



THE  
COMPENSATION  
*Agency*

ANNUAL REPORT  
AND ACCOUNTS  
2007-2008



# THE COMPENSATION AGENCY

## ANNUAL REPORT AND ACCOUNTS 2007-2008

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Resources and Accounts Act 2000

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## FOREWORD

As the Compensation Agency's new Chief Executive, I am very pleased to sign off on this year's annual report in a year that saw the Agency meet all of its operational and financial targets. This represented a very impressive performance by the Agency's staff. The year also saw a further decline in the number of new claims received by the Agency, reflecting the continued fall in crime in Northern Ireland. I am in the unusual position, for a Chief Executive, of welcoming this decline in business!

During the coming year, we aim to build on our past performance, seeking particularly to reduce substantially the number of claims outstanding at the beginning of the year and to make further progress at reducing the time taken to process claims. The Agency will also focus on customer service; during the year we will apply for continuation of our accreditation with Investors in People and Chartermark.

While there will undoubtedly be unforeseen challenges within the next twelve months, I believe that the Agency is in good shape to meet them. Any organisation is only as good as its staff, and past performance shows that the Agency is a team of very good people. I look forward very much to leading that team over the next year.



**ROBERT CRAWFORD**



# 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 Justice and Security (Northern Ireland) Act 2007. Its aim is “to support the victims of crime and people who have suffered loss from action taken under the Justice and Security (Northern Ireland) Act 2007, 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 not satisfied 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 5,457 Tariff claims, as against 4,922 received during the year. It also issued 2,610 review decisions as against 1,793 received. In total, £15m was paid in compensation under the Tariff Scheme.



## ANNUAL REPORT AND MANAGEMENT COMMENTARY

The **1988 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.

Thanks to a substantial effort at clearing the remaining cases during year, decisions were reached in 452 of the outstanding cases. £11.5m was paid, representing a continuing downward trend owing to reduction in the overall number of cases. A major review of the remaining cases will be completed in May 2008.

As the numbers of remaining cases have reduced we have reviewed and reduced staffing in our Criminal Injuries Branch and in our Legal Unit. We will be continuing to keep the staffing levels under review as set out in our Framework document.

The **Criminal Damage Compensation Scheme** provides compensation for malicious damage to property in Northern Ireland caused by terrorism, unlawful assemblies or three or more people and for malicious damage to agricultural property. The governing legislation is the Criminal Damage (Compensation) (Northern Ireland) Order 1977. As the security situation has continued to improve, the number of criminal damage cases received under this scheme has significantly reduced. During the 2007-08 year, the Criminal Damage Branch cleared 1,020 claims, as against 663 received. £9m was paid in Criminal Damage claims in 2006-07; the Agency paid a total of £23m in Criminal Damage compensation awards in 2007-08. This increase in the total awards made was due to the settlement of a small number of high value cases.

The **Appeals Section** which services those cases from the 1988 Criminal Injuries Compensation Scheme and the Criminal Damage Compensation Scheme which go to court, dealt with 315 cases during the year, as against 170 received during 2007-08.

The **Terrorism Act Compensation Scheme** provides compensation to those who suffer loss or damage resulting from action taken under the Justice and Security (Northern Ireland) Act 2007 (which has superseded the Terrorism Act 2000). 29 claims were dealt with under this scheme, as against 33 received during 2007-08.



## ANNUAL REPORT AND MANAGEMENT COMMENTARY

### Commitment to Customer Service

#### *Performance against Targets*

	Key Targets	Area	Target	Year to 31/3/08	Variance
1.	To clear 650 Criminal Injury 1988 Order claims by 31 March 2008. (Target to be reviewed after 6 months.)	Criminal Injury	450	452	2 claims ahead
2.	To reduce the number of Criminal Damage claims uncleared at 31 March 2008 by 350.	Criminal Damage	350	357	7 claims ahead
3.	To make decisions on 63% of Tariff claims within 12 months of registration.	Tariff	63%	63%	Met
4.	To reduce the number of undecided Tariff claims > 12 months at 31 March 2007 by 70% (1,883 undecided claims at 31 March 2007).	Tariff	70%	71%	1% ahead
5.	To make decisions on 2,600 Tariff review cases by 31 March 2008.	Tariff	2,600	2,610	10 decisions ahead
6.	To make decisions on 85% of Tariff review cases over 6 months old as 31 March 2007 (715 claims over 6 months old at 31 March 2007).	Tariff	85%	93%	8% ahead
7.	That the Agency's standards of adjudication are appropriate. This will be confirmed by the Department's Internal Audit Branch through random sampling of claims.	All schemes	Confirmed	Verified at year end	Verified at year end
8.	To manage the Agency spending on salary, running costs and capital expenditure within financial limits agreed with the Department (including in-year adjustments).	Finance	£3,491k	£3,239k	£252k ahead
9.	To process all Tariff claims at a unit cost of £345.	Tariff	£345	£262	£83 per claim ahead
10.	Deliver at least 75% of the planned training days specified in the 2007/2008 training plan (excluding cancellations by training providers).	Corporate Services	75%	91%	16% ahead
11.	Reply to 95% of complaints within 10 working days.	Corporate Services	95%	96%	1% ahead

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 begun in 2007-08 has broadened the time frame the Agency's targets are set and measured over. A three year planning and target setting process is being introduced to supplement the Agency's strategic planning.



## ANNUAL REPORT AND MANAGEMENT COMMENTARY

### *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*

In this year, the Agency introduced a pilot version of a new customer opinion survey. The Agency will regularly canvas applicants and other stakeholders to ascertain their level of satisfaction with its services and to gather suggestions for improvements to its services.

### *Complaints*

During the year, we closely monitored the complaints that we received. 96% of complaints received in the year were responded to within 10 working days.

### *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 regarding the Agency's services. We have liaised regularly with Victim Support NI and have further developed the Agency's website. A number of new features will be introduced when the new website is launched early in the new financial year.

## **Commitment to our People**

### *Development and Training*

During the year, workshops were held on: Leadership, Health and Stress Management, Project Management, Financial Management 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.

### *Employee Involvement*

The Agency continues to emphasise the importance of internal communications. 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.



## ANNUAL REPORT AND MANAGEMENT COMMENTARY

### *Staffing Issues*

The Agency continued to suffer from an unusually high number of vacancies during the year. Throughout much of the year, the Agency was significantly under-staffed. In spite of these issues, the Agency was still able to meet all of its Ministerial targets for the year. This achievement was due to exceptional efforts from staff across the Agency.

### *Trade Union*

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 and accommodation.

### *Accommodation*

During the year we moved out of the basement area that we were leasing at the Lagan House, transferring thousands of files to our Royston House premises. This has resulted in cost savings and in significant improvements to file access.

## **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.

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 2008 (page 16) are prepared under a direction given by HM Treasury dated 11<sup>th</sup> December 2007 in accordance with Section 7 (2) of the Government Resources and Accounts Act 2000.



## ANNUAL REPORT AND MANAGEMENT COMMENTARY

### *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 Health check*

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.

### *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 2008, the Agency paid 98.6% (2006-2007; 95.7%) 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 2008.

### *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



## ANNUAL REPORT AND MANAGEMENT COMMENTARY

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 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 a recycling scheme for toner cartridges. 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 11 provide details of the pensions liabilities of the Agency.

#### *Related Party Transactions*

The departing 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.



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### *Charitable Donations*

There were no charitable donations in the year.

### *Going Concern*

The balance sheet at 31 March 2008 shows negative Taxpayers' Equity of **£43,328,000**. 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 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 2007-2008.

### *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 20 to 22. The notional audit fee for the year amounted to £12,000, (2006-2007 £11,500) 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.



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## 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](mailto:comp-agency@nics.gov.uk)  
Web [www.compensationni.gov.uk](http://www.compensationni.gov.uk)

**Signed:**

**ROBERT CRAWFORD**

**Chief Executive**

**01 July 2008**



# 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](http://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 2007-2008 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	2007-2008		2006-2007	
	Salary	Benefits In Kind	Salary	Benefits In Kind
	£000	£000	£000	£000
<b>Mr Robert Crawford</b> <i>Chief Executive</i> <i>(from 11 February 2008)</i>	5-10 <i>(65-70 full year equivalent)</i>	NIL	N/A	N/A
<b>Mr Gareth Johnston</b> <i>Chief Executive</i> <i>(to 31 October 2007)</i>	50-55 <i>(60-65 full year equivalent)</i>	NIL	5-10 <i>(55-60 full year equivalent)</i>	NIL
<b>Mr Ray Jones</b> <i>Head of Operations</i>	40-45	NIL	30-35 <i>(40-45 full year equivalent)</i>	NIL

#### 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.



## REMUNERATION REPORT

### 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 31/03/2007  £000	Col 4 CETV at 31/03/2008  £000	Col 5 Real increase in CETV after adjustment for inflation and changes in market investment factors  £000
<b>Mr Robert Crawford</b> <i>Chief Executive</i> <i>(from 11 February 2008)</i>	0-2.5	20-25	351	322	0
	0-2.5 lump sum	55-60 lump sum			
<b>Mr Gareth Johnston</b> <i>Chief Executive</i> <i>(to 31 October 2007)</i>	0-2.5	10-15	122	116	0
	0-2.5 lump sum	30-35 lump sum			
<b>Mr Ray Jones</b> <i>Head of Operations</i>	0-2.5	20-25	516	581	32
	2.5-5.0 lump sum	70-75 lump sum			

### Civil Service Pensions

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements, which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). These arrangements 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 joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New Entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of the scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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



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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 1st 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 2007-2008.

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

Further details about the Civil Service Pension arrangements can be found at the website [www.civilservicepensions.gov.uk](http://www.civilservicepensions.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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. These figures are disclosed to the nearest £1,000. (Note: If the member has a mixture of capped and uncapped service these periods are calculated



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separately and added together). CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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 service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. Due to certain factors being incorrect in last years CETV calculator, there may be a slight difference between the final period CETV for 2006/07 and the start of period CETV for 2007/08.

**Signed:**

**ROBERT CRAWFORD**

**Chief Executive**

**01 July 2008**



# 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 2008, 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 "Managing Public Money".



# 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 Managing Public Money.

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 2008 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.



## ACCOUNTS

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

### **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.



## ACCOUNTS

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 and external auditors. 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:**

**ROBERT CRAWFORD**

**Chief Executive**

**01 July 2008**



## ACCOUNTS

### 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 2008 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Agency, the Chief Executive and auditor**

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration 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 and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, included in the Annual Report and Management Commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or 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 the Foreword and the unaudited part of the



## ACCOUNTS

remuneration report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

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 Agency and Chief Executive 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.

### **Opinions**

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 2008, and of the net operating cost, recognised gains and losses and cash flows 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
- information included in the Annual Report and Management Commentary, is consistent with the financial statements.

### **Opinion on Regularity**

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



# ACCOUNTS

## Report

I have no observations to make on these financial statements.

*T J Burr  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS*

*Date: 4<sup>th</sup> July 2008*



# ACCOUNTS

## THE COMPENSATION AGENCY

### OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000
<b>Administration Costs</b>			
Staff costs	2	2,022	2,358
Other administration costs	3	1,582	1,620
<b>Gross Administration Costs</b>		<b>3,604</b>	<b>3,978</b>
Operating income	5	(0)	(7)
<b>Net Administration Costs</b>		<b>3,604</b>	<b>3,971</b>
<b>Programme Costs</b>			
Expenditure	4	52,715	24,617
Less: Income	5	(204)	(276)
<b>Net Programme Costs</b>		<b>52,511</b>	<b>24,341</b>
<b>Net Operating Cost</b>		<b>56,115</b>	<b>28,312</b>

The net cost of operations arises solely from continuing operations.

### STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	Note	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000
Unrealised surplus on revaluation of fixed assets	13	3	48
		<b>3</b>	<b>48</b>

The Notes on pages 26 to 43 form part of these Accounts.



# ACCOUNTS

## THE COMPENSATION AGENCY

### BALANCE SHEET AS AT 31 MARCH 2008

		£000	2008 £000	2007 £000
<b>Fixed Assets</b>				
Tangible assets	6		727	902
Intangible	7		56	82
			<b>783</b>	<b>984</b>
<b>Current Assets</b>				
Debtors	9	82		149
<b>Creditors (amounts falling due within one year)</b>	10 & 11	(2,514)		(3,870)
<b>Net Current Liabilities</b>			<b>(2,432)</b>	<b>(3,721)</b>
<b>Total Assets less Current Liabilities</b>			<b>(1,649)</b>	<b>(2,737)</b>
<b>Provisions for Liabilities and Charges</b>	12		(41,679)	(37,771)
			<b>(43,328)</b>	<b>(40,508)</b>
<b>Taxpayers' Equity</b>				
General fund	17		(43,393)	(40,589)
Revaluation reserve	13		65	81
			<b>(43,328)</b>	<b>(40,508)</b>

Signed:

**ROBERT CRAWFORD**

Chief Executive

01 July 2008

The Notes on pages 26 to 43 form part of these Accounts.



# ACCOUNTS

## THE COMPENSATION AGENCY

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £000	2007 £000
Net cash outflow from operating activities	18	(52,983)	(44,428)
Capital expenditure and financial investment	18	(206)	(82)
Receipts due to the Consolidated Fund		-	-
Payments of amounts due to the Consolidated Fund		-	-
Financing	18	54,500	44,500
Increase / (Decrease) in cash	10	1,311	(10)

The Notes on pages 26 to 43 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 11 December 2007. 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.



# ACCOUNTS

## 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
Leasehold Improvements	6 years

Fixed assets are depreciated, on a straight-line basis, from the month in which they were acquired. All assets have been re-valued 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. 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 11. 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>	<b>2007/08</b>	<b>2006/07</b>
Staff permanently employed by the Agency	76	88
Others engaged on the objectives of the Agency (contract staff)	1	-
<b>Total</b>	<b>77</b>	<b>88</b>

2.2 The costs incurred were:

	<b>2007/08</b>			<b>2006/07</b>		
	<b>£000</b>			<b>£000</b>		
	Permanent	Other	Total	Permanent	Other	Total
Salaries and Wages	1,616	39	<b>1,655</b>	1,913	-	<b>1,913</b>
Social Security Costs	105	-	<b>105</b>	130	-	<b>130</b>
Pension Costs	262	-	<b>262</b>	315	-	<b>315</b>
<b>Total</b>	<b>1,983</b>	<b>39</b>	<b>2,022</b>	<b>2,358</b>	-	<b>2,358</b>

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 the GB scheme was carried out as at 31 March 2007 and of the NI scheme as at 31 March 2003. Details of these valuations are available in the Department of Finance and Personnel Superannuation and Allowances Account ([www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk)).

For 2007-2008, employer's contributions of £262,360 were payable to the PCSPS and the PCSPS (NI) (2006-2007; £315,000) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008 – 2009, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect of April 2009) The contribution rates are set to meet the cost of benefits accruing during 2007 – 2008 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

## ACCOUNTS

Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. Employer's contributions of £328.80 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age related and range from 3 to 12.5% of pensionable pay. Employers also match employee up to 3% of pensionable pay. In addition, employer contributions 0.8% of pensionable pay were payable to the PCSPS(NI) to cover the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers or prepaid contributions at the balance sheet date.

During 2007-2008, one member of staff retired early on ill-health grounds.



## ACCOUNTS

### 3 OTHER ADMINISTRATION COSTS

Notes	2007/08 £000	2006/07 £000
Operating lease in respect of premises	206	206
Other accommodation costs	284	285
Operational computing expenses	236	234
Advisory services	31	37
Travel, subsistence and hospitality	6	13
Others	248	249
Notional costs	236	160
Non-cash items	335	436
<b>Total</b>	<b>1,582</b>	<b>1,620</b>

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>	2007/08 £000	2006/07 £000
Finance & Personnel Services provided by Parent Department	118	127
Audit Fees	12	12
Services provided by Department of Finance & Personnel	13	16
Information Services provided by Parent Department	93	5
<b>Total</b>	<b>236</b>	<b>160</b>

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.



## ACCOUNTS

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>	<b>2007/08</b> <b>£000</b>	<b>2006/07</b> <b>£000</b>
Depreciation	403	402
Permanent Diminution	7	32
Loss/(Gain) on Disposal	-	4
Cost of Capital	(75)	(2)
<b>Total</b>	<b>335</b>	<b>436</b>

### 4 PROGRAMME COSTS

	<b>2007/08</b> <b>£000</b>	<b>2006/07</b> <b>£000</b>
<b>Compensation</b>		
Criminal Injury (1988 Order)	14,216	11,377
Criminal Injury (2002 Order)	13,421	12,821
Criminal Damage	25,075	920
Terrorism Act 2000	130	125
	52,842	25,243
<b>Related Costs</b>		
Legal Services	459	349
Court Expenses	28	2
Professional Advisors	464	109
Medical Services	275	498
Other Fees & Expenses	16	10
Agency Programme Costs	-	-
	1,242	968
<b>Non-Cash Item</b>		
Cost of Capital	(1,369)	(1,594)
<b>Total</b>	<b>52,715</b>	<b>24,617</b>

## ACCOUNTS

### 5 OPERATING INCOME

Income during the year was as follows:

	Note	2007/08 £000	2006/07 £000
Administrative Income		-	7
Programme Income	1.6	204	276
<b>Total</b>		<b>204</b>	<b>283</b>

### 6 TANGIBLE FIXED ASSETS

	Information Technology £000	Furniture and Fittings £000	Leasehold Improvements £000	Total £000
<b>Cost or Valuation</b>				
At 1 April 2007	1,792	123	166	2,081
Additions	62	32	112	206
Disposals	(3)	0	-	(3)
Revaluation of Tangible Fixed Assets	3	5	-	8
Permanent Diminution in Value	(17)	-	-	(17)
At 31 March 2008	<b>1,837</b>	<b>160</b>	<b>278</b>	<b>2,275</b>
<b>Accumulated Depreciation</b>				
At 1 April 2007	1,089	56	34	1,179
Provided in Year	324	13	40	377
Disposals	(3)	-	-	(3)
Revaluation	2	3	-	5
Permanent Diminution in Value	(10)	-	-	(10)
At 31 March 2008	<b>1,402</b>	<b>72</b>	<b>74</b>	<b>1,548</b>
<b>Net Book Value</b>				
At 31 March 2008	<b>435</b>	<b>88</b>	<b>204</b>	<b>727</b>
At 31 March 2007	<b>703</b>	<b>67</b>	<b>132</b>	<b>902</b>

## ACCOUNTS

### 7 INTANGIBLE FIXED ASSETS

	<b>Purchased Software Licences £000</b>
<b>Cost or Valuation</b>	
At 1 April 2007	201
Additions	-
Disposals	-
Revaluation of Intangible Fixed Assets	-
Permanent Diminution in Value	-
At 31 March 2008	<b>201</b>
<b>Accumulated Amortisation</b>	
At 1 April 2007	119
Provided in Year	26
Disposals	-
Revaluation	-
Permanent Diminution in Value	-
At 31 March 2008	<b>145</b>
<b>Net Book Value</b>	
At 31 March 2008	<b>56</b>
At 31 March 2007	82

### 8 MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH

	<b>2007/08 £000</b>	<b>2006/07 £000</b>
Decrease/(Increase) in Debtors - Operating	67	(1)
Decrease/(Increase) in Debtors - Capital	-	-
(Decrease)/Increase in Creditors - Operating	(45)	344
Increase/(Decrease) in Creditors - Capital	-	(52)
<b>Total</b>	<b>22</b>	<b>291</b>



## ACCOUNTS

### 9 DEBTORS

	2007/08 £000	2006/07 £000
Amounts falling due within one year.		
Trade Debtors	-	13
Prepayments and accrued income	82	136
<b>Total</b>	<b>82</b>	<b>149</b>

### 10 CASH AT BANK AND IN HAND

	2007/08 £000	2006/07 £000
Balance at 1 April	(3,203)	(3,193)
Net cash inflow / (outflow)	1,311	(10)
<b>Balance at 31 March</b>	<b>(1,892)</b>	<b>(3,203)</b>
<b>The balance at 31 March was held at:</b>		
Commercial banks and cash in hand	(1,892)	(3,203)

### 11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007/08 £000	2006/07 £000
Amounts falling due within one year.		
Bank Overdraft	1,892	3,203
Trade Creditors	476	491
Accruals and deferred income	146	176
<b>Total</b>	<b>2,514</b>	<b>3,870</b>



## ACCOUNTS

### 12 PROVISIONS FOR LIABILITIES AND CHARGES

At 31 March 2008, the Compensation Agency had the following liabilities relating to outstanding claims under the compensation schemes operated by the Agency:

	<b>Compensation Claims</b>	
	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	37,771	53,232
Provided in the year	54,067	26,105
Unused amounts written back	-	-
Provisions utilised in the year	(50,159)	(41,566)
<b>Balance at 31 March</b>	<b>41,679</b>	<b>37,771</b>

Note: The provision for 2009-2010 and 2010-2011 has been discounted at the Treasury's discount rate of 3.5%.

### 13 REVALUATION RESERVE

	Notes	<b>2007/08</b>	<b>2006/07</b>
		<b>£000</b>	<b>£000</b>
Balance as at 1 April		81	50
Arising on revaluation during the year (net)	6 & 7	3	48
Realised element of revaluation reserve		(19)	(17)
<b>Balance at 31 March</b>		<b>65</b>	<b>81</b>

### 14 CAPITAL COMMITMENTS

At 31 March 2008, the Agency had no outstanding capital commitments.



## ACCOUNTS

### 15 COMMITMENTS UNDER LEASES

The Agency's commitments under operating leases to pay rentals during the year ended 31 March 2008 are shown below, analysed according to the period in which the lease expires.

<i>Obligations under operating leases comprise:</i>	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Land & Buildings		
Expiry within 1 year	-	-
Expiry within 2 to 5 years	206	206
Expiry thereafter	-	-
<b>Total</b>	<b>206</b>	<b>206</b>

### 16 CONTINGENT LIABILITIES

There was one contingent liability as at 31 March 2008 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	2007/08 £000	2006/07 £000
Net Operating Cost for the year	(56,115)	(28,312)
Net Parliamentary Funding	54,500	44,500
Notional / Non-cash		
Cost of Capital	3 & 4 (1,444)	(1,596)
Finance/Personnel Services from parent Department	3 118	127
Auditor's Remuneration	3 12	12
Information Services from parent Department	3 93	5
Services of Department of Finance & Personnel	3 13	16
Funding in respect of functions transferred to Agency from Department	-	-
Realised element of Revaluation Reserve	13 19	17
<b>Net (decrease)/increase in General Fund</b>	<b>(2,804)</b>	<b>14,769</b>
<b>General Fund as at 1 April</b>	<b>(40,589)</b>	<b>(55,358)</b>
<b>General Fund as at 31 March</b>	<b>(43,393)</b>	<b>(40,589)</b>



## ACCOUNTS

### 18 ANALYSIS OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2008

#### Reconciliation of Operating Cost to Operating Cash Flows

Notes	2007/08 £000	2006/07 £000
Net Operating Cost	(56,115)	(28,312)
Adjustments for non-cash transactions	(798)	(998)
Adjustments for movements in operating working capital	22	343
Adjust for revenue items transferred to Agency	-	-
Adjust for increase in provision	54,067	26,105
Adjust for unused provisions written back	-	-
Adjust for provision utilised in year	(50,159)	(41,566)
<b>Cash outflow from operating activities</b>	<b>(52,983)</b>	<b>(44,428)</b>

Notes	2007/08 £000	2006/07 £000
<i>Note 18a Adjustments for non-cash transactions</i>		
Notional costs	236	160
Depreciation	403	402
Permanent Diminution	7	32
Loss on Disposal	-	4
Cost of Capital - Admin	(75)	(2)
Cost of Capital - Programme	(1,369)	(1,594)
<b>Total Non-Cash Transactions</b>	<b>(798)</b>	<b>(998)</b>



## ACCOUNTS

### Analysis of Capital Expenditure and Financial Investment

	Notes	2007/08 £000	2006/07 £000
Purchase of Tangible Fixed Assets	6, 8	(206)	(82)
Purchase of Intangible Fixed Assets	7	-	-
Proceeds of disposal of fixed assets		-	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<b>(206)</b>	<b>(82)</b>

### Analysis of Financing

	Note	2007/08 £000	2006/07 £000
From Consolidated Fund		54,500	44,500
<b>Net financing</b>		<b>54,500</b>	<b>44,500</b>
<b>Increase in cash</b>	10	<b>(1,311)</b>	<b>10</b>
<b>Net cash flows other than financing</b>		<b>53,189</b>	<b>44,510</b>

## 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 previous 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 532 cases amounting to £5,042,706 where final compensation payments were made in 2007-2008 and offenders identified but it was not considered economic to pursue recovery.

During 2007-2008, final compensation payments were made in 3,156 cases (this includes the 532 cases mentioned above). The total amount of compensation paid in these cases was £42,488,638. This figure incorporates interim payments made in previous years.

### 21 KEY FINANCIAL TARGET

The Minister set the following key financial target for 2007-2008:

“To manage the Agency spending on salary, running costs and capital expenditure within financial limits agreed with the Department (including in-year adjustments)”.

The Agency met this target. The running costs and capital expenditure budget (on a Resource basis and including in-year adjustments) for 2007-2008 was £3,491,000 and actual resource outturn totalled £3,239,000 (2006-2007; £3,990,000 and £3,839,000).

	Note	2007/08 £000
Salary costs	2.2	2,022
Other administrative costs	3	1,582
Less notional administrative costs	3a	(236)
Less non-cash administrative costs	3b	(335)
Fixed asset additions	6	206
<b>Total</b>		<b>3,239</b>

### 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.



## ACCOUNTS

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. The Agency had non-interest bearing financial liabilities of £1,892,000 as at 31 March 2008 (2006-2007; £3,203,000). The Agency had no foreign currency risk. The book value equalled the fair value of the Agency's financial liabilities as at 31 March 2008.

### 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;

	2007/08 £000	Net Inflow / Outflow £000	2006/07 £000
Monetary Assets	2,607	392	2,215

### 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	-	424
Balances with public corporations and trading funds	11	-
Balances with bodies external to government	71	198
<b>At 31 March 2008</b>	<b>82</b>	<b>622</b>
Balances with other central government bodies	7	530
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	142	137
<b>At 31 March 2007</b>	<b>149</b>	<b>667</b>

## ACCOUNTS

### 25 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The annual report and accounts were authorised by the Accounting Officer to be issued on 4th July 2008. There were no events occurring after the Balance Sheet date that require disclosure.

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# ACCOUNTS

