



THE
COMPENSATION
Agency

ANNUAL REPORT
AND ACCOUNTS
2006-2007



THE COMPENSATION AGENCY

ANNUAL REPORT AND ACCOUNTS 2006-2007

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FOREWORD

There's a lot of good news in this report: good news about performance against targets; about customer service; and about tackling important challenges. But I sign it off with just a little sense of guilt, as I came to the Agency only six weeks before the end of the financial year.

It was an unusual year, in that there were three different people at the helm. Writing this foreword gives me an opportunity to pay tribute to them. Anne McCleary headed the Agency for four years. She arrived in the wake of the introduction of the Tariff scheme and successfully grappled with the significant issues which its implementation posed. She maintained the Agency's commitment to customer service, but alongside that implemented robust procedures for tackling the risk of fraud.

When Anne moved last summer to new challenges within the NIO, Ronnie Armour fulfilled the role of Acting Chief Executive. Though in post for only seven months, he spearheaded and delivered important work on our corporate governance arrangements. We congratulate him on his substantive promotion and wish him well in his new post.

The Agency has traditionally had a good showing in meeting its operational targets, but on top of that in this last year has focused on raising the game on corporate governance. We have implemented new business planning arrangements with a more challenging timetable, and with the help of a far-reaching audit have been making sure that risk management becomes part of the culture here and reflects best practice.

There is more to do, of course. But we are working from a good base: one which puts much store by effective systems, a focus on delivery and good quality standards—and to which colleagues in all parts of the Agency bring their commitment and hard work.

GARETH JOHNSTON



ANNUAL REPORT AND MANAGEMENT COMMENTARY

The Agency's Business

Established as an executive agency within the Northern Ireland Office on 1 April 1992, the Compensation Agency administers the four statutory compensation schemes in Northern Ireland for criminal injuries, criminal damage and actions taken under the Terrorism Act. Its aim is “to support the victims of crime and people who have suffered loss from action taken under the Terrorism Act 2000, by ensuring that they are appropriately compensated in accordance with the relevant statutory schemes”. Beneath that overall aim lie two key objectives:

- to provide a responsive and effective service to all applicants in which claims are dealt with speedily, consistently and in accordance with the relevant legislation;
- to deliver the compensation schemes efficiently and cost-effectively while seeking continuous improvement to the standards of service within the limits of the resources available.

Our approach to our work is summed up in our mission statement: “to provide a fair, just and provisional service to all our customers”.

The Compensation Schemes

The **Criminal Injuries Compensation Scheme 2002** (“the Tariff Scheme”) provides compensation to victims of violence in Northern Ireland who have been physically and/or mentally injured or who are a dependant or relative of a deceased victim. The governing legislation is the Criminal Injuries Compensation (Northern Ireland) Order 2002. The legislation also contains provision, which operates retrospectively, to enable those victims of child sexual abuse whose claims would have been disallowed because of time limits under the earlier statutes an opportunity to submit a fresh claim under the terms of whichever scheme was applicable at the time of the abuse.

Anyone who is unhappy with a decision on their claim under the Tariff Scheme can request a review, which is undertaken independently by a separate section within the Agency. Subsequently an applicant can appeal a review decision to the Criminal Injuries Compensation Appeals Panel for Northern Ireland, which is entirely independent of the Agency.

During the year, the Agency dealt with 5,713 Tariff claims, as against 5,346 received during the year. It also issued 2,667 review decisions as against 1,955 received. While, owing to staffing resource issues, the number of appeals finalised during the year (840) fell short of the number received by about 15%, the number finalised nevertheless represented a significant increase on 2005/06, and measures are in place to address the backlog. In total, £15m was paid in compensation under the Tariff Scheme.



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The **1998 Order Criminal Injuries Compensation Scheme** applies to incidents which took place before 1 May 2002. While, except in the case of child sexual abuse cases mentioned above, new applications under this Scheme would now be time barred, the Agency is dealing with the remaining, complex cases. These include cases where long-term disability has needed careful assessment; where there are significant legal issues; and where attempts at settlement outside the courtroom have not succeeded.

We have made a substantial effort at clearing the remaining cases during the past year, with the result that decisions were reached in 1,100 of the outstanding cases. Unfortunately, owing to the complications in the remaining caseload, 69 cases fell shy of the target of 1,169, but still represented a significant impact on the outstanding register. In all, £17m was paid, representing a continuing downward trend owing to reduction in the overall number of cases. We are undertaking a major review of the remaining cases in the summer of 2007.

As the numbers of remaining cases have reduced we have reviewed and reduced staffing in our Criminal Injuries Branch and Legal Unit, and we will be continuing to keep the staffing under review as set out in our 2007/08 business plan.

The **Criminal Damage Compensation Scheme** provides compensation for malicious damage to property in Northern Ireland caused by terrorism or unlawful assemblies of three or more people, and for malicious damage to agricultural property. The governing legislation is the Criminal Damage (Compensation) (Northern Ireland) Order 1977. Thanks to the improving security situation, levels of criminal damage cases have much reduced, and we feel that the current level of about 1,000 new cases per year is likely to be sustained in the medium term. During the 2006/07 year the Criminal Damage Branch cleared 1,307 claims, as against 892 received, and paid a total of £9m in compensation awards.

The **Appeals Section** which services those cases from the 1998 Criminal Injuries Compensation Scheme and the Criminal Damage Compensation Scheme which go to court, dealt with 840 cases during the year.

The **Terrorism Act Compensation Scheme** provides compensation to those who suffer loss or damage resulting from action taken under the Terrorism Act 2000. 89 claims were dealt with, as against 34 received, during 2006/07.



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Commitment to Customer Service

Performance against Targets

TARGET	TARGET 2006/07	ACTUAL 2006/07	OUTCOME 2006/07	ACTUAL 2005/06
To reduce the number of Criminal Injury 1988 Order claims in hand at 31st March 2007 by 1,169 (50%)	1,169	1,100	NOT ACHIEVED (69 CASES UNDER)	2,465
To reduce the number of Criminal Damage claims in hand at 31st March 2007 to 1,363	1,363	1,244	ACHIEVED	1,662
To make Tariff (2002 Scheme) decisions on 55% of claims within 12 months of registration	55%	60%	ACHIEVED	47%
To reduce the number of undecided Tariff (2002 Scheme) claims at 31 March 2005 by 7,858 by 31 March 2007	7,858	8,114	ACHIEVED	9,817
To reduce the number of Tariff Review (2002 Scheme) claims in hand at 1 April 2006 by 400	400	712 (Based on 1,955 claims received and 2,667 claims cleared)	ACHIEVED	176 (Based on 3,001 claims received and 3,177 claims cleared)
To make 890 Review (2002 Scheme) decisions on claims that are over 6 months old at 1 April 2006.	890	950	ACHIEVED	1,011
To process all Tariff (2002 Scheme) claims at a unit cost of £350	£350	£297	ACHIEVED	£256
That the Agency's standards of adjudication are appropriate which will be confirmed by the Department's Internal Audit Branch through random sampling of claims			ACHIEVED	ACHIEVED
Manage the workload in 2006-2007 within a running costs budget (to cover salaries and administrative expenditure) to financial limits agreed with the Department (including in-year adjustments)	£3,990K	£3,840K	ACHIEVED	£4,372K
By March 2007 to have reviewed the Agency's Complaints and Compliments Procedure against public authority best practice			ACHIEVED	N/A

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In addition, the Agency sets a range of internal targets for particular branches and functions, to help ensure effective delivery of its services. The business planning process for 2007/08 has broadened the range of published objectives, which will now include key targets on responding to complaints and ensuring that training is effectively rolled out, as well as an extensive range of actions aimed at supporting the Ministerial targets.

Chartermark

We take much pride in our Chartermark, and realize that this commits us to high standards of responsiveness to customers. Our charter statement sets out the standards people can expect.

Customer Opinion Survey

During the year, the Agency commissioned its biennial customer opinion survey from Deloitte Consulting. The results were encouraging: the survey indicated that 81% of applicants rated the courtesy of staff as good; 64% were happy with the clarity of replies received, and 62% were happy with the clarity of information provided.

There remains concern about the time taken to process claims. The Agency relies on the input of a range of partners – including police, doctors and loss adjusters – in processing claims. Gathering all the requisite information necessarily takes time; and indeed there is often the matter of waiting until the long-term effects of an injury are clear before an accurate assessment of compensation can be made. A number of respondents to the survey commented that, while they would have liked their claims processed more quickly, at least knowing the likely timescale and the reasons for it would have helped manage their expectations. While continuing to work to reduce timescales, therefore (for example, through work to establish a service level agreement with PSNI and implementing earlier arrangements for issuing reminders to partners), we have improved the wording of our letters to provide better information on timescales.

The customer survey yielded a range of helpful suggestions which are now being considered and taken up within the Agency's branches.

Review of Complaints

During the year, we undertook a review of our complaints and compliments procedure, taking account of practice in other customer-facing organisations. This indicated that our procedures were by and large fit for purpose, but concluded that we needed to provide clearer information on those procedures, and to formalise our arrangements for learning from complaints. Arrangements are being made to include our complaints procedure in application packs and on our website, and to ensure that the Agency Strategy Group considers the issues raised by complainants on a regular basis.



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Stakeholders

During the year we have continued to meet key stakeholders regularly and to encourage them to be open and frank in expressing their comments and any concerns. We have liaised with Victim Support NI on the establishment of a protocol with the Agency, and have undertaken a series of outreach presentations to voluntary groups about the work of the Agency and the schemes we administer.

Commitment to our People

Development and Training

During the year, workshops were held on: Risk Management, Financial Management, Professional Skills for Government and Information Security Awareness.

Alongside these, and in furtherance of its recognition as an Investor in People, the Agency sponsors staff to attend an extensive range of training courses in response to needs identified on personal development plans. To help ensure that these address corporate as well as individual skills gaps, the Agency Strategy Group has agreed key training priorities for the Agency for 2007/08.

Employee Involvement

The Agency puts a premium on internal communications, an area which during the year was identified as “exemplary” in an internal NIO healthcheck. The Agency Co-ordinating Group brings together a range of managers from across the Agency on a monthly basis, and provides the trigger for monthly team briefing sessions in each branch. These are supplemented by Chief Executive briefings which provide a run-down on key issues as well as an opportunity to raise queries and comments.

Staff Attitude Survey

The NIO conducted a staff attitude survey during 2006, to which half of the Agency’s staff responded. An analysis of Agency responses showed that 77% of our people felt a sense of achievement in their work, with 63% reporting that they felt motivated. There was a good sense of the quality of line management in the Agency, shown, for example, through responses on the extent to which line managers listened to views and got the best out of people. For their part, line managers believed that the people who worked for them were skilled and knowledgeable; and there was good feedback on feeling part of a team.

A number of areas for improvement were flagged and will form a backdrop to continuing work on HR issues. These include encouraging staff to challenge and innovate; improving linkages with the NIO core; and getting the best out of training and development through being clear on its objectives and following up the lessons learned.



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Staffing Issues

The Agency suffered from an unusually high number of vacancies during the year. Workforce control measures in place in the NICS, owing to targets for reduction in the size of the Service, meant that certain ways of filling vacancies – for example, from recruitment lists – were not always available. While the situation showed signs of improvement at the end of the financial year, it led to significant pressures on branches in-year. With the likelihood that we will need to rely on internal, NIO sources of staff for sometime yet, we have been reviewing how we present opportunities in the Agency. We have also made arrangements to draw in a number of short-term casual staff to cover particular pressures.

Trade Union Side

The Agency has continued to put effort into maintaining a good relationship with the Trade Union, through both the Whitley machinery and through regular contact. Issues discussed with the Union during the year have included vacancies, the number of temporary promotions, car parking arrangements and accommodation.

Equal Opportunities and disabled persons

The Agency subscribes to the Northern Ireland Office's policies on diversity and equal opportunities. Representatives from the Agency attended a seminar on 'Disability in the workplace' delivered by the Equality Commission for Northern Ireland. The staff attitude survey indicated that 92% of staff were familiar with the equal opportunities policy and with procedures on harassment and bullying. The Agency complies with all existing legislation in regard to its disabled employees.

Accommodation

During the year we reviewed our accommodation in light of changing staffing numbers and needs, and in consequence sub-let part of our accommodation on the 7th floor of Royston House. Further rationalisation of accommodation, and particularly of file storage, is being considered.

Commitment to Corporate Governance and Reporting Arrangements

Framework Document

The Agency operates under the terms of a Framework Document which defines the responsibilities of and the relationships between the Agency, Parliament, Ministers and the Northern Ireland Office; financial and personnel arrangements; and planning, monitoring and accounting arrangements. The Framework Document has been reviewed and a revised version submitted to the Treasury for approval.



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The Chief Executive is personally and directly accountable to the Minister for the effective operation of the Agency and for managing its financial and human resources. He is also the Agency's Accounting Officer, accountable for the economic, efficient and effective use of resources provided to the Agency, for the propriety of its expenditure, and for ensuring that Government accounting requirements are met.

Accounts direction

The Agency's Accounts for the year ended 31 March 2007 (page 17) are prepared under a direction given by HM Treasury dated 16 January 2006 in accordance with Section 7 (2) of the Government Resources and Accounts Act 2000.

Role of Agency Strategy Group

To assist the Chief Executive in discharging these responsibilities, the Agency draws on the skills and experience of the Agency Strategy Group (ASG), comprising senior managers. ASG provides leadership to the Agency, agreeing its strategic direction and annual targets and plans, overseeing the delivery of the agreed targets, and aiming to secure a high standard of corporate governance. ASG normally meets monthly.

Internal Audit and Healthcheck

The Agency obtains internal audit services from the NIO Internal Audit Unit. An audit programme for the year is based on an assessment of risk.

During the year, audits were carried out on the Tariff Scheme and on the Agency's corporate governance and risk management arrangements. The Agency also underwent an internal healthcheck in which staff from another part of the NIO report as "critical friends" on the Agency's performance in areas such as business planning, financial management, staff appraisal and learning/development.

While these reviews demonstrated that the Agency's arrangements were well or adequately developed in a range of areas, they, as expected, flagged a number of concerns about corporate governance arrangements and risk management, where only limited assurance could be given. Informed by the audits, we have undertaken an extensive programme to bring our approach to these issues into line with best practice. In particular:

- we introduced the balanced scorecard as the basis for our business planning;
- the timetable for business planning has been brought forward;
- our published plans have been expanded significantly to embrace a much wider range of key objectives across the Agency's business;
- risk management arrangements have been extended and formalised, supported by a workshop involving managers at all levels;



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- arrangements for the regular review and monitoring of the risk management plan have been agreed;
- a system of assurance statements is being implemented to underpin the Agency's corporate governance arrangements.

Risk Management

The Agency subscribes to the Northern Ireland Office's risk management strategy and risk appetite, but has added its own gloss to the risk appetite statement to help explain what it means in the work encountered in the Agency. A risk management plan has been prepared and is reviewed each month by the Agency Strategy Group.

Payments to Suppliers

The Agency is committed to the prompt payment of bills for goods and services. Payments are normally made within the specified period; if none is specified then payment is usually made within 30 days from receipt of a properly vouched invoice.

In the year ended 31 March 2007 the Agency paid 95.7% (2005-2006; 94%) of invoices not in dispute within 30 days or the agreed contractual terms. The Agency made no payment of interest under the Late Payment of Commercial Debts (Interest) Act 1988 during the year ended 31 March 2007.

Corporate Services Branch

The bringing together of the finance and corporate services functions, including IT and HR, under one branch has supported our work on corporate governance. Plans for the coming year will see the branch further strengthened as a number of important reviews, set out in our business plan, are taken on.

Audit Committee

The Agency's Audit Committee comprises the Agency's Chief Executive, Head of Operations and Head of Finance. Representatives from the Department's Internal Audit Branch and from the Agency's external auditors are invited to all Audit Committee meetings. The Audit Committee membership will be further enhanced by the impending appointment of a Non-Executive Board Member.

Commitment to Environmental, Social and Community Issues

The Agency, in its primary role, supports and enhances the social well-being of community life in Northern Ireland through the operation of the statutory compensation schemes. The criminal damage scheme seeks, amongst other things, to sustain the confidence of the business community, while the criminal injury schemes



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seek to ensure that individual members of the community who have suffered as the victims of violent crime may avail of financial support.

Alongside this, the Agency seeks to provide outlets for staff to support the community through volunteering. Two days' additional leave is available each year for staff involved in voluntary activities, and the Agency is participating in the Northern Ireland Office's practical support of special schools in Northern Ireland through Business in the Community.

At present, the Agency participates in recycling schemes for drinks cans and toner cartridges, and during 2007/08 the extension of these schemes to include waste paper will be considered, consistent with ensuring the security of the sensitive nature of much of the paperwork within the Agency, as part of a review of our sustainability policy. The photocopying and printing paper which we purchase contains 100% recycled material.

Other Disclosures

Post-Balance Sheet events

There are no events occurring after the year-end which might affect a reader's understanding of either the Annual Report and Management Commentary or Accounts.

Pensions

Notes 1.9 and 2.2 of the Notes to the Accounts and the Remuneration Report on page 12 provide details of the pensions liabilities of the Agency.

Related Party Transactions

The Chief Executive is the Vice-Chair of an organisation which has a pending claim with the Agency. The estimated value of the claim is £20,000.

Charitable Donations

There were no charitable donations in the year.

Going Concern

The balance sheet at 31 March 2007 shows negative Taxpayers' Equity of £40,508,000. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the



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Net Cash Requirement of the Northern Ireland Office of which the Compensation Agency is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the Northern Ireland Office other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the Compensation Agency's liabilities is accordingly to be met by future grants of Supply to the Northern Ireland Office and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Agency's financial statements for 2006-2007.

Auditors

The Agency's Accounts are audited by the Comptroller and Auditor General (C&AG) who is appointed under statute and reports to Parliament on the audit examination. His certificate is produced at pages 21 to 22. The notional audit fee for the year amounted to £11,500, (2005-2006 £11,012) and this related solely to the audit of these financial statements. The C&AG may also undertake other statutory activities that are not related to the audit of the Agency's financial statements such as Value for Money reports. No such activity took place during the year. As the Accounting Officer for the Compensation Agency, as far as I am aware, there is no relevant audit information of which the Agency's auditors are unaware. As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Further Information

Further information, including guides to the compensation schemes and the Agency's corporate and business plan, is available from:

The Personal Secretary to the Chief Executive
The Compensation Agency
Royston House
34 Upper Queen Street
BELFAST BT1 6FD
Tel (028) 9024 7417
E-mail comp-agency@nics.gov.uk
Web www.compensationni.gov.uk

Signed:

GARETH JOHNSTON

Chief Executive

18 June 2007



REMUNERATION REPORT

Remuneration Policy

All members of the senior management team are permanent civil servants. Their remuneration is determined in accordance with Civil Service pay agreements.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil service appointments are made in accordance with established Civil Service recruitment policies, which require appointments to be on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made.

The officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the relevant Civil Service compensation provisions.



REMUNERATION REPORT

Salary and Pension Entitlements (Audited Information)

For 2006-2007 the salary and other allowances of the Chief Executive and the Head of Operations (the other most senior member of the management team) were as follows:

Name	2006-2007		2005-2006	
	Salary £000	Benefits In Kind £000	Salary £000	Benefits In £000
Miss A McCleary <i>Chief Executive</i> <i>(to 2 July 2006)</i>	15-20 <i>(60-65 full year equivalent)</i>	NIL	60-65	NIL
Mr Ronnie Armour <i>Acting Chief Executive</i> <i>(from 26 June 2006 to 4 February 2007)</i>	30-35 <i>(55-60 full year equivalent)</i>	NIL	N/A	N/A
Mr Gareth Johnston <i>Chief Executive</i> <i>(from 12 February 2007)</i>	5-10 <i>(55-60 full year equivalent)</i>	NIL	N/A	N/A
Miss D Knowles <i>Head of Operations</i> <i>(to 28 August 2006)</i>	15-20 <i>(35-40 full year equivalent)</i>	NIL	35-40	NIL
Mr Ray Jones <i>Head of Operations</i> <i>(from 28 August 2006)</i>	30-35 <i>(40-45 full year equivalent)</i>	NIL	N/A	N/A

Salary

Salaries include gross salaries, allowances and performance bonuses payable.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. None of the above received benefits in kind.



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Pension Benefits (Audited Information)

Name	Col 1 Real increase in pension and related lump sum at age 60 £000	Col 2 Total accrued pension at age 60 and related lump sum £000	Col 3 CETV at 31/03/2006 £000	Col 4 CETV at 31/03/2007 £000	Col 5 Real increase in CETV after adjustment for inflation and changes in market investment factors £000
Miss A McCleary <i>Chief Executive</i> <i>(to 2 July 2006)</i>	0-2.5	10-15	214	223	6
	0-2.5 lump sum	40-45 lump sum			
Mr Ronnie Armour <i>Acting Chief Executive</i> <i>(from 26 June 2006 – 4 February 2007)</i>	0-2.5	10-15	145	148	0
	0-2.5 lump sum	30-35 lump sum			
Mr Gareth Johnston <i>Chief Executive</i> <i>(from 12 February 2007)</i>	0-2.5	10-15	120	122	1
	0-2.5 lump sum	30-35 lump sum			
Miss D Knowles <i>Head of Operations</i> <i>(to 28 August 2006)</i>	0-2.5	5-10	114	144	1
	0-2.5 lump sum	25-30 lump sum			
Mr Ray Jones <i>Head of Operations</i> <i>(from 28 August 2006)</i>	0-2.5	20-25	479	516	11
	0-2.5 lump sum	65-70 lump sum			

Civil Service Pensions

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



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contribution (partnership pension account).

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

The **partnership pension account** is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). No employer contributions to a partnership pension account (including risk benefit cover) were paid during 2006-2007.

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

Columns 3 & 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2006-2007 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service scheme and for which the Scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension



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service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Signed:

GARETH JOHNSTON

Chief Executive

18 June 2007



ACCOUNTS

STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Agency is required to prepare a statement of accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the Agency during the year.

The accounts are prepared on an accruals basis so as to give a true and fair view of the income and expenditure, recognised gains and losses and cash flows of the Agency for the year ended 31 March 2007, and of the state of affairs as at that date.

In preparing the accounts the Agency is required to comply with the Financial Reporting Manual prepared by the Treasury, and in particular to:

- observe 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 Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Northern Ireland Office has appointed the Chief Executive of the Compensation Agency as the Accounting Officer for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".



ACCOUNTS

STATEMENT ON INTERNAL CONTROL

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Compensation Agency policies, aim and objectives, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Department's sponsoring division monitors the Agency's progress towards achievement of the policies, aims and objectives and key performance targets as agreed by the Minister through quarterly performance reviews. These reviews enable the Department to provide the Agency with an informed, critical and independent view of the potential risks to the Agency.

2 The purpose of the system of internal control

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

3 Capacity to handle risk

The Agency recognises that risk management is an integral part of its business operations and that the identification and management of risks may affect the achievement of its Ministerial Key Performance Targets.

The Agency's senior management team comprises the Agency Strategy Group which provides support and assistance to me, as Chief Executive, across all aspects of the Agency's activities. One of the responsibilities of this group is to ensure that risk management is embedded into the Agency's culture. Year end assurance statements were completed by each of the senior management team covering the key areas for which they are responsible. They confirm the steps that have been taken to implement effective internal control during the course of the year. The Accounting Officer, Head of Operations and Agency Strategy Group are accountable for risk management within their areas of responsibility and throughout the Agency the active management of risk is an ongoing daily activity.



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Staff attended a risk management workshop in November 2006, which provided an understanding of the risk management process specifically on how to identify, assess and manage corporate risks. In March 2007 the Agency Co-ordinating Group held a business planning seminar which identified the Agency's risk management policy and risk appetite and involved staff participation in the preparation of the 2007/08 risk register.

Risk management is a standing agenda item at senior management monthly meetings where the Group considers early warning signs of risks materialising and significant control failings or weaknesses.

4 The risk and control framework

The Agency has adopted the guidance contained in Northern Ireland Office's (NIO) "Risk Management - A Practical Guide" which aims to ensure that effective risk management processes improve the quality of decision making and the ability to deliver.

The Agency aspires to an approach to risk management which is mainstreamed within everyday work, where managers consider and continuously review risk as part and parcel of the Agency's normal operations. The assessment of risk is carried out alongside the development of the business plans. During the planning process the Agency refers to the Corporate Risk Appetite Framework which presents a risk profile identifying the areas of high and low risk tolerance

The Agency adopts a combined 'top down' and bottom up' approach. As part of the planning process all senior managers are asked to review their own business areas and assess the risks faced within their area of responsibility. The Agency Strategy Group considers these operational risks and in line with strategic planning priorities determined the high level risks that could affect achievement of the Department's strategic objectives for the year. To ensure that all risks are identified they are broken down using risk categories as defined in the NIO toolkit, which groups risk under the headings of: Human Resources Risks, External Risks, Activity/Operational Risks and Finance Risks. Risks are prioritised using a risk matrix, which assesses impact/likelihood. Each risk is assigned to a risk owner/manager who will take the appropriate steps to manage and control the risk.

Risk management is discussed at monthly management and branch meetings and any updates required are considered by senior management

The Northern Ireland Office's Internal Audit Unit conducted an audit of the Agency's Risk Management Arrangements in February 2007. The aim was to obtain assurance that risk management was established and operating effectively in the Compensation Agency. Although there were some positive findings in our approach to risk management, the audit identified that risk management needs to be further developed and embedded within the Agency. The Agency accepted all the



ACCOUNTS

recommendations and has since implemented many of them during the 2007/08 risk management planning exercise held in March 2007.

5 **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the ASG and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have established the following processes to maintain and review the effectiveness of the system of internal control and risk management:

- The Agency's Audit Committee comprises the Chief Executive, the Head of Operations, the Head of Finance and IT and the Agency's internal auditors. The external auditors are routinely invited to all meetings of the Audit Committee. The committee meets periodically to advise the Chief Executive on, inter alia, the strategic processes for risk, control and governance;
- The Agency agrees an audit plan with the internal auditors every year. The subject area for the audit is specifically chosen to ensure that new or emerging controls are fully tested or to ensure that existing controls continue to operate in an effective manner; and
- The Agency Strategy Group acts as the main decision-making forum for the Agency. In fulfilling this role, the Group also provides a corporate challenge function to the system of internal control. Year end assurance statements were completed by all members of the group to support effective internal controls.

6 **Significant internal control problems**

There were no significant internal control problems identified during the year.

Signed:

GARETH JOHNSTON

Chief Executive

18 June 2007



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THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of Compensation Agency for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 18 reflects the Agency's compliance with the HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

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



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Basis of audit opinion

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2007 and of the Net Operating Costs, total recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
4th July 2007

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



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THE COMPENSATION AGENCY

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Notes	Year Ended 31 March 2007 £000	Year Ended 31 March 2006 £000
Administration Costs			
Staff costs	2	2,358	2,700
Other administration costs	3	1,620	1,847
Gross Administration Costs		3,978	4,547
Operating income	5	(7)	-
Net Administration Costs		3,971	4,547
Programme Costs			
Expenditure	4	24,617	40,983
Less: Income	5	(276)	(517)
Net Programme Costs		24,341	40,466
Net Operating Cost		28,312	45,013

The net cost of operations arises solely from continuing operations.

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2007

	Note	Year Ended 31 March 2007 £000	Year Ended 31 March 2006 £000
Unrealised surplus on revaluation of fixed assets	13	31	11
		31	11

The Notes on pages 26 to 41 form part of these Accounts.



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THE COMPENSATION AGENCY

BALANCE SHEET AS AT 31 MARCH 2007

		£000	2007 £000	2006 £000
Fixed Assets				
Tangible assets	6		902	1,239
Intangible	7		82	105
			984	1,344
Current Assets				
Debtors	9	149		148
Creditors (amounts falling due within one year)	10 & 11	(3,870)		(3,568)
Net Current Liabilities			(3,721)	(3,420)
Total Assets less Current Liabilities			(2,737)	(2,076)
Provisions for Liabilities and Charges	12		(37,771)	(53,232)
			(40,508)	(55,308)
Taxpayers' Equity				
General fund	17		(40,589)	(55,358)
Revaluation reserve	13		81	50
			(40,508)	(55,308)

Signed:

GARETH JOHNSTON

Chief Executive

18 June 2007

The Notes on pages 26 to 41 form part of these Accounts.



ACCOUNTS

THE COMPENSATION AGENCY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £000	2006 £000
Net cash outflow from operating activities	18	(44,428)	(55,373)
Capital expenditure and financial investment	18	(82)	(457)
Receipts due to the Consolidated Fund		-	-
Payments of amounts due to the Consolidated Fund		-	-
Financing	18	44,500	55,500
(Decrease) / Increase in cash	10	(10)	(330)

The Notes on pages 26 to 41 form part of these Accounts.



ACCOUNTS

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury on 16 January 2006. This Direction requires the Compensation Agency to prepare accounts that comply with the accounting principles and disclosure requirements of the Financial Reporting Manual issued by HM Treasury.

The accounting policies adopted comply with UK GAAP and have been applied consistently in dealing with items considered material in relation to the financial statements. The particular accounting policies adopted by the Compensation Agency are described below.

1.1 Accounting Convention

The accounts have been prepared in accordance with the historical cost convention, modified to include the revaluation of fixed assets, at their value to the business by reference to their current cost.

1.2 Tangible Fixed Assets

The Agency's tangible fixed assets comprise Information Technology, Furniture and Fittings and Leasehold Improvements, which are revalued monthly using appropriate indices compiled by the Office for National Statistics and the Royal Institute of Chartered Surveyors. The threshold for capitalisation as a fixed asset is normally £1,000. However, in keeping with the Departmental policy on fixed assets, personal computers are capitalised even where their purchase cost is less than £1,000. In addition, the Agency adopts a grouping policy for certain items that meet the definition of a fixed asset but with individual values less than £1,000. Grouped assets are only recognised in the Accounts when the individual items within the group are similar in nature and use. Office furniture is included as a grouped asset within Furniture and Fittings.

Where appropriate, surpluses and deficits on revaluation are taken to the Revaluation Reserve and permanent reductions in the value of tangible fixed assets are charged to the Operating Cost Statement.

1.3 Intangible Fixed Assets

The Agency recognises software licences as intangible fixed assets. Purchases of software licences are capitalised as intangible fixed assets where the purchase cost of an individual licence exceeds £1,000. Licences for general office productivity applications are included within the purchase cost of a PC and capitalised as a tangible fixed asset. Software licences are adjusted to their current value each year. In the main, the software licences used by the Agency are open-ended i.e. they do not expire after a given period. Therefore, they are written off over the expected useful lives of the software to which they relate.



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1.4 Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost (less any estimated residual value) of each asset over its expected useful life as detailed below.

Information Technology	5 - 16 years
Furniture and Fittings	5 - 16 years
Software Licences	5 - 10 years

Fixed assets are depreciated, on a straight-line basis, from the month in which they were acquired. All assets have been revalued by reference to indices produced by the Office for National Statistics, HM Treasury or the Royal Institute of Chartered Surveyors.

1.5 Stocks and Work In Progress

Stocks consist only of consumable items and are therefore expensed in the year of purchase.

1.6 Operating Income

Operating income is income that relates directly to the operating activities of the Compensation Agency. Administrative income was received in respect of staff attendance at Court (typically for civil, non-compensation related cases) and rental income from the sub-let of the 7th Floor. The Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid (See Note 20). Recovery is not normally sought from the earnings or assets of an offender. However, recovery is sought from an offender who subsequently becomes entitled to State compensation and any amounts so recovered are included as Programme Income.

1.7 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the cost of running the Compensation Agency as defined in the Financial Reporting Manual. Programme costs reflect non-administration costs, including payments of compensation and other disbursements by the Compensation Agency that are related to claims for compensation.

1.8 Capital Charge

A charge, reflecting the cost of capital used by the Compensation Agency, is included in operating costs. The



ACCOUNTS

charge is calculated at the Treasury's discount rate of 3.5% in real terms on the average of all assets less liabilities. In line with the Financial Reporting Manual, liabilities attract a negative charge.

1.9 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in Notes 2.2 and in the Remuneration Report on page 12. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)) and the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI) or the PCSPS. In respect of the defined contribution elements of the schemes, the Agency recognises the contributions payable for the year

1.10 VAT

VAT is not recoverable by the Agency. Where applicable, sums in the accounts are inclusive of VAT.

1.11 Provisions

The Agency provides for obligations arising from claims for compensation that were received by the Agency on or before the Balance Sheet date. The amounts so provided are based on the Agency's best estimate of the expenditure needed to settle these obligations. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the Treasury discount rate of 3.5%.

1.12 Prior Period Adjustments

There were no adjustments made in the prior period.



ACCOUNTS

2 STAFF NUMBERS AND COSTS

2.1 The average number of staff employed by the Agency during the year was:

<i>Number of Employees</i>	2006/07	2005/06
Staff permanently employed by the Agency	88	105
Others engaged on the objectives of the Agency (contract staff)	-	-
Total	88	105

2.2 The costs incurred were:

	2006/07			2005/06		
	£000			£000		
	Permanent	Other	Total	Permanent	Other	Total
Salaries and Wages	1,913	-	1,913	2,191	11	2,202
Social Security Costs	130	-	130	153	-	153
Pension Costs	315	-	315	345	-	345
Total	2,358	-	2,358	2,689	11	2,700

The Principal Civil Service Pension Scheme (PCSPS) and the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)) are unfunded defined benefit schemes which produce their own Resource Accounts but the Compensation Agency is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation of both schemes was carried out as at 31 March 2003 and details of this valuation are available in the Department of Finance and Personnel Superannuation and Allowances Account (www.civilservicepensions.ni.gov.uk)

For 2006-2007, employer's contributions of £315,000 were payable to the PCSPS and the PCSPS (NI) (2005-2006; £345,000) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay based on salary bands. From 1st April 2007, the salary bands will be revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued in a period, not when the costs are actually incurred, and reflect past experience of the scheme. The 2006-2007 rates are in the range 17.1 to 25.5 per cent of pensionable pay for the PCSPS and 16.5 to 23.5 per cent of pensionable pay for the PCSPS (NI), based on the revalorised salary bands.

ACCOUNTS

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employees exercised this option so employer contributions were not paid during 2006-2007. There were no contributions due or prepaid to partnership pension providers at the Balance Sheet date.

During 2006-2007, no members of staff retired early on ill-health grounds.

3 OTHER ADMINISTRATION COSTS

Notes	2006/07 £000	2005/06 £000
Operating lease in respect of premises	206	206
Other accommodation costs	285	306
Operational computing expenses	234	291
Advisory services	37	61
Travel, subsistence and hospitality	13	17
Others	249	255
Notional costs	160	205
Non-cash items	436	506
Total	1,620	1,847

Certain chargeable services are provided without the transfer of cash. In addition, other costs are added to the accounts in order that they reflect the full economic cost of provision. Notional costs included under Other Administration Costs are:

<i>Note 3a Notional costs</i>	2006/07 £000	2005/06 £000
Finance & Personnel Services provided by Parent Department	127	171
Audit Fees	12	11
Services provided by Department of Finance & Personnel	16	18
Information Services provided by Parent Department	5	5
Total	160	205



ACCOUNTS

The services provided by the parent department represent the provision of Vote related financial services, Personnel and Training services and the provision of news monitoring and media management services.

The services provided by the Department of Finance and Personnel represent the provision of network management and operator services in respect of the Agency's use of the Government Telephone Network.

<i>Note 3b Non-cash items</i>	2006/07 £000	2005/06 £000
Depreciation	402	393
Permanent Diminution	32	49
Loss/(Gain) on Disposal	4	102
Cost of Capital	(2)	(38)
Total	436	506

4 PROGRAMME COSTS

	2006/07 £000	2005/06 £000
Compensation		
Criminal Injury (1988 Order)	11,377	10,295
Criminal Injury (2002 Order)	12,821	14,986
Criminal Damage	920	15,349
Terrorism Act 2000	125	186
	25,243	40,816
Related Costs		
Legal Services	349	493
Court Expenses	2	(10)
Professional Advisors	109	751
Medical Services	498	1,106
Other Fees & Expenses	10	1
Agency Programme Costs	-	2
	968	2,343
Non-Cash Item		
Cost of Capital	(1,594)	(2,176)
Total	24,617	40,983



ACCOUNTS

5 OPERATING INCOME

Income during the year was as follows:

Note	2006/07 £000	2005/06 £000
Administrative Income	7	-
Programme Income	276	517
Total	283	517

6 TANGIBLE FIXED ASSETS

	Information Technology £000	Furniture and Fittings £000	Buildings £000	Total £000
Cost or Valuation				
At 1 April 2006	1,791	170	151	2,112
Additions	-	18	12	30
Disposals	(7)	(67)	(4)	(78)
Revaluation of Tangible Fixed Assets	34	21	7	62
Permanent Diminution in Value	(26)	(19)	-	(45)
At 31 March 2007	1,792	123	166	2,081
Accumulated Depreciation				
At 1 April 2006	762	102	9	873
Provided in Year	330	21	25	376
Disposals	(6)	(67)	(1)	(74)
Revaluation	15	1	1	17
Permanent Diminution in Value	(12)	(1)	-	(13)
At 31 March 2007	1,089	56	34	1,179
Net Book Value				
At 31 March 2007	703	67	132	902
At 31 March 2006	1,029	68	142	1,239

ACCOUNTS

7 INTANGIBLE FIXED ASSETS

	Purchased Software Licences £000
Cost or Valuation	
At 1 April 2006	196
Additions	-
Disposals	-
Revaluation of Intangible Fixed Assets	5
Permanent Diminution in Value	-
At 31 March 2007	201
Accumulated Amortisation	
At 1 April 2006	91
Provided in Year	26
Disposals	-
Revaluation	2
Permanent Diminution in Value	-
At 31 March 2007	119
Net Book Value	
At 31 March 2007	82
At 31 March 2006	105

8 MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH

	2006/07 £000	2005/06 £000
(Increase) in Debtors - Operating	(1)	(51)
(Increase)/Decrease in Debtors - Capital	-	-
Increase/(Decrease) in Creditors - Operating	344	(27)
(Decrease) in Creditors - Capital	(52)	(30)
Total	291	(108)

ACCOUNTS

9 DEBTORS

	2006/07 £000	2005/06 £000
Amounts falling due within one year.		
Trade Debtors	13	7
Prepayments and accrued income	136	141
Total	149	148

10 CASH AT BANK AND IN HAND

	2006/07 £000	2005/06 £000
Balance at 1 April	(3,193)	(2,863)
Net cash outflow	(10)	(330)
Balance at 31 March	(3,203)	(3,193)
The balance at 31 March was held at:		
Commercial banks and cash in hand	(3,203)	(3,193)

11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006/07 £000	2005/06 £000
Amounts falling due within one year.		
Bank Overdraft	3,203	3,193
Trade Creditors	491	213
Accruals and deferred income	176	162
Total	3,870	3,568



ACCOUNTS

12 PROVISIONS FOR LIABILITIES AND CHARGES

At 31 March 2007, the Compensation Agency had the following liabilities relating to outstanding claims under the compensation schemes operated by the Agency:

	Compensation Claims	
	2006/07 £000	2005/06 £000
Balance at 1 April	53,232	62,049
Provided in the year	26,105	42,411
Unused amounts written back	-	(10)
Provisions utilised in the year	(41,566)	(51,218)
Balance at 31 March	37,771	53,232

Note: The provision for 2008-2009 and 2009-2010 has been discounted at the Treasury's discount rate of 3.5%.

13 REVALUATION RESERVE

	Notes	2006/07 £000	2005/06 £000
Balance as at 1 April		50	39
Arising on revaluation during the year (net)	6 & 7	48	22
Realised element of revaluation reserve		(17)	(11)
Balance at 31 March		81	50

14 CAPITAL COMMITMENTS

At 31 March 2007, the Agency had outstanding capital commitments of £185,000 (2005-2006; £82,000) in respect of further developments to its IT systems (£75,000) and improvements to its leasehold accommodation (£110,000).



ACCOUNTS

15 COMMITMENTS UNDER LEASES

The Agency's commitments under operating leases to pay rentals during the year ended 31 March 2007 are shown below, analysed according to the period in which the lease expires.

<i>Obligations under operating leases comprise:</i>	2006/07	2005/06
	£000	£000
Land & Buildings		
Expiry within 1 year	-	-
Expiry within 2 to 5 years	206	-
Expiry thereafter	-	206
Total	206	206

16 CONTINGENT LIABILITIES

There was one contingent liability as at 31 March 2007 relating to a claim against the Agency in respect of an industrial injury action. The case is being defended by the Agency. As at the Balance Sheet date, the Agency was unable to quantify the possible liability resulting from this claim.



ACCOUNTS

17 RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND

Notes	2006/07 £000	2005/06 £000
Net Operating Cost for the year	(28,312)	(45,013)
Net Parliamentary Funding	44,500	55,500
Notional / Non-cash		
Cost of Capital	3 & 4	(1,596)
Finance/Personnel Services from parent Department	3	127
Auditor's Remuneration	3	12
Information Services from parent Department	3	5
Services of Department of Finance & Personnel	3	16
Funding in respect of functions transferred to Agency from Department	-	-
Realised element of Revaluation Reserve	13	17
Net increase in General Fund	14,769	8,489
General Fund as at 1 April	(55,358)	(63,847)
General Fund as at 31 March	(40,589)	(55,358)



ACCOUNTS

18 ANALYSIS OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2007

Reconciliation of Operating Cost to Operating Cash Flows

Notes	2006/07 £000	2005/06 £000
Net Operating Cost	(28,312)	(45,013)
Adjustments for non-cash transactions	18a (998)	(1,465)
Adjustments for movements in operating working capital	8 343	(78)
Adjust for revenue items transferred to Agency	-	-
Adjust for increase in provision	12 26,105	42,411
Adjust for unused provisions written back	12 -	(10)
Adjust for provision utilised in year	12 (41,566)	(51,218)
Cash outflow from operating activities	(44,428)	(55,373)

<i>Note 18a Adjustments for non-cash transactions</i>		2006/07 £000	2005/06 £000
Notes			
Notional costs	3a	160	205
Depreciation	3b	402	393
Permanent Diminution	3b	32	49
Loss on Disposal	3b	4	102
Cost of Capital - Admin	3b	(2)	(38)
Cost of Capital - Programme	4	(1,594)	(2,176)
Total Non-Cash Transactions		(998)	(1,465)



ACCOUNTS

Analysis of Capital Expenditure and Financial Investment

	Notes	2006/07 £000	2005/06 £000
Purchase of Tangible Fixed Assets	6, 8	(82)	(457)
Purchase of Intangible Fixed Assets	7	-	-
Proceeds of disposal of fixed assets		-	-
Net Cash Outflow from Capital Expenditure and Financial Investment		(82)	(457)

Analysis of Financing

	Note	2006/07 £000	2005/06 £000
From Consolidated Fund		44,500	55,500
Net financing		44,500	55,500
Decrease in cash	10	10	330
Net cash flows other than financing		44,510	55,830

19 RELATED PARTY TRANSACTIONS

The Northern Ireland Office is regarded as a related party. During the year, the Compensation Agency has had various material transactions with the Northern Ireland Office.

In addition the Compensation Agency has had various material transactions with other central Government bodies. Most of these transactions have been with:

The Valuation and Lands Agency (an Executive Agency of the Department of Finance and Personnel)

Central Procurement Directorate (a Directorate of the Department of Finance and Personnel)

Business & Development Service (an Executive Agency of the Department of Finance and Personnel)

The Chief Executive is the Vice-Chair of an organisation which has a pending claim with the Agency. The estimated value of the claim is £20,000. None of other the key managerial staff or other related parties has undertaken any material transactions with the Compensation Agency during the year.



ACCOUNTS

20 LOSSES STATEMENT

The Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid. Amounts not received are treated as a loss. There were 483 cases amounting to £6,036,930 where final compensation payments were made in 2006-2007 and offenders identified but it was not considered economic to pursue recovery.

During 2006-2007, final compensation payments were made in 3,959 cases (this includes the 483 cases mentioned above). The total amount of compensation paid in these cases was £38,923,978. This figure incorporates interim payments made in previous years.

21 KEY FINANCIAL TARGET

The Minister set the following key financial target for 2006-2007.

“To manage the workload in 2006-2007 within a running costs budget (to cover salaries and administrative expenditure) to financial limits agreed with the Department (including in-year adjustments)”.

The Agency met this target. The running costs budget (on a Resource basis) for 2006-2007 was £3,990,000 and actual resource outturn totalled £3,839,000 (2005-2006; £4,459,000 and £4,371,000). The outturn figure for 2006-2007 differs from the total of £3,971,000 for Net Administration Costs in the Operating Costs Statement as the total in the Operating Cost Statement includes internal notional charges of £132,000 levied by the Northern Ireland Office (Note 3a). In keeping with Departmental policy, these charges are excluded from the Agency's Resource budgeting arrangements.

22 FINANCIAL INSTRUMENTS

The Compensation Agency is a non-trading entity whose operations are entirely financed by Government funding. Therefore, financial instruments play an insignificant role in creating or changing the risks that the Agency faces in undertaking its activities. The Agency neither borrows nor invests funds. All financial assets and liabilities arise from the day-to-day operations of the Agency.

As all of the Agency's revenue and capital requirements are financed from resources voted by Parliament, the Agency is not exposed to significant liquidity risks. Similarly, financial assets do not accrue interest and financial liabilities do not attract an interest charge. Therefore, the Agency is not exposed to interest rate risk.



ACCOUNTS

The Agency had non-interest bearing financial liabilities of £3,203,000 as at 31 March 2007 (2005-2006; £3,193,000). The Agency had no foreign currency risk. The book value equalled the fair value of the Agency's financial liabilities as at 31 March 2007.

23 THIRD PARTY ASSETS

The Agency holds (as custodian or trustee) certain monetary assets belonging to third parties. These assets relate solely to bank balances held for minors under the Criminal Injuries Compensation (Northern Ireland) Order 2002. They are retained by the Agency until the minors attain the age of 18 and attract compound interest at variable rates that are dependent on the outstanding balance.

The assets held at the Balance Sheet date (which all relate to bank balances) were as follows;

	2006/07 £000	Net Inflow / Outflow £000	2005/06 £000
Monetary Assets	2,215	634	1,581

24 INTRA-GOVERNMENT BALANCES

	Debtors: Amounts falling due within one year £000	Creditors: Amounts falling due within one year £000
Balances with other central government bodies	7	530
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	142	137
At 31 March 2007	149	667
Balances with other central government bodies	0	218
Balances with public corporations and trading funds	9	-
Balances with bodies external to government	139	157
At 31 March 2006	148	375

25 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The annual report and accounts were authorised to be issued and laid in the Houses of Parliament on 9th July 2007. There were no events occurring after the Balance Sheet date that require disclosure

