in HM Treasury discount rates
- discussed improved governance arrangements to ensure early engagement/approval from appropriate departments
- reviewed other internal audit work including:
    - cyber security
    - mine water risk management
    - IR35[(1)] and HR controls
    - key financial controls
    - project accounting and procurement systems implementation

(1) IR35 is anti-avoidance tax legislation which ensures contractors working for government are paying tax correctly

The internal audit opinion continues to provide management with a 'moderate' level of assurance over the key risks and corporate objectives of the organisation.

Internal audit identified no significant findings during the year and recommendations to enhance controls in specific areas have been adopted as appropriate.

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

The HR and Remuneration committee

Membership of the HR and Remuneration committee is comprised of non-executive directors and the chief executive officer. This committee is chaired by Gemma Pearce, Non-Executive Director.

The director of people and transformation, the head of HR and organisational development and the senior HR business partner attend by invitation.

The HR and Remuneration committee has met 3 times within the year and has continued to support the Coal Authority in improving organisational capability to meet future business requirements.

During the year, the HR and Remuneration committee has:

- reviewed the workforce data to consider diversity and inclusion across the organisation
- discussed the gender pay gap and the approach needed for the future, including how to encourage more applications for senior and technical roles from females but also taking a similar approach across all aspects of diversity
- discussed the alignment of pay and reward to the future business plan
- approved the reward principles to be implemented within the year to meet Civil Service Pay Guidance
- discussed the results from the people survey which outturned a 68% engagement score and seeking to understand areas for improvements and how these would be addressed

Safety, Health and Environment (SHE) committee

The SHE committee is chaired by Steve Wilson, Non-Executive Director. Membership of the committee includes the chief executive officer, chief operating officer, director of operations, principal projects and programme manager environment, head of public safety and subsidence and head of SHE.

Its main responsibilities are to lead the SHE and sustainability strategy, ensure a positive SHE culture is embedded throughout the organisation and advise the board on SHE matters to support the new 5 year business plan.

It met 3 times during the year and:

- approved the annual sustainability report for external publication
- reviewed the findings from 2 significant incidents relating to pollution at a mine water scheme and injury to a member of the public, overseeing the implementation of the action plan developed to prevent a recurrence
- scrutinised SHE KPIs and progress with objectives to monitor trends and review performance
- reviewed and commented on the sustainability strategy within the new 5 year business plan 2018-19 to 2022-23
- debated current and emerging SHE risks, simplifying existing corporate risks and establishing an operational SHE risk register
- completed a management review and agreed corporate SHE milestones and objectives for 2018-19

2. Tailored review

In the year, the Coal Authority became one of the first arm's length bodies to participate in a Cabinet Office tailored review to provide robust challenge to and assurance on the continuing need for individual organisations, consider their capacity for delivering more effectively and efficiently and ensure the control and governance arrangements in place comply with recognised principles of good corporate governance.

The review, published in December 2017, concluded that:

- there were 'clear and persuasive reasons why the functions performed by the Coal Authority should continue to be delivered'
- the Coal Authority 'is committed to high standards of corporate governance and has an established governance framework supported by an appropriate organisational structure'
- the Coal Authority as a centre of expertise has the potential to provide value to many areas across government

The report made a small number of recommendations including for the Coal Authority to:

- identify further opportunities to provide services to government and share expertise with BEIS
- enrich reporting on resources available to help with any reprioritisation given the volatility around revenue developments and the recurring cost base
- expand our use of agile decision making
- undertake additional work to strengthen diversity and inclusion

A full copy of the report is available at https://www.gov.uk/government/publications/coal-authority-tailored-review-2017.

3. Performance management

As part of the ongoing business transformation work our executive leadership team (ELT) was expanded in the Autumn. Richard Bond was appointed as Finance and Commercial Director and James Lowth was appointed as Director of Operations.

The principal aim of this is to provide additional capacity in the ELT to ensure continued oversight and development of the control framework as the business continues to develop. The candidates were recruited from the commercial and public sector, to provide divergent skills to complement the existing members of the ELT.

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 risk review

4. 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 3 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
- a **digital programme board** to ensure that delivery of digital systems and services align with the Coal Authority's strategy and corporate objectives

Systems have enhanced during the year with the introduction of a new integrated procurement system to standardise procedure and controls across the Coal Authority, as well as developing new streams for management information that will result in key commercial benefits in 2018-19.

Internal audits were undertaken in a number of other areas as outlined on page 48.

5. Alexander tax review

The Coal Authority has complied with the Alexander Tax Review off-payroll procedures as per HM Treasury requirements to ensure any off-payroll staff are paying the appropriate income tax and national insurance.

6. MacPherson review of quality assurance

The Coal Authority does not currently operate any business critical analytical models as defined in the 2013 MacPherson review.

7. Risk

7.1 Embedded risk management and culture

Risks are discussed and managed through the organisation on a real time basis. Examples 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, commercial opportunities board and digital programme board, as outlined above

7.2 Information assurance and cyber security

We have continued to operate under our information 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.

We have undertaken work to approach compliance with the EU General Data Protection Regulation.

7.3 Changing control environment and risk appetite

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 strain.

We'll continue to evolve our control framework so that it remains effective and proportionate as the business changes. We attempt neither 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.

7.4 Risk assessment

The key risks that we'll need to manage to deliver our new 5 year plan are:

- **information markets:** changes in legislation or new technologies inhibit our ability to maintain financial contribution
- **other markets:** our markets for selling advisory services and by-products develop more slowly or opportunities are not converted
- **capacity to change:** transformation absorbs capacity, heightens risk and takes time. The pace of change may fall below that required to deliver growth, innovation and the right culture
- **innovation:** progress to develop new technology, processes and products is inherently risky and could take longer than planned

- **financial support:** the reactive nature of our work means that short term financial settlements remain challenging

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

7.5 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 2018 and, as illustrated, up to the date of approval of the annual report and accounts, in accordance with HM Treasury guidance.

Actions are ongoing to manage our risks, including high level and emerging risks. As part of risk control enhancement, the Coal Authority is implementing a portfolio, project and programme office structure in 2018-19.

This will work to provide greater prioritising and planning of the broad range of projects undertaken each year in all areas of the business; an enhanced overview of amalgamated project risks and additional programme overview to provide enhanced assurance to the ELT and board.

Based on all of the elements of the Coal Authority governance framework illustrated in the diagram on page 45, I am satisfied that the Coal Authority's governance, risk management and internal control arrangements are proportionate, fit for purpose and working as intended.

Remuneration and staff report

Introduction

This report has been prepared in accordance with the Government Financial Reporting Manual. The report is made by the accounting officer on behalf of the board on the recommendations of the HR 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 following disclosures within the remuneration and staff report are subject to audit:

- Non-executive directors' remuneration table (page 56)
- Executive directors' remuneration table (page 56)
- Executive directors' pension entitlements table (page 57)
- Average number of persons employed table (page 60)
- Staff and related costs table (page 60)
- Reporting of civil service and other compensation schemes – exit packages table (page 61)
- Pay multiples (page 63)

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 & Industrial Strategy (BEIS). The committee's terms of reference prescribe that the chief executive officer shall not be present when their remuneration and conditions of employment are being considered.

Remuneration policy for the executive directors

Following BEIS guidelines, the executive directors' remuneration is now based on Senior Civil Service guidance, which mirrors the basis for the chief executive officer's remuneration. The HR and Remuneration committee reviews and makes recommendations about the remuneration of the chief executive officer and the executive directors, which is formally determined by BEIS. The committee followed Senior Civil Service guidance and awarded a 1% increase in chief executive officer's and executive directors' salaries from 1 April 2017. Note: The Director of People and Transformation was appointed to the board on this date.

Performance management system (PMS)

The chief executive officer and executive directors participate in the same PMS scheme as all staff.

Appraisals of individual performance are based on the achievement of defined objectives and behaviours which are assessed against 4 performance scores.

Assessments for the executive directors are made by the chief executive officer (2017-18: Philip Lawrence) and the chair. The assessment for the chief executive officer is undertaken by the chair.

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 2017-18 was approved by BEIS in January 2018.

PRP is earned based on a corporate award, reflecting corporate and individual performance against objectives. Corporate performance for 2017-18 has been assessed by the board at 90% and payment of PRP for the year has been adjusted accordingly.

The Trade Union (Facility Time Publication requirements)

Under the above legislation the Coal Authority is required to provide details of Trade Union Time. For 2017-18, there is no activity to report.

Executive directors' contracts

It's our policy that executive directors should have contracts with an indefinite term.

The details of the executive directors' contracts are shown below:

	Date appointed	Notice entitlement
Philip Lawrence (Chief Executive Officer)(1)	2 May 2006	6 months
Paul Frammingham	6 May 2008	6 months
Simon Reed	1 January 2010	6 months
Lisa Stanger	1 April 2017	6 months

(1) Lisa Pinney MBE was appointed as Chief Executive Officer with effect from 1 June 2018 and has a 6 months' notice period

The notice period to be given by the chief executive officer is 6 months and by the remaining executive directors, 3 months.

Non-executive directors' remuneration

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	2017-18 £	2016-17 £
Stephen Dingle	31 March 2020	27,050	27,050
Bob Spedding	31 March 2019	11,666	11,666
Gemma Pearce	31 March 2019	11,666	11,666
Steve Wilson	31 March 2020	11,666	2,917
Tricia Henton	31 March 2017	-	11,666

Executive directors' remuneration

	Salary £000		Allowance £000		PRP £000		Pension benefits £000		Total £000	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Philip Lawrence(2)	125-130	125-130	5-10	5-10	15-20	15-20	58	62	210-215	210-215
Paul Frammingham	85-90	85-90	15-20	15-20	5-10	10-15	34	33	145-150	145-150
Simon Reed	85-90	85-90	10-15	10-15	0-5	10-15	8	34	110-115	145-150
Lisa Stanger(3)	80-85	-	5-10	-	0-5	-	33	-	125-130	-

(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

(3) Lisa Stanger was appointed to the board with effect from 1 April 2017

Executive directors' remuneration includes: salary, non-consolidated performance related pay earned in the year under the PMS (non-contractual), and the value of pension benefits accrued during the year. Allowances include car allowances for all directors plus a retention allowance for Paul Frammingham and Simon Reed. No executive directors received any benefits in kind during 2017-18 or 2016-17.

We also participate in a HMRC approved cycle to work scheme. Paul Frammingham has participated in this scheme in both 2017-18 and 2016-17.

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 2017-18 includes the amount accrued during the year relating to performance in the year and any adjustments relating to differences in the amounts paid for 2016-17 compared to the amount accrued in the accounts for that year.

Executive directors' pension entitlements

	Accrued pension at pension age at 31 March 2018 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2018 £000	CETV at 31 March 2017 £000	Real increase in CETV £000
Philip Lawrence	40-45	2.5-5	574	508	29
Paul Frammingham	20-25	0-2.5	217	190	14
Simon Reed	25-30 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0-2.5	556	513	7
Lisa Stanger	10-15	0-2.5	127	105	13

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 don't 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 4 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 2 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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **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 3 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 2017-18, employers' contributions of £1,758,000 were payable to the PCSPS (2016-17: £1,556,000) at one of 4 rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every 4 years following a full scheme valuation. The salary bands and contribution rates are set to meet the cost of the benefits accruing during the year to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Two employees (2016-17: 1) opted for a **partnership** account in the year and the total amount of contribution was £11,939 (2016-17: £6,325).

No persons retired early on ill health grounds in either 2017-18 or 2016-17, therefore there are no additional accrued pension liabilities in either year.

Average number of persons employed

Department:	2017-18 Staff	2017-18 Other	2017-18 Total	2016-17 Staff	2016-17 Other	2016-17 Total
Information	28	1	29	24	-	24
Public safety	46	1	47	38	3	41
Development	24	0	24	20	1	21
Environment	40	5	45	34	6	40
Information technology	32	3	35	27	3	30
Technology administration	52	3	55	48	4	52
Staff numbers	**222**	**13**	**235**	**191**	**17**	**208**

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

7.8 full time equivalent persons were charged to capital projects during 2017-18 (2016-17: 3.9).

Staff and related costs

Staff costs comprise:	2017-18 Staff £000	2017-18 Other £000	2017-18 Total £000	2016-17 Staff £000	2016-17 Other £000	2016-17 Total £000
Wages and salaries	8,632	-	8,632	7,441	-	7,441
Social security costs	933	-	933	880	-	880
Other pension costs	1,758	-	1,758	1,556	-	1,556
Reorganisation costs	-	-	-	199	-	199
Agency staff costs	-	1,138	1,138	-	1,439	1,439
Total staff numbers	**11,323**	**1,138**	**12,461**	**10,076**	**1,439**	**11,515**

Staff composition

As at 31 March 2018	Non-executive directors	Executive leadership team	Senior managers	Staff	Total
Male	3	5	7	129	144
Female	1	1	6	83	91
Total	**4**	**6**	**13**	**212**	**235**

Disability, diversity and inclusion

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 compensations schemes – exit packages

2017-18 (2016-17 in brackets)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
<£10,000	-	0 (0)	0 (0)
£10,000 - £25,000	-	0 (1)	0 (1)
£25,000 - £50,000	-	0 (2)	0 (2)
£50,000 - £100,000	-	0 (2)	0 (2)
Total number of exit packages	**-**	**0 (5)**	**0 (5)**
Total cost - £000	**-**	**0 (201)**	**0 (201)**

During 2017-18 there were no redundancy costs (2016-17: £201,000) 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.

There have been no further compensation schemes accrued for the year ended 31 March 2018 (2017: nil).

Reporting of high paid off-payroll appointments

Off-payroll engagements as of 31 March 2018, of more than £245 per day and that last for longer than 6 months:

	No
Existing engagements as of 31 March 2018	**7**
Of which:	
less than 1 year	0
between 1 and 2 years	7
between 2 and 3 years	0
between 3 and 4 years	0
4 or more years	0

New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2017 and 31 March 2018, of more than £245 per day and that last for longer than 6 months:

	No
New engagements, or those that reached 6 months in duration between 1 April 2017 and 31 March 2018	**-**
Of which:	
number assessed as caught by IR35	-
number assessed as not caught by IR35	-
number engaged directly (via PSC contracted to department) and are on the departmental payroll	-
number of engagements reassessed for consistency/assurance purposes during the year	-
number of engagements that saw a change to IR35 status following the consistency review	-

The Coal Authority routinely perform checks on proposed roles, including HMRC's Employment Status Service tests, to determine IR35 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 2017 and 31 March 2018:

	No
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	0
Number of individuals that have been deemed 'board members and/or senior officials with significant financial responsibility', during the financial year. This figure includes both off-payroll and on-payroll engagements	10

Consultancy expenditure for the year was £180,000 (2016-17: nil).

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 2017-18 was £150,000 to £155,000 (2016 -17: £150,000 to £155,000). This was 3.8 times (2016-17: 3.9 times) the median remuneration of the workforce, which was £39,715 (2016-17: £39,247).

In 2017-18 and 2016-17, no employee received remuneration in excess of the highest paid director. Remuneration ranged from £11,082 to £155,000 (2016-17: £14,641 to £155,000).

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.

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 2017-18.

Fees and charges disclosures

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 4.1 to the Accounts, are explained below.

Information includes the provision of mining reports which generated income of £12,139,000 (2016-17: £12,571,000), costs of £7,212,000 (2016-17: £7,829,000), and a surplus of £4,927,000 (2016-17: £4,742,000). 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.

Advisory and technical services generated income of £3,702,000 (2016-17: £3,576,000), costs of £3,624,000 (2016-17: £3,506,000) and a surplus of £78,000 (2016-17: £70,000). The financial objective for the provisions of advisory and technical services is either, full cost recovery including an allowance for overhead recovery when providing services across government, or commercial rates, which reflect the increased levels of risk, when providing services into competitive markets. The proportions of income are 94.3% (2016-17 96.4%) as a result of full cost recovery and 5.7% (2016-17: 3.6%) from commercial rates; demonstrating growth of commercial rate activity in line with our forecasts.

The licensing and permissions activities provided by Development generated income of £771,000 (2016-17: £788,000), costs of £628,000 (2016-17: £577,000) and a surplus of £143,000 (2016-17: surplus £211,000). The financial objective for the provision of licensing and permissions services is full cost recovery plus an allowance for overhead recovery.

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 15 to the Accounts: Contingent Liabilities and in Note 12 to the Accounts: Provisions to give the reader a full understanding of the liabilities it faces and may face.

Going concern

This report has been created on the basis of the Coal Authority being a going concern as detailed in 1.3 of the Notes to the Accounts.

This accountability report has been approved by the chief executive and accounting officer.

Lisa Pinney MBE

Chief Executive and Accounting Officer

18 June 2018

The certificate and report of the comptroller and auditor general

Opinion on financial statements

I certify that I have audited the financial statements of the Coal Authority for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 and of 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 12 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 £4,269.0 million. The increase in the liability in 2017-18 arising from the changes in the long term discount rate underlines the uncertainty inherent in management's estimate. 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Coal Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the board and accounting officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Coal Industry Act 1994.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coal Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Coal Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Coal Industry Act 1994;
- in the light of the knowledge and understanding of the Coal Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 22 June 2018

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

Financial statements 2017-18

Statement of Comprehensive Net Expenditure year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Income from sale of goods and services	4	17,787	18,422
Other operating income	4	1,068	954
Total operating income	4	**18,855**	**19,376**
Staff costs	3	(12,461)	(11,515)
Purchase of goods and services	3	(8,557)	(8,265)
Depreciation, revaluation and impairment charges	3	(6,449)	(7,017)
Operating expenditure before provision movement		**(27,467)**	**(26,797)**
Provision movement	3	(1,528,091)	(20,002)
Total operating expenditure	3	**(1,555,558)**	**(46,799)**
Net operating expenditure		**(1,536,703)**	**(27,423)**
Finance expense		(5)	(5)
Net expenditure for the year		**(1,536,708)**	**(27,428)**
Other comprehensive net expenditure			
Net gain on revaluation of property, plant and equipment		157	277
Comprehensive net expenditure for the year		**(1,536,551)**	**(27,151)**

The Statement of Comprehensive Net Expenditure and supporting Notes to the Accounts have been prepared and presented in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury.

Notes on pages 75 to 106 form part of these accounts.

Statement of Financial Position as at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets:			
Property, plant and equipment	6	11,625	10,164
Investment property	7	213	287
Intangible assets	8	2,648	2,151
Total non-current assets		**14,486**	**12,602**
Current assets:			
Assets classified as held for sale	7	19	19
Trade and other receivables	9	3,707	4,136
Cash and cash equivalents	10	9,847	14,418
Total current assets		**13,573**	**18,573**
Total assets		**28,059**	**31,175**
Current liabilities:			
Trade and other payables	11	(16,512)	(16,611)
Provisions	12	(25,548)	(25,564)
Total current liabilities		**(42,060)**	**(42,175)**
Total assets less current liabilities		**(14,001)**	**(11,000)**
Non-current liabilities:			
Other payables	11	(7,002)	(12,311)
Provisions	12	(4,300,452)	(2,791,436)
Total non-current liabilities		**(4,307,454)**	**(2,803,747)**
Net liabilities		**(4,321,455)**	**(2,814,747)**
Taxpayers' equity and reserves:			
General fund		(4,321,955)	(2,815,100)
Revaluation reserve		500	353
Total taxpayers' equity and reserves		**(4,321,455)**	**(2,814,747)**

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

Lisa Pinney MBE
Chief Executive and Accounting Officer
18 June 2018

Stephen Dingle
Chair
18 June 2018

Notes on pages 75 to 106 form part of these accounts.

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Statement of Cash Flows
year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities:			
Net expenditure		(1,536,708)	(27,428)
Depreciation, amortisation and revaluation of fixed assets	3	6,524	7,018
Profit on disposal of fixed assets	4	(1,068)	(954)
Loss on disposal of fixed assets	3	1	5
Revaluation of investment properties	3	(76)	(6)
Decrease in trade and other receivables		429	422
Decrease in trade and other payables		(6,390)	(711)
Increase/(decrease) in provisions		1,509,000	(3,000)
Net cash outflow from operating activities		**(28,288)**	**(24,654)**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(6,322)	(5,012)
Purchase of intangible assets		(1,179)	(1,259)
Proceeds from sale of property, plant and equipment	3,4	1,218	957
Net cash outflow from investing activities		**(6,283)**	**(5,314)**
Net cash outflow from activities		**(34,571)**	**(29,968)**
Cash flows from financing activities:			
Grant in aid		30,000	25,000
Net financing		**30,000**	**25,000**
Net decrease in cash and cash equivalents		**(4,571)**	**(4,968)**
Cash and cash equivalents at the beginning of the period		14,418	19,386
Cash and cash equivalents at the end of the period		**9,847**	**14,418**

Notes on pages 75 to 106 form part of these accounts.

Statement of Changes in Taxpayers' Equity year ended 31 March 2018

	General fund £000	Revaluation reserve £000	Total reserves £000
Balance as at 1 April 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)**
Changes in taxpayers' equity for 2017-18			
Grant in aid funding - capital	8,326	-	8,326
Grant in aid funding - revenue	21,674	-	21,674
Transfers between reserves	10	(10)	-
Movement on revaluation of fixed assets	(157)	157	-
Comprehensive expenditure for the year	(1,536,708)	-	(1,536,708)
Balance at 31 March 2018	**(4,321,955)**	**500**	**(4,321,455)**

Notes on pages 75 to 106 form part of these accounts.

Notes to the Accounts year ended 31 March 2018

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 & 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 2017-18 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 2018 shows net liabilities of £4,321.5 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'll 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.

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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 9 and 11 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 £4,326.0 million as at 31 March 2018.

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

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

IFRS 9 "Financial Instruments" – Incorporates a number of improvements to the previous IAS 39 which include; a single approach to classification and measurement; a new forward-looking 'expected loss' impairment model; and, a revised approach to hedge accounting. The application of the standard is retrospective (without restatement) and will be introduced to the FReM from 2018-19 with public sector adaptations and interpretations, effective from 1 April 2018. The Directors do not believe there will be any significant impact on the Authority.

IFRS 15 "Revenue from Contracts with Customers" – Introduces a new five stage model for assessing and recognising revenue from contracts with customers. It also introduces substantially greater disclosure requirements to address the shortcomings of the previous Standards (IAS 1 and IAS 18). The application of the standard is retrospective (without restatement) and will be introduced to the FReM from 2018-19 with public sector adaptations and interpretations, effective from 1 April 2018. An assessment of the impact of the new standard on all of the Authority's operating income streams has been undertaken. Based on the conclusions of the assessment the Directors do not believe there will be any significant impact on the Authority.

IAS 7 "Statement of Cash Flows" – Additional disclosure requirements were added to IAS 7 to enable users to identify changes in liabilities arising from financing activities. The application of the amendment is prospective and will be introduced to the FReM from 2018-19, effective from 1 April 2018, with additional disclosures to be included in the notes to the financial statements.

IFRS 16 “Leases” – Eliminates the distinction between operating and finance leases, as a lessee, and imposes a single model geared towards the recognition of all but low value or short term leases. The impact of the new standard has not been fully considered, as the Authority is awaiting further guidance on implementation from HM Treasury. Decisions remain for HM Treasury on if, or how, to interpret and adopt or adapt the Standard for the FReM, and whether to make allowances for transitional relief (less than 12 months).

2. Statement of operating expenditure 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.

2017-18	**Development £000**	**Information £000**	**Public Safety £000**	**Environment £000**	**Total £000**
Expenditure incurred during the year	3,050	7,018	13,918	17,074	41,060
Impairments	-	26	-	5,477	5,503
Less provision utilised	(239)	-	(9,270)	(9,582)	(19,091)
Adjustment to provisions	239	-	122,270	1,405,582	1,528,091
Gross expenditure	**3,050**	**7,044**	**126,918**	**1,418,551**	**1,555,563**
Income	**(2,169)**	**(12,600)**	**(688)**	**(3,398)**	**(18,855)**
Net (income)/ expenditure	**881**	**(5,556)**	**126,230**	**1,415,153**	**1,536,708**
Total assets	**1,597**	**6,096**	**13,547**	**6,819**	**28,059**
Memo: net (income)/ expenditure excluding provisions movements	881	(5,556)	13,230	19,153	27,708

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

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.

Development includes estate management, planning, licensing and permissions activities. Within development total assets, investment properties valued at £19,000 have been identified as being held for sale (2017: £19,000). 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 and data solutions as well as mining reports and involves the provision of mining and environmental data sets and commercial mining and environmental reports. One customer, TM Property Searches Limited, provided income of £2,251,000, (2016-17: £1,920,000) which at 12.7% (2016-17: 10.4%), is more than 10% of the Coal Authority's income from the sale of goods and services. 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 arm's length basis and is done so at cost plus an allowance for overhead recovery.

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

Environment covers projects for mine water operations and subsidence pumping schemes. One customer, Defra, provided income of £3,095,000 (2016-17: £2,767,000) which at 17.4% (2016-17: 15.0%), is more than 10% of the Coal Authority's income from the sale of goods and services. Environmental advisory and technical services provided to Defra in the treatment of metal mine water is done so at cost plus an allowance for overhead recovery. 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 work stream and reliance on this customer is not considered by the directors to pose a significant risk to the Coal Authority's operations.

Analysis of operating income by segment

2017-18	**Development**	**Information**	**Public Safety**	**Environment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Mining reports	-	12,139	-	-	**12,139**
Advisory and technical services	152	-	281	3,269	**3,702**
Licensing and permissions indemnities	771	-	-	-	**771**
Rental income	141	95	54	64	**354**
Data licensing and mining information	-	347	-	-	**347**
Public safety management fee	-	-	296	-	**296**
Other income	37	19	57	65	**178**
Profit on disposal of property, plant and equipment	1,068	-	-	-	**1,068**
Total operating income	**2,169**	**12,600**	**688**	**3,398**	**18,855**

2016-17	Development	Information	Public Safety	Environment	Total
	£000	£000	£000	£000	£000
Mining reports	-	12,571	-	-	**12,571**
Advisory and technical services	3	-	620	2,953	**3,576**
Licensing and permissions indemnities	788	-	-	-	**788**
Rental income	417	96	66	82	**661**
Data licensing and mining information	-	243	-	-	**243**
Public safety management fee	-	-	408	-	**408**
Other income	62	15	35	63	**175**
Profit on disposal of property, plant and equipment	954	-	-	-	**954**
Total operating income	**2,224**	**12,925**	**1,129**	**3,098**	**19,376**

3. Expenditure

	Note	£000	2017-18 £000	£000	2016-17 £000
Staff and related costs:					
Wages and salaries		8,632		7,441	
Social security costs		933		880	
Other pension costs		1,758		1,556	
Reorganisation costs		-		199	
Agency staff costs		1,138		1,439	
Sub-total			**12,461**		**11,515**
Operating leases:					
Equipment		133		94	
Land and buildings		89		99	
			222		193
Supplies and services:					
Expenditure incurred during the year		26,710		30,539	
Less provision utilised	12	(19,091)		(23,002)	
			7,619		7,537
Research and development		260		178	
Audit remuneration		45		45	
Travel and subsistence		411		312	
			716		535
Sub-total			**8,557**		**8,265**
Non-cash items:					
Depreciation and amortisation:					
Property, plant and equipment	6	451		443	
Intangibles	8	570		1,664	
			1,021		2,107
Revaluation					
Property, plant and equipment		-		(141)	
Investment properties	7	(76)		(6)	
			(76)		(147)
Impairments:					
Property, plant and equipment	6	5,477		5,052	
Intangibles	8	26		-	
			5,503		5,052

Loss on disposal of assets:					
Property, plant and equipment			1		5
Sub-total			**6,449**		**7,017**
Adjustment to provisions:					
Additional year (50th/100th)	12	45,562		43,611	
Utilised against capital expenditure	12	(7,102)		(5,536)	
Discount rate change	12	1,485,000		15,000	
Created/(released)	12	31,587		(9,274)	
Unwinding of discount	12	(26,956)		(23,799)	
Sub-total			**1,528,091**		**20,002**
Total operating expenditure			**1,555,558**		**46,799**

Staff and related costs of £552,000 were charged to capital projects during 2017-18 (2016-17: £439,000). Other staff and related disclosures are included in the staff and remuneration report within the accountability report.

Adjustment to provisions reflects the time value of money, whereby provisions are discounted to present value using the real discount rates as specified by HM Treasury. The movement in provisions as a result of utilising the latest rates for 2017-18 is an increase of £1,485,000,000 (2016-17: £15,000,000). Further information on provisions is provided in Note 12.

Loss on disposal of property, plant and equipment:	**2017-18 £000**	**2016-17 £000**
Proceeds from sale of assets	-	-
Book values	1	5
Loss on disposal of property, plant and equipment	**1**	**5**

4. Income

4.1 Operating income

	2017-18 £000	2016-17 £000
Mining reports	12,139	12,571
Advisory and technical services	3,702	3,576
Licensing and permissions indemnities	771	788
Rental income	354	661
Data licensing and mining information	347	243
Public safety management fee	296	408
Other income	178	175
Income from sale of goods and services	**17,787**	**18,422**
Profit on disposal of property, plant and equipment	1,068	954
Total operating income	**18,855**	**19,376**

The management fee (Public Safety) relates to charges made against the security fund as the liabilities are discharged during the year.

Profit on disposal of property, plant and equipment	**2017-18 £000**	**2016-17 £000**
Proceeds from sale of investment properties	150	97
Proceeds from clawback	1,068	829
Proceeds from sale of plant and equipment	-	31
Total proceeds	1,218	957
Book values	(150)	(3)
Profit on disposal of property, plant and equipment	**1,068**	**954**

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.

4.2 Consolidated fund income

The Coal Authority acts as an agent on behalf of the consolidated fund. Amounts collected and payable to the consolidated fund are reduced to cover the Coal Authority's cost of collection. This income adjustment is included within Licensing and permissions indemnities income within Note 4.1.

	£000	2017-18 £000	£000	2016-17 £000
Production related rent (gross)	243		429	
Cost of collection	(31)		(60)	
Production related rent (net)		212		369
Incidental coal (gross and net)		15		5
Options for lease		18		58
Property sale proceeds		-		-
Income payable to the consolidated fund		**245**		**432**

	2017-18 £000	2016-17 £000
Balances held at start of year	**111**	**110**
Income payable to the consolidated fund	245	432
Payments made to the consolidated fund	(242)	(431)
Balances held at end of year	**114**	**111**

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.

Cost of collection relates 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 £242,000 (2016-17: £431,000), being collections of £111,000 (2016-17: £110,000) relating to prior year and £131,000 (2016-17: £321,000) relating to current year.

5. Taxation

	2017-18 £000	2016-17 £000
Current tax	-	-
Deferred tax	-	-

Corporation tax is calculated at 19% (2016-17: 20%) of the estimated assessable profit for the year.

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

	2017-18 £000	2016-17 £000
Net expenditure for the year	(1,536,708)	(27,428)
Tax at the UK corporation tax rate of 19% (2016-17: 20%)	(291,975)	(5,486)
Tax effect of expenses that are not deductible in determining taxable profit	1,156	1,370
Tax effect of temporary differences on property, plant and equipment not recognised	(92)	(112)
Tax effect of losses created/(utilised) in the period not recognised	77	1,295
Tax effect of temporary differences on provisions not recognised	286,716	(598)
Tax effect of grant in aid finance for revenue purposes	4,118	3,531
Tax expense for the year	**-**	**-**

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

	Recognised at 31 March		Unrecognised at 31 March	
	2018 £000	2017 £000	2018 £000	2017 £000
Tax losses	-	(16)	(7,336)	(7,177)
Provisions	-	-	(735,454)	(478,919)
Property, plant and equipment	-	-	(5,560)	(5,780)
Revaluation of assets	-	16	-	-
Total	**-**	**-**	**(748,350)**	**(491,876)**

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 £4,321.5 million at 31 March 2018 will be deductible when the expenditure is charged against the provision in later periods.

The main rate of Corporation Tax reduced to 19% with effect from 1 April 2017. In March 2016 the government announced that the rate would further reduce to 17% from 1 April 2020. The rate reduction to 17% was enacted during the prior period and therefore the deferred tax liability has been calculated at 17% (2017: 17%) on the basis that this balance will materially reverse after 1 April 2020.

6. 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 2017	3,606	3,878	5,873	1,145	600	91,428	9,229	1,262	117,021
Additions	420	-	59	32	-	3,861	348	2,513	7,233
Reclassifications	-	-	-	18	-	129	1,086	(1,233)	-
Disposals	-	-	(157)	(2)	-	-	-	-	(159)
Revaluations	-	126	-	-	-	-	-	-	126
At 31 March 2018	**4,026**	**4,004**	**5,775**	**1,193**	**600**	**95,418**	**10,663**	**2,542**	**124,221**
Depreciation									
At 1 April 2017	-	13	4,657	938	592	91,428	9,229	-	106,857
Charged in year	-	115	294	36	6	-	-	-	451
Disposals	-	-	(156)	(2)	-	-	-	-	(158)
Revaluations	-	(31)	-	-	-	-	-	-	(31)
Impairments	-	-	-	53	-	3,990	1,434	-	5,477
At 31 March 2018	**-**	**97**	**4,795**	**1,025**	**598**	**95,418**	**10,663**	**-**	**112,596**
Net book value at 31 March 2017	**3,606**	**3,865**	**1,216**	**207**	**8**	**-**	**-**	**1,262**	**10,164**
Net book value at 31 March 2018	**4,026**	**3,907**	**980**	**168**	**2**	**-**	**-**	**2,542**	**11,625**

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

Valuations of head office land and buildings, as well as transit properties within buildings, are undertaken on a biennial basis.

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, with the next to be completed in March 2019.

A valuation was undertaken of the 5 (2017: 4) transit properties (see Note 1.12 to the Accounts) as at 31 March 2018 by external Chartered Surveyors (Valuation Office Agency – District Valuation Services) in accordance with Royal Institution of Chartered Surveyors' guidelines. The valuation of £904,000 (2017: £764,000) is reflected above, within buildings, with the next to be completed in March 2020.

Of the 5 transit properties, 2 were transferred to the Coal Authority by UK Coal in 2015-16 in lieu of cash called-in security and 3 properties were subsequently purchased 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.

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 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**

7. Investment properties

	Land £000	Buildings £000	Total £000
Fair value			
At 1 April 2017	306	-	306
Disposals	(150)	-	(150)
Revaluations	76	-	76
Net book value at 31 March 2018	**232**	**-**	**232**
Net book value at 31 March 2017	**306**	**-**	**306**

The Coal Authority owns all of its investment properties and undertakes a five year rolling programme to ensure that all material investment properties are subject to an external valuation. 2017-18 is the first year of the current rolling programme.

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 2018 certain properties valued at £19,000 have been identified as being held for sale (2017: £19,000).

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 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**

8. Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2017	20,116	1,362	852	22,330
Additions	974	-	119	1,093
Reclassifications	841	11	(852)	-
Disposals	(2,988)	(11)	-	(2,999)
At 31 March 2018	**18,943**	**1,362**	**119**	**20,424**
Amortisation				
At 1 April 2017	18,885	1,294	-	20,179
Charged in year	536	34	-	570
Disposals	(2,988)	(11)	-	(2,999)
Impairments	26	-	-	26
At 31 March 2018	**16,459**	**1,317**	**-**	**17,776**
Net book value at 31 March 2017	**1,231**	**68**	**852**	**2,151**
Net book value at 31 March 2018	**2,484**	**45**	**119**	**2,648**

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 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**

9. Trade receivables and other current assets

Amounts falling due within 1 year:

	2018 £000	2017 £000
VAT	380	508
Trade and other receivables	879	667
Prepayments and accrued income	2,448	2,961
Total at 31 March	**3,707**	**4,136**

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

10. Cash and cash equivalents

	2018 £000	2017 £000
Balance at 1 April	14,418	19,386
Net change in cash and cash equivalent balances	(4,571)	(4,968)
Balance at 31 March	**9,847**	**14,418**

The following balances were held at:

Government Banking Services	9,847	14,418
Balance at 31 March	**9,847**	**14,418**

Cash balances incorporate £7,892,000 (2017: £12,823,000) of ring fenced funds held in a separate account. These ring fenced funds represent receipts from Hatfield Colliery Partnership Ltd (2016-17 only) and from UK Coal following disclaiming the lease/licence for Hatfield Colliery (2016-17 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.

11. Trade payables and other current liabilities

Amounts falling due within 1 year:

	2018 £000	2017 £000
Other taxation and social security	465	400
Trade payables	1,034	3,065
Amounts due to government (consolidated fund income - Note 4.2)	114	111
Security fund payables	72	72
Liabilities in relation to called-in security	2,958	2,110
Accruals and deferred income	11,869	10,853
Total at 31 March	**16,512**	**16,611**

The amounts due to government represent amounts still to be remitted to the consolidated fund once trade receivables of £92,000 (2017: £75,000) and accrued income of £22,000 (2017: £36,000) in relation to licensing activities have been collected. See Note 4.2 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 (2016-17 only) 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.

Amounts falling due after more than 1 year:

	2018 £000	2017 £000
Security fund payables:		
In more than 1 year, but not more than 2 years	266	265
In more than 2 years, but not more than 5 years	257	106
In more than 5 years	1,114	1,118
	1,637	1,489
Liabilities in relation to called-in security:		
In more than 1 year, but not more than 2 years	1,307	3,150
In more than 2 years, but not more than 5 years	1,325	5,159
In more than 5 years	2,733	2,513
	5,365	10,822
Total at 31 March	**7,002**	**12,311**

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:

	2018 £000	2017 £000
Opening balance - falling due within 1 year	72	73
Opening balance - falling due after more than 1 year	1,489	1,245
Opening balance	1,561	1,318
Invoiced and cash receipts	150	240
Interest payable	5	4
Repayments	(7)	-
Utilisation	-	(1)
Movements during the year	148	243
Closing balance - falling due within 1 year	72	72
Closing balance - falling due after more than 1 year	1,637	1,489
Closing balance	**1,709**	**1,561**

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

	2018 £000	2017 £000
Opening balance - falling due within 1 year	2,110	2,319
Opening balance - falling due after more than 1 year	10,822	14,901
Opening balance	12,932	17,220
Bond proceeds transferred	(89)	292
Utilisation	(4,520)	(4,580)
Movements during the year	(4,609)	(4,288)
Closing balance - falling due within 1 year	2,958	2,110
Closing balance - falling due after more than 1 year	5,365	10,822
Closing balance	**8,323**	**12,932**

12. Provisions for liabilities and charges

	Mine water schemes £000	Public safety & subsidence £000	Subsidence pumping stations £000	Tip management £000	Other £000	Total 2017-18 £000	Total 2016-17 £000
Opening balance	2,189,000	331,000	251,000	24,000	22,000	**2,817,000**	**2,820,000**
Additional year (100th/50th)	32,393	8,106	3,559	545	959	**45,562**	**43,611**
Utilised against operating spend	(8,786)	(8,226)	(796)	(226)	(1,057)	**(19,091)**	**(23,002)**
Utilised against capital spend	(4,890)	-	(2,212)	-	-	**(7,102)**	**(5,536)**
Created/ (released)	(1,297)	2,715	4,828	(1,061)	26,402	**31,587**	**(9,274)**
Unwinding of discount	(20,420)	(3,595)	(2,379)	(258)	(304)	**(26,956)**	**(23,799)**
Discount rate change	1,252,000	75,000	144,000	5,000	9,000	**1,485,000**	**15,000**
Closing balance	**3,438,000**	**405,000**	**398,000**	**28,000**	**57,000**	**4,326,000**	**2,817,000**

The provision for liabilities and charges at 31 March 2018 is £4,326.0 million (2017: £2,817.0 million). Forecast cash flows included within this provision before discounting amount to £1,902.0 million (2017: £1,884.0 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	2017-18	2016-17
Short term (0-5 years)	(2.42)%	(2.70)%
Medium term (5-10 years)	(1.85)%	(1.95)%
Long term (exceeding 10 years)	(1.56)%	(0.80)%

The change in rates has resulted in an increase to the provisions balance of £1,485.0 million for 2017-18 (2016-17: £15.0 million).

Other key assumptions and sensitivities in establishing the provisions at 31 March 2018 are explained on the next pages.

Mine water schemes

The provision relating to mine water treatment schemes is £3,438.0 million (2017: £2,189.0 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 £77.4 million (2017: £78.0 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 £372.2 million before discounting (2017: £362.7 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 cash flows stand at £959.8 million (2017: £975.6 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 cash flows 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 £405.0 million (2017: £331.0 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 £4.7 million per annum (2017: £5.0 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 2023 at £0.4 million per annum (2017: £0.3 million) and reinspection programme thereafter over the life of the provision at an average cost of £0.6 million per annum (2017: £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 cash flows 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 £398.0 million (2017: £251.0 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 2032 at £20.5 million before discounting (2017: £21.7 million), but also reflect an estimate of the ongoing requirement to continue refurbishment beyond 2032 and into the foreseeable future. This ongoing refurbishment programme has been incorporated at £1.0 million per annum, before discounting (2017: £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 (2017: £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 cash flows prevent provisions being made.

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

Tip management

The provision relating to tip management is £28.0 million (2017: £24.0 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 (2017: £0.4 million) over the next 50 years, before discounting.

Beyond 50 years the inherent uncertainties to the future costs and timing of cash flows 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 £57.0 million (2017: £22.0 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 £33.0 million before discounting remain at 31 March 2018 (2017: £12.7 million)
- closed colliery site obligations are assessed to be £5.7 million before discounting (2017: £6.0 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 £77.0 million. Similarly, should predicted costs for mine water treatment schemes 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 £245.0 million.

The level of provisions is sensitive to a change in the discount rates that are specified by HM Treasury. An increase in the discount rates by 0.5% would decrease the total provision held by £1,079.0 million (25%). A decrease in the discount rates by 0.5% would increase the total provision by £1,569.0 million (36%).

Analysis of timing of discounted flows:

	Mine water schemes £000	Public safety & subsidence £000	Subsidence pumping stations £000	Tip management £000	Other £000	Total £000
Up to 2019	14,498	6,069	3,469	374	1,138	25,548
Between 2019 and 2023	78,054	22,218	8,400	1,591	4,740	115,003
Between 2023 and 2038	279,644	98,589	33,965	6,782	16,536	435,516
Thereafter	3,065,804	278,124	352,166	19,253	34,586	3,749,933
Total	**3,438,000**	**405,000**	**398,000**	**28,000**	**57,000**	**4,326,000**

13. Capital commitments

	2018 £000	2017 £000
Mine water treatment schemes	863	1,210
Subsidence pumping stations	655	185
Intangible assets	66	124
Total	**1,584**	**1,519**

14. Commitments under leases

14.1 Operating leases (lessee)

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

	2018 £000	2017 £000
Land:		
Within 1 year	517	465
Between 1 to 5 years	1,818	1,730
After 5 years	12,704	12,684
	15,039	14,879
Buildings:		
Within 1 year	-	-
Between 1 to 5 years	-	-
After 5 years	-	-
	-	-
Others:		
Within 1 year	70	93
Between 1 to 5 years	48	105
After 5 years	-	-
	118	198
Total	**15,157**	**15,077**

14.2 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:

	2018 £000	2017 £000
Head office - freehold property:		
Within 1 year	271	251
Between 1 to 5 years	644	-
After 5 years	-	-
Total	**915**	**251**

The Coal Authority has no finance leases or Private Finance Initiative (PFI) contracts.

15. 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 12 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:

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.

16. 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 have been recognised as at 31 March 2018.

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

17. Related party transactions

The Coal Authority is a non-departmental public body (NDPB) of the Department for Business, Energy & 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 ministry of housing, communities and local government and the provision of environmental advisory and technical services to Department for Environment, Food and Rural Affairs (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.

18. 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 & 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 2018 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 2018 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 & Industrial Strategy who will consult HM Treasury as necessary.
5. This Direction supersedes the Direction dated 16 May 2017.

Christopher Whelan

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

16 May 2018