Criminal Injuries Compensation Authority
Annual report and accounts 2006-07

INVESTOR IN PEOPLE

cica criminal injuries compensation authority

Eleventh Report

Criminal Injuries Compensation Authority Annual report and accounts 2006-07

Presented to Parliament by the Secretary of State for the Home Department and by the Comptroller and Auditor General pursuant to section 6 of the Criminal Injuries Compensation Act 1995.

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criminal injuries compensation authority

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Introduction

This Annual Report and Accounts has been prepared and published by the Criminal Injuries Compensation Authority ('the Authority'). The Accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the consent of HM Treasury in accordance with section 6 of the Criminal Injuries Compensation Act 1995 (the Act). These accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual.

The Comptroller and Auditor General is the external auditor of the Authority, and is appointed under statute, reporting to Parliament and to the Scottish Parliament. The agreed fees for the statutory audit were £84,000 in 2006-07 (2005-06, £68,000). No remuneration was paid for non-audit work in 2006-07 (2005-06, Nil).

Nature of the Authority's business and its aims and objectives

The Authority administers the criminal injuries compensation scheme throughout England, Scotland and Wales. We pay compensation to people who have been the victim of a violent crime.

The Authority's vision is:

- for CICA to lead the way in the criminal justice field by providing a fast, efficient service to the victims of violent crime or their families.

To achieve this, we aim to:

- process applications as quickly and efficiently as possible whilst investigating claims thoroughly;
- treat applicants with sensitivity and courtesy at all times;
- enhance the service we provide by communicating effectively with the general public, our customers (applicants) and our stakeholders (victim services, health authorities, police forces, Office for Criminal Justice Reform, Ministry of Justice, Scottish Executive, MPs, MSPs and other organisations and individuals CICA deals with);
- continuously develop and support our staff to perform to their full potential;
- be accountable to the public, the Government and Parliament for the service we provide and the public funds we spend.

At year-end, the Authority employed an average of 471 full-time equivalent staff throughout the year across two offices in London and Glasgow. The Authority's staff in the London office are employed on the terms and conditions of the Home Office. Staff in the Glasgow office are employed on the terms and conditions of the Scottish Executive.

Machinery of Government change

Since 9 May 2007, responsibility for the sponsorship of the Authority transferred from the Home Office to the newly created Ministry of Justice under Machinery of Government mechanisms. Formal transfer of this change is recognised through the publication of the Winter Supplementary Estimate, which is expected to be approved in December 2007. Since 9 May 2007 day-to-day management responsibility has rested with the Ministry of Justice.

Governance arrangements

Since her appointment in August 2006, the Chief Executive has made a number of changes to the management of the Authority's executive functions.

A Board of four Directors led by the Chief Executive has been created to manage the day-to-day running of the Authority; namely, J. Drean (Chief Executive), C. Moynehan (Director of Finance), A. Johnstone (Director of Legal and Policy) and G. Johnston (Director of Casework Operations).

Prior to this date, the executive functions were led by a Chief Executive based in London, supported by a Deputy Chief Executive and Senior Solicitor based in Glasgow; namely, H. Webber (Chief Executive), E. McKeown (Deputy Chief Executive) and A. Johnstone (Senior Solicitor).

An Audit Committee, chaired by a non-executive member, oversees the strategic process for risk management, internal control and corporate governance and finance. The Audit Committee consists of three independent non-executive members. The Chief Executive, Director of Finance, National Audit Office, External and Internal Auditors, attend by invitation.

In order to strengthen the governance structures, the Chief Executive created three Boards, each chaired by an independent non-executive member. These Boards have been created to provide assurance to the Chief Executive. The individual roles of the Boards are:

- a **Performance Board**, to challenge Directors on strategic performance issues such as business planning and performance against targets;
- a **Programme Board**, to monitor projects against a structured methodology;
- a **Policy Board**, to challenge Directors on organisational activities relating to policy matters.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Authority's auditors are unaware; and each director has taken all the steps that they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Authority's auditors are aware of that information.

Register of interests

No board members held any significant interests that conflicted with their management responsibilities.

Business focus for the future

In July 2006, the Authority, in conjunction with the Home Office, agreed to close the London Office and relocate all activities to Glasgow. This project will be completed by September 2007, and will:

- transfer existing casework files to Glasgow;
- support London staff to find new posts within the civil service;
- manage the closure of the London office and hand back to landlords;
- implement the new organisational structure and recruit caseworkers in Glasgow; and
- manage the physical redesign of the Glasgow office to appropriately accommodate staff in the new structure.

Change programme

The Chief Executive initiated two major projects in 2006 to fundamentally review key functions that support the delivery of the Authority's vision:

1. A **Customer focus project** to:
- conduct a Customer Survey to test performance and identify areas for improvement;
- revise the application form to meet plain English standards;
- develop relationships with intermediaries and partners to improve consistency and efficiency in the pre-application phase;
- audit the website and implement recommendations;
- research issues arising from the terrorist attack 7/7 and develop a major incident plan.

The Customer Focus project commenced in September 2006 and is expected to be completed by September 2007.

2. The **Casehandling improvement project** to:
- conduct a rigorous gap analysis between current performance and best in class to identify opportunities for improvement;
- develop a plan with options for implementing recommendations with the greatest improvement on productivity and service, whilst managing the compensation cost implications.

Consultants have been engaged to help with the design and implementation of the new caseworking model, which is planned to be operational by April 2008.

History and activities

The scheme was set up in 1964. Up to 1996, awards were set according to what the victim would have received in a successful civil action against the offender. Since April 1996, the level of compensation has been determined according to a tariff set by Parliament. In some situations, there may be the possibility of additional compensation. The maximum award the Authority can pay in any single case is £500,000. The maximum payment for the tariff injury element is £250,000.

Types of compensation

There are two main types of compensation – personal and fatal injury awards. The possible components of **personal injury awards** are:
- an award based on the tariff of injuries (with a maximum of £250,000);
- loss of earnings or earning capacity, beyond the first 28 weeks of loss; and
- special expenses, provided the incapacity lasts for 28 weeks or more.

For **fatal injury awards**, where applications are made from close relatives of a person who has died following a violent crime, the possible components are:
- a bereavement award of £5,500 for each applicant who qualifies, or £11,000 if there is only one potential applicant;
- compensation for financial loss;
- in the case of a child under 18, compensation for the loss of a parent; and,
- funeral expenses.

Applicants unhappy with the Authority's decision can request a review and, if still unhappy with the review decision, can request an appeal hearing at the Criminal Injuries Compensation Appeals Panel. More information on the provisions of the scheme can be found in the 'Guide to the 2001 Compensation Scheme', available from the Authority, and on our website at www.cica.gov.uk.

Going concern

At 31 March 2007, the Authority's balance sheet records net liabilities of £1,187 million (31 March 2006 £1,252 million). This reflects the inclusion of liabilities falling due in future years, which, to the extent that they are not to be met from the Authority's other sources of income, can only be met by future grants-in-aid from the Ministry of Justice. This is because, under the normal conventions applying to Ministry of Justice control over income and expenditure, such grant may not be paid in advance of need.

Grant-in-aid for 2007-08, taking into account the amounts required to meet the Authority's liabilities falling due that year, has already been included in the Home Office's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Ministry of Justice's future sponsorship and future parliamentary approval will not be forthcoming. It has been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

Employment policies

We have in place employment policies, which help staff contribute their best to the success of the organisation. Managers receive regular reports on, for example, individual performance and training. Our annual staff survey gives managers across the organisation information on job satisfaction, performance of senior managers, and training.

The Authority is committed to working in a collaborative way with the Trade Union Side improving industrial relations with its people. The Authority takes its health and safety responsibilities seriously and works positively with its people to keep them safe in the work place.

Training and development

Our training team work with staff and line managers to ensure that our people are fully equipped to carry out their role within the organisation. We provide support to key stakeholders, such as Victim Support, through workshops and presentations about our organisation.

Induction programmes remain our key priority. Throughout the year we provided other various job-related and personal development and training opportunities, including management events focusing on performance management, workshops on risk management and project management training.

Our ongoing commitment to staff's personal development has seen the introduction of further career development activities. We also encourage staff to take advantage of learning outside the work place. Specific work areas such as legal, accountancy, audit and communications all benefited from specialised training provided by external providers. Staff can apply for funding towards their own personal studies.

Information technology

During 2006-2007 we continued to develop and upgrade the Authority's IT systems. The main projects were:

- Secure e-mail with the police.
- Quick address software.
- Upgrading the CICA website.
- BlackBerry service.

Secure e-mail with the police

This project started in February 2006 after discussions with the Office for Criminal Justice Reform. The basis for this was the possibility of communicating by secure e-mail with police forces to try and speed up the process for the return of our police enquiry forms. In October 2006 we commenced a pilot exercise with the police forces of Devon and Cornwall and Greater Manchester. Devon and Cornwall are now using this process and it has proven to be beneficial to both organisations. After the initial pilot, Greater Manchester has temporarily withdrawn as they are undergoing a major internal IT refresh of their systems. We have plans to roll-out this project to other forces early in the new financial year 2007-08.

Quick address software

We entered into discussions with the Metropolitan Police force about how we could speed up the return of our initial requests for information. We jointly agreed that it would be beneficial if we could send initial requests for information to the individual 32 Metropolitan London boroughs rather than a generic mailbox within the force. The information we request is based on the incident address, rather than the address of the victim. After doing an analysis of available software, we managed to find one that was fully compatible and implemented this change during February 2007. The advantages of this are already apparent and we now hope to link this process to the secure e-mail project.

Upgrading the CICA website

The CICA website was running on the Oracle 8i product. Similar to the Oracle 8i caseworking upgrade, we were required to upgrade to Oracle 10g as the earlier software was becoming unsupported. We commenced this project in February 2006 and the upgrade was completed on schedule in May 2006.

BlackBerry service

The purpose of this project was to allow the Chief Executive, senior management, lawyers and presenting officers access to their e-mails from outside the office environment. All these key members of staff spend a substantial amount of time working away from the normal office environment. This service allows key members of CICA to be in constant contact with full access to the CICA e-mail system. This project commenced in November 2006 and the successful roll-out of the hardware commenced at the end of February 2007.

Management commentary

Key Achievements

Despite the period of change, CICA continued to perform well against its key targets last year. In 2006-07 the Authority:

- Made 31,485 tariff scheme awards, paying out £172 million, and 38 pre-tariff scheme awards, paying out £19 million;
- Came very close to resolving as many cases (59,096) as we received (60,861).

Volume of applications

We received 60,861 new tariff applications. This was a 3.5% per cent reduction on the total for 2005-06.

Table 2 on the next page shows the number of awards and gross value of awards under each tariff band.

The sums set out are those paid for the most serious injury only. Second and third injury awards and any additional amounts for loss of earnings or special expenses are not included in this total.

Where there are two figures under a particular tariff, this reflects the fact that the tariff was increased in 2001. The first, lower figure is that under the 1996 scheme; the second, higher figure is that under the 2001 scheme.

Resolutions

Table 1: Applications resolved

	2003-04	2004-05	2005-06	2006-07
Tariff and pre-tariff schemes	77,487	66,898	62,073	59,096

Table 2: Awards made by tariff level 2006-07

Level	Tariff sum	Claims Assessment	Review	Appeals	Total	Gross value
1	£1,000	4,272	793	266	5,331	£5,331,000
2	£1,250	1,904	207	49	2,160	£2,700,000
3	£1,500	5,491	559	122	6,172	£9,258,000
4	£1,750	560	58	18	636	£1,113,000
5	£2,000	2,912	263	128	3,303	£6,606,000
6	£2,500	1,657	288	148	2,093	£5,232,500
7	£3,000	9	4	8	21	£63,000
7	£3,300	2,420	333	108	2,861	£9,441,300
8	£3,500	0	2	2	4	£14,000
8	£3,800	1,472	182	61	1,715	£6,517,000
9	£4,000	4	2	5	11	£44,000
9	£4,400	1,821	391	155	2,367	£10,414,800
10	£5,000	11	7	18	36	£180,000
10	£5,500	1,108	160	84	1,352	£7,436,000
11	£6,000	0	1	1	2	£12,000
11	£6,600	269	48	19	336	£2,217,600
12	£7,500	33	49	80	162	£1,215,000
12	£8,200	597	263	150	1,010	£8,282,000
13	£10,000	4	7	10	21	£210,000
13	£11,000	665	117	61	843	£9,273,000
14	£12,500	0	0	1	1	£12,500
14	£13,500	72	42	44	158	£2,133,000
15	£15,000	7	7	10	24	£360,000
15	£16,500	268	59	28	355	£5,857,500
16	£17,500	4	2	4	10	£175,000
16	£19,000	37	12	6	55	£1,045,000
17	£20,000	10	15	20	45	£900,000
17	£22,000	190	26	28	244	£5,368,000
18	£25,000	1	0	1	2	£50,000
18	£27,000	16	12	7	35	£945,000
19	£30,000	1	1	0	2	£60,000
19	£33,000	6	3	0	9	£297,000
20	£40,000	13	7	6	26	£1,040,000
20	£44,000	13	9	7	29	£1,276,000
21	£50,000	6	3	1	10	£500,000
21	£55,000	4	3	2	9	£495,000
22	£75,000	0	0	2	2	£150,000
22	£82,000	0	0	0	0	£0
23	£100,000	0	0	0	0	£0
23	£110,000	8	0	2	10	£1,100,000
24	£175,000	4	0	0	4	£700,000
25	£250,000	16	2	1	19	£4,750,000
	Total	**25,885**	**3,937**	**1,663**	**31,485**	**£112,774,200**

Table 3: Tariff scheme review and appeal rates				
	2003-04	**2004-05**	**2005-06**	**2006-07**
% of claims assessment cases going to review	22.0	21.7	20.6	19.8
% of review cases going to appeal	25.3	21.6	21.2	20.0
Overall appeal rate	5.6	4.7	4.4	4.0

Rates of review and appeal

As the table above shows, our continuing efforts to get first decisions right and to better communicate our decisions have led to reduced requests for reviews, and fewer appeals.

The table below shows the number of applications turned down by the scheme paragraph under which the refusal was based. For some applications there was more than one reason for refusal so the total figure in the table is higher than the total number of refused applications.

Time taken to reach decisions

Whilst it is vital that we make the right decisions on the applications we receive, we recognise the importance of minimising the time applicants have to wait for a fair decision. Table 5 shows the time taken to reach decisions at claims assessment stage. Delays in reaching a decision can be for a variety of reasons, but the most common reason is the time taken to receive information requested from third parties; for example, the police, medics, or applicants' representatives.

Table 4: Disallowed claims 2006-07		
Scheme paragraph	**Criterion**	**Disallowed claims**
6	Injury sustained before 1 August 1964	23
7(a)	Previous claim for same injury	330
7(b)	Injury sustained in family setting before October 1979	0
8(a)	Mainly, injury did not result from crime of violence	4,594
9	Application did not meet restrictions in the paragraph	231
11	Motor vehicle cases, mainly, vehicle not used as a weapon with the intention to injure	325
12	Accidental injury sustained in law enforcement: risk not justifiable or not exceptional	85
13(a)	Failure to report without delay to police	1,760
13(b)	Failure to co-operate with police in bringing assailant to justice	5,135
13(c)	Failure to co-operate with the Authority	1,729
13(d)	Conduct before, during or after the incident	3,478
13(e)	Applicant's criminal record/character	4,147
16(a)	Assailant would have benefited from award	84
16(b)	Award would have been against a minor's interests	1
17(a)	Assailant in family violence/abuse claim not prosecuted	1
17(b)	Violence between adults in same family – assailant and victim still living in same household	43
18	Claim not submitted within 2 years of incident	587
25	Injury not serious enough to qualify for minimum award of £1,000	8,072
26	Pre-existing medical condition	564
	Total	**31,189**

Table 5: Time taken to reach claims assessment decisions 2006-07			
Period of time from receipt	**Number of decisions**	**%**	**Cumulative %**
Within 2 months	2,676	4.69	4.69
2-4 months	4,805	8.43	13.12
4-6 months	5,780	10.13	23.25
6-8 months	7,306	12.81	36.06
8-10 months	7,975	13.98	50.04
10-12 months	7,356	12.90	62.94
over 12 months	21,139	37.06	100.00
Total	**57,037**	**100.00**	

Outstanding appeals

As Table 6 shows, we continued to reduce the number of outstanding appeals.

Table 6: Outstanding appeals				
	2003-04	**2004-05**	**2005-06**	**2006-07**
Awaiting appeal	**5,174**	**4,391**	**3,601**	**2,575**

Outstanding applications

Table 7: Outstanding appplications				
	2003-04	**2004-05**	**2005-06**	**2006-07**
Awaiting a first decision	56,142	59,188	60,739	63,785
Awaiting a reviewed decision	9,097	8,708	8,969	9,730
Awaiting applicant’s response to a first or reviewed decision	14,577	12,294	12,380	11,453
Awaiting appeal	5,174	4,391	3,601	2,575
Total	**84,990**	**84,581**	**85,689**	**87,543**

In summary, we resolved very nearly as many cases as we received, while continuing to make improvements across the organisation – reducing the number of outstanding appeals, and reducing review and appeal rates.

Operating cost statement

During 2006-07 net expenditure reduced from £165.226 million to £113.340 million, a decrease of £51.886 million. This change is due to the reduction in the movement of the tariff schemes provision and the pre-tariff schemes provision. Note 10 in the Notes to the Accounts provides full details of the Authority’s provisions.

Creditor payment policy and performance

The Authority follows the Better Payment Practice Code, and undertakes to pay all invoices within 28 days of receipt or within stated credit terms. A sample review of invoices paid during 2006-07 indicated that 99 per cent (97 per cent in 2005-06) of those reviewed were paid within 28 days. The Authority was not required to pay any interest relating to late payment under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

Remuneration report

All permanent members of staff are currently on assignment to the Authority and remain employees of either the Home Office or the Scottish Executive.

Remuneration policy

Remuneration packages fall under the schemes operated by the Home Office or the Scottish Executive and follow Government policy guidelines for public sector pay.

Pensions

All permanent members of staff are eligible for membership of the Civil Service Pension Scheme, and ordinary members are eligible for the Principal Civil Service Pension Scheme (PCSPS). The Home Office or the Scottish Executive is responsible for making contributions to their pension schemes. They make appropriate charges to the Authority, but as the Authority is not responsible for their pensions, no details of their pension entitlements are given in these accounts.

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Home Office and the Scottish Executive are unable to identify their share of its underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employer's contributions of £1,629k (2005-06, £1,486k) were payable to the PCSPS at one of four rates in the range 19.3 to 23.5 per cent (2005-06, 16.2 to 24.6 per cent) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining the civil service after 1 October 2002 could opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. No staff members working for the Authority had taken this option during the financial year 2006-07 and therefore no contributions were made.

Senior staff disclosures

The Chief Executive fulfils the role of Accounting Officer of the Authority. The emoluments disclosed represent the total amount paid.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

No senior staff received any benefits in kind.

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures include the value of any pension benefit in another scheme or arrangement, which the individual has transferred to the PCSPS arrangements and for which the PCSPS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed.

They also include any additional pension benefits accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV reflects the increase effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end period.

Remunerations and pensions for senior staff 2006-07

		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Name	Age	Salary and pension	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60 at 31 March 2007	CETV 31 March 2006	CETV 31 March 2007	Real increase in CETV	Employer contribution to partnership pension account
J. Drean* Chief Executive Start date 20/08/06	37	40-45	Pension 0-2.5 Lump sum 0-2.5	Pension 20-25 Lump sum 0-2.5	59	73	9	0
H. Webber* Chief Executive End date 24/10/06	52	40-45	Pension 0-2.5 Lump sum 0-2.5	Pension 30-35 Lump sum 0-2.5	506	513	11	0
A. Johnstone Director of Legal and Policy	47	60-65	Pension 0-2.5 Lump sum 0-2.5	Pension 10-15 Lump sum 40-45	214	230	14	0
E. McKeown Deputy Chief Executive End date 9/03/07**	53	55-60	Pension 0-2.5 Lump sum 0-2.5	Pension 25-30 Lump sum 65-70	432	451	19	0
G. Johnston* Director of Casework Operations Start date 17/10/06	27	20-25	Pension 0-2.5 Lump sum 0-2.5	Pension 0-5 Lump sum 0-2.5	34	37	2	0
C. Moynehan Director of Finance Start date 15/01/07***								

* Amounts pro-rata
** E. McKeown retired on 9 March 2007 under the Scottish Executive flexible early retirement scheme.
*** The remuneration and pension for C. Moynehan is accounted for and borne by the Home Office and is covered by the disclosure arrangements which govern the Home Office resource accounts for 2006-07.

Remunerations and pensions for senior staff 2005-06

		2005-06						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Name	Age	Salary and pension	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60 at 31 March 2007	CETV 31 March 2005	CETV 31 March 2006	Real increase in CETV	Employer contribution to partnership pension account
H. Webber Chief Executive	51	75-80	Pension 0-2.5 Lump sum 0-2.5	Pension 30-35 Lump sum 0-2.5	366	506	26	0
A. Johnstone Senior Solicitor	46	60-65	Pension 0-2.5 Lump sum 0-2.5	Pension 15-20 Lump sum 40-45	148	214	15	0
E. McKeown Deputy Chief Executive	52	55-60	Pension 0-2.5 Lump sum 0-2.5	Pension 25-30 Lump sum 65-70	333	432	12	0

Joanne Drean
Chief Executive and Accounting Officer
Criminal Injuries Compensation Authority
13 July 2007

Statement of Accounting Officer's responsibilities

Under Section 6(3) of the Criminal Injuries Compensation Act 1995 and paragraph 4 of the Criminal Injuries Compensation Scheme, the Secretary of State (with the consent of the Treasury) has directed the Criminal Injuries Compensation Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Authority and of its Operating Cost Statement, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State (with the consent of the Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

Statement on internal control

Scope of responsibility

As Accounting Officer I am responsible for ensuring that the Authority operates and maintains a system of internal control which supports the achievement of its policies, aims and objectives, as agreed with the Home Office and Scottish Executive, and which safeguards the public funds and assets for which I am responsible personally in accordance with the responsibilities assigned to me in Government Accounting.

There are two key mechanisms for managing risk and relations between the Authority and the sponsor Departments. These include an inter-departmental committee and a project board. Through these mechanisms risks are identified and managed and conveyed to the Home Office Executive Board and its Ministers. In addition, the Audit Committee and the Home Office Internal Audit play a role in managing risk.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than 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 the Authority's policies, aims 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

Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Although classified as a Non Departmental Public Body by the Cabinet Office, the Authority does not have a formal Board or non-executive Chair. Its structure is similar to that of a departmental agency, and is headed by the Chief Executive who is supported by functional Directors (Finance, Casework Operations, Legal and Policy). The responsibility for managing risk within the Authority rests with the Chief Executive who, with the Directors, reviews the key existing and emerging risks facing the Authority regularly. The Chief Executive is also advised by the Authority's Audit Committee, which oversees the organisation's management of risk.

Through an extensive process of consultation with staff and consideration by the Directors an organisation-wide risk register has been produced in which the main risks are rated according to their likelihood and their impact on our ability to achieve our aims and objectives. The register also specifies the mitigating actions for managing and monitoring each risk and the risk owner.

The risk and control framework

The Authority's approach to managing risk is based on a framework of regular management information, administrative procedures including the segregation of duties, a system of delegation and accountability, and procedural guidance and benchmarking. In particular, it includes:

- maintaining core guidance documentation for all staff and standardising procedures in best practice guidance specific to each casework stage;
- regular reviews of casework policy and procedure by internal policy and standardisation committees;
- providing a high level of job-specific training and coaching, which is reviewed by the Training Liaison Committee;
- setting budgets and targets, separating duties and specifying authority levels;
- reviews at formal meetings of the Directors (generally 10 every year) of performance against plan and budget and of financial, operational, staffing and training risks, using where possible quantitative indicators;
- developing and integrating casework support and finance IT systems which incorporate controls and can produce exception and other reports for monitoring risk;
- close involvement of internal customers in the development of IT systems and thorough pre-release testing;
- regular meetings of the Authority's independent Audit Committee;
- regular formal meetings with the Authority's Home Office and Scottish Executive sponsors;
- as appropriate, formal project management disciplines;
- standard compliance test checks and a programme of special risk-based investigations by our Security and Quality Assurance Section;
- risk-based reviews by the Home Office Audit and Assurance Unit.

Audit committee

The Audit Committee oversees the strategic process for risk management, internal control and corporate governance and finance. The Audit Committee consists of three independent members. The Chief Executive, Director of Finance, National Audit Office, External and Internal Auditors, attend by invitation.

Internal audit

The Home Office Audit and Assurance Unit, which operate to Government standards, provide the Authority's internal audit service. They submit regular reports and, at least annually, provide an independent opinion on the adequacy and effectiveness of the Authority's system of internal control together with recommendations for improvement. The Chief Executive also receives reports by our Quality Assurance Section about the results of their programme of compliance visits and about particular risks, which they have been asked to investigate.

Quality assurance section

Undertakes standard compliance testing reviews and a programme of special risk-based investigations.

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 Authority 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 result of my review of the effectiveness of the system on internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Joanne Drean
Chief Executive and Accounting Officer
Criminal Injuries Compensation Authority
13 July 2007

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the Criminal Injuries Compensation Authority on pages 17 to 34 for the year ended 31 March 2007 under Section 6(3) of the Criminal Injuries Compensation Act 1995. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Authority, Chief Executive/Accounting Officer and Auditor

As described on page 12, the Authority and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Criminal Injuries Compensation Authority and the Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Authority's and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Criminal Injuries Compensation Act 1995 and the Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities, which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Authority 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 12 to 14 reflects the Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Authority and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Authority'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 Criminal Injuries Compensation Act 1995 and directions made thereunder by the Treasury, of the state of the Authority's affairs as at 31 March 2007 and of its surplus 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 the Criminal Injuries Compensation Act 1995 and the Treasury directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
18 July 2007

Accounts

Operating Cost Statement for the year ended 31 March 2007

	Notes	2006-2007 £'000	2006-2007 £'000	2005-2006 £'000	2005-2006 £'000
					Restated
Programme Expenditure					
Tariff and pre-tariff compensation charges					
Tariff schemes		137,697		163,514	
Pre-tariff schemes		(4,784)		24,717	
			132,913		188,231
Administration Expenditure					
Staff costs	3	12,983		11,689	
Administration costs	4	10,650		9,817	
Dilapidations on leases	10	–		65	
			23,633		21,571
Total Expenditure			156,546		209,802
Other income	2	1,208		1,645	
Notional cost of capital	1.6	43,240		43,898	
Amount repaid to consolidated fund		(1,242)		(967)	
			43,206		44,576
Net Expenditure	11		113,340		165,226

All income and expenditure is derived from continuing operations

Statement of Recognised Gains and Losses for the year ended 31 March 2007

	Notes	2006-2007 £'000	2006-2007 £'000	2005-2006 £'000	2005-2006 £'000
					Restated
Net loss on revaluation of fixed assets	13		(32)		(52)
Total recognised gains and losses for the financial year			(32)		(52)
Recognised Gains and Losses			(32)		
Prior Year Adjustment	26		–		
Recognised Gains and Losses since the last financial statements			(32)		

The notes on pages 20 to 34 form part of these accounts.

Balance sheet as at 31 March 2007

	Notes	31 March 2007 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2006 £'000 Restated
Fixed assets:					
Intangible assets	5	21		48	
Tangible assets	5	1,480		925	
			1,501		973
Current assets:					
Debtors	6	1,505		1,410	
Prepayments	7	934		1,090	
Cash at bank and in hand	15	20,480		11,371	
		22,919		13,871	
Creditors (amounts falling due within one year)	8	(8,661)		(2,695)	
Net current assets			14,258		11,176
Total assets less current liabilities			15,759		12,149
Creditors (amounts falling due after more than one year)	9		(1,281)		(2,808)
Provisions for liabilities and charges					
Pre-tariff schemes	10	(174,405)		(198,590)	
Tariff schemes	10	(1,026,000)		(1,061,066)	
Lease dilapidation	10	(1,365)		(1,365)	
			(1,201,770)		(1,261,021)
Net liabilities			(1,187,292)		(1,251,680)
Taxpayers' equity					
General fund	11		(1,188,468)		(1,252,337)
Revaluation reserve	12		374		406
Capital reserve	13		802		251
	25		(1,187,292)		(1,251,680)

Joanne Drean
Chief Executive and Accounting Officer
Criminal Injuries Compensation Authority
13 July 2007

The notes on pages 20 to 34 form part of these accounts.

Cashflow statement for the year ended 31 March 2007

	Notes	2006-07 £'000	2006-07 £'000	2005-06 £'000	2005-06 £'000
Operating activities					**Restated**
Net cash outflow from operating activities	16		(210,880)		(206,869)
Other non-operating income					
Other income		1,155		1,601	
Amount repaid to consolidated funds		(1,242)		(967)	
			(87)		634
Returns on investments and servicing of finance					
Interest received			53		44
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets			(977)		(160)
Net cash inflow			(211,891)		(206,351)
Financing					
Funding			221,000		214,000
Increase in cash	15		9,109		7,649

Analysis of changes in net cash

	At 1 April 2006 £'000	Cashflows £'000	Other changes £'000	At 31 March 2007 £'000
Cash in hand, at bank	11,371	9,109	–	20,480

The notes on pages 20 to 34 form part of these accounts.

Notes to the Accounts

Note 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2006-07 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The Authority's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

For the financial year ending 31 March 2007, the Financial Reporting Advisory Board has agreed amendments to HM Treasury's FReM. This has resulted in changes of accounting policy and to the format of the accounts. The changes in the accounting policy have been reflected by a prior year adjustment in line with FRS 3 'reporting financial performance'. The impact of these changes is disclosed in note 26 to the financial statements.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

The statement of accounts set out on pages 17 to 19 together with the Notes on pages 20 to 34 have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State for the Home Office, with approval of HM Treasury, in accordance with the Criminal Injuries Compensation Schemes 1996 and 2001.

At 31 March 2007, the Criminal Injuries Compensation Authority balance sheet records net liabilities of £1,187 million (2006 £1,252 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Authority's other sources of income, may only be met by future funding or funds from the Ministry of Justice. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, the funding may not be paid in advance of need.

Funding for 2007-08, taking into account the amounts required to meet the Authority's liabilities falling due that year, has already been included in the Ministry of Justice's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Ministry of Justice's future sponsorship and future parliamentary approval will not be forthcoming. It has been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

1.2 Administration and programme expenditure

The operating cost statement is analysed between administration and programme expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in financial memorandum issued to the Authority by the Secretary of State for the Home Office.

1.3 Funding

Most of the expenditure of the Authority is met from funds advanced by the Home Office within an approved allocation. Funds received for revenue expenditure are credited to the

The notes on pages 20 to 34 form part of these accounts.

general fund in the year to which it relates. Funds used for capital purchases are credited to a government grant reserve. Each year, an amount equal to the depreciation charge on the fixed assets acquired through funding, and any deficit on their revaluation in excess of the balance on the revaluation reserve, will be released from the government grant reserve to the operating cost statement.

1.4 Fixed assets

Intangible assets
Purchased computer software licences are capitalised as intangible assets where expenditure of £500 or more is incurred. Intangible assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics, from the month of acquisition.

Tangible assets
Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual basis, is £500 or more, or, on a grouped basis is £25,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics, from the month of acquisition. All refurbishment costs are valued on an historic cost basis. The residual value of all assets and the depreciation method applied to them is reviewed at the end of each financial year.

Any surplus on revaluation is credited to the revaluation reserve. A deficit on revaluation is debited to the operating cost statement if the deficit exceeds the balance on the revaluation reserve.

The Authority has received no donated assets in the current financial year.

1.5 Depreciation

Depreciation is provided on all fixed assets on a straight line basis to write off the cost or valuation evenly over the asset's anticipated life as follows.

Refurbishment costs	Remaining term of the lease
Furniture and office equipment	Ten years
Computer equipment	Three to five years
Software licences	Three years

Software and systems development expenditure on IT systems is written off in the period in which it is incurred.

The notes on pages 20 to 34 form part of these accounts.

1.6 Capital charge

A charge, reflecting the cost of capital utilised by the Authority, is included in the operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for:

a) Tangible and intangible assets where the cost of capital charge is based on opening values adjusted pro-rata for in-year plus or minus:

- plus additions at cost;
- disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal);
- impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure);
- depreciation of tangible and amortisaton of intangible assets.

b) Donated assets, where the charge is nil.

1.7 Income from court awards

Apart from those relating to applications made before 1 April 1996, which are retained by the Authority, all recoveries from assailants through civil actions and the criminal courts are paid into the consolidated fund via the Home Office and Scottish Executive.

1.8 Accounting for retirement benefits

Under FRS17 the Authority is required to provide for the full long-term pension liabilities of any qualifying staff not covered under the PCSPS arrangements. All staff working for the Authority were however covered under the PCSPS arrangements and therefore no liability for long-term pension liabilities is charged to these accounts.

1.9 Operating leases

Rentals paid on operating leases for buildings are charged to expenditure as incurred.

1.10 Provisions

The Authority provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. These obligations consist of provisions for the pre-tariff and tariff schemes and for dilapidations for the building leases.

Pre-tariff schemes

The pre-tariff schemes provision reflects the estimate of all pre-tariff schemes cases at the balance sheet date. It is compiled following an annual case-by-case assessment by lawyers employed by the Authority to arrive at the liability, which is then subject to a sampling review by members of the independent Criminal Injuries Compensation Appeals Panel. All interim payments already made are then deducted to arrive at the net liability.

The notes on pages 20 to 34 form part of these accounts.

Note 1.10 Provisions continued.

A provision was first set aside in the 2001-02 accounts on the basis of an assessment of all cases remaining to be settled under the pre-tariff schemes. For the cases remaining, including cases with expected long-term settlement dates, the Authority's management consider that the provision at year end is adequate.

Tariff schemes

The Authority's accounting policy recognises as liabilities not only the likely total net value of all applications that are currently under consideration, but also the value of applications that we are likely to receive in the future from incidents which occurred before the year end.

The estimates for these have been obtained with specialist actuarial advice.

The actuarial projection methodology, used to estimate the provision for the tariff schemes, involved an examination of the historical claims data together with information on issues that may affect the future claim developments. From this work, claim patterns were derived that might be expected to apply in the future. Analysis based on these patterns was then used to project the likely ultimate value of applications already received and of those yet to be received in respect of incidents that have already occurred. All interim payments already made are then deducted to arrive at the net liability.

Dilapidations

Provisions for dilapidations are recognised in the year in which the Authority recognises it has a future obligation to transfer economic benefits based on a past event.

1.11 Value Added Tax

The Authority is not eligible to register for VAT and all costs are shown inclusive of irrecoverable VAT.

1.12 Third party assets

The retention of compensation awards to certain minors is provided for under paragraph 3 of the scheme. The purpose of this action is to ensure that the victim will be the sole beneficiary of the sum of the award including accrued interest when they reach their majority (18 years of age). Where appropriate, interim payments are made on an 'as needs' basis.

The notes on pages 20 to 34 form part of these accounts.

Note 2 Income – other income

	2006-07 £'000	2005-06 £'000
Civil actions – retainable	49	131
Civil actions – non-retainable	583	797
Court compensation orders – non-retainable	476	455
Bank interest	53	44
Other administrative income	47	218
	1,208	1,645

Note 3 Employment costs

The Authority is staffed by employees on assignment from either the Scottish Executive or the Home Office.

Staff costs

	2006-07 £'000	2005-06 £'000
Salaries and emoluments	8,980	8,310
Social security costs	687	633
Other pension costs	1,629	1,486
Agency staff	1,067	491
Overtime payments	620	769
	12,983	11,689

Staff numbers

The average number of whole time equivalent persons employed (including senior management) during the year was as follows:

	2006-07	2005-06
Casework	355	350
Administration	69	77
Agency staff	47	25
	471	452

	2006-07	2005-06
Scottish Executive	312	307
Home Office	112	120
Agency	47	25
	471	452

The notes on pages 20 to 34 form part of these accounts.

Note 4 Administration costs

	2006-07 £'000	2005-06 £'000
Accommodation costs	3,882	3,874
Audit fees – external *	105	68
Audit fees – internal	26	18
Furniture and fittings	39	38
Information and publications	34	43
IT development and maintenance	702	659
Medical/dental fees	3,003	2,620
Miscellaneous fees	866	497
Postage and telephone	608	609
Stationery	239	240
Training	102	146
Travel and subsistence – staff	221	194
Travel and subsistence – witnesses	–	4
Ex-gratia payments	134	70
Depreciation	402	521
Loss on disposal of fixed assets	15	0
Bad debts written-off	203	93
Increase in provision for bad debt	69	123
Total administration costs	10,650	9,817

* The external audit fee for 2006-07 was £84,000. The difference of £21,000 relates to additional audit charges relating to prior years.

Note 5 Fixed assets

Intangible assets

	Software licences £'000	Total £'000
Cost		
at 1 April	483	483
Additions	5	5
Revaluations	(35)	(35)
At 31 March	453	453
Depreciation		
at 1 April	(435)	(435)
Charged in year	(31)	(31)
Revaluations	34	34
At 31 March	(432)	(432)
Net book value at 31 March 2007	21	21
Net book value at 31 March 2006	48	48

The notes on pages 20 to 34 form part of these accounts.

Note 5 Fixed assets continued.

Tangible assets

	Land & buildings £'000	IT £'000	Furniture & fittings £'000	Total £'000
Cost				
at 1 April	478	1,708	361	2,547
Additions	464	94	414	972
Disposals	–	(259)	(17)	(276)
Revaluations	–	(112)	3	(109)
At 31 March	942	1,431	761	3,134
Depreciation				
at 1 April	(398)	(1,022)	(202)	(1,622)
Charged in year	(48)	(291)	(32)	(371)
Disposals	–	249	12	261
Revaluations	–	74	4	78
At 31 March	(446)	(990)	(218)	(1,654)
Net book value at 31 March 2007	496	441	543	1,480
Net book value at 31 March 2006	80	686	159	925

Total assets

Net book value at 31 March 2007	1,501
Net book value at 31 March 2006	973

Note 6 Debtors: amounts falling due within one year

	31 March 2007 £'000	31 March 2006 £'000
Trade debtors	971	353
Court compensation	792	892
Civil claims	171	521
Other debtors	53	138
	1,987	1,904
Provision for bad debts	(482)	(494)
	1,505	1,410

Provision for bad debts

	31 March 2007 £'000	31 March 2006 £'000
Opening balance	494	371
Decrease in provision	(12)	123
Closing balance	482	494

The notes on pages 20 to 34 form part of these accounts.

Note 7 Prepayments

	31 March 2007 £'000	31 March 2006 £'000
Accommodation	712	966
IT maintenance	199	104
Other	23	20
	934	1,090

Note 8 Creditors: amounts falling due within one year

	31 March 2007 £'000	31 March 2006 £'000
Trade creditors	4,768	92
Consolidated fund creditors	58	57
Other creditors	3	442
Other creditors – pre-tariff schemes	110	0
Other creditors – tariff schemes	2,646	934
Accruals	1,076	1,170
	8,661	2,695

Note 9 Creditors: amounts falling due after more than one year

Awards are on occasion held in holding accounts in the name of the applicant prior to appropriate guardianship being determined.

	Number of accounts	£'000	2006-07 £'000	Number of accounts	£'000	2005-06 £'000
Holding accounts						
Opening balance	18		2,808	21		1,177
Deposits in year	1	17		7	2,417	
Additional deposits to existing accounts	1	5		–	19	
Interest received		60			82	
			82			2,518
Closures	6	1,574		9	794	
Withdrawals					72	
Repaid to CICA	1	20		1	4	
Interest paid to victims		15			17	
			(1,609)			(887)
Closing balance	12		1,281	18		2,808

The notes on pages 20 to 34 form part of these accounts.

Note 10 Provisions for liabilities and charges

	Pre-tariff schemes £'000	Tariff schemes £'000	Lease dilapidation £'000	Total £'000
Balance at 1 April	198,590	1,061,066	1,365	1,261,021
Arising during the year	31,461	151,000	–	182,461
Reversed unutilised during the year	(36,245)	(13,303)	–	(49,548)
Utilised during the year	(19,401)	(172,763)	–	(192,164)
Balance at 31 March	174,405	1,026,000	1,365	1,201,770

Geographical split for pre-tariff and tariff schemes utilised during the year.

	2006-07 £'000	2005-06 £'000
Awards relating to victims of crimes of violence occurring in:		
England and Wales	174,209	162,391
Scotland	17,955	21,532
	192,164	183,923

The pre-tariff scheme's provision reflects the Authority's liabilities in respect of all outstanding cases which remain to be settled from the schemes which existed prior to 1996. In accordance with the Authority's accounting policies, the provision is reviewed annually and reflects the likely settlement values at the year end based on the circumstances of each application at that time. Many of the cases are complex and will take some years before the final assessment of compensation can be made. The Authority does not hold any assets in respect of these liabilities; compensation will be paid from grant-in-aid made available by the Home Office.

The tariff schemes' provision reflects the Authority's liabilities under the 1996 and 2001 tariff schemes, in respect of applications received, or likely to be received, from incidents which occurred before the year end. In accordance with the Authority's accounting policies, the provision has been derived from historical claims data, together with information on issues that may affect future claim developments. More than two thirds of applications are assessed and, for qualifying applications, an offer is made within one year of receiving the application. The Authority does not hold any assets in respect of these liabilities; compensation will be paid from grant-in-aid made available by the Home Office.

A long-term liability of £1,365,000 has been established in the accounts for dilapidation commitments on all leases. This is based on a prudent estimate provided by the appropriate Home Office department.

The notes on pages 20 to 34 form part of these accounts.

Note 11 General fund

	Notes	2006-07 £'000	2005-06 £'000 Restated
Balance at 1 April		(1,252,337)	(1,257,627)
Prior year adjustment	26	–	–
Balance at 1 April as restated		(1,252,337)	(1,257,627)
Net Parliamentary funding		220,000	213,840
Net transfer from operating activities			
Net expenditure		(113,340)	(165,226)
Non-cash charges			
Cost of capital		(43,240)	(43,898)
Transfers from Capital Reserve		449	574
Balance at 31 March		(1,188,468)	(1,252,337)

Note 12 Revaluation reserve

	2006-07 £'000	2005-06 £'000 Restated
Balance at 1 April	406	458
Prior year adjustment	–	–
Balance at 1 April as restated	406	458
Net loss on revaluation during the year	(32)	(52)
Balance at 31 March	374	406

Note 13 Capital reserve

	2006-07 £'000	2005-06 £'000 Restated
Balance at 1 April as previously reported	251	665
Prior year adjustment	–	–
Balance at 1 April as restated	251	665
Net Parliamentary funding	1,000	160
Net loss on revaluation of fixed assets to General Fund	(32)	(52)
Depreciation charge for year transferred to General Fund	(402)	(522)
Net book value of fixed asset disposals transferred to General Fund	(15)	–
Balance at 31 March	802	251

The notes on pages 20 to 34 form part of these accounts.

Note 14 Funding

	2006-07 £'000	2005-06 £'000
HMG funding received		
Compensation payments – funding received from Home Office	199,000	194,000
Administration – funding from Home Office for revenue expenditure	21,000	19,840
	220,000	213,840
Administration – funding from Home Office used for capital purchases	1,000	160
	221,000	214,000

The HMG funding received included a contribution by the Scottish Executive as follows:

	2006-07 £'000	2005-06 £'000
Compensation	19,337	18,221
Administration	2,541	2,367
	21,878	20,588

Note 15 Analysis of changes in cash

	Notes	2006-07 £'000	2005-06 £'000
Opening balance at Paymaster General Account		7,676	1,602
Increase in cash		11,071	6,074
Closing balance at Paymaster General Account		18,747	7,676
Opening balance all other bank accounts and cash		887	941
(Decrease) in cash		(435)	(54)
Closing balance at all other bank accounts and cash		452	887
Awards held on deposit in holding accounts	9	2,808	1,177
(Decrease)/Increase in cash	9	(1,527)	1,631
Closing balance	9	1,281	2,808
Total cash balance		20,480	11,371
Total increase in cash		9,109	7,651

The notes on pages 20 to 34 form part of these accounts.

Note 16 Reconciliation of the operating surplus to the net cash inflow/(outflow) from operating activities

	Notes	2006-07 £'000	2005-06 £'000
Net Operating Costs	11	(113,340)	(165,226)
Loss on disposal of fixed assets	13	15	–
Decrease in provision for doubtful debts	6	(12)	123
Depreciation	5	402	522
(Increase) in debtors	6	(83)	(314)
Decrease/(Increase) in prepayments	7	156	(634)
Increase/(Decrease) in creditors	8	5,966	(2,768)
(Decrease)/Increase in awards held on deposit holding accounts	9	(1,527)	1,631
(Decrease)/Increase in pre-tariff schemes provision	10	(24,185)	6,383
Increase/(Decrease) in tariff schemes provision	10	(35,066)	(2,075)
Increase in dilapidations provision	10	–	65
Notional cost of capital		(43,206)	(44,576)
Net cash inflow from operating activities		(210,880)	(206,869)

Note 17 Third party assets

The retention of compensation awards to certain minors is provided for under paragraph 3 of the scheme. The purpose of this action is to ensure that the victim will be the sole beneficiary of the sum of the award including accrued interest when they reach their majority (18 years of age). Where appropriate, interim payments are made on an 'as needs' basis.

The investment policy applied to these investments is to deposit the awards in low-risk commercial bank accounts. The average rate of interest applied to the investments during the financial year was 4.53%.

	Number of accounts	£'000	2006-07 £'000	Number of accounts	£'000	2005-06 £'000
Retained awards						
Balance at 1 April	2,122		23,687	2,411		25,022
Deposits in year	181	4,636		231	3,731	
Additional deposits to existing accounts		128			136	
Interest received		975			965	
			5,739			4,832
Closures	419	6,500		520	5,593	
Withdrawals		475			422	
Repaid to CICA					55	
Interest paid to victims		91			97	
			(7,066)			(6,167)
Clearing account						
Balance at 31 March	1,884		22,360	2,122		23,687

The notes on pages 20 to 34 form part of these accounts.

Note 18 Capital commitments

At 31 March 2007 the Authority had no outstanding capital commitments.

Note 19 Commitments under operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in the which the lease expires.

	2006-07 £'000	2005-06 £'000
Operating leases which expire:		
Within one year	550	–
Between two and five years	108	1,099
After five years	1,328	1,125
	1,986	2,224

The Authority's staff are employed on three sites, the main ones in Glasgow and London, with a further file storage facility on a separate site in Kinning Park, Glasgow. The leases on these properties end in the financial years 2014, 2007 and 2011 respectively for each site.

Note 20 Contingent liabilities

On occasion compensation cases, generally at appeal stage under the jurisdiction of the Criminal Injuries Compensation Appeals Panel, go to judicial review. Others may do so in the future. These could have an impact on the Authority's future liabilities.

The schemes allow for settled cases to be reopened in certain qualifying circumstances and no provision has been made for these cases.

Similarly, on occasion judgments under the Human Rights Act may have an impact on the Authority's award decisions. All such cases are and will be closely monitored. Because of the uncertainty of the outcome of such cases, the Authority is unable to quantify their effects, and no provision has been made for them.

Note 21 Post balance sheet events

On the 9 May 2007, sponsorship responsibility for the Authority transferred from the Home Office to the newly created Ministry of Justice under Machinery of Government Arrangements.

Note 22 Related party transactions

The Home Office and Scottish Executive are related parties to the Authority for their provision of staff on assignment to the Authority.

During the year ending 31 March 2007, related party transactions were entered into with the Criminal Injuries Compensation Appeals Panel for information technology support services and for the cost of judicial reviews. The Authority re-imbursed a total of £86,142 relating to judicial review expenses incurred by the Criminal Injuries Compensation Appeals Panel and includes £39,334 accrued at 31 March 2007. The Authority received a total of £15,000 for information technology support services to the Panel. We also accrued income of £8,469 for use of our storage facilities.

The notes on pages 20 to 34 form part of these accounts.

Note 23 Losses and special payments

Losses and special payments up to £1,000 are authorised by the Accounting Officer while above this level they are referred and authorised by the Authority's sponsors, the Home Office. Most cases related either to compensation for lost documents or to bad debts relating to repayments due from applicants in receipt of court compensation payments. Write-offs in 2006-07 totalled £203,000.

Note 24 Derivatives and other financial instruments

FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way NDPBs are financed, the Authority is not exposed to the degree of financial risk faced by some business entities. Moreover, financial instruments play a more limited role in creating risk than would be the case with a typical listed company to which FRS 13 mainly applies.

The Authority has no borrowings and relies on funding of its cash requirements on a resource budgeting basis from the Home Office. It is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk. The fair value of cash is the same as the book value. As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date are excluded from this note.

The Authority does hold material cash balances on deposit. Allocated holding accounts are included in the cash balance on the balance sheet, while funds retained in the applicant's name are excluded from the Authority's cash balance and are disclosed by way of a note. Details of all of these funds are set out in note 14 to these accounts. The objective of opening these individual deposit accounts is to accrue cumulative interest in line with average interest rates each year over the period in which the funds are retained. The investment policy applied to these investments is to deposit the awards in low-risk commercial bank accounts. No administration fee is charged to the applicant. The average rate of interest applied to the investments during the financial year 2006-07 was 4.53 per cent (2005-06 4.28 per cent).

Note 25 Movement in Taxpayers' equity

	2006-07 £'000	2005-06 £'000
		Restated
Balance at 1 April	(1,251,680)	(1,256,504)
Movement in General Fund	63,869	5,290
Movement in Revaluation Reserve	(32)	(52)
Movement in Capital Reserve	551	(414)
Balance at 31 March	(1,187,292)	(1,251,680)

The notes on pages 20 to 34 form part of these accounts.

Note 26 Prior year adjustment

For the financial year ending 31 March 2007, the Financial Reporting Advisory Board (FRAB) have agreed amendments to Government's Financial Reporting Manual (FReM) in accordance with FRS 3. Grants and grants-in-aid received for revenue purposes from the Home Office were previously accounted for as income. Full implementation of resource accounting required by the FReM requires that such amounts shall be considered as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence should be accounted for as financing. A prior year adjustment has been recognised to reflect the change in accounting policy, including an operating cost statement, which replaces the income and expenditure account, and cash drawn down against approved revenue funding is now credited to the general fund. These changes have not, however, resulted in any overall adjustment to the net Taxpayers' equity previously reported.

The notes on pages 20 to 34 form part of these accounts.

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Fax: 0141 331 2287

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