

Criminal Injuries Compensation Authority

Annual report and accounts 2003-04



INVESTOR IN PEOPLE

cica criminal injuries
compensation authority

Eighth Report

Criminal Injuries Compensation Authority Annual report and accounts 2003-04

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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CICA mission statement

The Criminal Injuries Compensation Authority aims to support the victims of violent crime by:

- providing an efficient and fair service to applicants
- investigating thoroughly all claims for criminal injuries compensation
- treating applicants with sensitivity and courtesy at all times.

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Chief Executive's foreword

Depending on one another

The year which this report is about – 2003-04 – was one of the most successful in the history of the Criminal Injuries Compensation Authority. Numbers of cases resolved, speed of issuing decisions and applicants' satisfaction as measured by customer survey were all near or at record highs. The number of complaints, requests for review of our decisions, and appeals against them were all near or at record lows. During the year we managed to settle nearly 6,500 more cases than we received, which meant that by year end, we had fewer cases working through the system than at any time in the past decade.

Such outcomes do not happen by chance. To achieve them it is essential that every part of the organisation is efficient and effective, that staff in every area understand how their work contributes to the aims of the organisation as a whole, and that they are committed to those aims. At the CICA I am privileged to work with such colleagues.

The converse also is true: if any part of the organisation is not working effectively and efficiently, the organisation as a whole cannot be successful. This applies as much to what are now called 'back office' functions as to those parts of the organisation dealing more directly with the victims of crime.

These are a few examples of what was necessary for our success this year:

- The mail room had to deliver with care, speed and accuracy the thousands of pieces of post we receive every week.
- Our Initial Action section had to eliminate a large backlog of unregistered applications with which it was burdened at the start of the year. They did this so successfully that they exceeded their customer service target for each of the last eight months of the year.
- Our IT section had to maintain continuity of service to all our 500 staff, while at the same time ensuring the safe introduction of a major IT upgrade, including a new interactive website.
- Our Training section had to ensure that staff had not merely the technical knowledge essential for dealing with complex compensation claims, but also the customer service and management skills necessary to ensure the best possible performance.
- Our Finance Department had to process accurately and quickly many thousands of financial transactions every month, while at the same time dealing with a major and complex finance IT upgrade.
- Our Administration sections in London and Glasgow had to ensure a clean, safe and healthy environment for all staff to work in.

These examples – there are many others I could have used – are both mundane and fairly obvious. And I have not yet mentioned the obvious contributions from our caseworkers, casework managers, decision makers and presenting officers. But the service functions are all too easily taken for granted – and, for that reason, all the more important to highlight.

At the CICA we take pride in what we do. We aim to provide the best possible service for the victims of violent crime and we do and will work together for this vital aim. Financial constraints will make the present year more challenging. But we shall approach the task with the same commitment and professionalism which we have always sought to demonstrate.

Finally, a word as to why this annual report and accounts have been produced so late – indeed, almost simultaneously with our 2004-05 annual report and accounts. It is due mainly to a major change in our accounting policies which was agreed late on between ourselves, our sponsors and our auditors. A short explanation is in order here.

At any time, we have, naturally, many thousands of compensation claims working through the system – applications where our investigations are in progress and where final resolution may be some way off. Thousands more incidents of criminal injury will have occurred which have not yet led to claims to us. Our previous accounting policy was to recognise our liability to pay only at the point where we made an offer of compensation. The 'work-in-progress' cases, and incidents which had not yet led to an application, were not shown in the accounts.

This was a policy agreed years earlier with our sponsors. But it was recently decided that there should also be recognition both of the work-in-progress cases and of incidents which have not yet become claims to us. Ultimately, many (indeed most) will result in an offer of compensation and a consequent liability to pay. On the other hand, until they are both received and decided, it is not possible to determine what the outcome will be in any particular case.

All that is possible is to reach an estimate. The method of doing so is inevitably complex. In relation to cases received but not yet resolved, it involves assessment of success rates and average award levels by year of application, and the use of actuarial techniques to consider the likely settlement value of cases yet to be determined. In relation to incidents which have occurred but which have not yet led to applications, it involves, in addition, a focus on the time lag between incident and application.

The outcome, regrettably delayed though it is, provides a more realistic picture than before of our financial situation, recognising our future obligation to pay compensation.

Howard Webber
Chief Executive
26 May 2006

Who we are and what we do

Introduction

The Criminal Injuries Compensation 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. We operate the scheme from offices in Glasgow and London.

Since the first scheme was set up in 1964, the Authority, together with the Criminal Injuries Compensation Board which it replaced, has paid more than £3 billion in compensation, making the scheme among the largest and most generous of its type in the world. Its aim is to provide victims with material recognition of their pain and suffering and to allow society to express its sympathy for what they have been through.

For most of our history, up to 1996, awards were set according to what the victim would have received in a successful civil action against the offender. By March 2004, there were 425 cases remaining to be resolved under the earlier system. These included cases already settled which the applicant had asked to be reopened on the grounds that his or her medical condition had got worse unexpectedly. The handling of these older cases is for us, though decisions are made by legally qualified members of the independent Criminal Injuries Compensation Appeals Panel.

Since April 1996, the level of compensation has been determined according to a scale, or tariff, set by Parliament. The scheme and the 1996 tariff were revised in 2001. The tariff includes descriptions of over 400 injuries, with each attached to one of 25 levels of compensation between £1,000 and £250,000.

In some situations – where applicants are incapacitated and unable to work for 28 weeks or more, and where their injuries have caused financial loss, whether through loss of earnings or the cost of medical or other care – there may be the possibility of additional compensation; see below for further details. Close relatives dependent on the victim of a homicide may also seek compensation for their financial loss. The maximum award we can pay in any case, including the tariff award, lost earnings and special expenses, is £500,000.

Our objectives are to:

- process efficiently, fairly and consistently all claims for compensation made to us
- ensure that applicants are treated with consideration and in accordance with Citizen's Charter principles
- ensure proper accountability for, and use of, public funds
- achieve progressive improvement in the efficiency, effectiveness and economy of our operations

- support staff to achieve their full potential in terms of skill and performance.

Types of compensation

There are two main types of compensation – personal and fatal injury awards.

Personal injury awards are made to recognise personal pain and suffering, whether mental or physical. The possible components are:

- an award based on the tariff of injuries. (**Table 1** sets out the number and size of tariff awards made in 2003-04);
- loss of earnings or earning capacity, beyond the first 28 weeks of loss; and
- special expenses, particularly the cost of medical or other care, provided the incapacity lasts for 28 weeks or more from the date of injury.

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 where the applicant was dependent on the income of the deceased;
- in the case of a child under 18, compensation for the loss of parental services; and
- funeral expenses, payable to whoever met the cost of the funeral.

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

Table 1: Awards made by tariff level 2003-04

Level	Tariff sum	Claims assessment – no. of awards	Review – no. of awards	Appeal – no. of awards	Total no. of awards	Gross value (£)
1	1,000	6,447	1,363	354	8,164	8,164,000
2	1,250	2,562	280	50	2,892	3,615,000
3	1,500	6,811	876	199	7,886	11,829,000
4	1,750	661	116	36	813	1,422,750
5	2,000	3,711	474	150	4,335	8,670,000
6	2,500	2,199	352	141	2,692	6,730,000
7	3,000	174	168	121	463	1,389,000
7	3,300	2,757	356	55	3,168	10,454,400
8	3,500	50	63	50	163	570,500
8	3,800	1,698	163	47	1,908	7,250,400
9	4,000	64	66	73	203	812,000
9	4,400	2,030	339	88	2,457	10,810,800
10	5,000	248	105	100	453	2,265,000
10	5,500	1,176	141	26	1,343	7,386,500
11	6,000	22	23	14	59	354,000
11	6,600	321	53	7	381	2,514,600
12	7,500	371	312	346	1,029	7,717,500
12	8,200	614	128	35	777	6,371,400
13	10,000	62	55	61	178	1,780,000
13	11,000	793	112	15	920	10,120,000
14	12,500	6	1	2	9	112,500
14	13,500	56	13	2	71	958,500
15	15,000	41	30	30	101	1,515,000
15	16,500	295	35	7	337	5,560,500
16	17,500	16	11	11	38	665,000
16	19,000	31	4	0	35	665,000
17	20,000	25	34	44	103	2,060,000
17	22,000	233	32	6	271	5,962,000
18	25,000	5	4	1	10	250,000
18	27,000	31	10	1	42	1,134,000
19	30,000	0	2	0	2	60,000
19	33,000	2	0	0	2	66,000
20	40,000	14	6	7	27	1,080,000
20	44,000	3	1	2	6	264,000
21	50,000	7	1	1	9	450,000
21	55,000	0	0	0	0	0
22	75,000	0	0	1	1	75,000
22	82,000	0	0	0	0	0
23	100,000	0	0	0	0	0
23	110,000	0	0	0	0	0
24	175,000	2	0	1	3	525,000
25	250,000	3	0	0	3	750,000
Total		33,541	5,729	2,084	41,354	132,379,350

Note 1: These figures are for tariff scheme payments only and exclude both payments for financial loss and awards under the old scheme.

Note 2: The total sums set out in this table are those paid for the most serious injury only. We also pay a proportion of the full tariff award for applicants' second and third most serious injuries.

Note 3: The total sums also – for illustration purposes – do not take account of reductions in individual awards for such matters as exacerbation of a pre-existing medical condition.

Note 4: Where there are two figures under a particular tariff level, 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.

- 58 per cent of the 41,354 people to whom we made tariff awards in 2003-04 received between £1,000 and £2,000 to recognise their pain and suffering.
- The maximum award of £500,000, including lost earnings and special expenses, was paid in five cases in 2003-04.

Making decisions

The criminal injuries compensation scheme allows three stages where an application for compensation may be decided – claims assessment, review and appeal.

Over half of our staff work in 14 claims assessment sections, examining and investigating the 70,000 or so applications made each year. We seek information from the police, medical authorities and other relevant organisations to assess each application.

A claims officer (the term the scheme uses to describe the staff who make award decisions) will then apply the terms of the scheme in deciding whether to make an award. This is a rigorous process involving close scrutiny of police and medical reports. In 2003-04, over 81 per cent of applications were settled at the claims assessment stage.

Applicants must meet several eligibility criteria to be entitled to an award. **Table 2** lists the number of disallowed claims in 2003-04 and the reasons for the decision.

Table 2: Reasons why applications were turned down in 2003-04

Scheme paragraph	Criterion	Disallowed applications
6	Injury sustained before 1 August 1964	19
7(a)	Previous claim for same injury	51
7(b)	Injury sustained in family setting before October 1979	151
8(a)	Mainly, injury did not result from crime of violence	5,151
9	Application did not meet restrictions in the paragraph	347
11	Motor vehicle cases: mainly, vehicle not used as a weapon with the intention to injure	433
12	Accidental injury sustained in law enforcement: risk not justifiable or not exceptional	136
13(a)	Failure to report without delay to police	2,748
13(b)	Failure to cooperate with police in bringing assailant to justice	6,523
13(c)	Failure to cooperate with the Authority	2,320
13(d)	Conduct before, during or after the incident	4,099
13(e)	Applicant's criminal record/character	3,071
16(a)	Assailant would have benefited from award	79
16(b)	Award would have been against a minor's interests	4
17(a)	Assailant in family violence/abuse claim not prosecuted	11
17(b)	Violence between adults in same family – assailant and victim still living in same household	49
18	Claim not submitted with 2 years of incident	731
25	Injury not serious enough to qualify for minimum award of £1,000	11,042
26	Pre-existing medical condition	860
Total		37,825

Note 1: This table uses the 2001 scheme paragraph references, but includes decisions made under the equivalent provisions of the 1996 scheme.

Note 2: This table relates to reasons why applications were turned down, rather than numbers of cases. In 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.

The most common reasons for disallowing claims in 2003-04 were that:

- the injury was not serious enough to qualify for the minimum award of £1,000
- the applicant failed to cooperate with the police in bringing their assailant to justice
- the injury did not result from a crime of violence
- the applicant's conduct before, during or after the incident contributed to it
- the applicant's criminal record meant that a refusal was appropriate.

Once we have established eligibility, we determine the size of the award, and issue our decision to the applicant.

These summaries illustrate the wide variety of applications we deal with, and some of the reasons for refusal.

- The applicant received minor facial scarring directly as a result of being assaulted. Medical reports noted that he was clearly intoxicated at the time of the incident. Witnesses stated that the applicant was in a very drunken state and verbally abusing two men. The applicant was warned by the men, but persisted in his verbal drunken abuse. He was subsequently punched in the face. As a result of his conduct, which was taken as having provoked the assault, and excessive alcohol consumption, which contributed to the circumstances, the application was rejected under paragraph 13(d) of the scheme, relating to applicant's conduct. (Paragraph 14, relating to intoxication by alcohol or drugs, though relevant, was not a specific ground for refusal.)
- A prison officer, dealing with a fight between two inmates, was bitten on the arm by one while restraining him. While there was no permanent scarring, the skin was lacerated. The officer was advised to undertake tests for HIV and Hepatitis C. He did so, the results proving negative. The report obtained from the applicant's GP confirmed that throughout the testing process, which took three months, the applicant had suffered from anxiety and insomnia. He was awarded £1,000 for mental trauma.
- The applicant was walking home when he heard the cries of a woman in distress. On investigating, he saw a woman confronted by two men armed with knives. He went to her aid, and in doing so, was stabbed in the arm while protecting her. In our investigations it was noted that the applicant had a number of unspent convictions, which under our usual system for taking account of convictions would probably have led to a 25 per cent reduction in his award. In fact, the claims officer made a full award because the applicant was injured as a result of his courage in coming to someone's assistance.

Reviewing decisions

People dissatisfied with our initial decision can ask for a review. Review applications are looked at afresh, and decisions are made by staff more senior than those who took the earlier decision. The review decision may be unchanged from or more favourable or less favourable to the applicant than the initial decision. When necessary, review staff make further enquiries of the applicant, police, medical and other authorities in order to determine whether:

- we have overlooked or misinterpreted information already supplied;

- the applicant has new and relevant information to supply;
- the police or medical authorities provided us with incomplete or misleading information initially;
- the injury suffered was not correctly matched to the tariff description and level; or
- there are other good reasons to change the original decision.

These summaries illustrate review decisions, which may differ from those made at claims assessment stage.

- The applicant was physically assaulted as she attempted to stop an unknown offender attacking her father. At the first stage we attempted to verify her injuries with the health centre she attended. They said they had no trace of her and therefore the application was refused under paragraph 25 of the scheme (which states we can provide compensation only if the evidence shows that the applicant suffered injury sufficient to justify the minimum award of £1,000). The applicant requested a review, stating that the police had taken her directly to the health centre. Review section made enquiries with the health centre, but still no trace of the applicant was found. The application once again had to be refused under paragraph 25.
- The applicant was a serving police officer whose back was injured while he was carrying out an arrest. Medical evidence showed that the applicant suffered from a back complaint before the incident. At claims assessment stage, the application was refused under paragraph 26 of the scheme on the basis that the majority of the applicant's condition was pre-existing, and that what was due to the 'arrest' injury did not on its own justify an award. In his review application the applicant stated that, though he had previous back problems, he had recovered before the arrest, but that now he was in constant pain. Further information received from his GP, which included letters from the consultant orthopaedic surgeon treating him, allowed Review section to offer an award for a medically recognised illness, of which 50 per cent was due to a pre-existing condition. The award offered was £1,650 – an award of £3,300 reduced by 50 per cent for exacerbation.
- In a fairly similar case, again the applicant was a serving police officer who injured his back while arresting an offender. The claims assessment decision was an award of £2,500 for a disabling back strain lasting over 13 weeks. The applicant applied for a review stating that the back injury was permanent, that he had returned to work on restricted duties (thus suffering financial loss) and that his future career was in doubt. Review section made enquiries with treating medical practitioners, the applicant's employer and the

Department for Work and Pensions. Medical enquiries established that the injury sustained was an exacerbation of a pre-existing condition, and the tariff award was reduced by 25 per cent. But the applicant had suffered loss as a direct result of being put on restricted duties and was subsequently medically retired. The Authority calculated the financial loss of earnings and pension entitlement, and made a total award of £31,592.

When the review has been completed, we write to the applicant with our decision, explaining our reasons in some detail. If the applicant is not satisfied with the review decision, he or she can request an oral hearing of the case by the independent Criminal Injuries Compensation Appeals Panel.

Appeals

If there is to be an oral hearing (in some circumstances, an appeal can be dealt with on paper), our Presenting Officers Unit prepares for it by investigating the case anew in the light of the reasons for the appeal provided by the applicant. We gather, examine and index the documentary evidence and compile a summary of the issues to be decided by the Appeals Panel. These set out for the applicant and the Panel the basis of our decisions to date, drawing their attention to the elements of the case most likely to be relevant to the appeal.

At the hearing, the presenting officer puts the case on behalf of the Authority. He or she outlines the facts, explains how we assessed the application previously and questions the applicant and any other witnesses. The Panel and appellant may also ask questions. The Panel, not the Authority, makes the final decision on any appeal case.

These summaries illustrate some appeal cases. At an oral hearing, Appeals Panel members obviously have the benefit of spoken evidence, and often other additional information, on which to base their decisions.

- The applicant stated that, while walking home with his bicycle following a night out, he was grabbed from behind, pushed into a wall and had his arm broken. His application was rejected at claims assessment and review stages on the grounds that witness evidence suggested that the applicant had fallen off his bicycle. Additionally, the police reported that on their visit to the applicant in hospital, he was unable to give any explanation as to how he received his injuries and admitted to being heavily intoxicated at the time. The Appeals Panel rejected the application on this basis, too. After hearing the evidence of the police officer and that of the applicant, they decided that the circumstances of the applicant's receiving his injuries remained unclear.

- The applicant, a custody officer in an immigration detention centre, claimed to have been threatened with physical violence by a detainee. An award of £1,000 for temporary mental anxiety was made at claims assessment stage. This decision was confirmed at review stage. The applicant argued that this award was too low. At the hearing, the Appeals Panel not only rejected the appeal but decided in fact that no award should be made, on hearing evidence that the threat had come from a man standing approximately 50 metres from the applicant. The Appeals Panel took the view that the applicant had not been put in reasonable fear of immediate physical harm, and therefore that no award was payable.
- The applicant was attacked by a group of unknown assailants as he was walking home with his girlfriend. The police stated that the applicant had declined to view photographs of possible offenders even though the importance of this was stressed by the officer. His application was rejected at claims assessment and review stages because we considered that he had failed to co-operate with the police in attempting to bring the assailants to justice. The Appeals Panel, having considered the evidence, decided that the applicant had failed to co-operate fully with the police, but that the circumstances were such as to warrant only a 70 per cent reduction. Awards were made for significant facial scarring and the loss of one front tooth, amounting to £1,095 after the reduction.

How we performed in 2003-04

Objectives

In 2003-04 our key objectives were:

- **To resolve more cases than we received.** The aim was to reduce the number of cases outstanding and to minimise the time taken to finalise applications.
- **To reach decisions at claims assessment stage in 90 per cent of cases within 12 months of receiving the application.** This target recognised that not all cases can be decided within a year.
- **To resolve cases as economically as the provisions of the scheme and our efforts to improve customer service allowed.** We measured this by the average unit cost of resolving a case.

Achievements

- **For the second year running, we achieved almost exactly the overall target for resolving applications.** Indeed, we exceeded slightly the target for tariff cases.
- **Also, for the second year in a row, we reduced significantly the number of tariff applications waiting to be resolved.** The reduction in 2003-04 was nearly 6,500, an even larger figure than in 2002-03.
- **A range of efficiency measures, plus new procedures for obtaining medical reports, resulted in a saving on our running costs for the year estimated at £1 million.**

Volume of applications

We received 70,595 new tariff applications (including reactivated cases and requests for reopening on medical grounds). This was a 4.5 per cent reduction on the total for 2002-03 (73,928). We also received 112 applications to re-open old scheme cases on medical grounds.

Research we commissioned from the Scottish Executive suggested that the fall in applications was probably due mainly to improved communication. So our efforts to give potential applicants a clearer idea of whether an application was likely to be successful, through improved literature about the scheme, the new interactive website and our telephone helpline, are helping to avoid burdening all concerned with applications that will not be successful.

Applications resolved

Our target for 2003-04 was for 77,000 tariff scheme resolutions. The actual end-year figure was 77,052 resolutions. We also aimed to resolve 500 old scheme cases. We resolved 435 of these cases, a respectable outcome given their complexity.

Table 3 shows the overall targets and achievements.

Table 3: Applications resolved 2001-02 to 2003-04 – 1990 and tariff scheme cases combined

	2001-02	2002-03	2003-04
Target for resolved claims	83,500	81,000	77,500
Achievement	76,892	79,972	77,487
% achievement	92	99	100

Rates of review and appeal

As Table 4 shows, the proportion of decisions at claims assessment stage which applicants contest and which go on to be reviewed has been steady at around 22 per cent over the past three years. The increase in the rate of contested review decisions going to appeal was due to special circumstances, including the receipt and resolution of nearly 200 appeals arising from a single incident. We expect the appeal rate to fall in 2004-05 to its 2002-03 level. It is worth noting that the appeal rate in 2001-02 was itself well below that of previous years.

Table 4: Tariff scheme review and appeal rates

	2001-02	2002-03	2003-04
% of claims assessment cases going to review	22.5	21.8	22
% of review cases going to appeal	25.7	24	25.3
Overall appeal rate	5.8 ¹	5.2	5.6

¹ The number of appeals received in the year as a percentage of overall decisions made will fluctuate with review output. The figure in the table is the product of the review and appeal rates, which gives a truer picture.

Time taken to reach decisions

We recognise the importance to applicants of minimising the time they have to wait for a fair decision. Table 5 shows the time taken to reach decisions at claims assessment stage. Despite exceeding our overall target for tariff resolutions and making nearly as many decisions at this stage as in 2002-03 (73,201 compared with 73,352), our performance in terms of reaching decisions within 12 months of receiving the application was slightly below that in 2002-03 – 74.4 per cent compared with 76 per cent for that year.

But this actually masks an improvement in customer service during the year. At the start of 2003-04 we introduced a new group of specialist caseworkers, whose task it is to make progress on the most complex (and often oldest)

cases – those involving claims for loss of earnings and/or special expenses. These staff – generally among the most experienced of our caseworkers – proved highly successful very quickly, with the result that we resolved more of these old and difficult tariff cases than in any previous year. But since these cases are older, they do not show up in the figures for those decided within 12 months of our receiving them.

In addition, comparing these figures with those for the previous year reveals that we improved our performance on the more straightforward cases. In 2002-03 only 18 per cent of decisions were issued within four months of our receiving the case. The figure for 2003-04 was 23 per cent. The percentage of cases decided within eight months was also slightly higher in 2003-04 than in 2002-03.

Table 5: Time taken to reach claims assessment decisions 2003-04

Period of time from receipt	Number of decisions	%	Cumulative %
Within 2 months	5,601	7.65	7.65
2-4 months	11,539	15.76	23.41
4-6 months	12,740	17.40	40.82
6-8 months	10,562	14.43	55.25
8-10 months	8,007	10.94	66.18
10-12 months	6,033	8.24	74.43
Over 12 months	18,719	25.57	100.00
Total	73,201	100	

Cases outstanding

As **Table 6** shows, we reduced the total number of tariff scheme cases outstanding by nearly 6,500. This was higher than the reduction of 5,320 achieved during 2002-03, which itself was the first time that we had ended a year with fewer tariff cases than at the beginning of the year. Overall, by 31 March 2004 we had fewer cases outstanding than at the end of any period since March 1992.

Table 6: Outstanding applications at 31 March 2004

	2001-02	2002-03	2003-04
Awaiting a first decision	62,534	60,807	56,142
Awaiting a review decision	12,746	9,779	9,097
Awaiting applicant's response to a first or review decision	16,833	15,677	14,577
Awaiting appeal	4,654	5,184	5,174
Total	96,767	91,447	84,990

Unit cost

On the same basis as in 2002-03, that is excluding the exceptional provision for dilapidations, total running costs for the year were £23.611 million and the average cost of resolving a case was £305. This was achieved despite increases in salary and accommodation costs. It was due to a combination of increased efficiency in all areas of our operation and savings achieved by changing our procedures for obtaining medical reports. This second point deserves some explanation.

Although the scheme places responsibility on applicants to make the case for compensation, it is our long-established practice to obtain and pay for the medical reports which we consider necessary for a proper decision to be made.

Up to November 2003 medical reports were requested as soon as we received an application, in order to speed up the decision-making process. It meant that as soon as we received the report from the police about the circumstances of the incident we would often have enough information to issue a decision.

In 2002-03 our total expenditure on medical reports was £5.4 million. This amounted to 42 per cent of our non-staff costs. We made it a priority to reduce this figure in a way which would not significantly slow down our decisions.

In many cases, we ultimately have to turn down an application on grounds which are not related to the seriousness of the applicant's injuries – for instance because he or she failed to co-operate with the police, or started the fight in which the injury occurred. When this happens, there is little to be gained by obtaining medical information, since such information will play no part in the decision. So since the beginning of November 2003, we request medical reports only when we have received information from the police which suggests that the applicant may in fact be eligible for an award.

There is inevitably some price to be paid in terms of delay. So priority cases, such as from elderly or very ill applicants, are excepted from these arrangements – we request medical reports immediately in such cases. Our assessment is that the new system has resulted in no reduction in the quality of the medical information available to our decision makers, and only minor delay in reaching decisions on our cases.

Improving how we work

Every annual report we produce contains a statement to the effect that our staff are our main and most important resource. But repetition in no way reduces the sincerity and truth of the statement. It is both sincere and true.

The considerable majority of our staff deal directly with cases at the three stages of the casework process – claims assessment, review and appeal. A team of legal advisers, information technology, policy and training sections and administrative, quality control and finance personnel are on hand to support them. The Chief Executive and his 12 management team colleagues lead and manage performance. In essence, their job is to assist all staff in the Authority to achieve their full potential.

CICA caseworkers fulfil a challenging and demanding role. They make difficult assessments on a daily basis on the eligibility of claimants, dealing with complex issues of causation and blame. In doing so they must interpret detailed medical and police reports. They may also have to make complicated financial calculations, where applicants' injuries mean that they are unable to work. Specialised training and support for all staff are therefore very important.

Information technology

During 2003-04 we continued to develop and upgrade the CICA's IT systems. The main projects were:

- **e-business.** This project was to revamp our current website. The aim was to provide a facility for on-line applications, an interactive guide to the scheme, an eligibility questionnaire (to help potential applicants to decide whether to apply), a tariff calculator (to help applicants to work out how much compensation they might receive) and a vastly improved layout with more and better search facilities. Working in partnership with the independent charity Victim Support, who assisted with testing the new website and who also hosted the official launch with Baroness Scotland (Home Office Minister), the new site went live on 1 December 2003. By the end of March 2004 we had received 349 electronic applications.
- **Government Secure Intranet (GSI).** This facility was made available to all CICA staff in September 2003. It provides access to the internet (including access to our sponsors' – the Home Office and Scottish Executive – intranets), and allows us to communicate with our customers and information providers by e-mail.
- **Accounts upgrade.** The BACS facility for automatic money transfers went live for trade creditors in July 2003. We plan that the BACS facility for compensation payments will go live during the current financial year.
- **Hardware/software replacement.** We replaced all our outdated personal computers, file servers and main servers in June 2003. At the same time we upgraded our operating software substantially.

- **Better letters.** Our improved IT made it possible to produce more 'tailored' and specific case decision letters than previously. Improving such letters is a process which will not come to an end. But after an extensive review of our standard decision letters, with the aim of explaining more clearly and fully how we reach each decision, the latest upgrade went live in December 2003.

Training and development

We continue to broaden the training and development opportunities available to all staff through our annual training programme. This year our training group delivered over 190 training events covering development in areas such as induction, IT, job skills and personal, management and career development.

During 2003 we improved our customer care training, with a focus on communication techniques for dealing with victims of crime. We also introduced 'learning contracts' as a mechanism for ensuring that a planned programme of training and development is in place for all new entrants.

As caseworking staff progress in their roles there is opportunity to develop skills in specialised areas. Financial skills courses equip our specialist caseworkers to deal with more complex financial loss cases. In March 2004, a training workshop was launched for staff in our Initial Action section to enable them to develop further customer care skills and knowledge of the scheme.

Our management development programme is an opportunity for all current and future managers to develop their people management skills. A new coaching programme will also enable us to develop and value the coaching role undertaken by many of our caseworkers and managers. Coaching is particularly important where so many of our jobs are heavily loaded and can be stressful.

In September 2003 all staff attended our annual seminars. This year's theme was 'Sharing Knowledge'. The event encouraged everyone to learn together and develop their skills in team working. To continue this theme we initiated learning forums as an opportunity for us to learn from each other.

In February and March 2004 we held forums for all decision makers as a means for them to exchange information and knowledge on working practices and policies involved in decision making.

Within our learning strategy we continue to provide support and financial assistance (as far as resources allow) to staff undertaking external qualifications as part of their personal development for current and future career aspirations. Our staff are also encouraged to participate in training events via external training providers and those set up by the Scottish Executive and Home Office.

Communicating more and better

This year CICA had a new communications team in place. Their first project was to improve our customer communications, in order to make it easier for applicants to understand the application process through redesigned leaflets and more simply written application forms.

Working with the Government agency COI Communications, we made changes to the content and presentation of our existing publications – the main guide to the criminal injuries compensation scheme, the personal injury application form and 'The next steps' leaflet in our 'Applying for criminal injuries compensation' series. A new leaflet was introduced to advise applicants wishing to have their decision reviewed.

These changes should mean that we receive fewer inappropriate applications and that those we receive are likely to contain the information necessary to enable staff to reach decisions with less delay.

All our new leaflets are checked by COI Communications to ensure that they meet the needs of visually impaired customers. And all of them – and the new application form – have been awarded the Crystal Mark from the Plain English Campaign.

Our internal communications were also reviewed – LINX, our staff magazine, was evaluated quantitatively and qualitatively during the year with a postal questionnaire and some lively focus groups in both offices.

We produced new portable exhibition stands for conferences and the training and briefing sessions CICA staff provide at events organised by others, notably Victim Support.

We received a steady flow of enquiries from the news media. Some of these concerned the scheme in general but most arose from interest in particular cases. In line with our policy on protecting applicants' confidentiality, we endeavoured in each case to provide as clear as possible an explanation of the relevant provisions of the scheme, while avoiding disclosure of information on individual cases. We were also able to pursue opportunities to explain aspects of the scheme, unrelated to specific cases, with Radio 4's 'Today' programme and with specialist legal and victim-centred publications.

Foreword to accounts

Introduction

1. This statement of accounts reports the results of the Criminal Injuries Compensation Authority (the Authority) for the year 1 April 2003 to 31 March 2004. It has 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). The Secretary of State for the Home Office is required to make arrangements for the payment of compensation to or in respect of persons who have sustained one or more criminal injuries. These arrangements are set out in the tariff-based Criminal Injuries Compensation Scheme (the scheme) made by the Secretary of State on 12 December 1995 and revised by him on 1 April 2001.

Background information

2. The Authority is a Non-Departmental Public Body (NDPB) sponsored by the Home Office and the Scottish Executive. It makes payments under the scheme and also under the previous common law based ex-gratia schemes (the predecessor schemes). Claims officers in the Authority, appointed by the Secretary of State under Section 3(4)(b) of the Act, determine claims in accordance with the scheme. Their decisions are open to appeal to an independent Criminal Injuries Compensation Appeals Panel (the Panel), comprising adjudicators appointed by the Secretary of State under Section 5(1)(b) of the Act. Applications under the predecessor schemes are dealt with by the Authority, but such decisions are made by members of the Appeals Panel.
3. Section 6(3) of the Act requires that the scheme includes provision for such persons as the Secretary of State considers appropriate to prepare a statement of accounts in each financial year in such form as the Secretary of State may direct. Under the scheme, the Chief Executive, as Accounting Officer, must prepare such a statement of accounts for the Authority. The Panel prepares its own annual report and accounts.
4. The accounts have been prepared in line with the Executive Non-Departmental Public Bodies Annual Report and Accounts Guidance, as advised by the Financial Reporting Advisory Board. The accounts are also prepared in line with the Accounting Guidelines issued by the HM Treasury.
5. The Authority is financed in respect of its administrative costs and payments of awards of compensation by grant-in-aid from the Home Office, with a contribution from the Scottish Executive.

6. The balance sheet at 31 March 2004 shows net liabilities of £1,210 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 income, may be met only by future grants or grants-in-aid from the sponsor departments. This is because under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. These liabilities concern mainly provision for awards that are expected to be made in finalising applications under the predecessor schemes.
7. Grant-in-aid for 2004-05, taking into account the amounts required to meet the Authority's liabilities falling due in that year, has already been included in the department's budget for that year, which has been approved by Parliament. The Home Office have confirmed in writing that they will continue to fund the Authority in its activities for the foreseeable future, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial accounts.

Payment performance

8. 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 review of invoices paid during 2003-04 showed that all of those from commercial organisations were paid within 28 days. Formal procedures were in place to investigate any payments not made within 28 days or the stated credit terms where a supplier has issued a reminder to pay. The Authority was not required to pay any interest relating to late payment under the terms of the Commercial Debts Interest Act 1998.

Review of activities

9. The financial year 2003-04 was the eighth year of operation of the tariff-based scheme. Work under this scheme was by far the main activity. Business targets for 2003-04 included resolving 77,000 applications. In the year, 77,052 claims were resolved, and responses were awaited to decisions in a further 14,577 cases. Cash expenditure on compensation under the tariff-based scheme was £174.4 million. Work also continued on the clearance of claims under the predecessor schemes. Resolutions under these schemes totalled 435, compared with a target of 500. The related cash expenditure on compensation was £47.2 million, so total cash expenditure on compensation was £218.4 million.

Results for the year

10. The Authority received £242.1 million as grant-in-aid income from the Home Office in 2003-04, which included a contribution of £26.5 million from the Scottish Executive. Compensation spending on the predecessor schemes was charged against the provision reported in paragraph 6 above. The net reduction in expenditure reported on an accruals basis offset against grant-in-aid income reported on a cash basis resulted in an operating deficit of £48.9 million and an overall deficit on the general fund of £1,210 million – primarily due to the provision noted above.

Future developments

11. Subject to resources our plans include implementation of BACS for paying awards and medical report fees and further integration of our procurement processes with our finance IT systems.

Employees

12. The Authority is an Investor in People because investing in training and development plays an integral part in achieving its business aims. The Authority has strategies and plans in place to equip all staff with the knowledge and skills necessary to meet business objectives and to offer wider career and personal development.

Disabled people

13. Recruitment and engagement of staff assigned to the Authority are currently undertaken by the Home Office and Scottish Executive in accordance with their policies and practices as equal opportunities employers.

Accounting policies: pre-tariff and tariff schemes provisions

14. The move from cash to accruals accounting, which government departments, agencies and NDPBs have implemented in recent years, represents a move from an approach which recognised only the cash that an organisation spent in the financial year to one which takes account also of future liabilities and rights to receive income. Accordingly, with the agreement of our sponsors and auditors, we changed our accounting policies in 2001-02 to reflect the value of offers of compensation which had been accepted but not yet paid. And we also took into account 90 per cent of the value of awards that were offered but not yet accepted, recognising the high probability that this proportion would be accepted.

15. In the accounts for the year ending 31 March 2002 we also included, for the first time, an estimate of the total net final value of the applications outstanding under the pre-tariff schemes – which governed applications for compensation received before April 1996. Following discussion with our sponsors, we did not do the same for the tariff schemes' 'work in progress' – those cases received but not decided.

16. However, following more recent discussions with our Audit Committee, sponsors and auditors we have changed our accounting policy. The change is designed to recognise not only the likely total net final value of the applications which are 'work in progress', but also the value of applications that we are likely to receive in future from incidents which occurred before 31 March 2004.

17. The estimates for these have been obtained with specialist actuarial advice, and the adjustment to our accounts to reflect the resulting financial provision has been made with effect from 31 March 2002, in order to align the new policy with the introduction of the same approach for the pre-tariff scheme.

18. The Authority has re-assessed the provision for the pre-tariff schemes. The Authority's Advocates revalued all outstanding pre-tariff cases as at 31 March 2005. This exercise provided the gross liability from which interim payments made were deducted to arrive at the revised provision required. This was then used to derive the values as at 31 March 2003 and 31 March 2004.

Audit

19. The Comptroller and Audit General is the external auditor of the Authority, and is appointed under statute, reporting to Parliament. The cost of the statutory audit for 2003-04 was £97,800 (2002-03 £87,000).

Howard Webber

Chief Executive and Accounting Officer
Criminal Injuries Compensation Authority
26 May 2006

Statement of the Authority's and the Accounting Officer's Responsibilities

The Authority's responsibilities

Under the Cabinet Office's guidance on codes of Best Practice for Board members of public bodies, the Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting for their use.

Under section 6(3) of the Criminal Injuries Compensation Act 1995 and paragraph 4 of the Criminal Injuries Compensation Scheme, the Accounting Officer of the Authority must prepare a statement of accounts for each financial year. These Accounts are to be prepared in the format and on the basis directed by the Secretary of State for the Home Office, with consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Authority's state of affairs at the year-end, and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Authority is required 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 to apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Criminal Injuries Compensation Authority will continue in operation.

The Accounting Officer's responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive of the Criminal Injuries Compensation Authority as the Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum issued by the Treasury and published in Government Accounting.

Statement on internal control

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.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Authority's policies, aims and objectives, to evaluate those risks in terms of likelihood and potential impact and to manage them effectively, efficiently and economically. The system of internal control has been in place in the Authority for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Through an extensive process of consultation with staff and consideration by the management team 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 arrangements for managing and monitoring each risk and the managers who are responsible.

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
- monthly reviews by the Management Team 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 (independently chaired) 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.

Although an NDPB, the Authority does not have a Board or non-executive Chair. Its structure is, rather, akin to that of a departmental agency, headed by the Chief Executive and Management Team.

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. I also receive reports by our Security and Quality Assurance section about the results of their programme of compliance visits and about particular risks which they have been asked to investigate.

As Accounting Officer I also have responsibility for reviewing the effectiveness of our systems of internal control. My review of this is informed by:

- meetings of the Management Team at which the risk register and control system is reviewed
- the work of the internal auditors
- the reports by our Security and Quality Assurance Section
- the work of our managers who are responsible for the development and maintenance of the internal control framework
- the advice of the Audit Committee and
- comments made by our external auditors in their management letter and other reports.

During 2003-04 several important changes were made to our systems, which improved the control of risk:

- Implementation of the new financial system was completed. This has allowed for improvements in internal controls, in information for financial management and in our ability to manage the flow of funds.

- The completion of an all electronic link between the casework support system and the accounts IT system improved the security and speed of authorising and issuing award payments.
- A new cadre of specialist caseworkers was selected from existing staff for their special skills and experience, with the aim of increasing the assurance that the more complex cases will be dealt with appropriately. Concentrating the handling of these cases among fewer staff has made it easier to ensure that those concerned have appropriate skills and guidance to deal with such cases consistently.
- Changes in the procedures for obtaining medical reports, introduced in October 2003, reduced substantially the number of reports commissioned and consequently lowered the potential risk of errors in commissioning or paying for reports.
- The Security and Quality Assurance Section undertook a major examination of procedures at the claims assessment stage, which accounts for nearly 80% of case resolutions and awards. It is also worth noting that following the programme of risk seminars for staff which began in 2002-03, in February 2004 seminars were organised for all staff in initial action and claims assessment casework to present the changes agreed following Security and Quality Assurance report on this exercise.
- A further exercise to examine our systems for the commissioning and payment of medical reports, which is our main non staff variable cost, was completed by the year-end and the resultant new controls on the commissioning of and payment for medical reports were introduced in July 2004.

Howard Webber

Chief Executive and Accounting Officer
Criminal Injuries Compensation Authority
26 May 2006

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

I certify that I have audited the financial statements on pages 19 to 31 under Section 6(3) of the Criminal Injuries Compensation Act 1995. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 21 to 23.

Respective responsibilities of the Authority, Chief Executive and Auditor

As described on page 16 the Authority and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 6(3) of the Criminal Injuries Compensation Act 1995 and directions by the Secretary of State with the consent of Treasury made thereunder and for ensuring the regularity of financial transactions. The Authority and Chief Executive are also responsible for the preparation of the Foreword and other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Criminal Injuries Compensation Act 1995 and directions by the Secretary of State with the consent of Treasury made thereunder, and whether in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Authority has not kept proper accounting records, or if I have not received the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 16 and 17 reflects the Authority's compliance with HM Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Panel's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity, 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Criminal Injuries Compensation Authority at 31 March 2004 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with Section 6(3) of the Criminal Injuries Compensation Act 1995 and directions made thereunder by the Secretary of State with the consent of the Treasury; 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
14 June 2006

Accounts

Income and expenditure account for the year ended 31 March 2004

	Notes	2003-04		2002-03 Restated	
		£'000	£'000	£'000	£'000
Grant-in-Aid	2		241,563		260,109
<u>Tariff and pre-tariff compensaton charges</u>					
Tariff schemes	22	218,442		196,221	
Pre-tariff schemes	22	<u>47,208</u>		<u>0</u>	
			265,650		196,221
Staff costs	4	12,073		11,463	
Administration costs	5	11,509		13,039	
Dilapidations on leases	22	<u>1,250</u>		<u>0</u>	
			<u>24,832</u>		<u>24,502</u>
Total operating expenditure			<u>290,482</u>		<u>220,723</u>
Operating (deficit)/surplus			(48,919)		39,386
Other income	3	1,796		2,379	
Notional cost of capital	1(vi)	41,545		71,080	
Amount repaid to consolidated fund		<u>(505)</u>		<u>(947)</u>	
			<u>42,836</u>		<u>72,512</u>
Retained (deficit)/surplus before transfers from reserves and reversal of notional cost of capital			(6,083)		111,898
Transfers from reserves	11	561		215	
Notional cost of capital reversal	1(vi)	<u>(41,545)</u>		<u>(71,080)</u>	
			<u>(40,984)</u>		<u>(70,865)</u>
Retained (deficit)/surplus for the financial year after transfers from reserves and reversal of notional cost of capital	10		<u>(47,067)</u>		<u>41,033</u>

All income and expenditure is derived from continuing operations.

The notes on pages 23 to 35 form part of these accounts.

Statement of total recognised gains and losses for the year ended 31 March 2004

	Notes	2003-04		2002-03 Restated	
		£'000	£'000	£'000	£'000
Retained (deficit)/surplus for the financial year after transfers from reserves and reversal of notional cost of capital	10	(47,067)		41,033	
Gain on revaluation of fixed assets	11	<u>684</u>		<u>11</u>	
			(46,383)		41,044
Grant-in-aid used for capital expenditure	2	571		875	
Transfers from government grant reserve	11	<u>(561)</u>		<u>(215)</u>	
			<u>10</u>		<u>660</u>
Total recognised (losses)/gains for the year	11		(46,373)		<u>41,704</u>
Prior year adjustment (as explained in note 10)	10		<u>(940,338)</u>		
Total losses recognised since last report			<u>(986,711)</u>		

The notes on pages 23 to 35 form part of these accounts.

Balance sheet as at 31 March 2004

	Notes	31 March 2004		31 March 2003 Restated	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible assets	6	346		212	
Tangible assets	6	<u>1,776</u>		<u>1,195</u>	
			2,122		1,407
Current assets:					
Debtors	7	1,236		911	
Prepayments	8	921		1,404	
Cash at bank and in hand	13	<u>2,986</u>		<u>11,101</u>	
		5,143		13,416	
Creditors (amounts falling due within one year)	9	<u>(4,702)</u>		<u>(3,441)</u>	
Net current liabilities			441		9,975
Total assets less current liabilities			2,563		11,382
Creditors (amounts falling due after more than one year)	14		(1,579)		(3,445)
Provisions for liabilities and charges					
Pre-tariff schemes	22	(208,924)		(214,756)	
Tariff schemes	22	(1,001,002)		(957,000)	
Other	22	<u>(1,250)</u>		<u>0</u>	
			<u>(1,211,176)</u>		<u>(1,171,756)</u>
Net liabilities			<u><u>(1,210,192)</u></u>		<u><u>(1,163,819)</u></u>
Government funds					
Income and expenditure reserve	10		(1,212,292)		(1,165,225)
Other reserves	11		<u>2,100</u>		<u>1,406</u>
			<u><u>(1,210,192)</u></u>		<u><u>(1,163,819)</u></u>

Howard Webber

Chief Executive and Accounting Officer
26 May 2006

The notes on pages 23 to 35 form part of these accounts.

Cashflow statement for the year ended 31 March 2004

	Notes	2003-04		2002-03 Restated	
		£'000	£'000	£'000	£'000
<u>Operating activities</u>					
Net cash outflow from operating activities	12		(9,407)		(3,193)
<u>Other non-operating income</u>					
Other income	3	1,758		2,333	
Amount repaid to consolidated funds		<u>(505)</u>		<u>(947)</u>	
			1,253		1,386
<u>Returns on investments and servicing of finance</u>					
Interest received	3		38		46
<u>Capital expenditure and financial investment</u>					
Payment to acquire tangible fixed assets	6		<u>(571)</u>		<u>(875)</u>
Net cash outflow			(8,687)		(2,636)
<u>Financing</u>					
Grant-in-aid for capital expenditure	2		<u>571</u>		<u>875</u>
Reduction in cash	13		<u>(8,116)</u>		<u>(1,761)</u>

The notes on pages 23 to 35 form part of these accounts.

Notes to accounts

Note 1 ACCOUNTING POLICIES

(i) Basis of accounts

The statement of accounts set out on pages 19 to 22 together with the notes on pages 23 to 35 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 the Treasury, in accordance with the Criminal Injuries Compensation Schemes 1996 and 2001.

At 31 March 2004, the Criminal Injuries Compensation Authority balance sheet records net liabilities of £1,210 million (2003 £1,164 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 grants or grants-in-aid from the Home Office. This is because, under the normal conventions applying to Home Office control over income and expenditure, such grants may not be paid in advance of need.

Grant-in-aid for 2004-05, 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 Home Office'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.

(ii) Accounting conventions

The accounts meet:

- the accounting and disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to the Authority;
- standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury;
- the requirements of the accounts direction and the financial memorandum issued to the Authority by the Secretary of State for the Home Office;
- the Executive Non-Departmental Public Bodies Annual Report and accounts guidance issued by the Treasury.

(iii) Grant-in-aid

Grant-in-aid received for revenue expenditure is credited to income in the year to which it relates. Grant-in-aid used for capital purchases is credited to a government grant reserve. Each year, an amount equal to the depreciation charge on the fixed assets acquired through grant-in-aid, 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 income and expenditure account.

(iv) Fixed assets

Tangible fixed 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, a grouped basis if £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 of National Statistics, from the month of acquisition. All refurbishment costs are valued on an historic cost basis. Intangible assets are recognised initially at cost. 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 income and expenditure account if the deficit exceeds the balance on the revaluation reserve.

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

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 of National Statistics, from the month of acquisition.

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

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

(vi) Notional charges

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the income and expenditure account along with an equivalent reversing notional income to finance the charge. The charge for the period is calculated using the Treasury's discount rate of 3.5 per cent applied to the average value of capital employed during the period.

2003-04 This is therefore calculated (in £'000) as follows: $3.5\% (\text{£}1,210,192 + \text{£}1,163,819) / 2 = \text{£}41,545$

2002-03 This is therefore calculated (in £'000) as follows: $6.0\% (\text{£}1,163,819 + \text{£}1,205,523) / 2 = \text{£}71,080$

(vii) Value Added Tax

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

(viii) 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 funds of the Home Office and Scottish Executive.

(ix) Notional costs

Notional costs of Home Office services provided to the Authority in 2003-04 are not reflected in these accounts. These costs are included in the total Home Office expenditure. A Home Office review is under way to develop a more robust methodology for calculating these.

(x) 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.

(xi) Operating leases

A long term liability of £1.25 million 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. Rentals paid on operating leases for buildings are charged to expenditure as incurred.

(xii) 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 liability 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.

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

As explained in note 10, the Authority has changed its accounting policy during the current financial year on recognising expenditure and liabilities under the tariff schemes. Previously, expenditure and liabilities were recognised in the year during which a written offer was issued to the applicant. The new accounting policy is designed to recognise 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, and the adjustments to our accounts to reflect the resulting financial provision have been made with effect from 31 March 2002, in order to align the new policy with the introduction of the same approach for the pre-tariff schemes.

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 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.

Dilapidations

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

Note 2 INCOME – GRANT-IN-AID

	2003-04	2002-03
Notes	£'000	£'000
HMG grants received		
Compensation payments – grant received from Home Office	218,000	237,264
Administration – grant-in-aid from Home Office for revenue expenditure	23,563	22,845
	<u>241,563</u>	<u>260,109</u>
Administration – grant-in-aid from Home Office used for capital purchases	571	875
	<u>242,134</u>	<u>260,984</u>

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

Compensation Vote 5, subhead D4	23,980	30,844
Administration Vote 5, subhead C2	2,592	3,084
	<u>26,572</u>	<u>33,928</u>

Note 3 INCOME – OTHER INCOME

	2003-04	2002-03
	£'000	£'000
Civil actions – retainable	144	243
Civil actions – non-retainable	736	209
Court compensation orders – retainable	(6)	6
Court compensation orders – non-retainable	588	522
Bank interest	38	46
Other administrative income	296	1,353
	<u>1,796</u>	<u>2,379</u>

Note 4 EMPLOYMENT COSTS

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

a) Staff costs

	2003-04 £'000	2002-03 £'000
Salaries and emoluments	8,736	8,480
Social security costs	650	581
Other pension costs	1,120	1,115
Agency staff	684	514
Overtime payments	883	773
	<u>12,073</u>	<u>11,463</u>

b) Staff numbers

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

	2003-04 £'000	2002-03 £'000
Casework	397	408
Administration	100	100
	<u>497</u>	<u>508</u>
	2003-04	2002-03
Scottish Executive	355	365
Home Office	142	143
	<u>497</u>	<u>508</u>
Agency	37	28
	<u>534</u>	<u>536</u>

c) Senior staff pay

The Chief Executive fulfils the role of Accounting Officer of the Authority. The emoluments disclosed for him represent the total amount paid, as do the emoluments of the Senior Solicitor and the Deputy Chief Executive.

The salary and pension entitlements of those persons in senior positions having authority or responsibility for directing or controlling the major activities of the Authority are as follows:

		2003-2004				2002-2003			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
		Age	Salary and pension	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March 2004	Salary and pension	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March 2003	
H Webber	Chief Executive	49	70-75	2.5-5.0	25-30	70-75	2.5-5.0	25-30	
A Johnstone	Senior Solicitor	44	60-65	0.0-2.5	25-30	60-65	0.0-2.5	25-30	
E McKeown	Deputy Chief Executive	50	60-65	0.0-2.5	25-30	60-65	0.0-2.5	25-30	

All permanent members of staff are currently on assignment to CICA and remain employees of their parent organisations. They are all ordinary members of the Principal Civil Service Pension Scheme (PCSPS). The parent organisations are responsible for paying their remuneration and 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 1999. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003-04, employer's contributions of £1,120k (2002-03, £1,115 k) were paid to the PCSPS at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the 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 1st October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No staff members working for the Authority had taken this option during the financial year 2003-04 and therefore no contributions were made.

Note 5 ADMINISTRATION COSTS

	2003-04 £'000	2002-03 £'000
Accommodation costs	3,519	3,472
Audit fees – external	98	87
Audit fees – internal	18	12
Furniture and fittings	95	63
Information and publications	80	69
IT development and maintenance	492	1,251
Medical/dental fees	4,421	5,439
Miscellaneous fees	854	873
Postage and telephone	595	585
Stationery	226	361
Training	141	189
Travel and subsistence – staff	294	322
Travel and subsistence – witnesses	10	6
Ex-gratia payments	17	49
Bad debts written off	130	80
Depreciation	514	195
Loss on disposal of fixed assets	26	5
Loss on revaluation of fixed assets	0	15
Movement in provision for bad debt	(21)	(34)
Total administration costs	<u>11,509</u>	<u>13,039</u>

Note 6 FIXED ASSETS

Tangible assets

	Land & buildings £'000	IT £'000	Furniture & fittings £'000	Assets under construction £'000	31 March 2004 £'000
<u>Cost</u>					
at 1 April 2003	479	653	345	562	2,039
Additions	0	438	6	0	444
Transfers	0	562	0	(562)	0
Disposals	0	(236)	(5)	0	(241)
Revaluations	0	666	(37)	0	629
At 31 March 2004	479	2,083	309	0	2,871
<u>Depreciation</u>					
at 1 April 2003	(297)	(409)	(138)	0	(844)
Charged in year	(34)	(306)	(32)	0	(372)
Disposals	0	213	2	0	215
Revaluations	0	(111)	17	0	(94)
At 31 March 2004	(331)	(613)	(151)	0	(1,095)
Net book value at 31 March 2004	<u>148</u>	<u>1,470</u>	<u>158</u>	<u>0</u>	<u>1,776</u>
Net book value at 31 March 2003	<u>182</u>	<u>244</u>	<u>207</u>	<u>562</u>	<u>1,195</u>

Intangible assets

	Software licences £'000	Software under construction £'000	Assets 31 March 2004 £'000
<u>Cost</u>			
At 1 April 2003	45	175	220
Additions	127	0	127
Transfers	175	(175)	0
Revaluations	162	0	162
At 31 March 2004	509	0	509
<u>Depreciation</u>			
at 1 April 2003	(8)	0	(8)
Charged in year	(142)	0	(142)
Transfers	0	0	0
Revaluations	(13)	0	(13)
At 31 March 2004	(163)	0	(163)
Net book value at 31 March 2004	<u>346</u>	<u>0</u>	<u>346</u>
Net book value at 31 March 2003	<u>37</u>	<u>175</u>	<u>212</u>
Total assets			
Net book value at 31 March 2004			<u>2,122</u>
Net book value at 31 March 2003			<u>1,407</u>

Note 7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2004 £'000	31 March 2003 £'000
Trade debtors	373	149
Court compensation	805	755
Civil claims	255	194
Other debtors	8	39
	<u>1,441</u>	<u>1,137</u>
Provision for bad debt	(205)	(226)
	<u>1,236</u>	<u>911</u>
<u>Provision for bad debt</u>		
Opening balance	226	260
Decrease in provision	(21)	(34)
Closing balance	<u>205</u>	<u>226</u>

Note 8 PREPAYMENTS

	31 March 2004 £'000	31 March 2003 £'000
Pay	145	465
Accommodation	641	738
IT maintenance	129	84
Other	6	117
	<u>921</u>	<u>1,404</u>

Note 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2004 £'000	31 March 2003 Restated £'000
Trade creditors	23	0
Capital purchase creditors	0	737
Other creditors	0	0
Other creditors – pre-tariff schemes	1,869	0
Other creditors – tariff schemes	1,998	0
Accruals	812	2,704
	<u>4,702</u>	<u>3,441</u>

Note 10 INCOME AND EXPENDITURE ACCOUNT

	31 March 2004 £'000
At beginning of year as previously stated	(224,887)
Prior year adjustment	(940,338)
At beginning of year as restated	(1,165,225)
Retained (deficit)/surplus for the year	(47,067)
Closing balance	<u>(1,212,292)</u>

Prior year adjustment

The current accounting policy (per note 1 (xii)) is effective from 1 April 2002. This adjustment has been made to bring the accounting for the tariff schemes fully in line with the requirements of FRS12 and has the following impact on the 2002-03 comparatives in these financial statements.

		2002-03 signed statements £'000	Adjustment £'000	2002-03 comparatives in these 2003-04 financial statements £'000
Compensation payments	Income & expenditure account	(160,325)	160,325	0
Tariff schemes compensation charges	Income & expenditure account	0	(196,221)	(196,221)
Notional cost of capital	Income & expenditure account	15,735	55,345	71,080
Notional costs of capital reversal	Income & expenditure account	(15,735)	(55,345)	(71,080)
Total effect on year's income and expenditure account			(35,896)	
Tariff schemes provision	Balance sheet (provisions for liabilities and charges)	0	957,000	957,000
Other creditors – tariff schemes	Balance sheet creditors (amounts falling due within one year)	16,662	(16,662)	0
Income and expenditure reserve	Balance sheet (income and expenditure reserve)	(224,887)	(940,338)	(1,165,225)

Note 11 RESERVES AND MOVEMENT IN GOVERNMENT FUNDS

	Notes	31 March 2004 £'000	31 March 2003 £'000
<u>Government grant reserve</u>			
Opening balance		1,391	731
Grant used for capital purchases	2	571	875
Loss on revaluation of fixed assets transferred to the income and expenditure reserve		(21)	(15)
Depreciation transferred to the income and expenditure reserve		(514)	(195)
Net book value of disposals of fixed assets transferred to the income and expenditure reserve		(26)	(5)
Closing balance		<u>1,401</u>	<u>1,391</u>
<u>Revaluation reserve</u>			
Opening balance		15	4
Gain on revalued assets		705	11
Loss on revalued assets		(21)	
Closing balance		<u>699</u>	<u>15</u>
Total reserves		<u><u>2,100</u></u>	<u><u>1,406</u></u>
<u>Transferred to income and expenditure reserve</u>			
Loss on revaluation of fixed assets		21	15
Loss on disposal of fixed assets		26	5
Depreciation transferred from government grant reserve		514	195
		<u>561</u>	<u>215</u>
<u>Movement in government funds</u>			
Opening balance		1,406	735
Closing balance		<u>2,100</u>	<u>1,406</u>
Increase in reserves		694	671
Retained (loss)/surplus	10	(47,067)	41,033
Increase in government funds		<u>(46,373)</u>	<u>41,704</u>

Note 12 RECONCILIATION OF THE OPERATING SURPLUS TO THE NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Notes	2003-04 £'000	2002-03 Restated £'000
Operating surplus/(deficit)		(48,919)	39,386
Loss on revaluation of fixed assets	11	21	15
Loss on disposal of fixed assets	11	26	5
(Increase)/decrease in provision for doubtful debts	7	(22)	(34)
Depreciation	6	514	195
Increase in debtors	7	(325)	(130)
(Increase)/decrease in prepayments	8	483	(142)
Increase/(decrease) in creditors	9	1,261	(35,189)
Decrease in awards held on deposit holding accounts	14	(1,866)	(8,055)
Decrease in pre-tariff schemes provision	22	(5,832)	(35,244)
Increase in tariff schemes provision	22	44,002	36,000
Increase in dilapidations provision	22	1,250	0
Net cash outflow from operating activities		<u>(9,407)</u>	<u>(3,193)</u>

Note 13 ANALYSIS OF CHANGES IN CASH

	Notes	31 March 2004 £'000	31 March 2003 £'000
Opening balance		7,656	1,362
Increase/(decrease) in cash		(6,249)	6,294
Closing balance		1,407	7,656
Awards held on deposit in holding accounts	14	3,445	11,500
Decrease in cash	14	(1,866)	(8,055)
Closing balance	14	1,579	3,445
Total cash balance		2,986	11,101
Total movement in cash		(8,115)	(1,761)

Note 14 HOLDING ACCOUNTS (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	2003-04 £'000	2003-04 £'000	Number of accounts	2002-03 £'000	2002-03 £'000
<u>Holding accounts</u>						
Opening balance	37		3,445	57		11,500
Deposits in year	16	741		13	2,331	
Additional deposits to existing accounts		220			1	
Interest received		65			169	
			1,026			2,501
Closures	18	1,138		33	8,607	
Withdrawals		5			933	
Repaid to CICA		1,711			914	
Interest paid to victims		38			102	
			(2,892)			(10,556)
Closing balance	35		1,579	37		3,445

Note 15 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 3.46 per cent.

	Number of accounts	2003-04 £'000	2003-04 £'000	Number of accounts	2002-03 £'000	2002-03 £'000
<u>Retained awards</u>						
Opening balance	2,937		27,030	3,255		29,075
Deposits in year	314	6,844		330	4,112	
Additional deposits to existing accounts		181			236	
Interest received		798			910	
				7,823		
	5,258					
Closures	569	8,117		648	6,576	
Withdrawals		406			437	
Repaid to CICA	2	12			195	
Interest paid to victims		89			95	
			(8,624)			(7,303)
Clearing account			535			0
Closing balance	2,682		<u>26,764</u>	2,937		<u>27,030</u>

Note 16 CAPITAL COMMITMENTS

At 31 March 2004 the Authority had no outstanding capital commitments.

Note 17 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 which the lease expires.

	2003-04 £'000	2002-03 £'000
Operating leases which expire:		
Within one year	0	0
Between two and five years	1,099	500
After five years	1,125	1,589
	<u>2,224</u>	<u>2,089</u>

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 Scotland. The leases on these properties end in the financial years 2014, 2007 and 2011 respectively for each site.

Note 18 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.

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 19 POST BALANCE SHEET EVENTS

There were no post balance sheet events affecting these accounts.

Note 20 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 2004, 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.

Note 21 LOSSES AND SPECIAL PAYMENTS

Losses and special payments up to £500 are authorised by the Accounting Officer, while above this level they are referred and authorised by the Authority's sponsor, 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 2003-04 totalled £147,000. An accrual has been made for losses awaiting write-off approval as at 31 March 2004.

Note 22 PROVISIONS FOR LIABILITIES AND CHARGES

	Pre-tariff schemes £'000	Tariff schemes £'000	Lease dilapidation £'000	Total £'000
Balance at 1 April 2003 (restated)	214,756	957,000	0	1,171,756
Arising during the year	47,378	218,442	1,250	267,070
Reversed unutilised during the year	(170)	0	0	(170)
Utilised during the year	(53,040)	(174,440)	0	(227,480)
Balance at 31 March 2004	<u>208,924</u>	<u>1,001,002</u>	<u>1,250</u>	<u>1,211,176</u>

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

	2003-04 £'000	2002-03 £'000
Awards relating to victims of crimes of violence occurring in:		
England and Wales	205,458	183,138
Scotland	22,022	24,336
	<u>227,480</u>	<u>207,474</u>

The pre-tariff schemes' 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, under the 1996 and 2001 tariff schemes. 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. Approximately

three-quarters 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 £1.25 million 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.

Note 23 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FRS13, 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 FRS13 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 FRS13, 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 2003-04 was 3.46 per cent.

Accounts direction

Accounts direction given by the Secretary of State for the Home Office, with the approval of the Treasury, in accordance with the Criminal Injuries Compensation Scheme 1990, 1996, and 2001

The annual accounts shall give a fair and true view of the income and expenditure and cash flows for the financial year, and the state of affairs at the year-end. Subject to this requirement the Criminal Injuries Compensation Authority shall prepare accounts for the year ended 31 March 2004 and subsequent years in accordance with:

- Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance;
- Other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a fair and true view;
- Any other specific disclosures required by the Secretary of State;

except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

Signed by the authority of the Secretary of State for the Home Office

Frances Flaxington

Victims Unit

26 May 2004

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