



Ministry of
JUSTICE

Hardship Fund

Impact Assessment

Published November 2012

Title: Hardship Fund IA No: MoJ175 Lead department or agency: Ministry of Justice Other departments or agencies: Criminal Injuries Compensation Authority	Impact Assessment (IA)	
	Date: 27/11/2012	
	Stage: Final	
	Source of intervention: Domestic	
	Type of measure: Other	
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Summary: Intervention and Reforms	RPC Opinion: RPC Opinion Status
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Cost of Policy Reforms				
Total 10 year Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as
£0m	-	-	No	NA

What is the problem under consideration? Why is government intervention necessary?

Victims of violent crime endure both physical and emotional suffering and, in some cases, financial hardship due to being unable to work as a result of their injuries. Such financial hardship is particularly concerning for victims of violent crime who are in low-paid employment.

The Government believes it is right to focus compensation on victims of more serious crime and that for victims with less serious injuries, prompt practical and emotional support is a more suitable response than relatively small amounts of compensation. For this reason, under the Criminal Injuries Compensation Scheme 2012 ('the 2012 Scheme') (as set out in the *Getting it right for Victims and Witnesses consultation and consultation response Impact Assessments* - January 2012 and July 2012), it is estimated that around 18,000 victims of violent crime who would have previously been eligible for compensation under the 2008 Scheme will no longer receive any financial support as their injuries would not be serious enough. However in some cases, even the less serious injuries result in the victim being unable to work for a temporary period and therefore require financial support. Some victims receive financial support from employers through Statutory Sick Pay (SSP) or an equivalent employer-provided scheme. In other cases, particularly where the victim is in low-paid employment, no financial support may be available for this temporary period.

The Government believes that this latter group of victims should be given some financial support over a short period to relieve them of the immediate hardship that arises from their being temporarily unable to work.

What are the policy objectives and the intended effects?

The proposal seeks to ease the hardship endured by very low paid victims of violent crime with no recourse to other sources of financial assistance. It intends to provide temporary financial support for victims with less serious injuries who are temporarily unable to work (up to 28 days). This proposal fits with the policy objectives to provide fair and appropriate support to those victims who most need it.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: Do nothing

(assuming CICS reforms have been implemented as set out in the *Getting it right for Victims and Witnesses Impact Assessments* – January 2012 and July 2012),

Option 1:

Implement a Hardship Fund:

Making a Hardship Fund of up to £0.5m per annum available in exceptional cases to victims of violent crime who are temporarily unable to work.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 11/2013

Does implementation go beyond minimum EU requirements?	N/A				
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro No	< 20 No	Small No	Medium No	Large No

What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/Q	Non-traded: N/Q
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I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister:



Date: 26 Nov 2012

Summary: Analysis & Evidence

Policy Reform

Description: Implement a Hardship Fund to provide financial support in exceptional cases for less seriously injured victims of violent crime who are temporarily unable to work.

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: £0
2012/13	2012/13	10			

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (After Transition) (Constant Price)	Total Cost (10 year Present Value)
Low	0	0	0
High	0	£0.5m	£3.7m
Best Estimate	-	-	-

Description and scale of key monetised costs by 'main affected groups'

MoJ: estimated maximum annual cost of £0.5m which gives a 10 year Present Value (PV) cost of £3.7m.

Other key non-monetised costs by 'main affected groups'

n/a

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (After. Transition) (Constant Price) (to nrst £5m)	Total Benefit (10 year Present Value)
Low	0	0	0
High	0	£0.5m	£3.7m
Best Estimate	-	-	-

Description and scale of key monetised benefits by 'main affected groups'

Victims of violent crime eligible for the Fund: estimated maximum annual benefit of £0.5m and 10 year PV benefit of £3.7m.

Other key non-monetised benefits by 'main affected groups'

Victims of violent crime eligible for the Fund: Greater fairness and equality between low and high earning victims of violent crime.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

The maximum level of funding available each year remains constant in nominal terms. In our estimates, we assume that the full £0.5m is used each year. It is also assumed that victims receive payments in the same year as they make their application.

Maximum cost and benefit estimates are based on the decision that the level of funding is capped at £0.5m, with no topping up later in the year. There is therefore a risk that demand for the Fund may exceed the amount available in any one year and therefore the Fund will run out before the end of the year.

Based on an assumption that there could be around 26,000 potential applicants¹ and given a maximum fund of £0.5m, the number of people that could benefit from the Fund is estimated to be around 2,000-10,000 and the total nominal cost per year if all 26,000 applied is estimated to be between £1.3m-£8m. This implies that there is a potential risk that the Fund will not be sufficient to meet demand. However, information published about the 2012 Scheme and the eligibility criteria for the Fund ought to deter many ineligible applicants. Demand for the 2008 Scheme has fluctuated in the past and it is difficult to predict future demand as it depends on factors such as crime rates. Without sufficient data on individual incomes we are unable to establish a more accurate estimate of potential demand and therefore potential cost.

There may also be demand for the Fund from other groups, such as those who previously decided that they would not qualify for the 2008 Scheme and therefore didn't apply for it, which implies a greater risk. However without any data on such groups, we cannot quantify the risk they pose.

¹ See paragraph 3 below.

BUSINESS ASSESSMENT

Direct impact on business (Equivalent Annual)			In scope of	Measure qualifies as
Costs: -	Benefits: -	Net: -	No	NA

Evidence Base (for summary sheets)

Introduction

1. This Impact Assessment (IA) is an assessment of the financial implications of the Secretary of State's decision to provide a ring fenced Hardship Fund ('the Fund') of up to £0.5m per annum for certain victims of violent crime in low-paid employment who are unable to work for a temporary period and have no other recourse to financial support. The value of the Fund is fixed in nominal terms.
2. The Fund is intended to provide financial support in exceptional cases where a criminal injury has been sustained that is not serious enough to be included within the Criminal Injuries Compensation Scheme 2012 ('the 2012 Scheme'), as set out in the *Getting it right for Victims and Witnesses Impact Assessments* – January and July 2012, but where the injury has led to the victim being temporarily unable to work and with no recourse to any other State funds. The Fund is expected to come into effect alongside the 2012 Scheme as of 27 November 2012.
3. Under the 2012 Scheme, an estimated number of around 18,000 people per year who would have previously received compensation will no longer be eligible due to the removal of tariff Bands 1 to 5 which cover relatively minor injuries. Additionally, in 2011/12, around a further 8,000 applications to CICS were refused as the injuries were not considered serious enough to qualify for the minimum award¹. This implies there could be a large number of applicants to the Fund, though information published about the 2012 Scheme and the eligibility criteria for the Fund ought to deter many ineligible applicants.
4. Given the number of potential applicants, the eligibility criteria are tightly defined while seeking to address the needs of people in low-paid employment, including the low-earning self-employed, who suffer minor criminal injuries and are temporarily unable to work. The following criteria will need to be met before an application can be considered:
 - **The applicant is in low paid employment and is temporarily unable to work;** where low paid employment is defined as earning less than the minimum amount to be eligible for Statutory Sick Pay (SSP) i.e. average weekly earnings of less than £107. Self-employed people should demonstrate they are low earners (less than £107p/w average) by submitting tax returns.

Applicants must be out of work for 7 consecutive days and, as with SSP, the Fund would be available from the fourth day of absence. As this is a temporary provision for immediate hardship, the Fund will be provided for a maximum of 4 weeks from the first day of absence. The inability to work must be a direct consequence of an injury (physical or mental) sustained as a result of being the victim of a violent crime. This will need to be certified by a doctor.
 - **The applicant is not receiving SSP or an equivalent employer-provided scheme;**
 - **The applicant is a victim of violent crime;**
 - **The crime has been reported to the police by the victim themselves as soon as is reasonably practicable (but normally within 48 hours of the incident) and the application has been received within 4 weeks of the date of incident;**
 - **The applicant does not have an unspent criminal conviction which, under the 2012 Scheme, would bar them from an award.**
5. For applicants who meet the eligibility criteria set out above, the Fund proposes to make a payment which is equivalent to the amount the victim would have received if they had been

¹ CICA Annual Report and Accounts 2011/12

eligible for SSP. i.e. £85.85 per week pro-rated to the number of days of pay lost and limited to a maximum of four weeks from the first day of absence at work.

6. The Fund will be administered by the Criminal Injuries Compensation Authority (CICA) (who are able to absorb the administrative costs) following referral based on an initial assessment of eligibility by Victim Support. CICA are confident that applications will be processed and payments will be made promptly (normally six days from the receipt of all relevant correspondence), thereby providing timely support to those who face immediate hardship following a criminal injury.

Rationale for intervention

7. The conventional economic rationale for government intervention is based on efficiency or equity arguments. The Government may consider intervening if there are strong enough failures in the way markets operate (e.g. monopolies overcharging consumers) or if there are strong enough failures in existing government interventions (e.g. waste generated by misdirected rules). In both cases, the proposed new intervention itself should avoid creating a further set of disproportionate costs and distortions. The Government may also intervene for equity (fairness) and distributional reasons (e.g. to reallocate goods and services to more needy groups in society)
8. The rationale behind this proposal is based on equity grounds. Payments under the Hardship Fund are transfer payments from the Government to certain less seriously injured victims of violent crime. The proposal in this IA intends to distribute resources more fairly by putting in place some provision for those victims of violent crime who face immediate temporary hardship and have no recourse to other sources of financial assistance; taking into account the availability of other services and resources (e.g. SSP or an equivalent employer-provided scheme) a victim may be entitled to receive to meet the needs arising from the injury. The Fund is intended to provide prompt financial support to those who face immediate hardship following a criminal injury, thereby increasing the welfare of this group of people.

Main affected groups

9. These reforms will impact on:
 - I. Victims of violent crime who meet the eligibility criteria
 - II. The Ministry of Justice (MoJ)
 - III. Providers (and potential providers) of support services for victims of crime
 - IV. Criminal Injuries Compensation Authority
10. There may also be impacts on:
 - I. Wider society

Cost and Benefits

11. This IA identifies both monetised and non-monetised impacts on individuals, groups and businesses in the UK, with the aim of understanding what the overall impact to society might be from implementing these reforms. The costs and benefits of the reforms are compared to the base case (the “do nothing” scenario). IAs place a strong emphasis on valuing the costs and benefits in monetary terms (including estimating the value of goods and services that are not traded). However there are important aspects that cannot sensibly be monetised. These might include how the proposal impacts differently on particular groups within society or changes in equity and fairness, either positive or negative.

12. This IA sets out our current estimates for the costs and benefits of the policy to the affected groups. These estimates are based on the evidence that is currently available, and are subject to change if the evidence base improves. As such, the estimates are represented as ranges based on the assumptions detailed in the discussion of costs and benefits below.

Option 0

13. This is the “do-nothing” scenario where no Hardship Fund is available. The CICA would implement the 2012 Scheme and around 18,000 people who would hitherto have received compensation under the 2008 Scheme would no longer be eligible due to changes to the tariff of injuries. There would be no alternative means of financial support such as the Hardship Fund. We assume that future demand will remain at the current level in terms of both the number of applications and the distribution of applications across injury types. A range of factors (such as levels and patterns of crime and awareness of the scheme) could cause demand to rise or fall, but it is not possible to predict such changes.
14. Because the do-nothing option is compared against itself, its costs and benefits are necessarily zero as is its Net Present Value (NPV)²

Option 1

15. This option is to make available a ring fenced Hardship Fund of up to £0.5m per annum to provide hardship payments in exceptional cases where a criminal injury has been sustained that is not serious enough to be included within the 2012 Scheme but where the injury has led to the victim being temporarily unable to work.

Costs

16. The Hardship Fund of £0.5m per year is estimated to have a maximum 10 year Present Value (PV) of -£3.7m and a maximum average annual cost of £0.5m. This is assuming that the full £0.5m is provided each year and that there is sufficient demand for this full amount. If the full £0.5m is not demanded in any one year, the financial costs to the MoJ will be less. However, in the absence of sufficient income data to estimate what proportion of the 18,000 who will no longer be covered by the Scheme, or of the 8,000 who are already not covered by the Scheme, may apply, we are unable to estimate a minimum cost boundary.
17. When estimating the PV, it is assumed that the £0.5m payment is constant in nominal terms each year and therefore declines in real terms. The estimated PV is in 2012/13 terms and includes discounting as set out under the Green Book regulations.

Benefits

18. Payments under the Hardship Fund are transfer payments from the Government to the victims of violent crime. These victims would therefore benefit from a maximum annual award of £0.5m and therefore a maximum 10 year PV of £3.7m. This is assuming that the full amount is provided and that the payments are received in the same year the application was made. Delay of more than one year in the receipt of the award would lower the PV benefit due to further discounting.
19. The Fund will contribute to relieving the immediate hardship faced by victims of violent crime who are temporarily unable to work and have no recourse to other sources of financial assistance. It promotes fairness and equality by making provisions for low-earning victims of violent crime who would face great difficulties if put out of work for even a short period. Those victims who need it the most will as far as possible be provided with financial support

² The Net Present Value (NPV) shows the total net value of a project over a specific time period. The value of the costs and benefits in an NPV are adjusted to account for inflation and the fact that we generally value benefits that are provided now more than we value the same benefits provided in the future.

over the temporary period of inability to work following the criminal injury.

20. Given the difficult position of these victims on the income distribution, it is likely that the value they place on the payments will be greater than the opportunity cost incurred by the government from paying out. However, there is no evidence available to quantify this value.

Net Impact

21. Payments under the Hardship Fund are transfer payments from the Government to applicants. Since administration costs are assumed to be absorbed by CICA, the net monetised impact of the proposal in this impact assessment is zero.
22. Victims of violent crime who are eligible for the Fund would benefit from an easing of financial hardship faced immediately after a criminal injury. The Fund also has a wider, non-monetised, benefit as it contributes to the Governments achievement of equity objectives.

Key assumptions, sensitivities and risks

23. The estimation of the 10 year NPV is based on the assumption that the full nominal level of £0.5m is used each year. When estimating the PV benefits for victims of violent crime, it is assumed that they receive payments in the same year that the application is made.
24. Maximum cost/benefit estimates are based on the decision that the Fund is capped at £0.5m (i.e. there will be no further 'topping up' of this Fund even if demand were to exceed the amount available). There is therefore a risk that demand may exceed the funding balance available and the Fund will run out before the end of the financial year. If this is the case, people applying for the Fund once it has run out will not receive any financial support. We do not have sufficient data to estimate the number of people that are likely to apply and be eligible for the Fund and therefore cannot quantify this risk.
25. However, based on the assumption that there would be a potential pool of 26,000 old CICS applicants who will not qualify for the 2012 Scheme (this includes almost 18,000 people per year who received compensation but would no longer be eligible and almost 8,000 applicants who were rejected under the 2008 Scheme) and given a maximum fund of £0.5m, the number of people that *could* benefit from the Fund is estimated to be around 2,000-10,000. The total nominal cost per year in the unlikely event that all the 26,000 applied is estimated to be between £1.3m-£8m. This implies that there is a potential risk that the Fund may not be sufficient to meet demand. However, information published about the 2012 Scheme and the eligibility criteria for the Fund ought to deter many ineligible applicants.
26. The upper and lower bounds of both these estimates are derived by assuming all applicants are paid for the minimum (4) days and all applicants are paid for the maximum (3 weeks and 4 days). By using 26,000 as the estimated number of potential applicants, we are assuming that the level of future demand for CICS would have remained constant at the 2009/10 level. However, the elimination of bands 1-5 may result in "up-tariffing"- individuals putting in successful claims for higher tariff bands than they would have under the old scheme. This implies that the potential number of applicants to the Fund may be less than 26,000. Conversely, future demand may have been higher due to factors such as higher levels of crime, in which case the potential number of applicants may be higher than 26,000.
27. There may also be demand for the Fund from other groups, such as those who previously decided that they would not qualify for the 2008 Scheme and therefore didn't apply, which implies a further risk. Without any data on such groups, we cannot quantify the risk they pose. However again, information published about the 2012 Scheme and the eligibility criteria for the Fund ought to deter many ineligible applicants.

28. Without sufficient data on individual incomes, we are unable to estimate what the actual demand and cost may be. We therefore cannot be sure that demand won't rise (or fall) overall, resulting in a larger (or smaller) risk of the Fund running out.
29. There is also a risk of additional costs arising from the administration of the scheme. Although CICA have estimated they can absorb these costs, this may not be the case if actual costs are larger than expected.

Specific Impact Tests

Statutory equality duties

An Equality Impact Assessment is included as a separate document.

Competition Assessment

Will the reforms:

1. **Directly limit the number or range of suppliers?** No.
2. **Indirectly limit the number or range of suppliers?** No
3. **Limit the ability of suppliers to compete?** No
4. **Reduce suppliers' incentives to compete vigorously?** No

Small Firms Impact Test

We do not expect these reforms to have an impact on small firms because the whole of the cost will be met by government.

Carbon Assessment

We do not expect these reforms to have an impact on the emission of greenhouse gases.

Other Environment

We do not expect these reforms to have any other environmental impacts

Health Impact Assessment

- Will your policy have a significant impact on human health by virtue of its effects on the following wider determinants of health? : Income; crime; environment; transport; housing; education; employment; agriculture; social cohesion.

There may be an impact on the health of victims of violent crime as a result of them receiving payments.

- Will there be a significant impact on any of the following lifestyle related variables? : Physical activity; diet; smoking, drugs or alcohol use; sexual behaviour; accidents and stress at home or work.

We do not anticipate a significant impact on these variables

- Is there likely to be a significant demand on any of the following health and social care services? : Primary care; community services; hospital care; need for medicines; accident or emergency attendances; social services; health protection and preparedness response.

We do not expect these reforms to have an impact on health and social care services

Human Rights

We believe the proposals are compliant with the Human Rights Act.

Justice Impact Test

Impacts on the justice system are covered in the main body of this Impact Assessment.

Rural proofing

We do not expect these reforms to have an impact on the circumstances and needs of rural people and places.

Sustainable Development

We do not anticipate that policy reforms will have a negative impact on any of the following principals of sustainable development:

- Living within environmental limits;
- Ensuring a strong, healthy and just society;
- Achieving a sustainable economy;
- Promoting good governance;
- Using sound science responsibly.

The policy should, however, have a positive though small impact on ensuring a strong, healthy and just society.

Privacy Impact Test (an MoJ Specific Impact Test)

Not relevant

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review:

A review will be held a year after implementation to check the extent to which the policy objective is being achieved.

Review objective:

To test the ability of the Fund to ease the hardship endured by very low-paid victims of violent crime with no recourse to other sources of financial assistance, and to do so within the budget available.

Review approach and rationale:

The review of the policy will be based on a monitoring process through which we will assess whether the aims of the policy are being achieved. Data will be collected on:

- Total spend per month
- Total number of payments per month.

Baseline:

Hardship Fund not implemented.

Success criteria: The policy proposals will be considered successful if payments are made to all eligible applicants within the available budget.

Monitoring information arrangements:

It is intended to put in place arrangements for collecting and recording information. This will include:

- Information on number of applicants
- number and value of awards per month

Reasons for not planning a PIR: N/A