

THE
COMPENSATION
Agency

ANNUAL REPORT
AND ACCOUNTS
2008-2009



THE COMPENSATION AGENCY

ANNUAL REPORT AND ACCOUNTS 2008-2009

Presented to the House of Commons pursuant to Section 7 of the Government
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FOREWORD

As Chief Executive of the Compensation Agency, I am once again very pleased to sign an annual report which records that the Agency met all of its operational and financial targets. The year saw an increase in the number of new claims received by the Agency, and meeting all of the operational targets was a significant achievement by the Agency's staff. During the year the Agency also prepared for the introduction of a new Criminal Injuries Compensation Scheme, which came into operation on 1 April 2009. We also successfully retained our Investors in People accreditation, receiving a very positive report.

Our priorities for the coming year are again 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. We have set demanding targets, aiming to improve on our performance last year. We will also take forward some very necessary upgrading of our IT systems, to make further improvements in our handling of claims. The Agency will continue to focus on customer service, and during the year we will be assessed for continuation of our accreditation with Chartermark.

The Agency has an excellent team of very experienced staff, committed to good customer service and efficient service delivery. 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 decided 5,448 Tariff claims at First decision, as against 5,294 received during the year. It also issued 1,669 review decisions as against 1,777 received. In total, £13m was paid in compensation under the Tariff Scheme.



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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 308 of the outstanding cases. £7.7m was paid, representing a continuing downward trend owing to reduction in the overall number of cases.

As the numbers of remaining cases continue to reduce we will keep staffing levels in that area 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 of 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 2008-09 year, the Criminal Damage Branch cleared 854 claims, as against 745 received. £23m was paid in Criminal Damage claims in 2007-08; the Agency paid a total of £12.3m in Criminal Damage compensation awards in 2008-09. This decrease in the total awards made was due to the settlement of a small number of extremely high value cases in 2007-08 which did not recur in 2008/09.

The **Appeals Section** which services those cases from the 1988 Criminal Injuries Compensation Scheme and the Criminal Damage Compensation Scheme which go to court, cleared 246 cases during the year, against 110 received during 2008-09.

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). 46 claims were cleared under this scheme, as against 38 received during 2008-09. £0.1m was paid in Terrorism Act claims in 2007-08; the Agency paid a total of £0.2m in Terrorism Act compensation awards in 2008-09.



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Commitment to Customer Service

Performance against Targets

	Key Targets	Area	Target	Year to 31/3/09	Variance
1.	To clear 275 Criminal Injury 1988 Order claims by 31 March 2009	Criminal Injury	275	308	33
2.	To clear 60% of all cases still in hand at 1 April 2008 by 31 March 2009	Criminal Damage	60%	61%	1%
3.	To clear 30% of all cases received in year by 31 March 2009	Criminal Damage	30%	41%	11%
4.	To make a decision on 74% of claims in hand on 1 April 2008 by 31 March 2009	Tariff	74%	75%	1%
5.	To make a decision on 28% of claims registered in year by 31 March 2009	Tariff	28%	30%	2%
6.	To make a decision on 90% of review cases in hand on 1 April 2008 by 31 March 2009	Tariff	90%	92%	2%
7.	To make a decision on 50% of review cases received in year by 31 March 2009	Tariff	50%	63%	13%
8.	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	N/A
9.	To manage the Agency spending on salary, running costs and capital within financial limits agreed with the Department (including in-year adjustments)	Finance	£4,635k	£3,392k	£1,243k
10.	To develop a more robust forecasting of claim cost model for the Agency by 1 November 2008	Finance	01/11/2008	Completed by 30/09/08	Target met
11.	To reply to 95% of complaints within 10 working days of receipt	Corporate Services	95%	100%	5%

In addition, the Agency sets a range of internal targets for particular branches and functions, to help ensure effective delivery of its services.

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 carried out a 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.



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Complaints

During the year, we closely monitored the complaints that we received. 100% 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. Further developments will continue in the 2009/10 year.

Commitment to our People

Development and Training

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

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.

Sickness Absence Information

The percentage figure for sickness absence for the 2008-09 year was 2.7%.



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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, sick absence, targets and long term temporary promotions.

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 approved by HM Treasury.

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 2009 (page 22) are prepared under a direction given by HM Treasury dated 18th December 2008 in accordance with Section 7 (2) of the Government Resources and Accounts Act 2000.

Financial Summary

Annual net operating cost of £53.5 million showed a decrease of 4.8% on 2007-08 (£56.1 million). The balance sheet provision for Compensation Claims increased to £58.9 million from £41.7 million last year. The increase reflects a lower number of cases settled in year and an increase in number of new cases and some higher value claims provided for in year. The methodology for estimating the provision's value was improved in the year (see Note 12).

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.



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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.

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 has been enhanced by the appointment of Olwen Laird (OPONI) as a Non-Executive Board Member.

Payments to Suppliers

Payment within 30 calendar days

The Compensation Agency seeks to comply with the "The Better Payments Practice Code" for achieving good payment performance in commercial transactions. Further details regarding this are available on the website www.payontime.co.uk. Under this Code, the policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. The prompt payment results for 2008-09 showed that 99.3% (2007-08: 98.6%) of invoices were paid in accordance with the terms of the standard.

Payment within 10 working days

The Prime Minister's statement of 8 October 2008 set a challenge to Government Departments to pay suppliers as soon as possible, with the aim of bringing forward all payments to within 10 days. Following the guidance issued by Sir Gus O'Donnell on 17 November 2008, the Department and Agencies revised internal timescales for the processing and payment of invoices with effect from 1 December 2008. The performance for the 4 months to 31 March 2009 showed that 94.1% of invoices were paid within 10 working days following receipt of a properly rendered invoice.



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In addition the Department for Business Enterprise and Regulatory Reform launched a new code of practice in December 2008 to help increase the speed of payments between customers and their suppliers. The prompt payment code was developed in partnership with the Institute of Credit Management and aims to establish a clear and consistent policy in the payment of business bills. The Northern Ireland Office has shown its support and commitment to the principles of the code by becoming a signatory. Further details regarding this are available at www.promptpaymentcode.org.uk.

International Financial Reporting Standards

The 2008 Budget announced that the annual financial statements of government departments and other entities in the public sector will be prepared using International Financial Reporting Standards (IFRS). Following a revision to the implementation timetable, these standards have been adapted as necessary for the public sector and will be used from 2009-10 in the preparation of the Agency's financial statements. In addition, comparative financial information for 2008-09 will be restated along with opening balances at 1 April 2008.

In practice, there will be minimal impact on the 1 April 2008 (and subsequently the 1 April 2009) opening balances, or on the Agency financial statements. The main impact of the adoption of IFRS will be to the presentation of the main statements; the disclosure of accounting policies; and to the liabilities of the Agency which for the first time will include an accrual for employee benefits (untaken holiday leave).

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.



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Other Disclosures

Provisions

The balance sheet at 31 March 2009 shows provisions for liabilities and charges of £58,912k. This valuation recognises that provisions will crystallize in future years and will be funded by Departmental funding. There is no reason to believe that this funding will not be forthcoming. For more details see Note 12 to the Accounts.

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 pages 11-14 provide details of the pensions liabilities of the Agency.

Related Party Transactions

No key managerial staff or other related parties has undertaken any material transactions with the Compensation Agency during the year.

Charitable Donations

There were no charitable donations in the year.

Going Concern

The balance sheet at 31 March 2009 shows negative Taxpayers' Equity of **£59,602,000**. 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



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be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Agency's financial statements for 2008-2009.

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 19 to 21. The notional audit fee for the year amounted to £14,250, (2007-2008 £12,000) which related to the audit of these financial statements and an audit of restatement of 2007/08 accounts under International Financial Reporting Standards. 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:



ROBERT CRAWFORD

Chief Executive

12 June 2009



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 the Civil Service Commissioners' Recruitment Code. The Code requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk



REMUNERATION REPORT

Salary and Pension Entitlements (Audited Information)

For 2008-2009 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	2008-2009		2007-2008	
	Salary	Benefits In Kind	Salary	Benefits In Kind
	£000	£000	£000	£000
Mr Robert Crawford <i>Chief Executive</i>	60-65	NIL	5-10 <i>(60-65 full year equivalent)</i>	N/A
Mr Ray Jones <i>Head of Operations</i>	55-60	NIL	40-45	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.

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 31/03/2008 £000	Col 4 CETV at 31/03/2009 £000	Col 5 Real increase in CETV after adjustment for inflation and changes in market investment factors £000
Mr Robert Crawford <i>Chief Executive</i>	0-2.5	20-25	335	368	3
	0-2.5 lump sum	60-65 lump sum			
Mr Ray Jones <i>Head of Operations</i>	0-2.5	20-25	547	582	(11)
	0-2.5 lump sum	70-75 lump sum			



REMUNERATION REPORT

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

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 final pensionable earnings 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. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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



REMUNERATION REPORT

Cash Equivalent Transfer Values

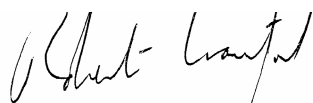
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment 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 buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The factors used in calculating CETVs have been updated from October 2008. The new factors have been used to calculate the opening CETV figure for 08/09 and as a result the figure may differ from the 07/08 closing CETV figure given last year.

Real increase in CETV

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

Signed:



ROBERT CRAWFORD

Chief Executive

12 June 2009



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 2009, 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 Chief Executive of the Compensation Agency has been appointed 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 2009 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 determines 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. Olwen Laird (OPONI) agreed to join the audit committee during the year as an external representative. 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. Information Assurance

There were no protected personal data related incidents during the year.

7 Significant internal control problems

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

Signed:

ROBERT CRAWFORD

Chief Executive



12 June 2009



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 the Compensation Agency for the year ended 31 March 2009 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 Cash Flow 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, which comprises 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 Remuneration Report. I consider the implications for my report if I become aware of any apparent



ACCOUNTS

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 2009, 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 within 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.

Amyas C E Morse
Comptroller and Auditor General
Date: 9th July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS



ACCOUNTS

THE COMPENSATION AGENCY

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000
Administration Costs			
Staff costs	2	2,086	2,022
Other administration costs	3	1,761	1,582
Gross Administration Costs		3,847	3,604
Operating income	5	0	(0)
Net Administration Costs		3,847	3,604
Programme Costs			
Expenditure	4	49,791	52,715
Less: Income	5	(172)	(204)
Net Programme Costs		49,619	52,511
Net Operating Cost		53,466	56,115

The net cost of operations arises solely from continuing operations.

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

	Note	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000
Unrealised surplus on revaluation of fixed assets	13	2	3
		2	3

The Notes on pages 25 to 41 form part of these Accounts.



ACCOUNTS

THE COMPENSATION AGENCY

BALANCE SHEET AS AT 31 MARCH 2009

		£000	2009 £000	2008 £000
Fixed Assets				
Tangible assets	6		449	727
Intangible	7		34	56
			483	783
Current Assets				
Debtors	9	64		82
Creditors (amounts falling due within one year)	10 & 11	(1,237)		(2,514)
Net Current Liabilities			(1,173)	(2,432)
Total Assets less Current Liabilities			(690)	(1,649)
Provisions for Liabilities and Charges	12		(58,912)	(41,679)
			(59,602)	(43,328)
Taxpayers' Equity				
General fund	17		(59,669)	(43,393)
Revaluation reserve	13		67	65
			(59,602)	(43,328)

Signed:



ROBERT CRAWFORD

Chief Executive

12 June 2009

The Notes on pages 25 to 41 form part of these Accounts.



ACCOUNTS

THE COMPENSATION AGENCY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £000	2008 £000
Net cash outflow from operating activities	18	(37,632)	(52,983)
Capital expenditure and financial investment	18	(45)	(206)
Receipts due to the Consolidated Fund	11	14	-
Payments of amounts due to the Consolidated Fund		-	-
Financing	18	38,750	54,500
Increase / (Decrease) in cash	10	1,087	1,311

The Notes on pages 25 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 18 December 2008. 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 annually 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.

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>	2008/09	2007/08
Staff permanently employed by the Agency	70	76
Others engaged on the objectives of the Agency (contract staff)	1	1
Total	71	77

2.2 The costs incurred were:

	2008/09			2007/08		
	£000			£000		
	Permanent	Other	Total	Permanent	Other	Total
Salaries and Wages	1,662	32	1,694	1,616	39	1,655
Social Security Costs	116	-	116	105	-	105
Pension Costs	276	-	276	262	-	262
Total	2,054	32	2,086	1,983	39	2,022

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).

For 2008-2009, employer's contributions of £275,679 were payable to the PCSPS and the PCSPS (NI) (2007-2008; £262,360) 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. The contribution rates are set to meet the cost of benefits accruing during 2008 – 2009 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. There were no contributions due to the partnership pension providers or prepaid contributions at the balance sheet date.

During 2008-2009, one member of staff retired early on ill-health grounds.



ACCOUNTS

3 OTHER ADMINISTRATION COSTS

Notes	2008/09 £000	2007/08 £000
Operating lease in respect of premises	198	206
Other accommodation costs	335	284
Operational computing expenses	293	236
Advisory services	149	31
Travel, subsistence and hospitality	5	6
Others	195	248
Notional costs	241	236
Non-cash items	345	335
Total	1,761	1,582

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>	2008/09 £000	2007/08 £000
Finance & Personnel Services provided by Parent Department	97	118
Audit Fees	14	12
Services provided by Department of Finance & Personnel	15	13
Information Services provided by Parent Department	115	93
Total	241	236

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>	2008/09 £000	2007/08 £000
Depreciation	385	403
Permanent Diminution	2	7
Loss/(Gain) on Disposal	(1)	-
Cost of Capital	(41)	(75)
Total	345	335

4 PROGRAMME COSTS

	2008/09 £000	2007/08 £000
Compensation		
Criminal Injury (1988 Order)	17,319	14,216
Criminal Injury (2002 Order)	13,776	13,421
Criminal Damage	18,648	25,075
Terrorism Act 2000	203	130
	49,946	52,842
Related Costs		
Legal Services	1,330	459
Court Expenses	(27)	28
Professional Advisors	73	464
Medical Services	226	275
Other Fees & Expenses	3	16
Agency Programme Costs	-	-
	1,605	1,242
Non-Cash Item		
Cost of Capital	(1,760)	(1,369)
Total	49,791	52,715

ACCOUNTS

5 OPERATING INCOME

Income during the year was as follows:

	Note	2008/09 £000	2007/08 £000
Administrative Income		-	-
Programme Income	1.6	172	204
Total		172	204

6 TANGIBLE FIXED ASSETS

	Information Technology £000	Furniture and Fittings £000	Leasehold Improvements £000	Total £000
Cost or Valuation				
At 1 April 2008	1,837	160	278	2,275
Additions	111	14	6	131
Disposals	(79)	(24)	(62)	(165)
Revaluation of Tangible Fixed Assets	-	4	-	4
Permanent Diminution in Value	(7)	-	-	(7)
At 31 March 2009	1,862	154	222	2,238
Accumulated Depreciation				
At 1 April 2008	1,402	72	74	1,548
Provided in Year	310	16	37	363
Disposals	(79)	(22)	(18)	(119)
Revaluation	-	2	-	2
Permanent Diminution in Value	(5)	-	-	(5)
At 31 March 2009	1,628	68	93	1,789
Net Book Value				
At 31 March 2009	234	86	129	449
At 31 March 2008	435	88	204	727



ACCOUNTS

7 INTANGIBLE FIXED ASSETS

	Purchased Software Licences £000
Cost or Valuation	
At 1 April 2008	201
Additions	-
Disposals	-
Revaluation of Intangible Fixed Assets	-
Permanent Diminution in Value	-
At 31 March 2009	201
Accumulated Amortisation	
At 1 April 2008	145
Provided in Year	22
Disposals	-
Revaluation	-
Permanent Diminution in Value	-
At 31 March 2009	167
Net Book Value	
At 31 March 2009	34
At 31 March 2008	56

8 MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH

	2008/09 £000	2007/08 £000
Decrease/(Increase) in Debtors - Operating	18	67
(Decrease)/Increase in Creditors - Operating	(243)	(45)
Total	(225)	22



ACCOUNTS

9 DEBTORS

	2008/09 £000	2007/08 £000
Amounts falling due within one year.		
Trade Debtors	11	-
Prepayments and accrued income	53	82
Total	64	82

10 CASH AT BANK AND IN HAND

	2008/09 £000	2007/08 £000
Balance at 1 April	(1,892)	(3,203)
Net cash inflow / (outflow)	1,087	1,311
Balance at 31 March	(805)	(1,892)
The balance at 31 March was held at:		
Commercial banks and cash in hand	(805)	(1,892)

11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008/09 £000	2007/08 £000
Amounts falling due within one year.		
Bank Overdraft	(805)	(1,892)
Trade Creditors	(265)	(476)
Accruals and deferred income	(66)	(98)
Fixed asset accruals	(87)	(48)
Receipt due to the consolidated fund	(14)	-
Total	(1,237)	(2,514)



ACCOUNTS

12 PROVISIONS FOR LIABILITIES AND CHARGES

At 31 March 2009, the Compensation Agency had the following liabilities relating to outstanding claims under the compensation schemes operated by the Agency:

	Compensation Claims	
	2008/09 £000	2007/08 £000
Balance at 1 April	41,679	37,771
Provided in the year	51,551	54,067
Unused amounts written back	-	-
Provisions utilised in the year	(34,318)	(50,159)
Balance at 31 March	58,912	41,679

This liability relates to the four schemes operated by the Agency and the associated fees and charges thereon. The method of estimation of the value has been improved in the year and large cost variance cases are now considered separately rather than part of an overall average.

Criminal Injuries provisions fall into two categories determined by the legislation under which claims are made.

Under the Criminal Injuries 1988 Order, the provision for cases in hand at 31 March 2009 is £29,220k. At that date there were 554 cases remaining, and the Agency has a target to clear 225 cases in 2009/10, 250 in 2010/11. Case values are estimated as to their settlement value.

The Criminal Injuries Tariff Scheme was introduced in May 2002, and a total of £12,925k is held for cases which were outstanding at 31 March 2009. Provisions are calculated on a statistical model which follows the claims process through the three potential outcomes at first decision, review and appeal. Cases take on average 12-14 months to clear.

The Criminal Damage provision for those cases under the 1977 Order was held at £16,673k at 31 March 2009. Case values are determined by a loss adjuster's valuation which is included in cases over £50k in value with an assessment of probability for liability. Smaller cases are provided for on the basis of statistics relating to likelihood of award and average value. Clearance times can vary substantially due to the complexity of some cases and whether or not they require a court settlement.

For Justice and Security Act 2007 cases, the Agency has a valuation of £94k at 31 March 2009 for cases in hand which is calculated on a statistical basis. Clearance times can vary greatly for cases of this type dependant upon the nature of the claim.



ACCOUNTS

13 REVALUATION RESERVE

	Notes	2008/09 £000	2007/08 £000
Balance as at 1 April		65	81
Arising on revaluation during the year (net)	6 & 7	2	3
Realised element of revaluation reserve		-	(19)
Balance at 31 March		67	65

14 CAPITAL COMMITMENTS

At 31 March 2009, the Agency had no further outstanding capital commitments.

15 COMMITMENTS UNDER LEASES

The Agency's commitments under operating leases to pay rentals during the year ended 31 March 2009 are shown below, analysed according to the period in which the lease expires.

<i>Obligations under operating leases comprise:</i>	2008/09 £000	2007/08 £000
Land & Buildings		
Expiry within 1 year	-	-
Expiry within 2 to 5 years	198	206
Expiry thereafter	-	-
Total	198	206

16 CONTINGENT LIABILITIES

There was one contingent liability as at 31 March 2009. This arises from a formal legal agreement entered into as part of the resolution of a claim, which would otherwise have had to be paid in anticipation of potential future care costs for an applicant under the Criminal Injuries Compensation (Northern Ireland) Order 1988. The health authority does not at present envisage seeking reimbursement of costs, however should that circumstance arise the Compensation Agency would be liable for 20% of the care costs incurred on an annual basis. This contingent liability is currently estimated at £40k per annum.



ACCOUNTS

17 RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND

Notes	2008/09 £000	2007/08 £000
Net Operating Cost for the year	(53,466)	(56,115)
Net Parliamentary Funding	38,750	54,500
Notional / Non-cash		
Cost of Capital	(1,801)	(1,444)
Finance/Personnel Services from parent Department	97	118
Auditor's Remuneration	14	12
Information Services from parent Department	115	93
Services of Department of Finance & Personnel	15	13
Funding in respect of functions transferred to Agency from Department	-	-
Realised element of Revaluation Reserve	0	19
Net (decrease)/increase in General Fund	(16,276)	(2,804)
General Fund as at 1 April	(43,393)	(40,589)
General Fund as at 31 March	(59,669)	(43,393)



ACCOUNTS

18 ANALYSIS OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2009

Reconciliation of Operating Cost to Operating Cash Flows

Notes	2008/09 £000	2007/08 £000
Net Operating Cost	(53,466)	(56,115)
Adjustments for non-cash transactions	18a	(798)
Adjustments for movements in operating working capital	8	22
Adjust for revenue items transferred to Agency	-	-
Adjust for increase in provision	12	54,067
Adjust for unused provisions written back	12	-
Adjust for provision utilised in year	12	(50,159)
Cash outflow from operating activities	(37,632)	(52,983)

<i>Note 18a Adjustments for non-cash transactions</i>		2008/09 £000	2007/08 £000
Notes			
Notional costs	3a	241	236
Depreciation	3b	385	403
Permanent Diminution	3b	2	7
(Gain)/Loss on Disposal	3b	(1)	-
Cost of Capital - Admin	3b	(41)	(75)
Cost of Capital - Programme	4	(1,760)	(1,369)
Total Non-Cash Transactions		(1,174)	(798)



ACCOUNTS

Analysis of Capital Expenditure and Financial Investment

	Notes	2008/09 £000	2007/08 £000
Purchase of Tangible Fixed Assets	6, 11	(92)	(206)
Purchase of Intangible Fixed Assets	7	-	-
Proceeds of disposal of Fixed Assets	6,18a	47	-
Net Cash Outflow from Capital Expenditure and Financial Investment		(45)	(206)

Analysis of Financing

	Note	2008/09 £000	2007/08 £000
From Consolidated Fund		38,750	54,500
Net financing		38,750	54,500
Increase in cash	10	(1,087)	(1,311)
Net cash flows other than financing		37,663	53,189

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:

Land and Property Services (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)

No key managerial staff or other related parties have 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 524 cases amounting to £5,313,922 where final compensation payments were made in 2008-2009 and offenders identified but it was not considered economic to pursue recovery.

During 2008-2009, final compensation payments were made in 2,563 cases (this includes the 524 cases mentioned above). The total amount of compensation paid in these cases was £32,016,688. This figure incorporates interim payments made in previous years.

21 KEY FINANCIAL TARGET

The Minister set the following key financial target for 2008-2009:

“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 2008-2009 was £4,635,000 and actual resource outturn totalled £3,392,000 (2007-2008; £3,491,000 and £3,239,000).

	Note	2008/09 £000
Salary costs	2.2	2,086
Other administrative costs	3	1,761
Less notional administrative costs	3a	(241)
Less non-cash administrative costs	3b	(345)
Fixed asset additions	6	131
Total		3,392

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 £805,000 as at 31 March 2009 (2007-2008; £1,892,000). The Agency had no foreign currency risk. The book value equalled the fair value of the Agency's financial liabilities as at 31 March 2009.

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;

	2008/09 £000	Net Inflow / Outflow £000	2007/08 £000
Monetary Assets	3,115	508	2,607

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	11	288
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	53	949
At 31 March 2009	64	1,237
Balances with other central government bodies	-	424
Balances with public corporations and trading funds	11	-
Balances with bodies external to government	71	2,090
At 31 March 2008	82	2,514



ACCOUNTS

25 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The annual report and accounts were authorised by the Accounting Officer to be issued on 9th July 2009. There were no events occurring after the Balance Sheet date that require disclosure.





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