

**Serious Organised Crime Agency
Statement of Accounts
2007-2008**

Presented in pursuance of Part 1, Chapter 1, Section 20, paragraph 4(b) of the Serious Organised Crime
and Police Act 2005

Serious Organised Crime Agency Accounts 2007-2008

(For the year ended 31 March 2008)

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 16 JULY 2008

LONDON: The Stationery Office

HC 932

£9.25

© Crown Copyright 2008

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

ISBN: 9780102957594

Contents

STATEMENT OF ACCOUNTS 2007-08

	Page No
Annual Report	4
Management Commentary	4
Remuneration Report	8
Statement of Accounting Officer's Responsibilities	9
Statement on Internal Control	10
The Certificate and Report of the Controller and Auditor General	13
Income and Expenditure Account	15
Statement of Recognised Gains and Losses	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Accounts	19

Annual Report

The Serious Organised Crime Agency's (SOCA) second Annual Report, as required under Part 1, Chapter 1, Section 7 of the Serious Organised Crime and Police Act 2005 (SOCPA), was published on 15 May 2008. It reported on the exercise of SOCA's functions during 2007-2008, describing:

- progress against the actions envisaged in its Annual Plan 2007-2008;
- work to achieve each of SOCA's strategic imperatives, the overarching and linked priorities set by SOCA's Board which guided its work during the year;
- the work with partners to co-ordinate overall efforts against organised crime;
- the priorities for SOCA's effort during the year; and
- the exercise of SOCA functions in Scotland and Northern Ireland.

This report includes SOCA's audited accounts and governance information.

Management Commentary

Statutory Background

SOCA assumed its statutory functions on 1 April 2006. It brought together staff from the National Crime Squad (NCS) and the National Criminal Intelligence Service (NCIS), staff and resources from HM Revenue and Customs (HMRC) to support the transfer to SOCA of certain work on drug trafficking and associated criminal finance, and some of those dealing with organised immigration crime in the UK Immigration Service. To this, SOCA has added a number of individuals with other backgrounds to widen the skills available. The NCS and NCIS ceased to exist on 31 March 2006.

During the year Parliament passed the Serious Crime Act 2007 which provided for the introduction of Serious Crime Prevention Orders. SOCA believes these Orders will come to provide a valuable tool for all who work against organised criminal conspiracies.

SOCA is an Executive Non-Departmental Public Body (NDPB), reporting to the Home Secretary, and financed primarily by Grant-in-aid from the Home Office together with continued funding from other government departments and bodies including the Scottish Executive and the Northern Ireland Office.

Statement of Purpose and Vision

SOCA is an intelligence-led agency with law enforcement powers and harm reduction responsibilities. Harm in this context is the damage caused to people and communities by serious organised crime.

The Home Secretary may set SOCA strategic priorities and will judge the success of its efforts. Within that framework, SOCA plans its priorities, including how it will exercise the functions given to it by statute, and what performance measures it will adopt.

In June 2005, the then Home Secretary set out the Government's priorities for the first three years of SOCA's existence, and explained how its performance would be judged. His letter was laid before both Houses of Parliament. In September 2007, the Home Secretary tasked SOCA under section 9 of the SOCPA to adjust its priorities in response to growing concern about gun crime.

Principal activities

SOCA's functions are set out in SOCPA. They are to prevent and detect serious organised crime and to contribute to its reduction in other ways and the mitigation of its consequences, and to gather, store, analyse

and disseminate information on crime. In addition, SOCA is tasked to provide support to law enforcement partners, notably UK police forces and HM Revenue and Customs.

As described in detail in SOCA's second Annual Report, SOCA continued during the year towards:

- preparation of the United Kingdom Threat Assessment (UKTA) which draws together, from operational partners across the UK, the best judgements that can be made about the nature, scale and impact of organised crime against the UK;
- preparation of an annually revised National Intelligence Requirement (NIR) for organised crime which sets out for the benefit of all agencies involved what information is needed on which crime sectors;
- Operation of the UK Serious Organised Crime Control Strategy (the Control Strategy) which provides a framework for a co-ordinated and concerted response by all relevant UK agencies and departments to the problems described in the UKTA. The strategy is delivered through 16 multi-agency Programmes of Activity. Governance for this work is provided by Programme leaders from appropriate agencies across the UK and a Senior Assurance Group (SAG), which is chaired by SOCA, with members from a number of departments and agencies;
- internal tasking and co-ordination arrangements, based on SOCA's developing understanding of organised crime problems that affect the UK, designed to ensure that SOCA's operational work is planned both in accordance with the priorities set by the Home Secretary and so as to ensure that finite resources are focussed where they can have best effect;
- the identification and use of additional tools to those provided by the criminal law to make it more difficult for organised criminals to perpetrate the crimes that damage this country and to profit from their criminality; and
- an overall operational approach that, first, seeks to understand criminal markets as a whole, so as to find the weakest point in the criminals' businesses whether those are in or outside the jurisdiction, and then focuses not only on addressing the most important criminals themselves but also on those who facilitate their criminal enterprises wherever they may be.

Results for the year and financial position

The results for the year show that SOCA had net annual expenditure of £454.3m detailed in its Income and Expenditure Account, for which DEL funding of £399.6m Resource and £45.1m Capital was approved. A net underspend of £0.7m against funding is reported below.

	Total £m	Capital £m	Resource £m
GIA Funding, Budgets and Approvals			
Delegated Expenditure Limit (DEL)	444.7	45.1	399.6
RAIF Income	0.3	0.3	-
Additional Home Office Approvals re FRS17 Expenditure	42.5	-	42.5
	487.5	45.4	442.1
Expenditure			
Net Expenditure as in Income and Expenditure Account	454.3	-	454.3
Notional Cost of Capital credit agreed as part of DEL	(14.3)	-	(14.3)
Net Capital Expenditure as in Cash Flow Statement	46.8	46.8	
	486.8	46.8	440.0
Underspend Against Funding Available	0.7	(1.4)	2.1

Assurance Statement on financial results for the year

So far as the Accounting Officer is aware SOCA's auditors, the National Audit Office (NAO), have been advised of all relevant audit information. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

Going Concern Statement

The activities of SOCA are primarily financed by the Home Office.

The balance sheet at 31 March 2008 shows net liabilities of £377m. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from SOCA's other sources of income, may only be met by future grants or grants-in-aid from the Home Office, SOCA's sponsoring department. 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.

Grants and grant-in-aid for 2008-2009, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's Estimates for that year. These 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 therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Remuneration of the External Auditors

During the year the external auditors, the NAO, were not paid for any work of a non-audit nature. The remuneration for NAO is disclosed in Note 9 of the accounts.

Compliance with Public Sector Payment Policy

SOCA policy, in line with Government requirements, is to pay all invoices within 30 days of receipt, unless a longer payment period has been agreed or the amount billed is in dispute. For 2007-2008, on average, 82% of invoices were paid within 30 days of receipt (2006-2007: 71%). SOCA monitors its statistics monthly with all departments taking action as necessary.

During 2007-2008, SOCA paid £21.8k interest to suppliers (2006-2007: £7K), under the Late Payment of Commercial Debts (Interest) Act 1998.

Environmental Policy

SOCA is committed to reducing its impact on the environment. In line with OGC Best Practice the aim is to achieve delivery of sustainable development and active management of SOCA's carbon footprint. This is being co-ordinated through a dedicated Energy Manager, who is working with the business to deliver continuous improvements to the environmental performance of SOCA's estate. SOCA is focusing on use of its assets, cultural change and contractual improvements in order to optimise efficient use of its assets, education of staff, and environmentally responsible terms and conditions.

Inclusion, Diversity & Equality

SOCA is committed to treating individuals with respect and dignity. It seeks to create and maintain an environment which values all staff and respects the contribution they make and where fairness and equality of opportunity are assured. Inclusion, diversity and equality issues are embedded within all strategic planning, policy development and organisational processes, whilst underpinning our strive towards a single, unified and corporate culture for SOCA, to deliver our objective of reducing the harm caused by serious and organised crime.

SOCA aims to provide a positive environment in which everyone feels valued, and where the organisation is open to the experience, insights and skills of people of different age, disability, gender, race, ethnicity, religion, belief, sexual orientation and political opinion. SOCA aims to support a range of work styles for individual staff members, while meeting organisational need.

Staff involvement and development

SOCA communicates with its people through many channels and mechanisms, with responsibility placed on managers to ensure that staff has the information they need to do their jobs, and to regularly discuss issues within their teams. The channels of communication include:

- A monthly briefing meeting document which supports this process by providing managers with key messages.
- Comments from team meetings which are fed back to senior staff so their opinions can be harnessed.
- SOCA's intranet holds a library of policy and information relating to all areas of the agency's business.
- News, information updates and success stories are broadcast via the intranet and via a monthly online newsletter, "SOCA News".
- The Director General's weekly intranet blog encourages staff to communicate with him by posting questions and suggestions – and a flavour of this comment, and responses to questions, is published monthly.
- Project boards and working parties focus on particular issues and tailor and target messages arising from their work to the people who need to know.
- An induction programme for all new staff provides an overview of SOCA's strategic imperatives, values and activities as well as areas such as health and safety and security.

High Potential Recruitment and Development scheme.

SOCA developed the "High Potential Recruitment and Development Scheme", in order to recruit annually high calibre staff, for its vacancies. The scheme will enable SOCA to recruit and retain the best people; drive efficiency and develop creative solutions to problems. Positions were advertised during the year and successful candidates will be appointed soon.

Post balance sheet events

The Accounting Officer William Hughes authorised the 2007-2008 Annual Accounts to be issued on 14 July 2008.

Virtual Global Taskforce Company

SOCA has a non-trading wholly owned subsidiary company called Virtual Global Taskforce Limited, a company limited by guarantee to the value of £10. This company had been set up previously by the National Crime Squad for CEOP, in order to protect the name of a registered trademark.

Assets Recovery Agency

Legislation to merge the Assets Recovery Agency (ARA) with SOCA and the National Police Improvement Agency (NPIA) obtained Royal Assent in Parliament on the 6 March 2008. On 1 April 2008 ARA merged with SOCA.

William Hughes

Director General and Accounting Officer
Serious Organised Crime Agency

10 July 2008

Remuneration Report

The Board of Directors of SOCA and Accounting Officer for the year ended were:

Name	Position
Sir Stephen Lander	Chairman (Non-Executive)
William Hughes	Director General and Accounting Officer
Stephen Barrett	Director (Non-Executive)
Elizabeth France	Director (Non-Executive)
Ken Jarrold	Director (Non-Executive)
Janet Paraskeva	Director (Non-Executive)
Sir Roger Wheeler	Director (Non-Executive)
David Bolt	Director Intelligence
Malcolm Cornberg	Director Corporate Services and Deputy Accounting Officer
Paul Evans	Director Intervention
Trevor Pearce	Director Enforcement

The Chairman and the Director General of SOCA were appointed on the 1 September 2004 and the five non-Executive Directors, were subsequently appointed on the 1 September 2005 by the Home Secretary. The initial "Designate" appointments became effective on 1 April 2006. All other Directors are appointed through open and fair competition; such appointments may sometimes be filled by means of fixed term secondments from other organisations.

In the interest of security all the Directors of SOCA have withheld consent to publish details of their remuneration or pension entitlement.

The salary and pension contributions paid in 2007-2008 for the Director General, Chairman and Directors are set out below (this information has been audited).

	Average Salary (in £5,000 bands) £000	Average Pension (in £5,000 bands) £000
Director General	175 - 180	45 - 50
Chairman	80 - 85	20 - 25
Executive Directors	130 - 135	30 - 35
Non-Executive Directors	20 - 25	Nil

Salary includes average gross salary, performance pay or bonus inclusive of all allowances, subject to UK taxation paid by SOCA.

Related Party Transactions

During 2007-2008, Janet Paraskeva was also a Non- Executive Director of the Asset Recovery Agency (ARA) and SOCA entered into transactions with the ARA. During the year ended 31 March 2008 there were no other Directors, or parties related to them, that entered into any transactions with SOCA.

William Hughes

Director General and Accounting Officer
Serious Organised Crime Agency
10 July 2008

Statement of the Accounting Officer's Responsibilities

Under the Serious Organised Crime and Police Act 2005, the Secretary of State has directed SOCA to prepare annually a statement of accounts in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the state of affairs of SOCA at the year-end and of its Income and Expenditure, Recognised Gains and Losses, and Cash Flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State with the approval of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the SOCA will continue in operation.

The Secretary of State for the Home Office has appointed the Director General as the Accounting Officer for SOCA. His responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the keeping of proper records and for safeguarding SOCA's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Treasury and published in Managing Public Money.

William Hughes

Director General and Accounting Officer
Serious Organised Crime Agency

10 July 2008

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SOCA's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, and general guidance documents referred to in the Financial Memorandum agreed with the Home Office.

My Executive Directors, Senior Managers and I are involved in regular meetings to discuss strategic issues with stakeholders, including members of the Full Board, and at different levels in the Home Office. The Chairman of the Board and I have briefed several Committees and Parliamentary Groups in both the House of Commons and the House of Lords on the work of SOCA. We also have regular meetings with the Home Secretary, Parliamentary Under-Secretary of State on policing, security and community safety and Ministers across Government. Bimonthly meetings are held between SOCA Senior Managers and the Home Office sponsor unit, at which risk management and other aspects of internal control are standing agenda items. We also meet regularly with partners to discuss and share risk issues both nationally and internationally.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SOCA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

SOCA was established on 1 April 2006. In consequence, at the end of the financial year 2006-2007 I was not able to report that all elements of SOCA's strategic risk management process and other internal controls had been in place for the whole of the first accounting period. However, substantial further progress has been made in 2007-2008 in developing the internal control framework and, whilst I acknowledge that some weaknesses have been identified in this period by internal audit, these have been substantially addressed.

Capacity to handle risk

Overarching Strategy

My overall strategy is to manage risks at multiple levels with Executive and Deputy Directors providing a key link at senior management level for risk, performance, financial and operational management. Thus, a framework of reports and meetings is in place to address:

- performance in support of SOCA's strategic imperatives and the UK Control Strategy for serious organised crime;
- management information in relation to tasked operational activity, outputs and associated resource usage;
- progress towards achieving Directorate objectives;
- individual office and business area performance;
- regular monitoring of capital and resource spend against output;
- personnel issues, including staff numbers, movements, vacancies, recruitment, sickness, occupational health and compliance with the European Working Time Directive;
- management of strategic, operational, health and safety and other risks;
- managing risks to deliver SOCA's investment programme and individual projects;
- progress of development schemes and milestones achieved;
- compliance with self-inspection programmes and delivery against action plans agreed with external inspection agencies and internal auditors; and
- co-ordination, drafting and publishing of policies and standard operating procedures.

This framework will continually evolve to provide a robust system of internal control through which the management of risks will be further embedded across the organisation.

Training

Risk training is an integral part of SOCA's corporate training programme, where staff are provided with relevant risk assessment and management training according to their roles and responsibilities. Examples of best practice from other agencies (including partner organisations), published guidance and other sources have been incorporated into SOCA's formal risk identification, management and reporting processes. A generic risk management e-learning package is being developed which will be rolled out in 2008-2009.

The risk and control framework

Risk Management

A dedicated Risk Manager has responsibility for developing and maintaining policy, procedures and guidance to support the organisation's risk management framework, co-ordinating risk management activity across the organisation, maintaining a Strategic Risk Register and reporting to the Risk Board and the Audit and Risk Committee. The Risk Manager also has regular contact with the Home Office Risk & Developing Systems Team.

A risk management handbook, endorsed by the Audit and Risk Committee, is available to all staff via the SOCA Intranet and is subject to comprehensive review annually. It sets out the role exercised by the Full Board in determining policy for the overall level of risk that can be tolerated (SOCA's risk appetite), roles and responsibilities of staff to manage risk, and guidance and templates supporting all aspects of the risk management process. Separate policies and operating procedures guide staff in the identification, assessment and management of risks associated with operational deployments, and health and safety. A business continuity management handbook is also published, which sets out policy, guidance and templates to support departmental business continuity planning.

SOCA's Strategic Risk Register is underpinned by Directorate Risk Registers which are maintained and reviewed regularly by the four Directorates and CEOP. All departments, projects and programmes identify and record their risks using corporately provided templates. Protocols for escalating risks from local or project / programme level to the Strategic Risk Register are set out in the risk management handbook.

The Executive Board of SOCA receives reports from the Risk Board and Investment Delivery Group on an exception basis. The Board receives quarterly reports on progress towards implementing the recommendations emanating from internal and external inspections and audits.

The Audit and Risk Committee monitors and periodically reviews SOCA's risk management strategy, and regularly considers in detail the Strategic Risk Register, which is shared with the Home Office Sponsor Unit. The Audit and Risk Committee ensures that internal audit and other independent assurance activity is focused on strategic risks, and reports to the Full Board on key financial and other risks.

The Full Board proactively participates in the good governance of SOCA, including oversight of the adequacy of risk management, governance and internal control arrangements. On a quarterly basis the Board receives information on operational and financial performance covering all aspects of SOCA's activity.

Other Sources of Assurance and Information

Information available to the Board and senior managers on the adequacy of processes and controls is also derived from a wide range of other sources. These include:

- relevant internal experts, including those providing various self-inspection, compliance and assurance functions within the organisation;
- SOCA's internal audit function;
- advice from Her Majesty's Revenue and Customs (HMRC);

- the Surveillance Commissioner and the Interception Commissioner; and
- reports from Her Majesty's Inspector of Constabulary (HMIC), and the National Audit Office (NAO).

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within SOCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have also been advised on the effectiveness of the system of internal control by the Board, and the Audit and Risk Committee.

This review has also been informed by formal assurance statements and reports on effectiveness from each Executive Director. They have confirmed that within their respective business areas they have identified, assessed and managed the risks that threaten achievement of business objectives and that there have been no material breaches of financial or procurement delegations that have not been reported and resolved. The Executive Directors and the Chief Executive of CEOP were satisfied that the internal control systems in the business areas for which they are responsible are now sound and operating effectively.

This reflects the significant progress made over the year in putting these internal control systems in place. During the year the Internal Audit service audited a wide range of business areas, principally focusing on developing systems and the high level control framework. Based on this work, Internal Audit concluded that the Serious Organised Crime Agency had adequate and effective risk, management, control and governance arrangements at a strategic level. They are satisfied that plans are in place to address each of the issues raised in year and that good progress has been made in implementing recommendations, with outstanding recommendations in the process of being implemented.

William Hughes

Director General and Accounting Officer
Serious Organised Crime Agency
10 July 2008

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Serious Organised Crime Agency (SOCA) for the year ended 31st March 2008 under the Serious Organised Crime and Police Act 2005. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of SOCA, the Director General and auditor

SOCA and the Director General as Accounting Officer are responsible for preparing the Statement of Accounts, the Remuneration Report and the financial statements in accordance with the Serious Organised Crime and Police Act 2005 and directions made thereunder by the Secretary of State for the Home Department with the consent of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Serious Organised Crime and Police Act 2005 and directions made thereunder by the Secretary of State for the Home Department with the consent of HM Treasury. I report to you whether, in my opinion, the information, which comprises the management commentary, included with the financial statements is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if SOCA has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects SOCA's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of SOCA's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Statement of Accounts and consider whether it is consistent with the audited financial statements. This other information comprises the subsection entitled "Annual Report" and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Director General in the preparation of the financial statements, and of whether the accounting policies are most appropriate to SOCA's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with Serious Organised Crime and Police Act 2005 and directions made thereunder by the Secretary of State for the Home Department with the consent of HM Treasury, of the state of SOCA's affairs as at 31st March 2008 and of its net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Serious Organised Crime and Police Act 2005 and directions made thereunder by the Secretary of State for the Home Department with the consent of HM Treasury; and
- information, which comprises the management commentary, included within the Statement of Accounts, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr

Comptroller and Auditor General
National Audit Office
Date 14 July 2008

151 Buckingham Palace Road
Victoria
London SW1W 9SS

Income and Expenditure Account

For the year ended 31 March 2008

		2007/08	2006/07
	Note	£'000	£'000
Income			
Funding received separate from Grant in Aid	3	13,056	16,922
Recovery of costs	4	248	894
Rents and service charges		181	46
Donations	5	2,561	3,176
Other operating income	6	2,030	1,131
Total operating income		18,076	22,169
Expenditure			
Staff costs	7	(282,026)	(281,597)
Other operating costs	9	(164,308)	(153,190)
Depreciation and amortisation		(25,885)	(18,691)
Loss on asset revaluation		(405)	(1,439)
Notional cost of capital		14,300	13,384
Net expenditure		(440,248)	(419,364)
Notional cost of capital reversal		(14,300)	(13,384)
Surplus/(Loss) on disposal of fixed assets		194	69
Net transfers (to)/from reserves		0	0
Net expenditure for the financial year		(454,354)	(432,679)

The results for the year all relate to continuing operations.

Statement of Recognised Gains and Losses

For the year ended 31 March 2008

		2007/08	2006/07
	Note	£'000	£'000
Actuarial gains/(losses) on pension	8	93,425	(107,968)
Movement in asset revaluation reserves	17	(1,403)	1,789
Movement in Donated Asset reserves	17	200	90
Recognised gains or losses for the period		<u>92,222</u>	<u>(106,089)</u>

The Notes 1 to 28 form part of these Accounts.

Balance Sheet

As at 31 March 2008

		2007/08	2007/08	2006/07	2006/07
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Intangible fixed assets	10		15,130		8,781
Tangible fixed assets	11		122,934		110,774
			<u>138,064</u>		<u>119,555</u>
Long Term Assets					
Debtors falling due after one year	12	111		157	
FRS17 Pension Asset	8/17	168	279	2,203	2,360
			<u>138,343</u>		<u>121,915</u>
Current Assets					
Debtors and prepayments	12	22,151		20,874	
Cash at bank and in hand	13	3,085		4,237	
		<u>25,236</u>		<u>25,111</u>	
Creditors falling due within one year	14	(31,111)	(5,875)	(32,022)	(6,911)
Total Assets less Current Liabilities			<u>132,468</u>		<u>115,004</u>
Creditors falling due after one year	14	(1,254)		(944)	
Provisions for liabilities and charges	15	(3,388)		(3,129)	
Deferred income	16	(4,122)		(136)	
FRS17 Pension Liability	8/17	(500,293)	(509,057)	(551,253)	(555,462)
Total Net Liabilities			<u>(376,589)</u>		<u>(440,458)</u>
Capital and Reserves					
Income and Expenditure Reserve	17		22,785		51,138
Revaluation Reserve	17		2,527		3,930
Pension Reserve	17		(407,023)		(500,448)
Donated Asset Reserve	17		421		221
Other Reserves	17		4,701		4,701
			<u>(376,589)</u>		<u>(440,458)</u>

The Notes 1 to 28 form part of these Accounts.

William Hughes

Director General and Accounting Officer
 Serious Organised Crime Agency
 10 July 2008

Cash Flow Statement
for the year ended 31 March 2008

		2007/08	2006/07
	Note	£'000	£'000
Net cash inflow / (outflow) from operating activities	18a	(381,145)	(387,277)
Capital expenditure and financial investment			
Purchase of fixed assets	10&11	(46,835)	(47,055)
Sale proceeds of fixed assets	10&11	828	552
Financing			
Grant-in-aid for capital expenditure	17	45,168	41,686
Grant-in-aid for revenue expenditure	17	380,832	381,714
Increase / (Decrease) in cash	18b	<u>(1,152)</u>	<u>(10,380)</u>

The Notes 1 to 28 form part of these Accounts.

Notes to the Accounts

for the year ended 31 March 2008

1 Accounting policies

1 a) Basis of preparation

The statement of accounts has been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the consent of the Treasury, under the Serious Organised Crime and Police Act 2005.

The accounts have been prepared using the historical cost convention, as modified for revaluation of fixed assets, and have been prepared in accordance with:

- the accounting and disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to SOCA and are in line with the requirements of the Accounts' Direction;
- applicable accounting standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury.

1 b) Grant-in-aid and income recognition

Grants-in-aid received is treated as financing because the funds received are regarded as contributions from the Home Office and credited to reserves.

Funding received solely for use in specific projects is transferred to deferred income and released to the Income and Expenditure Account over the project period to match the related costs incurred.

1 c) Pensions Reserve

In accordance with government accounting guidance, actuarial gains/losses on pension scheme liabilities are recognised in the Statement of Recognised Gains and Losses. The movement in gain/loss is shown in the Pensions Reserve.

1 d) Fixed Assets

Expenditure incurred by SOCA on the acquisition of capital assets, or expenditure which adds to the value of existing assets is capitalised, provided that the assets give benefit to SOCA for a period of more than one year. Where appropriate, SOCA will capitalise the cost of salaries attributable in developing the fixed assets as permitted within FRS15.

Capital assets, both tangible and intangible, are assets normally costing or valued at or above a capitalisation threshold set by the SOCA Board (currently £5,000) and with an expected working life of more than one year. However, technical equipment assets, the individual components of which cost less than £5,000 but which are non consumable in nature, will also be treated as capital assets. Non consumable is defined as a multiple use item, of long duration (beyond one year), reconfigurable and can be a component part of an item that can be assembled.

Expenditure on the fit-out and works to buildings financed by operating leases is capitalised as a tangible fixed asset if the works add to the value of the building. Fit-out costs of all new buildings may include the costs of new furniture and equipment which individually cost less than £5,000 where the Accounting Officer considers that it is more appropriate to capitalise the initial costs. Future replacement costs of furniture and equipment will however be funded from the Resource budget subject to the costs being below the capitalisation threshold at the time of replacement.

1 e) Depreciation and amortisation

Depreciation or amortisation is provided on all fixed assets in use on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated useful life as follows:

Asset type	Useful life
Land and Buildings	to their estimated residual value over the remainder of their estimated economic lives
Improvements to leasehold buildings	duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years
Motor vehicles	5 years
Plant and equipment	5 years
Furniture and fittings	5 years
IT equipment and software	4 – 5 years
Intangible fixed assets – IT licences	3 – 5 years

A full month's depreciation or amortisation is provided in the month following acquisition or first use and apportioned to the date of disposal. No depreciation is provided on Assets under Construction until they are brought into use.

1 f) Revaluation

SOCA has a policy of revaluing fixed assets at current replacement cost by using the appropriate index. Any gain on revaluation relating to assets funded by Government Grant is credited to the Revaluation Reserve. A loss on revaluation is debited to the Income and Expenditure Account if the loss exceeds the balance on the Revaluation Reserve for that asset.

No revaluation on payments on account, assets under construction and intangible assets, being software and some consultancy costs, is undertaken because of the nature of the expenditure.

1 g) Foreign currency

Transactions which are denominated in foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, when an average rate for the month is used.

Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. Any translation differences arising are taken to the Income and Expenditure Account.

1 h) Operating leases

Payments made under operating leases on land and buildings and equipment are charged to expenditure as incurred.

1 i) Rental and service charges income

SOCA sub-lets a small percentage of its rented accommodation to other organisations on a commercial basis, ensuring that full occupancy is maintained on rented property in use. Rents and other property income received are credited to the Income and Expenditure Account.

1 j) Notional charges

As required by the Treasury, a charge is made to the Income and Expenditure Account for the notional cost of capital. The notional capital charge, which reflects the cost of financing capital employed, is calculated at 3.5% of average net assets employed during the year excluding cash balances held by HM Paymaster General, liabilities due to the consolidated fund and donated assets. In accordance with Treasury guidance the notional charge is credited back to the Income and Expenditure Account before determining the surplus or deficit for the year.

1 k) Liquid Resources

Liquid resources comprise solely of cash balances held at bank accounts and as cash in hand. SOCA receives bank interest on its cumulative bank balance held but is required to pay over to the Home Office any interest received.

1 l) Pension costs

Employer contributions to the Principal Civil Service Pension Scheme and the Local Government Pension Scheme are charged to the Income and Expenditure Account as incurred at the relevant percentage of employees' pensionable pay as specified by the pension scheme administrators. The annual charge is designed to reflect the cost of pension benefits over the employee's service life.

The cost of providing unfunded pension benefits for Police Officers is charged to the Income and Expenditure Account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with SOCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Income and Expenditure Account is calculated so that the balance sheet provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the balance sheet date.

1 m) Value Added Tax

SOCA is registered for VAT but can only recover a very small proportion of VAT on purchases calculated by reference to certain taxable supplies, such as training and mobile phone recoveries. Income is shown as net of VAT, where VAT is due and expenditure is charged as gross. Any input tax recoverable is credited to the Income and Expenditure account.

1 n) Private Finance Initiative (PFI) Contract.

SOCA has one PFI contract for the provision of IT services. This contract has been accounted for in accordance with Technical Note 1 (Revised) entitled "How to Account for PFI Transactions" as required by the FReM. Where the payment apportionment of the risks and rewards of ownership of the PFI contract are borne by the PFI operator, the PFI payments are recorded as an operating cost. To the extent that the contract payment represents an apportionment of an asset, the apportionment payment has been capitalised under FRS5 and shown under "Assets under Construction".

1 o) Donations received.

The CEOP team at SOCA receives cash donations, donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statements of Recommended Practice (SORP) which requires income to be recognised where donations in kind are received, matching expenditure in the Income and Expenditure Account. This treatment departs from the Financial Reporting Manual (FReM as set out under section 5.2.12 for assets received and section 4.5.1 for notional costs). However, SOCA has determined that the treatment under SORP follows a clearer path for the reader of the accounts than the proposed FReM treatment and would serve the longer term aspirations of SOCA should CEOP become a registered charity sometime in the future.

1 p) Payment of Contributions to Europol and Interpol

SOCA makes annual payments to Europol and Interpol, at a contribution rate agreed by the Europol and Interpol Boards. SOCA accounts for these payments in its accounts on an accruals basis.

1 q) RAIF Funding

RAIF funding received during the year is spent within 12months of receipt on projects agreed with Home Office. Unspent RAIF monies received but not spent is shown as deferred income in the accounts.

1 r) Provision for Doubtful debts

All outstanding debts are assessed as to the potential risk of the debt not being recovered and a provision made where deemed necessary. Debtors are shown in the accounts net of the bad debt provision.

1 s) Going Concern

The activities of SOCA are primarily financed by the Home Office.

The Balance Sheet at 31 March 2008 shows net liabilities of £377m. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from SOCA's other sources of income, may only be met by future grants or grants-in-aid from the Home Office, SOCA's sponsoring department. 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.

Grants and grant-in-aid for 2008-2009, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2 Assets Recovery Agency Merger Related Costs

During the year SOCA made various changes in its structure and incurred specific costs in preparation for the merger with the Asset Recovery Agency (ARA). Details are analysed below

Resource costs in preparation for SOCA

	2007/08
	£'000
Income and Expenditure Account	
Employment Costs	591
Other Operating Costs (mainly office expenses)	94
Total costs.	<u>685</u>

3(a) Grant in aid Income

SOCA received Grant-in-aid funding from the Home office totalling £426.0m (2006/2007 £423.4m).

3(b) Other Funding

	2007/08	2006/07
	£'000	£'000
Scottish Executive contributions	5,661	5,496
Northern Ireland Office contributions	1,467	1,424
Recovered Asset Incentivisation Fund	318	5,904
EU Funding	222	0
Others	5,388	4,098
	<u>13,056</u>	<u>16,922</u>

4 Costs recovered from other law enforcement agencies

	2007/08	2006/07
	£'000	£'000
Recoveries relating to costs incurred for other law enforcement agencies	248	894
	<u>248</u>	<u>894</u>

5 Donations

	2007/08	2006/07
	£'000	£'000
Donations over £250k	1,692	1,677
Donations under £250k	869	1,499
	<u>2,561</u>	<u>3,176</u>

The CEOP team at SOCA receives donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statement of Recommended Practice (SORP) which requires the recognition of income where donations in kind are received, matching in the Income and Expenditure. **(see note 1(o))**

In the year to 31st March 2008 various goods and services with an estimated value of £2.6m (2006-2007: £3.2m) have been received from organisations and charities which have been used by CEOP to support its objectives. There was one contribution of £1.3m received, another contribution of £0.3m and 21 contributions totalling £1.0m received in the year. In addition to the above donations in kind, cash donations of £0.1m are included as other Income.

6 Other Income

	2007/08	2006/07
	£'000	£'000
Donations	144	215
Others	1,886	916
	<u>2,030</u>	<u>1,131</u>

7 Staff costs**(a) Analysis**

	2007/08	2006/07
	£'000	£'000
Salaries and emoluments of directly recruited staff and officers	172,420	173,934
Salaries and allowances of seconded staff	5,438	6,136
Agency /temporary staff	3,341	4,589
Social Security costs	15,076	16,131
Pension costs	31,940	31,985
FRS17 Pension costs	44,500	38,893
Indirect Employee costs	12,354	13,457
Employment costs before adjustments	<u>285,069</u>	<u>285,125</u>
Less Capitalised manpower costs	(3,043)	(3,528)
Employment costs after adjustments	<u>282,026</u>	<u>281,597</u>

(b) Staff numbers

	2007/08	2006/07
	No.	No.
Directors	11	11
Seconded Police Officers	66	110
Directly recruited officers and staff	3,956	4,043
Contract and temporary staff	46	121
Average full time equivalent for the year	<u>4,079</u>	<u>4,285</u>

In addition to the above directly employed staff, SOCA had an average of 28 attached staff (2006-2007: 25) from other organisations which are excluded from the above figures as they do not form part of SOCA establishment. SOCA is not charged for the attached staff that is considered to be working for the benefit of their employers. It is estimated that the cost of employing the attached staff to SOCA in 2007-08 would have been £1.4m 2006-2007 (£1.2m).

Costs totalling £3.0m for staff were capitalised during the year for work carried out on capital projects. As stated in Note 2 staff costs totalling £0.6m were spent on the merger with the Asset recovery Agency.

8 Pension benefits

(a) Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme where SOCA is unable to identify its share of the underlying asset and liabilities. The scheme actuary revalues the scheme centrally and reassesses contributions every four years.

A full actuarial valuation was carried out as at 31 March 2007. The scheme bands are adjusted in 2007-2008 and the contributions will be adjusted in 2008-2009. The employee contributions are set to meet the cost of the members on retirement. The state of the current scheme is currently under review.

In June 2007, Cabinet office announced that they were formally consulting the Civil Service unions on amendments to the existing scheme and proposals for change. In July 2007 in a written Statement to Parliament, it was announced that the existing scheme was closed to new entrants from 30 July 2007 and that scheme amendments will allow staff in *classic*, *classic plus* or *premium* who leave after 1 October 2007 to give up some of their pension in exchange for a higher tax-free lump sum. Employees joining after 30 July 2007 will be able to join the *nuvos* scheme, a defined benefit scheme, and, in common with the existing *premium* scheme, will have a member contribution rate of 3.5 per cent, of pensionable pay. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007/08 employer contributions of £22.24m (2006-2007 £20.77m) were payable to PCSPS at one of four rates in the range between 17.1% and 25.5% of pensionable pay, based on salary bands. This includes £0.1m of contributions paid to other agencies e.g. Home Office in respect of staff seconded to SOCA (2006-2007 £0.2m). The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer contributions of 0.8% of pensionable pay, are payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. For 2007-2008 contributions of £0.006m were payable to PCSPS in respect of these benefits. (2006-2007 £0.005m).

(b) Partnership and stakeholder schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions for partnership pensions are payable to one or more of a panel of four appointed stakeholder pension providers. These contributions are age related and range from 3% to 15.5% of pensionable pay. Employers also match employee contributions up to 15.5% of pensionable pay. During 2007-2008 SOCA paid employer contributions of £0.09m to stakeholder pension providers. (2006-2007: £0.07m)

(c) Local Government Pension Scheme (LGPS)

The majority of members of the LGPS transferred to the PCSPS on 1 August 2002. The FRS17 changes resulting from this transfer have been notified to SOCA this year, resulting in a reduction in net asset liability from £2.2m to £0.2m and a corresponding charge to the Income and Expenditure Account. Ten directly employed staff did not exercise the option to transfer to the PCSPS and continue to remain with the LGPS.

The LGPS is a multi-employer defined benefit scheme and these eligible SOCA employees participate in a fund managed by the London Pensions Fund Authority (LPFA). In order to comply with HM Treasury's Finance Reporting Manual SOCA is required to provide in these accounts for the full value of the expected future pension liabilities to the officers. The LPFA have provided a valuation of the scheme assets as at 31 March 2008 showing net pension assets of £0.2m (2006-2007 scheme assets of £2.2m), this figure is reflected on the balance sheet.

The net scheme assets at 31 March	2007/08	2006/07	2005/06
	£'000	£'000	£'000
Present value of Assets	608	7,210	6,845
Present value of Liabilities	(440)	(5,007)	(4,243)
Net pension asset/(liability)	168	2,203	2,602
Balance Sheet Pension Asset / Reserve	(35)	(608)	(521)
Surplus/(Loss) in Balance Sheet	133	1,595	2,081

The main assumptions used by the actuaries Hyman Robertson employed by LPFA were as follows:

The net scheme assets at 31 December:	2007/08	2006/07	2005/06
	%	%	%
Inflation assumption	3.6	3.2	3.1
Rate of salaries increase	5.1	4.7	4.6
Rate of pensions increase	3.6	3.2	3.1
Discount rate	6.9	5.4	6.0

During 2007/08 employer contributions of £0.039m (2006/07 £0.042m) were paid to the LPFA at 14.8 % of pensionable pay (2006/07 14.8%). The contribution rate is determined by the Fund actuary based on a three yearly actuarial valuation. Under pension fund regulations the contribution rates must be set to meet the overall liabilities of the Fund. The latest formal valuation of the LPFA pension fund was at 31 March 2007. Fair value of assets held by the scheme at the beginning of the year and at the end of the year disclosed, analysed into the following classes, together with expected rate of return for each class for the subsequent period:

Fair value of assets	Assets at 31 Mar 2008 £000	Expected rate of return at 31 Mar 2008	Assets at 31 Mar 2007 £000	Expected rate of return at 31 Mar 2007	Assets at 31 Mar 2007 £000	Expected rate of return at 31 Mar 2006
Equities	364	7.5%	4,490	7.7%	5,058	7.3%
Bonds	117	6.3%	1,612	6.4%	690	6.0%
Property	109	6.7%	914	6.8%	453	6.5%
Cash	18	4.8%	194	4.9%	222	4.6%
Total	608	-	7,210	-	6,423	-

(d) Association of Chief Police Officers (ACPO) Scheme and Other Directly Recruited Officers Scheme

The Agency operates, by analogy, a defined benefit Police Pension Scheme for both direct recruits and ACPO officers. The Senior Officers Pension Scheme is identical to the Police Pension Scheme 1987, except that it allows benefits in respect of earnings above the earnings cap.

As part of the scheme, SOCA accepts liability for payment of the pension benefits in respect of the officers past service with a police force, although no transfer values are payable from a former employer in respect of this liability, as well as their pensionable service whilst employed by the Agency.

Pensions benefits are paid as they fall due from the SOCA resources. In 2007-2008, £6.38m was paid to pensioners (2006-2007: £2.29m).

Pensions paid in the year are charged against the Pension Provision. For both ACPO and Senior Officer Schemes SOCA paid from 1 April 2007 employer contributions at the rate of 24.6% of pensionable pay totalling in the year £9.6m (2006-2007:£10.2m). This followed a Home Office/Treasury review in 2001 requiring the implementation of a new system of pensions. The employer contributions together with employee deductions were paid to the Home Office.

In order to comply with HM Treasury's Financial Reporting Manual and Accounts Guidance, SOCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. SOCA commissioned the Government Actuaries Department (GAD) to value the scheme liabilities as at 31 March 2008. Full provision for this liability 2007-2008 of £500.29m (2006-2007 £551.25m) is reflected in the balance sheet and is based on the assumptions and information set out below.

Pension liabilities	2007/08	2006/07
	£'000	£'000
Present value of liabilities – Police Officers	500,290	551,253
Net pension liabilities	500,290	551,253
Main assumptions	2007/08	2006/07
	% pa	% pa
Inflation assumption	2.75	2.75
Rate of increase in salaries	4.3	4.3
Rate of increase in pensions	2.75	2.75
Rate of discounting scheme liabilities	5.3	4.6
Actuarial gains and losses for year	2007/08	2006/07
Direct Recruits Scheme	£'000	£'000
Experience gains/(losses)	30,240	6,850
Effect of changes in demographic and financial assumptions	63,150	(114,210)
Total actuarial gains/(losses)	93,390	(107,360)

(e) Other police officers

All other police officers are currently seconded to SOCA and their seconding forces remain responsible for their pension benefits. SOCA paid £0.6m in employer contributions to the relevant home force. The employer contribution is set at either 24.6% or 25.9% depending on the home force.

(f) Changes in Pension Assets and Liabilities for the Year By Scheme

In compliance with advice from the Home Office, the change in the pension liabilities resulting from operating and finance costs have been charged to the Income and Expenditure Account. This charge is reduced by the contributions receivable in the year from the active members. The actuarial gain calculated by GAD has been reflected in the Balance Sheet (Pension Reserve).

Changes in Pension Assets and Liabilities for the Year by Scheme

	Police Officers £'000	LGPS £'000	2007/08 Total £'000	2006/07 ACPO/ LGPS £'000
Operating cost:				
Current service cost	23,150	45	23,195	19,091
Impact of curtailments and Settlements Active member contributions	0	2,073	2,073	0
Pensions and benefits paid	(6,460)		(6,460)	(2,300)
Finance cost:				
Interest on pension liabilities	25,740	26	25,766	22,560
Expected return of Employer Assets	0	(44)	(44)	(458)
Net Return	42,430	2,100	44,530	38,893
Actuarial gain/(loss)				
Experience gain/loss on pension liabilities	30,240	3	30,243	6,891
Actuarial Return Less Expected Return on Scheme Assets	0	(57)	(57)	65
Changes in demographic & financial assumptions	63,150	89	63,239	(114,924)
Total Actuarial Gain/(Loss) charged to Pension Reserve	93,390	35	93,425	(107,968)

Movement in the provision during the year

	Police Officers £'000	LGPS £'000	2007/08 Total £'000	2006/07 ACPO/ LGPS £'000
Net liabilities at start of year	551,253	(2,203)	549,050	402,231
Current service cost	23,150	45	23,195	19,091
Pensions paid in the year	(6,460)	0	(6,460)	(2,300)
Overnight increases in liabilities (change in real return)	0	0	0	0
Employers contribution	0	(30)	(30)	(42)
Impacts of settlement and curtailments	0	2,073	2,073	0
Net finance charge	25,740	(18)	25,722	22,102
Actuarial (gain) loss	(93,390)	(35)	(93,425)	107,968
Net liabilities at end of year	500,293	(168)	500,125	549,050

9 Other operating costs

	2007/08	2006/07
	£'000	£'000
Premises costs	36,688	34,825
Transport costs	8,416	7,469
Office and general expenses	2,457	3,225
Operational and communication costs	13,661	11,146
IT expenses	28,850	24,750
PFI Charges	23,486	21,996
Europol subscription	6,161	5,328
Interpol subscription	1,980	1,710
Other operating subscriptions	1,605	1,953
Internal audit fee	335	332
External audit fee	130	140
Bank interest	33	4
Other Interest	0	17
Professional services and fees	8,825	5,386
Foreign exchange (gain) / loss	14	(5)
Notional expenditure covered by donations	2,561	3,176
Conference set up and running costs	991	1,655
Grants to forces and other organisations	6,407	7,564
Forensic fees	4,026	3,322
Office equipment and repairs	904	1,072
Accommodation, subsistence and general expenses	16,778	18,125
	164,308	153,190

As stated in Note 2 of the accounts operating costs totalling £0.1m were spent in preparation work for the Asset Recovery Agency.

10 Intangible fixed assets

	Purchased software	Payments on account & assets under construction	Total
	£'000	£'000	£'000
Cost			
at 1 April 2007	15,519	5,053	20,572
Additions	5,751	2,930	8,681
Transfers	2,679	(2,679)	0
Disposals	0	0	0
at 31 March 2008	23,949	5,304	29,253
Amortisation			
at 1 April 2007	11,791	0	11,791
Charge for year	2,332	0	2,332
Disposals	0	0	0
Transfers	0	0	0
at 31 March 2008	14,123	0	14,123
Net Book Value			
at 31 March 2008	9,826	5,304	15,130
at 31 March 2007	3,728	5,053	8,781

11 Tangible fixed assets

	Freehold Property	Improvements to leasehold buildings	Motor vehicles	Plant & equipment	IT Assets/IT Consul & Interim Mgt	Payments on account & assets under construction	Furniture	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 01 April 2007	12,517	52,584	35,210	40,668	16,320	23,679	1,730	182,708
Additions	11,847	2,753	3,761	4,595	7,106	6,874	1,218	38,154
Transfers	0	1,709	95	10,708	8,975	(21,704)	217	0
Disposals	0	0	(4,602)	0	0	0	0	(4,602)
Revaluation Gain	0	0	0	675	0	0	69	744
Revaluation Loss	(435)	(1,846)	(130)	0	(796)	0	0	(3,207)
At 31 March 2008	23,929	55,200	34,334	56,646	31,605	8,849	3,234	213,797
Less Depreciation								
At 01 April 2007	1,731	14,153	20,244	25,100	10,508	0	198	71,934
Charge for year	465	5,744	4,333	8,747	4,090	0	404	23,783
Disposals	0	0	(3,969)	0	0	0	0	(3,969)
Revaluation	(22)	(191)	(19)	106	(117)	0	13	(230)
Revaluation backlog	(85)	(473)	(75)	345	(372)	0	5	(655)
At 31 March 2008	2,089	19,233	20,514	34,298	14,109	0	620	90,863
Net book value								
At 31 March 2008	21,840	35,967	13,820	22,348	17,496	8,849	2,614	122,934
At 01 April 2007	10,786	38,431	14,966	15,568	5,812	23,679	1,532	110,774

Payments on account have not been indexed as at 31 March 2008.

All other assets have indexed as per the applicable Price Index Numbers for Current Cost Accounting (MM17) published by the National Statistics Office, with the exception of leasehold buildings improvements and freehold property which has been indexed using the Public Expenditure System Offices Index.

12 Debtors and prepayments

(a) Amounts falling due within one year	2007/08	2006/07
	£'000	£'000
Trade debtors	8,852	3,725
Prepayments	11,634	10,536
Other debtors	1,665	6,613
	22,151	20,874
(b) Intra-government balances	2007/08	2006/07
	£'000	£'000
Balances with central government bodies	8,700	6,914
Balances with local authorities and police authorities	462	393
Subtotal: intra-government balances	9,162	7,307
Balances with bodies external to government	12,989	13,567
	22,151	20,874
(c) Amounts falling due after one year	2007/08	2006/07
	£'000	£'000
Other debtors	111	157
	111	157
(d) Intra-government balances	2007/08	2006/07
	£'000	£'000
Balances with bodies external to government	111	157
	111	157

13 Cash at bank and in hand

SOCA operates a number of bank accounts and cash imprest accounts. The UK accounts operate under a pooling arrangement which allows some accounts to be overdrawn, as long as the main SOCA account is in credit to cover the overdrawn balances. At the 31 March 2008 the cash and balances totalled £3.1m (2006-2007 £4.2m).

	2007/08	2006/07
	£'000	£'000
Bank balances held with Commercial Banks	2,664	4,179
Bank balances held with HM Paymaster General	421	58
	3,085	4,237

14 Creditors

	2007/08	2006/07
	£'000	£'000
(a) Amounts falling due within one year		
Trade creditors	11,551	7,055
Taxation and social security	0	225
Other creditors and accruals	19,171	23,236
Interest payable to Home office	389	1,506
	31,111	32,022

	2007/08	2006/07
	£'000	£'000
(b) Intra-government Balances		
Balances with central government bodies	5,664	5,904
Balances with local authorities and police authorities	1,154	3,855
Subtotal: intra-government balance	6,818	9,759
Balances with bodies external to government	24,293	22,263
	31,111	32,022

	2007/08	2006/07
	£'000	£'000
(c) Amounts falling due after one year		
Other creditors, accruals and deferred income	1,254	944
	1,254	944

	2007/08	2006/07
	£'000	£'000
(d) Intra-government Balances		
Balances with bodies external to government	1,254	944
	1,254	944

15 Provisions for Liabilities and Charges

	Balance at 31 March 2007	Provided for in year	Provisions used in year	Balance at 31 March 2008
	£'000	£'000	£'000	£'000
a) Tax Provision	(980)	(1,199)	980	(1,199)
b) Legal provision	(939)	(562)	55	(1,446)
c) General provisions:	(36)	0	0	(36)
c) Retirement Provision	(358)	0	45	(313)
c) Employment related	(702)	(30)	414	(318)
d) Dilapidation Provision	(114)	0	38	(76)
	(3,129)	(1,791)	1,532	(3,388)

The provisions held at 31 March 2008 and charged to the relevant expenditure categories in the Income and Expenditure Account include the following:

- Tax Provision of £1.2m for the tax liability due on benefits in kind paid to employees. The liability is payable in August 2008.
- Legal Provision of £1.4m relates to costs to cover estimates on litigation costs for employees undertaking action because of injury, loss of employment and changes in conditions of service.
- Various Employments related provisions including early retirement and pre-cursor contract changes total £0.7m. It is expected that payments will take place within the next two years.
- The vacation of one office has given rise to a dilapidation provision to cover the cost of repair works necessary in accordance with the leases. It is anticipated that settlement will be reached within the next 3 months.

16 Deferred Income

	2007/08	2006/07
	£'000	£'000
Deferred income relating to donations , RAIF monies and other income received in advance	4,122	136

17 Reserves

	Income & Expenditure Reserve	Pension Reserve	Revaluation Reserve	Donated Asset Reserve	Other Reserves	Total 2007/08	Total 2006/07
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	51,138	(500,448)	3,930	221	4,701	(440,458)	(325,120)
Net Expenditure/Income	(454,353)	0	0	0	0	(454,353)	(432,539)
Grant –in-Aid received towards resource expenditure	380,832	0	0	0	0	380,832	381,714
Grant –in-Aid received towards purchase of fixed assets	45,168	0	0	0	0	45,168	41,686
Movements during the year	0	93,425	(1,403)	200	0	92,222	(106,199)
Transfers between reserves	0	0	0	0	0	0	0
At 31 March 2008	22,785	(407,023)	2,527	421	4,701	(376,589)	(440,458)

Note 8/17

17a) Income and Expenditure Reserve

The Income and Expenditure reserve shows the balance of accumulated surpluses or deficits in grants and other income over operating expenditure.

17b) Pensions Reserve

In accordance with Treasury guidance, actuarial gains/losses on pension scheme liabilities are recognised in the Statement of Recognised Gains and Losses. The net gain/loss is shown in the Pensions Reserve.

17c) Revaluation Reserve

SOCA revalues its assets on an annual basis and any revaluations other than impairments are credited to the revaluation reserve. Prior year depreciation adjustments other than for impairments are debited to the reserve.

17d) Donated Asset Reserve

The Reserve is written down each year to the I & E Account to offset the annual depreciation charge.

17e) Other Reserves

Other Reserves include the Airwave Reserve and the Forfeiture Fund.

The Airwave Reserve is required to replace as necessary and maintain all police radios to meet a change in wavelengths and to upgrade its communications technology. This is part of the National Airwave Project.

The Forfeiture Fund has cash from the sale of assets, seized from convicted criminals and forfeited to SOCA by the courts. The fund is applied for operational purposes only, as specified by the courts.

18 Notes to cash flow statement

a) Net outflow from operating activities	2007/08	2006/07
	£'000	£'000
Operating activities	(454,354)	(432,679)
Donated asset	200	140
Forfeiture item		(20)
Depreciation and Amortisation	25,885	18,691
Loss of asset revaluation	405	1,439
(Surplus)/Loss on disposal of fixed assets	(194)	(69)
FRS 17 Pension costs	44,500	38,847
(Increase)/Decrease in long term debtors	46	48
(Increase)/Decrease in debtors and prepayments	(1,277)	(8,731)
Increase/(Decrease) in creditors	(911)	(7,898)
Increase/(Decrease) in long term creditors, deferred Income and provisions	4,555	2,955
	(381,145)	(387,277)
b) Reconciliation of Net Cash (Outflow)/Inflow to Movement in Net Debt	2007/08	2006/07
	£'000	£'000
Cash (outflow)/inflow in the year	(1,152)	(10,380)
Movement in net debt	(1,152)	(10,380)
Opening net funds	4,237	14,617
Closing net funds	3,085	4,237

Interest received during the year and payable to the Home Office of £0.39m has been included as part of the movement of working capital. During the year SOCA received £1.67m interest, but it does not recognise this interest as part of its income as it is payable to the Home Office.

19. Capital commitments

	2007/08	2006/07
	£'000	£'000
Capital expenditure contracted but not provided for in these accounts	225	3,984
Capital expenditure authorised but not contracted for	21,400	4,966
Total	21,625	8,950

20. Other financial commitments

Other commitments include two IT contracts for the provision of information technology and communications services until 31 August 2010. Payments made under the contract in 2007-08 were £26.3m (2006-2007 £24.5m).

Others	2007/08	2006/07
On leases expiring:		
	£'000	£'000
Within 1 year	28,209	26,434
Between 2 and 5 years	43,276	66,152
Total	<u>71,485</u>	<u>92,586</u>

All payments on account relating to IT assets to be acquired at a future date are included in Note 11, fixed assets.

21 Operating lease obligations

(a) Charge for year for operating leases

Operating expenditure includes £19.3m(2006-2007 £17m) in respect of rental of land and buildings and £0.3m for office equipment.

(b) Annual commitment for operating leases

SOCA is committed to pay the following operating lease rentals in future financial years:

Leases expiring:	2007/08	2006/07
	£'000	£'000
Within 1 year	2,026	2,444
Between 2 and 5 years	2,895	2,316
Over 5 years	13,934	13,246
Total	<u>18,855</u>	<u>18,006</u>

22 Related party transactions

The Home office is the sponsoring department of SOCA. The Home Office and its related bodies, HM Revenue and Customs, the Asset Recovery Agency, the Scottish Executive, the Northern Ireland administration and the Foreign and Commonwealth Office are considered to be related parties to SOCA. During the year ended 31 March 2008, these bodies provided SOCA with Grant-in-aid and other funding.

During 2007-2008, Janet Paraskeva was also a Non- Executive Director of the Asset Recovery Agency (ARA) and SOCA entered into transactions with the ARA. During the year ended 31 March 2008 there were no other Directors, or parties related to them, that entered into any transactions with SOCA.

23 Third Party Assets

Seized property is that which is appropriated by SOCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by SOCA at 31 March 2008 of £10.4m (2006-2007 £6.9m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

Other third party assets include £0.1m held in the Police Property Account, due to be shortly distributed to approved good causes.

The value of third party assets is not included in these accounts.

24 Contingent liabilities

24 a) Lease dilapidations

SOCA occupies leasehold premises, many of which have been modified to meet specific operational or administration requirements. Common to the leases is the requirement to hand back the premises at the end of the lease period in a good condition. In substance this often obliges SOCA to incur further expenditure on returning these premises to their pre-occupation condition.

The costs to SOCA on vacation of leased premises have been estimated as £22.1m (2006-2007: £21.29m). This estimate is based on a charge per sq. ft of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration. However, it is unlikely that this liability will fall due in the future because of rolling contracts. This potential liability is currently estimated to fall due as follows:

Year ended 31 March :	2007/08	2006/07
	£'000	£'000
2009	1,246	1,261
2010 to 2014	3,846	3,748
2015 to 2027	17,028	16,279
	<u>22,120</u>	<u>21,288</u>

24 b) Litigation costs

SOCA has a small number of claims from employees and suppliers that may result in compensation payments to be made on settlement. These claims are considered to be contingent liabilities because the probability of a settlement on these cases is less than 50% and they are at an early stage of action making the determination of costs impossible.

24 c) Merger with Asset Recovery Agency (ARA)

During the year work was undertaken to enable the merger with the (non-training parts of) ARA to take place on 1 April 2008.

25 Indemnities

During the year SOCA obtained Treasury approval to provide indemnities for operational needs provided the cover per Indemnity did not exceed £1m. No claims have been incurred to date.

26 Post balance sheet events

The Accounting Officer William Hughes authorised the 2007-2008 Annual Accounts to be issued on 14 July 2008.

27 Losses and special payments

SOCA made special payments during the year, totalling £0.009m for compensation to overseas staff (2006-2007: £0.09m).

28 Financial instruments

Accounting Standard 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 largely non-trading nature of its activities and the way in which it is financed, SOCA is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing SOCA in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The net revenue resource requirement of SOCA is financed by Grant-in-aid from the Home Office, as is its capital expenditure. This Grant-in-aid is a fixed yearly cash allocation which SOCA manages on a monthly basis. SOCA is therefore exposed to a liquidity risk which is managed through projected cash flow forecasts and monthly meetings with Home Office.

Interest rate risk

SOCA does not have any borrowings which may be exposed to interest rate risk. Cash at bank and in hand at 31 March 2008 is primarily held within current accounts at UK commercial banks.

Currency rate risk

All financial assets and liabilities held by SOCA are based in sterling avoiding any currency rate risk. Foreign currency for operating costs is purchased at a spot exchange rate. Such purchases are a relatively small part of SOCA operations and risk hedging activities are therefore not considered to be worthwhile.



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

General enquiries: 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295759-4



9 780102 957594