



National Crime Squad

Service Authority for National Crime Squad Annual Report

National Crime Squad Annual Report

Statement of Accounts

for the year ended 31 March 2005

Presented to Parliament by the Secretary of State in pursuance of
Chapter 50, Part II, Section 51, paragraph 3, and Section 66A, of the Police Act 1997
(as amended by the Criminal Justice and Police Act 2001)



Service Authority for the National Crime Squad Annual Report 2004/05
The National Crime Squad Annual Report 2004/05
Statement of Accounts for the National Crime Squad 2004/05

Ordered by the House of Commons
to be printed 20 July 2005

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Mission statement, doctrine and the organisation's aims and values

The National Crime Squad is unique within UK law enforcement, being the only organisation with the specialist skills, experience and capability to proactively target organised criminal enterprises, irrespective of their chosen area of criminality.

Serious and organised crime wrecks lives, harms communities and damages the economy. It does not recognise national or international borders and fuels street crime across the United Kingdom. It is essential therefore that the National Crime Squad has both the capability to effectively combat the threat posed, prevent or reduce the harm caused, and reassure the public.

We target the Organised Criminal Enterprises (OCEs) engaged in the illegal trafficking of drugs and people, money laundering, counterfeiting, contract killings, kidnap and extortion, hi-tech crime and on-line paedophilia.

Our mission is To combat national and international serious and organised crime

The National Crime Squad is the UK's lead agency in covert surveillance - tactics and methodology, in developing and employing the latest covert techniques and in understanding, and working within, the regulatory and legislative environment. We set the standards for law enforcement in these fields.

Our future lies in extended partnership working, leading towards the creation of the Serious Organised Crime Agency (SOCA) in 2006, focusing on the organised criminal enterprises causing the most harm. This is coupled with innovative approaches in tactics and equipment to stay ahead of the criminal exploitation of widely available technology and systems of communication. Of equal importance and key to the delivery of our core business is a fully resourced diverse workforce, mirroring the multi-national and ethnic communities in which we operate.

The successes of the National Crime Squad are testament to our partnership approach, dedication and hard work which we will take forward into SOCA.

Service Authority Annual Report 2004/05

Introduction

This is the seventh annual report from the Service Authority for the National Crime Squad. The report reviews the achievements of the past year and considers the constraints and pressures under which the National Crime Squad has had to operate during this period.



During 2004/05 plans for the development of the Serious Organised Crime Agency (SOCA) moved from the drawing board to become a reality. While the National Crime Squad will continue for a further year until 31 March 2006, as from 1 April 2006 the National Crime Squad will become a component of this new organisation charged with tackling organised crime. Preparations for SOCA have had an increasing effect upon the

day to day work of the National Crime Squad during 2004/05, and this impact will increase over the remaining life span of the organisation.

The National Crime Squad has worked ever closer with the National Criminal Intelligence Service (NCIS). The two Service Authorities, for the National Crime Squad and NCIS, decided as from January 2005 to hold joint meetings, in part to encourage the progressive merger of the two organisations. The full list of the National Crime Squad Service Authority Members can be found elsewhere in this document.

The National Crime Squad Service Authority is charged with ensuring that the National Crime Squad is efficient and effective. We are responsible for setting some of the objectives and agreeing the targets that underpin them. We submit the budget statement, publish the annual Service Plan and monitor the budget and performance over the course of the year. The National Crime Squad Service Authority has had to both maintain its role of holding a supportive and scrutinising eye towards the performance of the National Crime Squad, while at the same time endorsing the preparatory work for SOCA that has been undertaken.

The purpose of this report is to provide a critical and balanced analysis of the National Crime Squad's

performance in 2004/05. In this report, we will only make reference to some of the targets for 2004/05; full details of all the objectives and targets are discussed by the Director General in his report.

Serious Organised Crime Agency

The Serious Organised Crime and Police Act was given Royal assent on 7 April 2005. The Act brings into being SOCA, which is intended to be operational from April 2006. The SOCA Programme Team is undertaking a vast amount of preparatory work, so as to ensure that SOCA will be ready for launch from day one. This is a massive task and can only be achieved with the committed participation of volunteers from the precursor agencies. While vitally important work, inevitably this has had an impact upon the National Crime Squad's resources. The challenges in the area of human resources are particularly daunting. The development of terms and conditions of employment that are acceptable to employees and secondees working within the National Crime Squad, together with employees of the NCIS, Her Majesty's Revenue and Customs (HMRC) and the Immigration Service, has required a considerable investment of staff time. It is critical that around one thousand officers are directly recruited into the National Crime Squad, prior to transfer to SOCA. Satisfaction with SOCA terms and conditions will be a critical factor in achieving this target. The amalgamation of functions with NCIS - which in 2004/05 included the merger of Corporate Communications and payroll - has also increased workload and hampered the delivery of objectives. This need to divert resources to support planning and preparation for SOCA, and to ensure that the work of the National Crime Squad was aligned with the emerging SOCA business plans, became an unplanned priority for both the Service Authority and the National Crime Squad during 2004/05.

A further and significant pressure on the National Crime Squad over the past year, and directly related to SOCA, has been the recruitment of key members of the National Crime Squad's top team to lead the development of SOCA. In the autumn, Bill Hughes (formerly Director General of the National Crime Squad) was appointed Director General designate of SOCA. In the spring Trevor Pearce, who on Mr Hughes' departure had been appointed to be Director General (Temporary) of the National Crime Squad, was appointed to the post of SOCA Executive Director (Enforcement). Mr Pearce has continued to operate in both roles. Mr Malcolm Cornberg, National Crime Squad Director of Finance, is in a similar situation in that he has been appointed to the post of SOCA Executive Director

(Corporate Services) but now has Director of Finance responsibilities for both the National Crime Squad and NCIS. We recognise that fulfilling multiple roles in this way has created huge burdens on those involved.

The opportunities that SOCA will provide, though, to improve further the UK's ability to combat serious and organised crime is an initiative embraced by both the Service Authority and the National Crime Squad.

Overview of National Crime Squad achievements in 2004/05

This has been an excellent year for the National Crime Squad. In the main the targets set within each of the four objectives have been met, or considerably exceeded. On the few occasions where a target has not been met, it has been by a very narrow margin indeed.

The targets for dismantlement of Class A drug and immigration crime enterprises, resulted in an underscore by a single point for both targets. The disruption targets for Class A drug and immigration crime enterprises were greatly exceeded; 151% over target for the former and 43% over target for the latter. These are the key priority areas of work for the National Crime Squad as viewed by both the Home Office and the National Crime Squad Service Authority. It is particularly pleasing to have such a good set of results. During the year, 1,414kg of Class A drugs were seized, together with 6,089kg of other controlled drugs (primarily cannabis). If you wish to visualise these vast amounts, the average adult male is around 77kg; so the Class A Drugs seized was equivalent in weight to 18 men, and the controlled drugs equivalent to 79 men. Disruptions tend to be counted as such at the end of a judicial process, and so the National Crime Squad does not have overall control of this process.

Members of the Service Authority were particularly pleased at the successes that the National Crime Squad has had in targeting people engaged in on-line paedophilia, the identification of children at risk and the removal of 25 criminal websites at an average rate of one web-site removed every two weeks.

The success of the National Crime Squad's Hi-Tech Crime Unit in combating the growing area of hi-tech crime continues. As a result of developing a detailed understanding of the threat posed by organised criminals exploiting hi-tech opportunities, and by maintaining close partnerships with industry and international law enforcement, the unit

exceeded targets for both dismantlement and disruption of criminal enterprises involved in hi-tech crime.

Successful work with partner agencies has remained a key priority for the National Crime Squad during the year. In the year, the National Crime Squad received 322 requests for assistance (i.e. around one per day), mainly in the areas of kidnap and extortion. The feedback response on the forms received from partner agencies, following the input of the National Crime Squad, gave a 100% score of either 'completely satisfied' or 'very satisfied'. Nearly 200 letters and commendations were also received from partner agencies. A fundamental test of an organisation is the degree to which its partners value its services; this result gives a very clear message on which the National Crime Squad must be congratulated.

The targets for ethnic minority police officers and women police officers were not met. However, with the wider police forces making considerable efforts to diversify their workforce, it may be possible during the remaining year of the National Crime Squad's life to recruit greater numbers of ethnic minority and female police officers. Members were particularly pleased that the ethnic minority target for police staff junior grades had been exceeded. In this instance, the National Crime Squad had a much wider community of people from which to recruit and had been successful in attracting a diverse range of people.

The National Crime Squad had targets of eight days and nine days, for police officers and police staff respectively, as averages for days lost due to sickness. Police officers delivered an average of 6.19 days and police staff 6.8 days. These were excellent results by comparison with the Civil Service, which averages 10 days sickness absence per annum [Managing Sickness in the Public Sector - Health and Safety Executive - November 2004].

Financial performance

The National Crime Squad has pursued a very aggressive budget management strategy to maximise the utilisation of available resources in 2004/05. As the Director General's report shows, after making allowance for the pension provisions and other items which are outside of the remit of Departmental Expenditure Limits (DEL control totals), a net underspend of £2.1m (1.3%) was recorded on resource budgets. With regard to Capital DEL a £0.3m (3.0%) underspend was reported.

The financial reporting and budget management regime within the National Crime Squad has proved itself to be resilient throughout the year and it is clear that the robustness and accuracy of financial advice has given budget managers a high level of confidence in managing their budgets and delivering the expenditure outturn.

We must exercise a note of caution however, because vacancy levels helped the service cope with some financial pressures which arose in the year. The 2005/06 budget has therefore had to reflect a commitment to further efficiency savings to facilitate vacancies being filled and cost pressures contained on an ongoing basis.

With regard to Treasury Payment targets, it is pleasing to note that the National Crime Squad has significantly improved its performance in this area, with an average of 91% of invoices paid within 30 days in 2004/05. Performance towards the year end was significantly better than 91% and it is expected that the Treasury target of a 95% average will be achieved for 2005/06.

Efficiency and effectiveness

We have already discussed earlier in this report that the National Crime Squad generally achieved or exceeded all relevant targets set for 2004/05. We have not, however, discussed disruption and dismantlement of organised criminal enterprises in terms of output per 100 staff employed. This is a very simple but meaningful indicator of efficiency and once again the National Crime Squad shows a high level of improvement, with 30.7 dismantles and disruptions recorded per 100 staff in 2004/05 compared with 21.4 in 2003/04. This represents an increase of 43% over performance in 2003/04 and reflects the combined impact of improving efficiency and the operational changes described in the Director General's report which have seen an increased focus on disruption of organised criminal enterprises engaged in drug related crime.

Together with the £2.15m (1.3%) cash releasing efficiency savings reported, this means that the National Crime Squad recorded a very commendable efficiency and effectiveness improvement in 2004/05 against the Government target of 3%.

Service Authority work

When it became clear that the Bill to bring SOCA into being would be enacted in the early part of 2005, both the National Crime Squad and NCIS Service Authorities, and the Directors General of both agencies, took the view that the

Authorities' work programme required review. The outcome was a universal agreement that the two Service Authorities should meet jointly, but bi-monthly rather than quarterly. It was also agreed to dispense with the Personnel Committee and the Performance Committee, and to include the work of these Committees in the more frequent meetings of the Service Authorities. Separate meetings of the Audit and Risk Management Committees were retained. After five months of operation, this structure has been found to be helpful in bringing the two organisations closer together, particularly in planning for SOCA.

Levels of attendance at meetings of the Service Authority had declined during 2004. As the Authority would exist only for a further year, it would have been difficult to recruit additional Members for this limited period. By holding joint meetings, levels of attendance by members have been maintained.

Bentley Jennison continued as the internal auditors to the Authority, as did the National Audit Office as the external auditor. Both reported regularly to the Authority's Audit and Risk Management Committee throughout the year.

Conclusion and a look ahead

The twin aims of meeting SOCA preparatory needs, while at the same time delivering the Service Plan, will inevitably result in increased pressures during 2005/06. The Service Authority recognises that this will be a difficult period and will do all in its power to assist in balancing these pressures. The Chairman, Paul Lever, has stressed the importance of all parties having a flexible and cooperative approach. Mr Lever and his members will continue to provide and lead with this counsel during the forthcoming year. The importance of the National Crime Squad's work, and SOCA in the future, to the fabric of society cannot be underestimated. The reduction in personal harm and misery - the very outcome of this business - could not be a greater incentive.



Paul Lever
Chairman
National Crime Squad Service Authority
Date 14 July 2005

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Our fight against organised crime is entering a new era. A time when we will all be making a major step change in how we collect intelligence, deploy operational capability and get right to the heart of disrupting the often complex and increasingly intricate world of the organised criminal mind.

That step change is the creation of the new Serious Organised Crime Agency (SOCA) and there is now tremendous impetus from right across organisations such as the National Crime Squad, as well as our key strategic partners, to turn the SOCA vision into a dynamic reality.

That drive is clear. To be up and running from April 2006, working in a very new way, operating in a fully integrated manner, with intelligence driving our business, utilising wherever possible cutting edge technology and competencies and above all remaining that vital one step ahead.

The bedrock for these changes and new impetus though is where we are now. It is the expertise, professionalism and fundamental skill sets that are evident right throughout the National Crime Squad and which have continued to place us at the pinnacle of tackling organised crime.

Fundamental therefore are our people and our achievements. The National Crime Squad during 2004/05 excelled against key performance indicators, especially in our core areas of tackling the importation and trade in Class A drugs, as well as disrupting and dismantling organisations involved in human trafficking.

Similarly, we continued to push back the boundaries, especially in tackling some of the growing areas of threat, with initiatives in the areas of hi-tech crime, online child abuse and non-fiscal fraud, while forging new partnerships in both the domestic and international arenas.

On the back of this we have continued to build a reputation for achievement, tenacity and innovation. We have been instrumental in working with international partners in leading joint multi-faceted operations, as well as sharing and developing new approaches that have boosted our own capabilities.

Similarly it is no mean achievement that our standing with the UK's local forces remains high, with overall a 100% satisfaction level in areas where we have deployed National Crime Squad personnel in conjunction with, and to support, more localised expertise.

The challenge now is not to lose what we have achieved. Not to lose what has been learnt, the successes we have achieved and the very real impact we have made.

After all, this is an organisation that has, and continues to dismantle a serious organised criminal enterprise every week of the year.

Instead, what SOCA presents is a chance to think in a different way. Not to forget what has gone before but to build on it. Indeed what is absolutely key is that fighting organised crime is not just about organisational change. It is about fully coordinated and joined up planning and application, looking to disrupt and dismantle in any legitimate way possible and that response must be even more intricate, complex and interwoven than the criminal organisations we now face.

This is not a world of gang warfare. It is not the world often depicted in novels, on television or in glamorous blockbusters. It is a world that in many ways can be aligned to any legitimate multi-conglomerate business empire - carefully structured and marshalled with clear aims. It is a world that will jump from one threat to another and where multiple supply and funding chains will be exploited for criminal gain.

That is what the National Crime Squad has learnt since it was formed in 1998. It is the picture that has been developed with input from our partners and key stakeholders and it is a view that must now drive our agenda for change.

One thing is clear, we cannot and will not stand still and therefore we move forward into SOCA in a fully joined up and coordinated fashion. We will explore new techniques and methodologies and, above all else, we will not lose the pride, enthusiasm and drive of our people - that is what the National Crime Squad is about and that is what the new SOCA will take forward.

In conclusion I would like to thank the National Crime Squad Service Authority for the support they have given this organisation over the last 12 months. That, and the massive thanks I owe to each and every member of the National Crime Squad, comes at the end of a vitally successful year for us all.



Trevor Pearce
Director General
National Crime Squad
Date 14 July 2005

Operational activity

The three geographical Operational Command Units (OCUs) - Eastern, Northern and Western, Paedophile On-line Investigation Team (POLIT), the National Hi-tech Crime Unit (NHTCU) and the Immigration Crime Teams (ICTs) represent the operational cutting edge of the National Crime Squad.

This section highlights just a flavour of the work of the command units and continuing success in disrupting and dismantling organised crime enterprises.

The Eastern OCU covers 13 police force areas including the Metropolitan Police Service and the City of London Police and spans the entire South East of England from Norfolk to Dorset, serving a population of around 25 million. The Western OCU covers 17 police force areas, including South Wales, Bristol and Birmingham. The area is home to approximately 10 million people. The Northern OCU is divided into two operational command clusters. These cover 14 police forces and cover one third of the UK, with a population of around 15 million people.

Drugs

All three OCUs have had some impressive results targeting criminal groups involved in drug trafficking. By working in partnership with law enforcement agencies here and abroad, millions of pounds worth of drugs were seized before they could be sold on the streets.

839kg of heroin

556kg of cocaine

886,505 ecstasy tablets seized

As ever, the focus has been on the top tier of criminality - the main targets that can only be brought to justice through highly skilled investigative

work. Operations carried out have impacted directly on the communities that had been affected by the misery and violence the criminality had bred.

During 2004/05 a total of 629 people were arrested for drugs offences and 402 criminal groups were either disrupted or dismantled. Officers have also launched 73 new operations that are targeting drug traffickers.

An international drug trafficking network was smashed by the National Crime Squad, resulting in a massive 122 years in jail sentences being handed out. In all 33 people were arrested as part of the operation and in March 2005 the head of the enterprise and eight of his close criminal

associates were sentenced. Class A and B drugs worth more than £25m were seized. The operation involved a high level of cooperation with HM Revenue & Customs as well as the Dutch, Belgian and German police.

Another investigation into drugs trafficking led to nine people being sentenced to over 70 years for their involvement in a large scale money laundering and drug trafficking operation which netted them over £4m. The criminals used a network of mailboxes to receive packages of drugs posted from overseas. The money made from selling the drugs was exchanged for foreign currency and used to buy further drugs.

The head of a large-scale heroin network was jailed for 12 years despite having previously fled to Spain to evade arrest. The National Crime Squad tracked him down and he was extradited to the UK in February 2005. Eight members of his criminal enterprise had already stood trial and were sentenced to over 70 years. The head went on the run in September 2002 after 10kg of heroin were seized.

Six members of a multi-national drug trafficking syndicate were sentenced in 2004 for their parts in a conspiracy to import cocaine into the UK from the Caribbean. The head of the syndicate, who arranged for couriers to fly to Jamaica each week and bring cocaine and crack cocaine back into the country, was jailed for 16 years. Couriers swallowed packages containing the drugs and were bringing in between half a kilo and a kilo on each trip.

Immigration Crime

During 2004/05 the National Crime Squad has continued to develop intelligence and target those involved in organised illegal immigration crime.

All branches within the organisation are tasked with looking at people smuggling and human trafficking but the Immigration Crime Teams focus solely on these issues. A new dedicated ICT has been established in the Midlands and forms part of the Western OCU.

Major advances have been in the area of trafficking of human beings and the intelligence picture has developed considerably. This has led to a number of trafficking operations being launched.

Additionally, there is increasing evidence to demonstrate that those involved in immigration crime are also engaged in other areas of organised crime. One operation in partnership

with Belgian Police resulted in a sentence of five years imprisonment being given for immigration offences with an additional consecutive five years for firearm offences.

Prosecutions for people smuggling have continued as well. A recently concluded case involved 10 people who were sentenced for their roles in a conspiracy to smuggle illegal immigrants from the UK into the United States of America. Detectives, working closely with the UK Immigration

Detectives arrested **147** people
and disrupted or dismantled **51**
criminal organisations involved in
immigration crime

Service and the US Department of Homeland Security's Immigration & Customs Enforcement, launched an operation in September 2003 to

dismantle the nationwide syndicate. Indian nationals, including children, who had previously entered the UK illegally, were being smuggled over to America. The illegal immigrants were paying up to £10,000 for successful entry. The criminals involved received sentences totalling over 32 years.

As part of another operation, a Malaysian national was imprisoned for seven years after helping to smuggle hundreds of ethnic Chinese men and women from Malaysia into the UK for the purposes of illegal employment in restaurants and takeaways. He pleaded guilty to ten charges of facilitation following a two-year investigation which was carried out as part of the Government's multi-agency 'Reflex' initiative to target organised immigration crime.

On-line Child Abuse

The Paedophile On-Line Investigation Team (POLIT) has had another busy year during which its three site locations were amalgamated into one. The team's remit as the UK point of contact in the area of internet-related child abuse includes the reception, risk assessment and dissemination of material relating to national and international intranet related child abuse enquiries. The role extends to providing advice and practical assistance to police forces. Over the last 12 months the details of over 1,100 suspected paedophiles have been analysed and disseminated. The impact that the team has can be seen by the almost daily media stories detailing convictions and on-going investigations.

The team also administers ChildBase - a computer database of indecent images of children which aims to be the definitive UK database, whose primary aims are victim and suspect identification as well as reducing the requirement of law enforcement agencies to view images that are already 'known' to the system. Members of the team have assisted in the identification of a number of child victims worldwide.

The National Crime Squad chairs the Virtual Global Taskforce which is an alliance of law enforcement agencies, industry and child welfare charities from around the world that have come together to help combat on-line child abuse. The other law enforcement members of the Taskforce are the Australian High Tech Crime Centre, the Royal Canadian Mounted Police, the US Department of Homeland Security and Interpol. Industry partners include AOL (UK), BT, Microsoft, MSN and Vodafone. Recent Taskforce initiatives include the launch of a new website (www.virtualglobaltaskforce.com) which provides a range of information, advice and support. In the first five months of operation, the website has received over eight million hits. Dealing with child abuse on the intranet is a global issue and members of the team have attended many national and international conferences and courses, both as delegates and presenters. A good example of their work was leading a successful Europe-wide operation targeting persons exchanging child abuse images. The raids across ten participating countries were the first example of a multinational coordinated proactive approach in this field.

On 1 April 2005 ministers announced proposals for a new national centre to combat on-line child abuse. All the functions of POLIT are due to go into this centre which is expected to start work in April 2006. Deputy Director General Jim Gamble has been asked to lead in the development of the centre.

Hi-Tech Crime

2004/05 saw the National Hi-Tech Crime Unit (NHTCU) consolidate its activities still further with an increase in the number of investigations and especially investigations in cooperation with law enforcement agencies in other countries.

Lessons learned over the past few years are now developing into practical actions. Visits to and from the Unit by agencies such as the FBI and US Secret Service ensured collaboration across a number of investigations, which in turn have led to a number of arrests.

52 people were arrested on hi-tech crime related operations during the year, which resulted in 27 disruptions or dismantles. 14 of these involved the full dismantling of the enterprise whilst 13 caused disruption in excess of 12 months. These operations emanate from a variety of sources including domestic and overseas law enforcement, other partner agencies, or from intelligence proactively generated within the unit.

52 people arrested on
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Taking advantage of the diplomatic opportunities presented by the thrice yearly G8 meetings, and using the E-Crime Congress, our relationship with colleagues in

Department K of the Ministry of the Interior in Russia has delivered key arrests on the ground there.

With support from the Foreign and Commonwealth Office we continue to forge new strategic links through the provision of expertise, equipment and training. This year included Belarus and Ukraine.

The Unit is also taking an active part in an international law enforcement taskforce, supported by industry, which coordinates intelligence and enforcement actions against botnets (networks of compromised computers) on a global scale.

The year has been packed with notable milestones and other achievements. Recycling of the Unit's knowledge back into industry has enabled companies to adapt their processes to reduce their chances of being attacked by criminal groups. The twice-yearly briefings to the financial sector have cemented relationships and working practices.

The NHTCU has also continued its efforts in preparation for the launch of Project Endurance - a joint public/private sector campaign to educate and advise consumers and micro-businesses on how to protect themselves online.

The Unit has developed and promoted standards and policies in cybercrime investigation through the publication of the ACPO Strategy for the Investigation of Computer-Enabled Criminality and Digital Evidence.

In operational terms a range of criminality was addressed including distributed denial of service attacks, extortion, identity theft and fraud, organised online child abuse, the sale of drugs online, and virus writing.

Extortion

In cooperation with officers from Department K in Russia, two Russian computer extortion groups were dismantled and members of two others were arrested. All four groups had been using networks of compromised computers to attack online gambling sites and card processing services - many of which were UK companies.

Identity theft and fraud

Many UK banks and credit card issuers are highly vulnerable to account takeover fraud, mainly by Eastern European computer criminals who are compromising UK credit card accounts on a large scale. The Unit is working closely with the financial services industry as part of its crime reduction strategy to reduce their vulnerability.

Intelligence and operational support

Intelligence and operational support units provide the critical and specialist tools needed for successful investigations and development within the National Crime Squad.

Drugs and Organised Crime

The Drugs and Organised Crime department has had a busy year assisting various government departments, including the Home Office, Forward Strategy Unit and the Prime Minister's Delivery Unit. Advice and assistance in relation to the work of the National Crime Squad and the Concerted Inter-Agency Drug Action Group (CIDA) has been provided. The department has also acted as the gateway to other law enforcement agencies and obtained operational support from them in this country and overseas. A number of sensitive projects have been set up to assist agencies and the department has hosted numerous visits to the National Crime Squad.

The Drugs Expert Witness Programme has been running for over a year and there are now 20 trained experts who provide evidence to the courts in relation to drugs operations. Our experts have processed over 100 operations in the past year mainly in support of National Crime Squad operations but also in support of police forces and HMRC. This has provided judges and juries with a structured picture of cases and has led to some defendants pleading guilty and receiving longer sentences on some occasions. The most recent training programme included officers from the Hong Kong Police, the Australian Federal Police, the States of Jersey Police, the Metropolitan Police Service and the Nottinghamshire Police as well as National Crime Squad officers.

Dr Julia Shannahan has project managed the CIDA Street Level Up initiative at four pilot sites across the country. This has been an ideal vehicle to demonstrate the benefits of multi-agency working across all levels of the drug supply chain. It has improved law enforcement knowledge of the structure of drugs markets and provided opportunities to identify individuals and groups who were previously unknown to be involved in this type of criminal activity. A full evaluation will take place later this year.

A number of projects aimed at making the UK a less attractive place for criminals to conduct business were launched during the last year. This ongoing work has helped forge new relationships with other law enforcement and government agencies as well as companies from the private sector.

Opportunities are being explored to examine specific crime market profiling and an initial workshop has taken place with a leading IT corporation. This focused on a successful organised immigration crime investigation carried out by the National Crime Squad and the findings are being fed into the tasking and

coordination process to highlight best practice, improve tactical options and identify effective harm reduction projects for SOCA.

Another partnership initiative is the development of a multi-agency menu of options, incorporating operational and regulatory options, which will be used against corrupt professionals who are supporting criminals. This seeks to make the disruption of such support mechanisms more cost effective and far-reaching.

As part of the National Crime Squad's community engagement strategy, a conference will take place in October 2005 which is designed to mobilise communities towards active citizenship. A mobile think tank of expert opinion will be formed from which smaller dynamic focus groups can be selected to problem solve issues generic to organised crime.

Briefing sessions are also being staged to alert the media and public to the National Crime Squad's intervention strategy. The aim is to develop the media and community engagement models into evaluated prototypes which can be taken to a European platform in 2006.

Intelligence and Analysis

The Central Intelligence Unit (CIU) delivers a range of intelligence and analytical products in support of government priorities and strategies in respect of CIDA, Reflex and the Concerted Inter-agency Criminal Financial Assets group (CICFA).

This is developed through ongoing support to National Crime Squad operations and is maximised through the tasking and coordination process which delivers the efficient and effective use of resources whilst ensuring the organisation is intelligence led.

The use of a desk structure provides an intelligence collection, analysis and dissemination model, which links strategic analysis with the operational requirements of the organisation. Accordingly, desk personnel produce intelligence briefings, situation reports, profiles and assessments for use by investigators and other agencies.

Systems and products delivered and managed by the CIU utilise the framework of the National Intelligence Model. This provides consistency and enables the sharing of information.

The implementation of a single gateway for the receipt and dissemination of intelligence continues to ensure the quality, timeliness and coordination of intelligence. This has enabled improved operational effectiveness.

Partnership working is at the heart of National Crime Squad intelligence activity and the CIU embraces multi-agency partnership working. It currently includes personnel within the desk structure. These are drawn from other agencies, including the Immigration Service, HM Revenue and Customs, and the Forensic Science Service. This continues to improve intelligence flows and provides new opportunities to exchange and share intelligence and knowledge.

The Police National Computer (PNC) Bureau was launched in April 2003 and continues to successfully provide a comprehensive PNC service to operational and intelligence staff and business support units. The Bureau remains the 24/7 gateway into the National Crime Squad for other law enforcement agencies and members of the public.

Financial Crime

The recovery of criminal assets and investigation of those laundering the proceeds of organised crime remain high priorities for the National Crime Squad.

In order to enhance the organisation's response to this a Financial Operational Command Unit (Financial OCU) was formed in the summer of 2004. This comprises the existing Money Laundering Investigation Teams (MLITs) and also provides a management structure to support, direct and advise on all elements of financial crime.

The National Crime Squad now has a structure in which each Operational Command Unit has financial investigators assigned to support the investigations by conducting enquiries into related financial elements and more importantly to assess the criminal benefit and available assets of those prosecuted as a result of operations. These are presented to the court to facilitate benefit and confiscation orders.

As a result of this action, during the year, in excess of £11m was confiscated from criminals by the courts. Performance in this field increased by 200% as at the end of the financial year there was in the region of £39m of suspected criminal assets under restraint. It is anticipated that the majority of this will be made the subject of confiscation orders. The MLITs within the Financial OCU conduct investigations into complex and major money laundering enterprises. A team in each of the three geographical areas conducts such investigations whilst a separate team comprising National Crime Squad and Immigration Service (UKIS) personnel investigate money laundering specifically related to immigration crime.

A particular success during the year has been the creation of the Checkmate teams. These are joint National Crime Squad/HMRC teams working closely with NCIS to investigate those major money-laundering enterprises posing a significant threat to the UK.

Forensic Support

The Forensic Services Unit (FSU) has expanded over the last year to support the continuing and growing need for forensic services. Today, more emphasis is being put on forensic science to support the criminal justice system than ever before. Advancements in science and technology impact on both the techniques used by criminals and the approaches employed in fighting and detecting crime. The last period has seen the unit developing in the following areas:

- Specialist crime scene activity
- Forensic intelligence
- Fingerprints, chemical enhancement and DNA
- Digital services, computers and mobile telephones etc.
- Forensic management (forensic submissions)
- Clandestine drug manufacture

Within the National Crime Squad, forensic science is not just seen as a means of proving someone's guilt or innocence. Used properly, proactive and covert forensic techniques can serve as vital intelligence tools to underpin the entire investigation process, develop understanding and knowledge and reduce harm.

Forensic resources are finite and the number of cases which depend on complex forensic evidence has increased. It is therefore critical that resources are used to the greatest impact. To manage processes and maintain our best value culture the unit now has a Forensic Submissions Officer. Our intelligence led approach is supported by a newly appointed Forensic Intelligence Manager to ensure the forensic desk within the CIU is able to exploit national and international forensic databases for the evaluation and aggregation of the forensic product.

The opportunity to harvest the forensic output, maximise operational effectiveness and direct research and development through joint agency collaborations is vital. New digital technologies are entering the market place and being constantly refreshed at a rapid rate. The FSU acknowledges the need to stay ahead of the criminals and has developed a project managed research and development approach to ensure 'first mover' advantages. This has involved developing relationships within the science and technology environment both nationally and internationally, within law enforcement, industry and academia.

The National Crime Squad both tactically and operationally engages forensic services within the investigation process that sees forensic officers as investigators rather than just evidence gatherers. This involves highly trained specialists able to work and manage the dynamic and complex surveillance environment, utilising the latest technologies to ensure that forensic product is fed into the intelligence process through secure systems, in real time to support operational decision-making.

There has been an increase in requests for specialist forensic support to law enforcement including Illicit Laboratory Unit (ILU) activity and national police training in the development of specialists and the spread of best practice. The unit now has a full-time Forensic Coordinator managing all ILU activities.

Fingerprints and DNA are the primary sources of detection, with timely submissions from worldwide scenes and focused outputs to the investigation process a key target for forensics. To support this process and the introduction of Fingerprint services (IDENT1), the unit now has an Identification Manager.

Firearms

The Deputy Director General is the ACPO officer responsible for operational policy and practice in respect of weapons requiring special authorisation, which includes firearms and less lethal options.

The Firearms department leads, directs and manages the National Crime Squad firearms capability in the delivery of operational firearms support and training. The department ensures that the organisation complies with relevant legislation and nationally agreed standards for the conduct of firearms operations.

This year has seen an extensive training program implemented that has paved the way for a smooth transition and conversion to new corporate weaponry. Additional training and equipment improvements have seen the development of tactics that support the safer resolution of armed incidents including the introduction of impact munitions using the less lethal impact launcher. The advanced Taser electrical incapacitant device is being integrated into armed deployments and, along with the less lethal impact munitions, will increase the range of options available which may contribute to the effective resolution of an incident.

Recognising the unique imprecise nature of covert armed policing, this year has seen the development of enhanced

specialist medical training for selected authorised firearms officers. Significant activity has also been undertaken to ensure compliance with the Home Office Codes of Practice Police Use of Firearms and Less Lethal Weapons. The department continues to invest heavily with our training providers to work towards HM Inspectorate of Constabulary (HMI) targets to demonstrate compliance with the National Police Firearms Training curriculum.

The National Crime Squad continues to be recognised as the lead agency involved in covert armed policing and is represented and actively contributes to all of the ACPO Police Use of Firearms forums.

The National Crime Squad continues to experience an increase in the requirement to provide tactical advice and to deploy firearms resources to support operational activity throughout all three OCUs. The operations by nature tend to be complex and involve multi-agency and cross-border policing issues. The department supports not only internal operational activity but also provides assistance to other agencies and forces.

Operational Support Unit (OSU)

Work is already advanced in preparing for the transition into SOCA and it is anticipated that a statutory instrument can be added to the SOCA Act to prevent the organisation from having to cancel all current authorities on 31 March 2006 and re-authorising all activity for SOCA.

The annual inspection by the Office of Surveillance Commissioners for 2005 has just been carried out and the OSU is implementing the resulting action plan. The inspection team will be returning in October.

In relation to undercover work, the OSU is continuing to build its capability and capacity to meet operational needs. A series of Standard Operation Practices (SOPs) are being developed that will set out working practices and procedures which compliment the national manual of standards.

The National Crime Squad now has what is widely acknowledged as the most robust Covert Human Intelligence (CHIS) management regime nationally and internationally. The Chief Surveillance Commissioner, Sir Andrew Leggatt, commended our working practices during a recent visit and many other law enforcement agencies are seeking to adopt similar regimes.

The OSU is also developing SOPs for witness protection. As a result of reviewing its working practices, a number of efficiency savings have been made. The unit anticipates a significant growth in demand with the advent of the powers of compulsion available to SOCA.

Corporate and business support

Corporate and business support services provide focus in a range of areas to ensure the National Crime Squad can deliver its key objectives.

Corporate Development Department (CDD)

This was a year of consolidation for the department. Key processes and functions in support of National Crime Squad operations were refined and experts in business planning, performance, risk management and business continuity were appointed.

The annual application for Grant-in-aid and the associated rolling three-year business plan were submitted to the Home Office in October 2004. The Service Authority approved the subsequent Annual Service Plan for 2005/06 and a copy is available on the National Crime Squad website at www.nationalcrimesquad.police.uk

In the build up to SOCA, the internal planning, performance and risk management frameworks have been revised and re-launched to promote more efficient and effective working across the organisation as well as encouraging greater transparency and accountability for performance at all levels. This performance ethos was further promoted through numerous departmental self-assessment exercises facilitated by the Continuous Improvement Unit. The unit was also commissioned to undertake several process reviews including an assessment of the key intelligence processes employed across the National Crime Squad.

During this transitional period it is vital that sufficient management controls are maintained. In order to achieve this the inspection and review regimes were bolstered to include more rigorous and frequent self-inspections. Work was also initiated to further develop and test business continuity arrangements.

The Policy and Procedure Unit has been particularly busy and significant work has been undertaken in relation to policies covering Occupational Health & Welfare, the European Working Time Directive, Professional Standards and Disclosure. Work also continued in further developing the toolkit for Senior Investigating Officers. In December 2004 it was agreed that the unit would form the nucleus of the Policy Co-ordination Unit for SOCA and focus shifted to preparing the key policies required.

The CDD continued to be responsible for the management of the corporate programme of work and ensured that sound practice was adopted across all areas of project management

in accordance with HM Treasury and PRINCE2 guidelines. Members of the department have also spent an increasing proportion of time representing the National Crime Squad on inter-agency teams responsible for developing the governance and performance management regimes for SOCA.

Professional Standards

The Professional Standards Unit leads, manages and coordinates overt and covert investigations into professional standards matters within the organisation. The activity of the unit varies from intelligence gathering to providing a proactive response to complaints, misconduct and corruption investigations. It also coordinates and participates in mutual assistance to other organisations and forces in professional standards operations.

A new system has recently been introduced to allow minor misconduct and breach of National Crime Squad policy to be dealt with at a local management level.

The unit actively supports and contributes to the ACPO Anti Corruption Advisory Group and the ACPO Professional Standards Committee, assisting with research and developing tactics and techniques to prevent and deter corruption nationally.

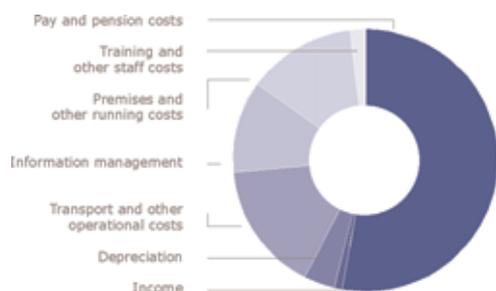
In order to protect the organisation from corruption and to protect staff and operations, policies relating to substance misuse and safeguarding integrity have been introduced. These support other well-established policies in relation to professional standards reporting, service confidence and unsatisfactory performance procedures.

The unit continues to identify criminals who attempt to infiltrate the National Crime Squad and other law enforcement agencies in order to identify sensitive methodology and disrupt trials.

Finance

The Finance department has strengthened its relationship with the Home Office to support Central Government's resource accounting and budgeting system. Under this system separate expenditure limits are set each year for the National Crime Squad by the Home Office for the running costs of the organisation (Resource DEL) and for capital investment (Capital DEL). The final out-turn for 2004/05 was £161.2m (Resource) and £9.1m (Capital) with an underspend of £2.1m and £0.3m respectively against the target DEL allocations. Additional expenditure totalling £7.9m (Resource) was funded by a Home Office grant outside the DEL allocations. Around £3.7m was provided by

the Recovered Assets and Incentivisation Fund and Reflex. The balance related mainly to an increase in a pension deficit provision that was funded under a separate grant arrangement. Further information on the financial position of the National Crime Squad and performance against the budget can be found in the foreword section of the Statement of Accounts. The chart below analyses the main types of expenditure and income incurred by National Crime Squad:



During the year the department reviewed and documented all financial policies and procedures in preparation for supporting the transition to SOCA and joint working with NCIS. The focus for the year ahead is to put in place the necessary structures to support the provision of a joint finance support service for the National Crime Squad and NCIS which will also form the basis of a finance service for SOCA. To this end the department is working closely with the Home Office and all the precursor agencies which will form SOCA. The first stage in this process was the provision of a payroll service to NCIS which was successfully implemented on 1 April 2005. The department is also continuing in its quest to improve the efficiency of the National Crime Squad to not only provide value for money but also maximise the benefits from goods and services that improve front line policing activity.

Human Resources

Throughout 2004/05 the Human Resources department has continued to work toward changing the organisation from one mainly staffed through secondment to one that directly recruits its police officers and staff. The initial plan has been impacted upon by the creation of SOCA. However, in supporting the move to the new agency, direct recruitment has continued with significant success. The environment within which this is taking place remains highly competitive, particularly for police officers with the high level competencies required for their roles.

The implementation of a new learning and development strategy has brought the department closer to its internal business partners. Demand remains high but this strategy has enabled the business to prioritise demand that has, in turn, informed the annual training plan. All business critical training demand has been met and there continues to be investment in individual personal development identified through the National Crime Squad Personal Development and Performance Review scheme.

The organisation has also embarked upon a leadership programme for all staff from directorate level through to junior supervisory positions. It has received very high satisfaction ratings from those attended so far and is critical to supporting the change management process as the organisation moves towards SOCA.

The challenges being experienced in resourcing the organisation are reflected in the slow progress being made in achieving the employment targets set by the Home Office for under-represented groups. This is mainly reflective of the slow progress being made within the police service in general as these are the sources for police officer recruitment into the organisation. There has however been notable success in the levels achieved in our junior police staff grades.

The National Crime Squad has a highly developed inclusive culture through supporting a range of staff associations including the Black Police Association, the Rainbow Resource Group (affiliated to the National Gay Police Association) and an association to represent the interests and issues of our disabled staff. Community contact is retained through an Independent Advisory Group drawn from the broad range of cultures within Britain.

One of the limited places on the 2004/05 Fulbright Fellowship was successfully obtained through which work was undertaken to learn lessons from the progress made in the USA on the levels of employment of under-represented groups in organisations similar to the National Crime Squad.

Occupational Health and Health and Safety

Through the work of the Occupational Health and Welfare and the Health and Safety teams, the incidences of injury and sickness remain significantly below the average of that within police forces. An extensive stress audit was completed and it was noteworthy that while the National Crime Squad is going through a massive change programme, incidences of stress-related illness have not shown any significant increase.

The accident rate involving injury remains consistently low and a revised health and safety policy has provided an improved framework for health and safety management. A system of health and safety communication and consultation tailored to diverse organisational needs is currently being implemented. In addition, the Service Authority is actively involved in the strategic planning and review of health and safety within the organisation.

The National Crime Squad is also continuing to take active steps to generate and maintain a positive health and safety culture, particularly through increasing health and safety planning for operational deployments.

Information Management

As part of the Information Management programme the intelligence module of Athena (an integrated intelligence and operational management system) has been introduced and works alongside the case management module. All new National Crime Squad operations now run within this environment and the legacy Clue system has been phased out. The final part of Athena, which is the operations management module, is expected to be in service by January 2006.

All projects in the IM programme can be traced back to support one or more of the four National Crime Squad Strategic Objectives for 2004/05. Of note this year are two initiatives that assist with the delivery of Objective Three: Opportunities for Joint Working.

The first is a joint HR/Payroll solution and the National Crime Squad's system has now been enhanced to provide capacity for use by NCIS. As reported on page 15 the NCIS payroll project was successful in delivering an in-house NCIS payroll service that went live on 1 April 2005. It is anticipated that the National Crime Squad's Resourcelink HR/Payroll service will be going into SOCA as the preferred solution.

The second initiative was Project Gemini that successfully entailed designing and delivering a secure e-mail link service between the National Crime Squad and NCIS.

Procurement

The Procurement department has continued to liaise extensively with the user community in order to best meet their needs, while ensuring that the organisation achieves corporacy, best value, and compliance with legislation, contract standing orders and financial regulations. A review and tender process for the supply of stationery and computer consumables was completed recently. As a result

savings will be made in 2005/06 on product costs with further efficiency savings by reducing the number of orders.

The department has a major role in the project to supply the National Crime Squad with new communications equipment. Discussions are taking place with the Police Information Technology Organisation (PITO), the suppliers and users to ensure robust arrangements are in place. The tender process for branding consultants to assist in the creation of a corporate identity for SOCA was also completed recently.

In November 2004, the department joined with the NCIS Procurement Department to create one department for both organisations, and work on rationalisation of suppliers and contracts has commenced. The new department has also been working closely with HMRC.

Transport

Our operational vehicles offer a platform for technical and conventional surveillance, covert communications and other specialised activities. The transport strategy is to ensure that our customers can operate within this environment in a safe, efficient and effective manner.

Staff within the Transport department are fully engaged on the Airwave Project. Service level agreements have been established and reports on performance indicators are given to stakeholders regularly.

An overarching transport policy has also been created and in the latter part of 2004, the department took on responsibility for NCIS vehicles as part of a joint working initiative.

Facilities

The department has built on the initiatives commenced during 2003/04 with a full review of the National Crime Squad estate, operational requirements and service delivery strategy. A planned preventative maintenance contract was implemented during 2004/05 and dealt with delivery of reactive demands and a programme of remedial works to bring the estate up to a uniform base standard of maintenance. These steps have ensured that maintenance of the estate is within legislative requirements. This has been further supported through the development of policies and procedures such as contractor management, asbestos management and site access.

In reviewing the estate as a whole, the estate strategy has continued to develop and 2004/05 has seen the delivery of four new sites, co-location of a further site and revitalisation of a sixth site. This has seen the release of one commercial office and five formerly occupied constabulary premises that were no longer suitable for the organisation's requirements. The new premises have much needed improved facilities.

The department has been feeding in valuable property and facilities management knowledge to the SOCA programme team. In addition key notable successes have been the conclusion of lease renewal and rent review negotiations affecting five sites, a full audit and review of residential accommodation and change processes in the provision of this need. 2004/05 has also seen the conclusion of non-domestic rates revaluations. The savings made amount to a cumulative total of £600K which further supports the efficiency savings target of 2% required of Non Departmental Public Bodies (NDPB's).

Corporate Communications

Corporate Communications for both the National Crime Squad and the National Criminal Intelligence Service have now amalgamated under the leadership of Clive Michel. This has meant a complete re-shaping of both the team structure and overall objectives and remit - all of which has been achieved in little over 6 months. The team is now structured to focus on external, internal and media communications as well as specialist activity around e-communications and design and overall digital development. Corporate Communications is centred around maintaining the public and internal profiles of both organisations and working to demystify and deglamourise serious and organised crime as well as publicising operational effectiveness. Activity is also ongoing to ensure an effective transition into the new Serious Organised Crime Agency as well as making communications integral to the wider change programme.

Performance data

Four objectives were set by the Service Authority and the Home Secretary for 2004/05. Our performance in seeking to reach those objectives is set out here with accompanying commentary where appropriate. They are prefaced by an overarching operational performance indicator which relates specifically to Objectives 1 and 2.

Target **95%**
Achievement **97%** | % Ongoing operations against criminal enterprises involved in Level 3 serious and organised crime as defined in the National Intelligence Model.

The National Intelligence Model defines Level 3 criminality as serious and organised crime, usually operating on a national and international scale. This indicator is included to ensure that the National Crime Squad’s operational activity is directed at the appropriate level. The data in relation to the percentage of Level 3 operations is supplied by CIU from the Tasking and Coordinating system and is based on the number of ongoing operations at the end of each month. At the end of March 2005, there were 237 operations recorded on the T&C system, of which 101 were at the development or current stage (excluding NHTCU, POLIT and Co-Ord operations). 98 of these 101 operations were against OCEs operating at Level 3 within NIM and this equates to 97.03% which is above the target of 95%.

Objective 1 set by the Home Secretary

To dismantle or disrupt criminal enterprises engaged in serious and organised crime within or affecting England and Wales, where appropriate in partnership with other law enforcement agencies and authorities, by targeting those engaged in:

- Class A drug trafficking (in support of the Government’s strategy for reducing the supply of Class A drugs in the United Kingdom);
- Organised immigration crime (in support of the Government’s inter-agency strategy for combating organised immigration crime (people smuggling and trafficking) affecting the United Kingdom).

Target **75%**
Achievement **96%** | **1.1** % Ongoing operations undertaken by branches and the Immigration

Crime Team against criminal enterprises involved in Class A drug trafficking or organised immigration crime.

This indicator reflects the priority given to these two areas by the Home Secretary. At the end of March 2005, 97 of the 101 operations at the development or current stage were investigations into either Class A drugs and/or organised immigration crime (77 - Class A, 20 - organised immigration crime). This represents 96.04% which is above the Service Authority’s target of 75% as it had been all year. The overall figure of 96% may appear high, however, the Tasking and Coordinating system ensures that all targets are prioritised on the basis of harm or potential harm to the community and an assessment of our ability to pursue a successful operation. No operational targets of greater priority operating in other areas of criminality are deferred to accommodate achievement of these minimum targets.

1.2a The number of criminal enterprises involved in Class A drug trafficking which have been dismantled. Target **49** Achievement **48**

1.2b The number of occasions when criminal enterprises involved in Class A drug trafficking have been disrupted as a result of National Crime Squad driven activity. Target **141** Achievement **354**

1.2c The number of disruptions/dismantles of organised criminal enterprises responsible for supplying substantial quantities of Class A drugs to the UK market that contribute to the CIDA target. Target **59** Achievement **69**

During 2004/05, 48 organised criminal enterprises involved in Class A drug trafficking were dismantled. The dismantlement indicators represent the culmination of National Crime Squad activity, however, it should be noted that, as dismantling is claimed (in most cases) at the end of the judicial process, the final result is often dependent on factors outside the direct control of the National Crime Squad such as the timing of court hearings. There were 354 other occasions where OCEs were disrupted as a result of activity on National Crime Squad operations which is in excess of the target of 141. The target for Class A disruptions was also comfortably exceeded in 2003/04 .

In brief, the target was based on 2002/03 performance and the significant increase in performance since then reflects the greater use of a wider range of disruptive methods and the fact that branches/units have been encouraged to quantify their activity in terms of the disruptive effect on OCEs. The National Crime Squad system sets out degrees of disruption based on the estimated adverse impact and the attributes of the OCE concerned. The 354 disruptions included 71 that were estimated to have had a severe adverse effect on a significant organised criminal enterprise.

1,414kg Class A drugs seized
629 people arrested
£3.9m seized under POCA

Measure 1.2c is designed to reflect the National Crime Squad's contribution to the Concerted Inter-Agency Drug Action (CIDA) Public

Service Agreement which seeks to dismantle or disrupt those criminal enterprises responsible for supplying substantial quantities of Class A drugs to the UK. CIDA still uses the old, time-based method for defining disruption and, consequently, only dismantles and disruptions over 12 months count towards the target. To fit the CIDA criteria, National Crime Squad submit only figures relating to OCE's dismantled and those that fall within the Disruption A category, (with maximum of one against an OCE in any 12 month period). On this basis, 69 were submitted to CIDA, which is above the target of 59.

During the year, 1,414kg of Class A drugs were seized. This consisted of 839kg of heroin, 556kg of cocaine, 18kg of MDMA powder plus over 886,000 ecstasy tablets. 629 people were arrested during this period and £3.9m was seized under Proceeds of Crime Act (POCA) legislation. In addition, confiscation/forfeiture orders to the value of £9.7m were made at the financial hearings of convicted Class A drug traffickers.

Target **12**
 Achievement **11**

1.3a
 The number of criminal enterprises involved in organised immigration crime which have been dismantled.

Target **28**
 Achievement **40**

1.3b
 The number of occasions when criminal enterprises involved in organised immigration crime have been disrupted as a result of National Crime Squad driven activity.

Between April 2004 and March 2005, 11 criminal enterprises involved in organised immigration crime were dismantled, an increase of one on last year when the final figure was ten. There were 40 occasions where disruption to OCEs occurred which means that the target was achieved. The 40 disruptions included 14 that were estimated to have had a severe adverse effect on a significant organised criminal enterprise.

A total of 146 people were arrested in relation to organised immigration crime during the year, a further 115 clandestine entrants (those not involved in facilitation) were detained and £266,000 was seized under Proceeds of Crime Act legislation. In addition confiscation/forfeiture orders to the value of £222,000 were made by courts on organised immigration crime operations this year. These results were achieved by both the Immigration Crime Teams and National Crime Squad branches.

Objective 2 set by the Home Secretary

To dismantle or disrupt criminal enterprises engaged in other forms of serious and organised crime within affecting England and Wales, according to agreed priorities and maximising mutual support and cooperation with law enforcement agencies at local, national and international levels.

2.1a
 The number of criminal enterprises involved in hi-tech crime which have been dismantled in line with the Hi-Tech Crime Strategic Stakeholders Protocol

Target **12**
 Achievement **14**

2.1b
 The number of occasions when criminal enterprises involved in hi-tech crime have been disrupted as a result of NHTCU-driven activity.

Target **12**
 Achievement **13**

Fourteen criminal enterprises involved in hi-tech crime were dismantled during 2004/05 and there were a further 13 occasions where activity led by the NHTCU had a disruptive effect, hence both targets were achieved. The specialised nature of hi-tech crime means that dismantling can be achieved, in many cases, by means other than conviction and removal of assets, mainly by technical means or the removal of computer equipment. The 13 disruptions included 9 that were estimated to have had a severe adverse effect on a significant organised criminal enterprise. 54 people were arrested on hi-tech crime operations.

One of the outcomes of NHTCU operations targeting people engaged in on-line paedophilia is the identification of children at risk. During the year, five children were identified under two separate operations. There have also been 25 criminal websites removed.

No target set
Achievement **11**

The number of criminal enterprises involved in other areas of serious and organised criminality which have been dismantled.

No target set
Achievement **52**

The number of occasions when criminal enterprises involved in other areas of serious and organised criminality have been disrupted as a result of National Crime Squad driven activity.

In addition to operations in our core area of business, the National Crime Squad undertakes investigations into other forms of serious and organised criminality. During 2004/05, 11 OCEs were reported as being dismantled and there were a further 52 instances reported where disruption had occurred. It should be noted that three of the dismantles and ten of the disruptions relate to activity on a single operation that occurred prior to this financial year. They were not previously included due to the extreme covert nature of the operation. As there is no target for 'other crime', the inclusion of these figures does not have a distorting effect on our performance targets for the year and, due to the exceptional circumstances of this operation, it was felt appropriate to include these figures to be able to reflect all the work carried out by National Crime Squad. The 52 disruptions included 12 that were estimated to have had a severe adverse effect on a significant organised criminal enterprise. The dismantles and disruptions from 2004/05 relate to operations investigating such diverse areas as money laundering, firearms trafficking, conspiracy to defraud and conspiracy to steal high value motor vehicles.

157 people were arrested for areas of criminality outside the three core areas and 6,089kg (6.0 tonnes) of other controlled drugs (primarily cannabis) were seized on Class A drug operations, either as additional drugs seized at the same time as Class A drugs or else as targeted seizures used as a specific disruptive tactic against Class A drug traffickers. £447,000 was seized under Proceeds of Crime Act legislation and courts made confiscation/forfeiture orders to the value of £2.8m.

Objective 3 set by Service Authority

To proactively seek to identify and implement opportunities for improved multi-agency partnership working including providing an appropriate level of specialist support to forces and other agencies.

3.1

The percentage of completely satisfied and very satisfied customers in relation to the National Crime Squad's response to requests for assistance made by forces and other agencies (based on replies received).

Target **85%**
Achievement **100%**

The National Crime Squad provides specialist support and assistance to police forces and other agencies, particularly in relation to cases of kidnap or extortion. During 2004/05, National Crime Squad received 322 separate requests for assistance and some level of cooperation has been provided in all of them. Twenty three of these 322 cases were incidents of kidnap or extortion. In all, 74,777 hours were spent assisting forces in both new and ongoing requests which, based on an eight hour working day, equates to 9,347 days. This total includes 11,877 hours on kidnap/extortion operations. The high total illustrates the commitment of the Squad to supporting forces and law enforcement agencies whilst the variance in the number of hours committed each month highlights the organisation's flexibility in this area.

After instances of assistance, a satisfaction form is forwarded to the force/agency concerned and recipients are invited to return replies centrally to the Corporate Development Department. The satisfaction survey reflects the wording in the Home Office's Policing Performance Assessment Framework (PPAF). This includes a scale of responses that begins 'completely satisfied', 'very satisfied', 'satisfied', etc. and only 'completely satisfied' and 'very satisfied' contribute to the measure. This allows identification of respondents who feel our performance was particularly excellent from those who are merely 'satisfied' and assists the organisation in ensuring that it continues to provide a high standard of service. The National Crime Squad recorded a 100% satisfaction rate in relation to assistance to forces and other agencies with all 16 responses received either completely or very satisfied.

During the same period, National Crime Squad staff received a total of 56 commendations from other forces and agencies and 142 letters of appreciation were received.

Fifty one of the 121 new National Crime Squad operations started since April 2004 were undertaken jointly with other agencies. This represents 42% of the total. Of these joint operations 19 were with HMRC, three with NCIS, 11 with English and Welsh police forces and 18 with other agencies including overseas law enforcement agencies. The number of joint operations undertaken is another measure of the National Crime Squad's commitment to working in partnership.

Objective 4 set by Service Authority

To ensure corporate health and effective, efficient and economic service delivery through a programme of continuous improvement whilst fully embracing the principles of diversity.

Target **2%** of budget
Achievement **6.7%**

4.1
To identify cashable and non-cashable efficiency gains to meet and exceed the 2% efficiency savings required of NDPBs and redirect the resultant resources to carry out core business.

It was anticipated that the required 2% efficiency savings could be achieved solely through cashable initiatives. Actual savings made only amount to 1.3%. However, the operational targets set by the Service Authority in regard to the delivery of core business have been met despite a net reduction in available workforce. Taking into account the declining number of police officers, partially offset by the increased number of police staff, over the 12 month period there was a net reduction in available frontline staff of 5.4% (i.e. a non-cashable efficiency saving by maintaining output with less resource).

Target **15%**
Achievement **11.33%**

4.2
The percentage of female police officers in the National Crime Squad.

At the end of March 2005 there were 120 female National Crime Squad police officers out of a total strength of 1,059. This represents 11.33%, which is an increase on the

proportion recorded at the end of February. The target set by the Service Authority was for 15% of National Crime Squad police officers to be female by March 2005 and, on current strength, this would equate to 159 officers.

4.3
The percentage of visible minority ethnic police officers in the National Crime Squad to accord with the targets set by the Home Office.

Target **4%**
Achievement **2.08%**

Twenty two officers within the National Crime Squad define themselves as being of a visible minority ethnic origin. This means that the ratio is 2.08%; which is the highest recorded since September 2004 but below the target of 4%, set in consultation with HMIC and the Home Office. Based on current strength, 42 officers would need to define themselves as being of a visible minority ethnic origin for the target to be achieved. However, the National Crime Squad remains committed to developing a workforce that more accurately reflects the communities that it serves and much work is being undertaken to try and achieve this.

4.4
The percentage of visible minority ethnic police staff (junior grades) in the National Crime Squad to accord with the targets set by the Home Office.

Target **3.5%**
Achievement **4.13%**

4.5
The percentage of visible minority ethnic police staff (senior grades) in the National Crime Squad to accord with the targets set by the Home Office.

Target **3.5%**
Achievement **2.27%**

Analysis of the proportion of police staff who are of visible minority ethnic origin is divided between junior grades and senior grades.

At the end of March 2005, the number of junior grade staff was 606 of whom 25 defined themselves as being of visible minority ethnic origin. This represents 4.13% which means that this indicator has achieved the target.

The figure for senior grades reduced slightly to 2.27% with the number of visibly ethnic staff in these grades remaining the same at two. Although this is below the target of 3.5%, it should be noted that, on current strength, the number of VME staff in senior grades would only have to increase by two to reach the target and this highlights the volatility in percentages when dealing with small numbers. The long-term trend for the percentage of VME staff in senior grades remains upward.



National Crime Squad sickness rates are calculated using the same method as police forces. The two indicators employed correspond to the Best Value and Audit Commission indicators for measuring sickness. To provide a meaningful figure each month, both of these indicators are calculated over a 'rolling' year. This enables trends to be identified more easily than using a cumulative figure. The indicators represent the total number of working days lost through sickness (both self-certificated and doctors-certificated) for all police officers/police staff for the preceding twelve months (i.e. April 2004 to March 2005). This figure is divided by the average monthly strength from the same 12-month period to give the number of working days lost through sickness in a year per police officer and per police staff employee.

The days lost through sickness for March are on average 6.19 days per police officer and 6.80 days per police staff employee, these are comfortably within the targets set for sickness levels which are to be below 8 days and 9 days respectively. These targets were much more challenging than the targets for sickness rates set in the National Policing Plan of 11.5 days and 12 days. This is an area where the National Crime Squad out-performs local police forces and it appears that this trend is continuing.

Foreword to the Statement of Accounts

Introduction

The National Crime Squad was established as an independent organisation on 1 April 1998 through an amalgamation of the former regional crime squads by the Police Act 1997 (the Act).

The National Crime Squad Service Authority was also created with effect from the 1 April 1998, and it is the Service Authority that is the legal entity, as opposed to the National Crime Squad itself. This is the same as for a police force with regard to its Police Authority.

Up to 31 March 2002 the National Crime Squad was principally funded by a levy on the Police Authorities of England and Wales. The Criminal Justice and Police Act 2001 amended the funding arrangements and designated the National Crime Squad as an Executive Non-Departmental Public Body (NDPB). Since 1 April 2002 the National Crime Squad has been financed by a Grant-in-aid from the Home Office together with additional funding for specific schemes from the Home Office, other government departments and similar bodies.

Section 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001) requires the Service Authority to prepare a Statement of Accounts for each financial year in the form and on the basis directed by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Crime Squad at the year-end and of its income and expenditure, total recognised gains and losses, and cash flows for the financial year.

Serious Organised Crime Agency

The Serious Organised Crime Agency (SOCA) was established with effect from 1 April 2006 by the Serious Organised Crime and Police Act 2005, which received Royal Assent on 7 April 2005. When SOCA goes live on 1 April 2006 the National Crime Squad will cease to exist. More information on this is shown under 'Post Balance Sheet Events' on page 27.

Operating review

The National Crime Squad exists to combat national and trans-national serious and organised crime. Details of activities and operational performance during the year are set out in the body of the Annual Report. Performance against targets set by the Service Authority and the Home Office are also set out in the Annual Report.

Financial review

Review of the 2004/05 year:

In delivering the operational performance, set out in the Annual Report, the National Crime Squad incurred operating expenditure for the year of £171.9m. Total income for the year was £166.9m of which £165.2m was Grant-in-aid received from the Home Office and other government grants. After allowing for interest, surplus on disposal of fixed assets and movements in reserves, the deficit for the year amounted to £4.5m. This deficit is due to HM Treasury rules under the government's Resource Accounting and Budgeting (RAB) regime whereby Grant-in-aid may only be drawn down to meet pension and other liabilities when the cash payments are due. It is made up as follows:

	£'m
Grant drawdown in excess of actual net cash payments	(0.8)
Decrease in net creditors	(2.9)
Increase in Provisions	7.4
Additional FRS17 pension liabilities	0.8
Deficit for the year	4.5

Total capital expenditure in the year was £9.3m, financed by Home Office grant. The majority of the expenditure was incurred on the fit out costs of two properties, and the replacement of vehicles and additional equipment used by operational officers and staff.

Financial position as at 31 March 2005

The Balance Sheet as at 31 March 2005 shows an increase in net liabilities of £4.3m (from £13.2m at 31 March 2004 to £17.5m at 31 March 2005). Although the value of fixed assets increased by £2.6m (after depreciation and disposals), this was more than offset by the income and expenditure deficit explained above and further FRS17 pension liabilities resulting from an actuarial reassessment as shown in the Statement of Recognised Gains and Losses.

Outturn against budget 2004/05

Under the Government's RAB regime the Home Office allocated resource and capital spending limits to the National Crime Squad for 2004/05. These spending limits (DEL allocations) were revised during the year and the final allocations representing the overall resource and capital budgets totalled £163.32m and £9.4m respectively. A summary of these movements and the outturn position is shown on the following page.

Resource DEL	£'000	£'000	
Allocation from Home Office			
■ GIA	157,460		
■ Reflex	6,394		
Original allocation	163,854		
Less transfer to Capital DEL (Reflex)	(66)		
Less returned to Home Office	(470)		163,318
Net expenditure			
Operating costs per I & E Account	171,882		
Less Income, including interest	(2,113)		
Surplus on disposal of assets	(60)		
Total resource costs for 2004/05	169,709		
Less funded by Home Office grant outside GIA:			
■ Recovered Assets Incentivisation Fund/Additional Reflex	(3,663)		
■ Increase in Pension Deficit Provision	(4,000)		
■ FRS17 charge for directly recruited officers	(270)		
Release of prior year tax provision not required	(587)		161,189
Underspend against Resource DEL			2,129
Capital DEL	£'000	£'000	
Allocation from Home Office			
■ GIA	8,000		
■ Transfer from NCIS	1,300		
■ Transfer from Resource (Reflex)	66		9,366
Net Expenditure			
Gross Capital Spend	9,321		
Less funded by Home Office grant outside GIA:			
■ Recovered Assets Incentivisation Fund	(71)		9,250
Underspend against budget			116
Add Net book value of disposed assets	670		
Less Asset revaluation	(501)		169
Total underspend against Capital DEL			285

During the year the detailed budgets were reviewed on a regular basis and spending plans revised to utilise expected underspends resulting mainly from difficulties in recruiting and retaining officers and slippage on a major estates project. Substantial provisions were also required to cover potential future liabilities related to legal proceedings (£2.9m) and an increase in the pension deficit provision of £4m (to £11.4m) as advised by the Government Actuaries Department. The

latter relates to the transfer of police staff membership from the Local Government Pension Scheme (LGPS) to the Principal Civil Service Pension Scheme (PCSPS). The deficit arises from a shortfall between the value of assets held under the LGPS and available for transfer to the PCSPS and the value of the future pension liabilities of the transferred staff.

The final underspend against capital DEL is less than the slippage required into 2005/06 (£1.1m). This is due to the programme of additional spend authorised during the year as mentioned above. Budgetary provision for the slippage has been made from the 2005/06 capital DEL allocation.

Going concern

The cumulative balance sheet deficit at 31 March 2005 on the Income and Expenditure Reserve is £43.4m. This has arisen principally through the inclusion in these accounts of future pension liabilities of £11.4m (note 7.4) of which £3.5m has been charged to the Income and Expenditure Account and the requirement, in accordance with HM Treasury rules, to maintain cash balances at the lowest level necessary for operational purposes. There is no reason to believe that Home Office sponsorship and parliamentary approval for funding will not be forthcoming to meet these liabilities, and accordingly it is considered appropriate to adopt a going concern basis for the preparation of these accounts.

Audit services and costs

The National Audit Office is appointed under section 66A (3) of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001) to audit the accounts of the National Crime Squad. The estimated cost of the statutory audit for 2004/05 is £57k.

Service Authority members

Service Authority Members are appointed under the Act for periods of up to 4 years. During the year ended 31 March 2005 the Authority Members were:

Member	Position	Appointed by	Date of any change
Mr Paul Lever*	Chairman	Home Secretary	From 1 April 2004
Ms Caroline Burton*	Independent Member	Home Secretary	From 1 April 2004
Mrs Jennifer Harvey*	Independent Member	Home Secretary	From 1 April 2004
Mr Peter Storr*	Director, Organised and International Crime Directorate	Home Secretary	From 1 April 2004
Councillor Bob Jones*	APA Core Member	APA	
Mr John Christensen	APA National Crime Squad Member	APA	Until 24 January 2005
Mr John Christensen*	APA Core Member	APA	From 25 January 2005
Mr Terry Byrne*	Director, Law Enforcement HMRC	H M Revenue & Customs	Until 30 September 2004
Mr Mike Eland*	Director, HMRC	H M Revenue & Customs	From 1 October 2004
Mr James Hart QPM*	ACPO Core Member	ACPO	
Mr Tarique Ghaffur QPM	Assistant Commissioner, Metropolitan Police	ACPO	From 1 April 2003

Details of remuneration and expenses of members are disclosed in 6d of the notes to the accounts.

All members were appointed on 1 April 2002 unless otherwise specified.

Mr Paul Lever was Vice Chairman until 31 October 2003 and Acting Chairman from 1 November 2003. He was appointed as full Chairman from 1 April 2004. The post of Vice-Chairman remains vacant.

Members indicated with an * are also members of the Service Authority for the National Criminal Intelligence Service.

In order to facilitate the harmonisation of working practices and policies between the National Crime Squad and NCIS as part of the preparation for SOCA, the Service Authority has met as a Joint Authority for the National Crime Squad and NCIS since March 2005. Mr John Christensen moved in January 2005 from being a single member of the National Crime Squad Service Authority to a core member of both Service Authorities.

Directors

During the year ended 31 March 2005 the directors were:

Name	Position	Date of any change
Mr William Hughes	Director General	Until 26 September 2004
Mr Trevor Pearce	Director General (Temporary)	From 27 September 2004
Mr Trevor Pearce	Deputy Director General	Until 26 September 2004
ACC Jim Gamble	Deputy Director General (Temporary)	From 27 September 2004
ACC Jim Gamble	Director Intelligence & Operations Support	Until 26 September 2004
ACC Len Hynds	Director Intelligence & Operations Support (Acting)	From 27 September 2004 Until 9 January 2005
ACC Len Hynds	Director Business Change (Temporary)	From 10 January 2005
ACC Patricia Gallan	Director Intelligence & Operations Support	From 10 January 2005
ACC Jon Murphy	Director Operations	Until 26 September 2004
ACC Gary Chatfield	Director Operations (Temporary)	From 27 September 2004
Mr Malcolm Cornberg	Director of Finance	
Mr Mike Lanning	Director of Business Support (Temporary)	From 19 May 2003
Mr Trevor Nash	Director of Business Support	Long term sickness from 28 April 2003 Retired 1 October 2004

Details of the directors' remuneration in aggregate are disclosed in note 6c to the accounts.

During the year Mr William Hughes was appointed Director General designate of SOCA and transferred to the Home Office. He was replaced as Director General and Accounting Officer of the National Crime Squad by Mr Trevor Pearce, the then Deputy Director General with effect from 27 September 2004.

Compliance with Public Sector Payment Policy

National Crime Squad 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 2004/05, on average, 91% of

invoices were paid within 30 days of receipt. The target for 2004/05 is to pay 95 % of invoices within 30 days of receipt.

During 2004/05 National Crime Squad paid £27 interest to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

Environmental policy

The National Crime Squad is committed to reducing its impact on the environment by improving the environmental performance of its operations and its properties and endeavours to ensure that such improvement is continuous. The National Crime Squad also aims to educate, train and motivate staff to work in an environmentally responsible manner and to play a full part in developing new ideas and initiatives.

During 2004/05 the National Crime Squad has developed and initiated an action plan aimed at improving its environmental performance and raising staff awareness of environmental issues.

Equality, disability and diversity policy

The National Crime Squad is committed to the development and promotion of equality of opportunity for all. This means attracting more women and minority ethnic officers as well as staff from other under-represented groups including the disabled. Disability itself is not a bar to recruitment or to advancement in the National Crime Squad. Creating a diverse workforce will enhance our ability to achieve our core business of combating serious and organised crime.

Within the organisation, embracing diversity is a key element of how the National Crime Squad can improve its business by increasing staff loyalty and morale and enhancing its role as an equal opportunities employer. A report by Her Majesty's Inspectorate of Constabulary (HMIC) praised the National Crime Squad for its comprehensive diversity training programme and the positive action it takes to achieve a good recruitment mix and encourage more applicants from minority groups.

Staff involvement and development

The National Crime Squad has a range of formal and informal methods of communicating and consulting with staff. Seminars and briefings provide for staff to be informed about developments in particular aspects of National Crime Squad activities. The staff internal magazine 'The National's News' contains regular features on National Crime Squad staff and the variety of projects in which they are involved. The intranet, which was redesigned during 2004/05,

provides staff with daily news updates, policy documents, bulletin boards and social pages. Health and safety issues are communicated as part of the staff induction programme and via publications on the intranet.

Post balance sheet events

On 7 April 2005 the Serious Organised Crime and Police Act 2005 received Royal Assent. This is part of the Government's strategy for tackling organised crime as set out in the White Paper 'One Step Ahead - a 21st Century Strategy to Defeat Organised Crime' published on 29 March 2004. The bill establishes a new national crime agency, to be known as the Serious Organised Crime Agency (SOCA). It also provides for the abolition of the National Crime Squad and the National Criminal Intelligence Service with effect from 1 April 2006. The two agencies' structures and roles will be absorbed into SOCA, together with the part of HM Revenue and Customs which tackles drug trafficking and money laundering and the part of the UK Immigration Service which deals with organised immigration crime.

SOCA will operate from 1 April 2006 as an executive NDPB sponsored by the Home Office and will have as its core objective the reduction of harm done to the UK by organised crime, including the trafficking of drugs and people. The appointment of the Chairman (Sir Stephen Lander) and the Director General (Mr William Hughes) took place during 2004/05. Recruitment to the posts of the four Executive Directors also occurred during 2004/05 with the appointments announced in March 2005. All posts were filled by directors from the pre-cursor authorities to SOCA as shown below. The directors are expected to take up their posts in April 2005 but in tandem with their current responsibilities.

Name	Current position	SOCA Executive Director
Mr David Bolt	Deputy Director General, NCIS	Intelligence
Mr Malcolm Cornberg	Director of Finance, National Crime Squad & NCIS*	Corporate Services
Mr Paul Evans	Director of Investigation, Law Enforcement. HM Revenue & Customs	Intervention
Mr Trevor Pearce	Director General, National Crime Squad	Enforcement

* In addition to his role as Director of Finance for the National Crime Squad, Mr Malcolm Cornberg is also acting as Director of Finance for NCIS following the departure of Margaret Ashworth with effect from 27 April 2005.

Looking ahead

The focus for the year ahead is to maintain our outstanding performance against those responsible for serious and organised crime in the UK while working with our partner agencies, including the National Criminal Intelligence Service, HM Revenue and Customs and UK Immigration Services, to accelerate the transformation into SOCA. We will also continue to evolve our strategy and tactics to deal with the changing nature of serious and organised crime and, in parallel, will concentrate on actions to make us more efficient in terms of value for money.

A key development continuing from 2004/05 is the direct recruitment of police officers with a target of 1,000 directly recruited officers for transfer into SOCA by the end of 2005/06. Completion of this programme has been delayed until the terms and conditions for officers transferring into SOCA have been finalised. However the recruitment process which started in 2004/05 is continuing and to date some 870 officers (currently on secondment contracts) have signed up for or have successfully passed the selection assessment. Associated with this is a continuing programme to recruit, where appropriate, police staff into roles currently occupied by police officers in order to free up more officers for front-line operational roles.

As part of the preparation for SOCA the National Crime Squad and the National Criminal Intelligence Service will also be working to harmonise working practices and policies, including the joint provision or merger of business support functions wherever possible. Although this will take resources and commitment, this will not detract from our objective to deliver against our operational and efficiency targets.

Further information about our plans and objectives is set out in the Corporate Plan 2005 to 2008, incorporating the Service Plan for 2005/06, and is available from the National Crime Squad website www.nationalcrimesquad.police.uk.



Trevor Pearce
Director General and Accounting Officer
National Crime Squad
Date 14 July 2005

Statement of the National Crime Squad Service Authority's and Accounting Officer's Responsibilities

National Crime Squad Service Authority's responsibilities

Under the Cabinet Office's guidance on Codes of Best Practice for Board Members of Public Bodies, the Service Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting for their use. Under Section 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001), the Service Authority is required 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 the National Crime Squad 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 Service Authority is required 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 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 National Crime Squad will continue in operation.

The Accounting Officer's responsibilities

The Accounting Officer for the Home Office has appointed the Director General as the Accounting Officer for the National Crime Squad Service Authority. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Treasury and published in Government Accounting.



Trevor Pearce
Director General and Accounting Officer
National Crime Squad
Date 14 July 2005

Statement on Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control across the National Crime Squad. This system is designed to support the delivery of policies, aims and objectives set by Ministers and the National Crime Squad Service Authority, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to deliver 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 key strategic risks to the achievement of our 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. For the period covered by these accounts and up to the date of approval of the Annual Report and Accounts I am satisfied that overall adequate arrangements for internal control were in place and accord with Treasury guidance, although I acknowledge some weaknesses identified by internal audit. Plans are in place for each of these issues to be addressed and improvements implemented during 2005/06.

Senior management

As Director General, I have six Directors (or equivalents) reporting to me. This is an increase of 1 director post over 2003/04. I have created the new post to advise me on the management and coordination of the significant change processes that are and will be necessary during the transition to SOCA. I have established a formal Management Board at which all Directors and I meet to consider a wide range of operational and strategic issues. These include strategic planning and resource allocation, corporate governance, risk management and review of performance and the budget. The Board was established in October 2003 and meets every month. Other officers and representatives from both internal and external audit also attend to give advice on specific matters. Each director also provides me with an annual Statement of Internal Control Assurance relating to their portfolio responsibilities.

Audit committee

The Service Authority Audit and Risk Management Committee (ARMC) meets every quarter, oversees our internal control and risk management framework, advises me on the

effectiveness of our risk management strategy and on a range of internal and external audit issues. This includes providing some assurance about the quality of our internal audit work. The Committee is comprised exclusively of non-executive members of the Service Authority and complies fully with HM Treasury guidance. The Committee reports regularly to the full Service Authority.

Risk management

There are a range of policies and procedures in place within the organisation for managing operational risks and project risks are managed as part of our project management methodology.

The key strategic risks to the National Crime Squad are identified in a strategic risk register which was first compiled and approved by members of my senior management team in March 2003. This was accepted by the Service Authority in May 2003.

In March 2004 there was a full review of the content of the Strategic Risk Register and the scoring, control mechanisms and assurances then in place were all critically examined by each Risk Owner. A revised Strategic Risk Register was submitted to the Risk Management Steering Group and the Audit and Risk Management Committee in April 2004 and accepted by both.

A Risk Management Training Day was held for members of the Audit and Risk Management Committee on 10 March 2004 to ensure members were familiar with the concept, requirements and reporting of risk management within NDPBs, and to review member involvement in risk management at the National Crime Squad. Following this and the publication in March 2004 of the Government's proposals for tackling organised crime, including the establishment of SOCA, members recognised that there would be a need to converge as many systems as possible prior to the transition to SOCA and asked the National Crime Squad and NCIS to liaise on the adoption of a common style of Risk Register. A revised format was approved in August 2004 and included:

- a wider scale of risk ratings (increased from 3 to 5) to provide a wider range of sensitivity;
- one impact score;
- 4 classifications of risk (Very High, High, Medium, Low) with Very High risk items being reviewed at each meeting and others on an exception basis; all risks reviewed at an annual seminar;
- The control environment, assurance mechanisms, actions to

manage the risks and the responsible manager identified for each risk. All risks classified as High or Very High are assigned to a member of the Directorate.

Members also concluded that there was a need outside of the Audit and Risk Management Committee meetings to review the full risk register in more detail before the first ARMC meeting in each fiscal year. This would enable members to satisfy themselves that all material foreseeable risks were considered and assessed in the register and to corporately own and agree the assessment of which high risks members should focus on in the coming year. The first such event was held in May 2004.

A Risk Management Steering Group, chaired by the Deputy Director General and comprising senior managers and key risk owners meets quarterly, and reports from the Group are considered on a regular basis by the Management Board and by the Audit and Risk Management Committee. The Group is also advised by a Risk and Business Continuity Manager, appointed during 2004/05, who has a professional qualification in Risk Management and has experience in managing risk and business continuity.

Over the coming year we plan to:

- continue to develop our risk management strategy and implement any recommendations arising from the regular review of our risk management systems;
- continue the process of integrating risk more fully into the corporate planning and decision making processes of the organisation, including requiring all OCU's and departments to use their risk registers as part of the management process;
- enhance our business continuity planning arrangements to improve the way in which key risks to our infrastructure and assets are managed and provide assurance that core National Crime Squad business can continue in the event of major disruption;
- continue a targeted programme of risk management and business continuity training, utilising existing training channels; and
- benchmark our risk management systems against the public and private sectors and adopt good practice where appropriate. As part of this, we are looking at incorporating risk assessments and risk management into our policy making process.

Inspection and review

The Head of Inspection and Review oversees the inspection framework and advises managers on the most appropriate inspection and self inspection review processes and tools for each business area. The post holder also links the inspection regime with the Strategic Risk Register ensuring that those risks categorised as critical or very high are subject to a rigorous inspection. Evidence from the inspection regime is available to support the external inspection processes to which the National Crime Squad is subject, including HM Inspectorate of Constabulary (HMIC), Office for Surveillance Commissioners, the Health and Safety Commissioner and the Data Protection Officer. Any significant issues emanating from inspections are reported to each meeting of the Audit and Risk Management Committee.

Internal audit

The National Crime Squad Service Authority uses fair and open competition to secure best value internal audit services. Bentley Jennison have been the Internal Audit Service provider since 1998/99 and, after a full tendering exercise, were re-appointed to provide an internal audit service for the period April 2003 to March 2006. They operate in accordance with Government Internal Audit Standards (GIAS) and submit regular reports, which provide an independent opinion on the adequacy and effectiveness of our system of internal control together with recommendations for improvement. The work of internal audit is informed by an analysis of the risks to which the organisation is exposed and their annual internal audit plans are based on this analysis. The analysis of risk and the subsequent internal audit plans are endorsed by the Audit and Risk Management Committee and approved by me.

In their annual report for 2004/05, Bentley Jennison report that, based upon the audit work finalised during the year, in their opinion the National Crime Squad has adequate and effective risk management and corporate governance processes to manage the achievement of the organisation's objectives. In relation to internal control they considered the processes to be generally adequate and effective with the exception of three areas covered by limited assurance reports. They acknowledged the improvements planned for 2005/06 to improve the control framework in these areas and ensure full compliance with standing orders and financial regulations.

Procurement strategy

In line with best practice the National Crime Squad procurement strategy is designed to support the business interests of the Squad by operating in a professional manner

to obtain the most advantageous terms available while also taking account of quality, the environment and ethical trading policies.

As part of the system of internal control delegation of authority to procure goods/services is clearly set out in a Scheme of Financial Delegation and reviewed each year. Consultation with the Home Office is required before embarking on major capital investment including property acquisition/disposal.

Since November 2004 the procurement function has operated as a joint service to both the National Crime Squad and the National Criminal Intelligence Service. This was recently subject to a review by the Home Office Audit and Assurance Unit (AAU), which found that the National Crime Squad Procurement Manual is both well structured and easy to use. In subsequent NDPB procurement audit work this has been used by the AAU as an example of good practice. Some recommendations for improvement were identified during the review and these have been or are being addressed by the joint procurement function.

Review and assurance

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Risk Management Steering Group, senior managers within the National Crime Squad 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. Other sources of assurance include in-house inspection and review reports, the annual Statements of Assurance from each director, the results of the European Foundation for Quality Management corporate assessments, external consultancy reports, inspections by the Office of Surveillance Commissioners and HMIC and Home Office reviews. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Transition to the Serious Organised Crime Agency

As referred to in the Foreword the Serious Organised Crime Agency will come into existence on 1 April 2006. In support of this, the process of harmonising the various working and accounting policies and procedures of the National Crime Squad and the National Criminal Intelligence Service has already commenced. This work will pose a significant challenge with related risks to the National Crime Squad and other precursor agencies that will need to be managed. We have a joint work programme with the National Criminal Intelligence Service, and senior members of my staff and I are already engaged in a range of activities that are necessary to complete this work within the set timescale.



Trevor Pearce

Director General and Accounting Officer
National Crime Squad
Date 14 July 2005

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 35 to 52 under Section 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001). 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 38 to 39.

Respective responsibilities of the National Crime Squad Service Authority, the Accounting Officer and Auditor

As described on page 29 the National Crime Squad Service Authority and the Accounting Officer are responsible for the preparation of the financial statements in accordance with Section 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001) and directions made thereunder by the Secretary of State, with the consent of the Treasury, and for ensuring the regularity of financial transactions. The Service Authority and Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Section 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001) and directions made thereunder by the Secretary of State, with the consent of the Treasury, and whether in all material respects the expenditure and income have been applied for 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 organisation has not kept proper accounting records, or if I have not received all 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 30 to 32 reflects the organisation's compliance with Treasury guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the 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 organisations 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 National Crime Squad Service Authority and Accounting Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the organisation'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.

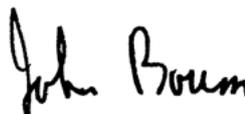
The maintenance and integrity of the National Crime Squad's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Crime Squad at 31 March 2005 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 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001) 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
Date 19 July 2005

Income and Expenditure Account

for the period ending 31 March 2005

	Note	2004/05 £'000	2003/04 £'000
Income			
Grant-in-aid and other funding	4	165,174	122,628
Other income		1,704	2,202
		166,878	124,830
Expenditure			
Employment costs	6.a	93,183	90,411
Other operating costs	8	72,413	68,979
Depreciation	9.1	6,834	6,291
Notional cost of capital		(548)	74
		171,882	165,755
Operating surplus/(deficit)		(5,004)	(40,925)
Interest payable	11	0	(219)
Interest and investment income	5	409	495
Surplus on disposal of fixed assets		60	81
Notional cost of capital reversal		(548)	74
Net transfers (to)/from reserves	15	0	1,727
Retained surplus/(deficit) for year		(5,083)	(38,767)
Tax provision	13	587	(587)
Retained surplus/(deficit) for year		(4,496)	(39,354)
Income and expenditure account b/fwd		(38,917)	437
Income and expenditure account c/fwd		(43,413)	(38,917)

All results are derived from continuing operations

Statement of Total Recognised Gains and Losses

for the period ending 31 March 2005

		2004/05 £'000	2003/04 £'000
Retained surplus /(deficit) for the year		(4,496)	(39,354)
Revaluation of fixed assets	9.2	855	0
Actuarial loss on pension liabilities	7.4	(2,672)	(743)
Total recognised gains and losses relating to the year		(6,313)	(40,097)
Prior year adjustment		0	1,168
Total gains and losses since last Annual Report		(6,313)	(38,929)

The notes on pages 38 to 52 form part of these accounts.

Balance Sheet

as at 31 March 2005

		31 March	31 March
		2005	2004
	Note	£'000	£'000
Fixed assets			
Tangible fixed assets	9.1	27,432	24,794
Current assets			
Short term deposits and investments	19	7,963	4,491
Debtors and prepayments	10	2,506	2,448
		10,469	6,939
Current liabilities			
Creditors: amounts due within one year	12	(23,366)	(26,265)
Cash and bank overdrawn	12	(4,903)	(2,316)
		(28,269)	(28,581)
Net current assets		(17,800)	(21,642)
Total assets less current liabilities		9,632	3,152
Provisions for liabilities and charges	13	(15,385)	(7,987)
Deferred income	14	(343)	(319)
FRS17 Pension Liability	7.4	(12,411)	(9,593)
FRS17 Pension Asset	7.4	1,017	1,508
Total assets less liabilities		(17,490)	(13,239)
Capital and reserves			
Income and expenditure account	15	(43,413)	(38,917)
Government grant reserve	15	27,187	24,474
Donated asset reserve	15	246	320
Pension reserve	15	(6,369)	(3,697)
Other reserves	15	4,859	4,581
Government funds		(17,490)	(13,239)

The notes on pages 38 to 52 form part of these accounts.



Trevor Pearce
 Director General and Accounting Officer
 National Crime Squad
 Date 14 July 2005

Cash Flow Statement

for the period ending 31 March 2005

	Note	2004/05 £'000	2003/04 £'000
Net cash flow from operating activities	16	(255)	(35,409)
Returns on investments and servicing of finance			
Interest received		409	495
Interest paid		0	(219)
Capital expenditure and financial investments			
Purchase of fixed assets		(9,321)	(15,710)
Sale proceeds of fixed assets		731	649
Net cash (outflow)/inflow before use of liquid resources and financing		(8,436)	(50,194)
Financing			
Net (increase)/decrease in short term deposits		(3,472)	32,026
Grant-in-aid and other capital financing		9,321	15,710
Other grant (Radio Replacement Reserve)		0	1,497
Repayment of loan		0	(3,881)
Increase/(decrease) in cash		(2,587)	(4,842)
Cash balance as at 1 April		(2,316)	2,526
Cash balance as at 30 March		(4,903)	(2,316)

The notes on pages 38 to 52 form part of these accounts.

Notes to the Accounts

for the period ending 31 March 2005

1 Accounting policies

Basis of preparation

The statement of accounts set out on pages 35 to 37, together with the notes on pages 38 to 52 have been prepared under the Accounts Direction given by the Secretary of State for the Home Office with the approval of the Treasury, under Section 66A of the Police Act 1997 (as amended by the Criminal Justice and Police Act 2001).

Accordingly, the accounts have been prepared in accordance with applicable accounting standards and in the form directed in the Executive Non-Departmental Public Bodies Annual Report and Accounts Guidance.

Grant-in-aid and income recognition

In accordance with Government accounting rules, Grant-in-aid is accounted for in the year in which it is received. Any surplus or deficit relating to specific grants is transferred to a deferred income account. Grant-in-aid for capital expenditure is credited to a Government Grant Reserve. Each year an amount equal to the depreciation/amortisation charge on fixed assets acquired through Grant-in-aid, and any deficit on their revaluation in excess of the balance on any Revaluation Reserve, is released to the income and expenditure account.

Fixed assets

Expenditure on the acquisition or improvement of tangible fixed assets of £10,000 or more is capitalised where the asset will give rise to economic benefits for a period of time in excess of one year. Capitalised fixed assets are included in the balance sheet at their current cost value less accumulated depreciation where the comparison with historic values shows a material difference. The current cost value is reviewed annually through either a professional valuation or the application of an appropriate price index, dependant on the nature of the asset. Land and buildings are subject to a professional external valuation at intervals of not more than five years. Revaluation of fixed assets other than impairments are credited or debited to a Revaluation Reserve. In the current year assets have been revalued in accordance with FRS 15.

Depreciation

Depreciation is provided for all fixed assets, except freehold land, on a straight-line basis over the period of their estimated useful life, as follows:

Buildings	To their estimated residual value over the remainder of their estimated economic lives
Cars and vans	4 to 7 years
Motorcycles	3 years
Technical and communications equipment	5 years
Leasehold building improvements	the lesser of the remaining term of the lease or 10 years

The lives of fixed assets are reviewed regularly and, where necessary, revised. For 2004/05 cars and vans are assumed to have an average residual value of £2,000 on disposal after 5 years and motorcycles £1,400 on disposal after 3 years (unchanged from 2003/04). Assets under construction are not depreciated. A full year's depreciation is charged on assets purchased during the year and no depreciation is charged on disposals.

Notional costs

The Executive Non-Departmental Public Bodies Annual Report and Accounts Guidance 2004/05, issued by HM Treasury, directs that accounts should disclose the full cost of NDPB activities. This requires the inclusion of the following notional costs:

Cost of capital employed

The cost of capital employed is included in total expenditure in the Income and Expenditure Account at a rate of 3.5% (2003/04 - 3.5%). The charge is levied on the average value during the year of total assets funded by Government grant less all liabilities. The amount of the charge is reversed out of the Income and Expenditure Account before the total surplus or deficit for the year is arrived at.

Liquid resources

Comprise short-term cash deposits and investments managed through a professional Fund Manager. The amounts are included in the accounts at historic cost.

Operating leases

Payments made under operating leases for land and buildings and equipment are charged to expenditure on a straight line basis over the lease term.

Foreign currency

Transactions denominated in a 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, where an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rate ruling at that date, or if appropriate, at the contracted rate. Any translation differences arising are dealt with in the Income and Expenditure Account.

Retirement benefits

All the requirements of FRS17 Retirement Benefits as adapted to the public sector have been applied for 2004/05.

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 cost of providing unfunded pension benefits for senior officers of ACPO grade and other directly recruited police officers is charged to the Income and Expenditure Account. The qualifying service for these pension benefits includes prior service with a police force in addition to service with the National Crime Squad, although no funding is received from the officers' previous employer in relation to this past service.

2. Prior year adjustment

No prior year adjustments have been made in 2004/05.

4 Grant-in-aid and other funding

	Received 2004/05 £'000	Transfer to/from deferred income £'000	Total 2004/05 £'000	2003/04 £'000
Home Office				
General Grant-in-aid	163,494		163,494	111,511
NHTCU	0		0	8,147
CIDA (Class A drugs)	0		0	2,516
CIDA (Special projects fund)	0		0	265
Reflex	0		0	8,370
Reflex additional funds	1,200		1,200	0
Financial crime	0		0	177
Total drawn down in 2004/05	164,694	0	164,694	130,986
Other Government grants				
Recovered assets and incentivisation fund	2,304	18	2,322	135
Confiscation agency fund	0		0	270
Strategy for a healthy police force	58	(42)	16	0
	2,362	(24)	2,338	405
Net release to Government Grant Reserve (note 15)			(1,858)	(8,763)
			165,174	122,628

Bad debt provision

All outstanding debts are assessed as to the potential risk of the debt not being recovered and a provision made where deemed necessary.

Value Added Tax

The National Crime Squad is registered for VAT but can only recover tax on purchases where those purchases relate to taxable business supplies, such as the disposal of cars. Income is shown net of any VAT and expenditure including on fixed asset additions is shown inclusive of any irrecoverable input tax.

3. Financial targets

The National Crime Squad has no formal agreed financial targets for the year ended 31 March 2005 (2004 = NIL).

5 Interest and investment income

	2004/05	2003/04
	£'000	£'000
Bank interest	283	115
Tilneys - income from short term deposits	126	380
Total interest and investment income receivable	409	495

6 Employment costs**(6a) Analysis**

	2004/05	2003/04
	£'000	£'000
Salaries and allowances - directly recruited staff and officers	20,771	16,405
Salaries and allowances - seconded officers	53,146	56,172
Agency/temporary staff	1,175	1,646
Social Security costs	6,721	6,565
Other pension costs	2,468	2,081
Increase in provision for pension liabilities (ACPO/directly recruited officers)	837	2,836
Reduction in provision for pension liabilities (LGPS)	(120)	(102)
Increase in provision for deficit on transfer from LGPS to PCSPS	4,000	0
Indirect employee costs	4,185	4,808
	93,183	90,411

(6b) Staff numbers

	2004/05	2003/04
	FTE	FTE
		(Restated)
Directors	6	6
Seconded police officers	1,089	1,171
Directly recruited officers and staff	643	525
Contract and temporary staff	25	24
Average full time equivalent for the year	1,763	1,726

The majority of police officers, with the exception of those officers who are also directors, are seconded to the National Crime Squad from police forces for periods of between three and five years. During the last two months of 2003/04 the National Crime Squad began to directly recruit officers. A total of 11 officers had been recruited by the end of 2004/05.

(6c) Directors' remuneration and service contracts

Directors can be appointed on a permanent basis, or seconded in for a term of three to five years through open and fair competition.

In the interest of security all directors have withheld permission for their ages, remuneration or pension details to be disclosed. In aggregate the remuneration of the directors during the year ended 31 March 2005 was £737,220 (£616,678 2003/04).

(6d) Service Authority members allowances

	2004/05	2003/04
	£'000	£'000
Mr Paul Lever, Chairman (Acting Chairman 2003/04 from 1 November 2003 to 31 March 2004)*	29	17
Ms Caroline Burton, Independent Member *	5	5
Mrs Jennifer Harvey, Independent Member *	5	5
Councillor Bob Jones, APA Core Member *	5	5
Mr John Christensen, APA National Crime Squad Member*	7	8
Mr Peter Storr, Organised and International Crime Directorate from 01 April 2004 *	0	0
Mr Terry Byrne Director, Law Enforcement HMRC to 30 September 2004 *	0	0
Mr Mike Eland, HMRC Core Member from 1 October 2004 *	0	0
Mr James Hart QPM, ACPO Core Member *	0	0
Mr Tarique Ghaffur QPM, Assistant Commissioner, Metropolitan Police	0	0

In addition to the allowance, members are reimbursed business expenses relating to their Service Authority duties. No pension or other benefits are provided for members. Members indicated with a * receive a similar payment from the National Criminal Intelligence Service. John Christensen is a member of the Service Authority of the National Criminal Intelligence Service from 25 January 2005.

7 Pensions and retirement benefits**7.1 Principal Civil Service Pension Scheme (PCSPS)**

Prior to 1 April 2002 all except a small handful of police staff were members of the Local Government Pension Scheme. As a result of the change to NDPB status, the staff were given the opportunity to transfer to the PCSPS and the vast majority opted for this transfer, which was effected on 19 September 2002.

The PCSPS is an unfunded multi-employer defined benefit scheme but the National Crime Squad is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003.

Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004/05 employer contributions of £2.47m (2003/04 £2.04m) were payable to the PCSPS at one of four rates in the range 12% to 18.5% of employee's pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will increase in 2005/06 to four rates within the range 16.2% to 25.6% 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 after 1 October 2002 could 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 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. During 2004/05 the National Crime Squad paid £8,085 to stakeholder pension providers. 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 employees within the scheme. For 2004/05 £458 was paid to PCSPS in respect of these benefits.

7.2 Local Government Pension Scheme (LGPS)

As mentioned previously, the vast majority of National Crime Squad police staff who were members of the LGPS transferred to the PCSPS on 19 September 2002. Six members of staff did not exercise the option to transfer to the PCSPS and remained with the LGPS. This is a funded multi-employer defined benefit scheme and the remaining National Crime Squad members participate in a scheme administered by the London Pensions Fund Authority (LPFA).

In order to comply with the Executive Non-Departmental Public Bodies: Annual Report and Accounts Guidance, the National Crime Squad is required to provide in these accounts for the full value of the expected future pension liabilities of these members. The LPFA has provided a

valuation of the scheme liabilities as at 31 March 2005 and full provision for the pension liability of £3.806m is reflected in the balance sheet offset by the value of assets held at 31 March 2005 of £4.823m, ie a net pension asset of £1.017m.

The net scheme assets at 31 March:	2005	2004
	£'000	£'000
Present value of liabilities	3,806	2,282
Present value of assets	4,823	3,790
Net pension assets	1,017	1,508
Balance sheet pension reserve		
Pension reserve	(634)	466
Surplus/loss in balance sheet	1,651	1,042

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

	2004/05	2003/04	2002/03
	%	%	%
Inflation assumption	2.9	2.9	2.5
Rate of salaries increase	4.4	4.4	4.0
Rate of pensions increase	2.9	2.9	2.5
Discount rate	5.4	6.5	6.1

The value of assets vesting in the staff who transferred to the PCSPS has still to be agreed between the LPFA and PCSPS and the Government Actuary (GAD) has stated that he expects this value to be considerably less than that required to match the pension benefits in the PCSPS to which the transferring staff will be entitled. The amount of the shortfall was estimated at £7.4m at the end of 2002/03, and increased on the advice of GAD to £11.4m at the end of 2004/05 (note 13).

During 2004/05 employer contributions totalling £20,379 were paid by the National Crime Squad to the LPFA based on 12.1% of pensionable pay (2003/04 12.1%). The Fund regulations require contribution rates to be set to meet overall liabilities and there are no increases in contribution agreed for future years. The last full actuarial valuation was carried out at 31 March 2004.

The fair value of assets held by the scheme relating to the employer at the beginning and end of the years are shown as follows:

Asset type	31 March 2005		31 March 2004		31 March 2003	
	Assets £'000	Long term return % pa	Assets £'000	Long term return % pa	Assets £'000	Long term return % pa
Equities	3,798	7.7%	3,059	7.7%	2,523	8.0%
Bonds	520	4.8%	450	5.1%	433	4.8%
Property	343	5.7%	217	6.5%		6.0%
Cash	162	4.8%	64	4.0%	94	4.0%
Total	4,823	7.1%	3,790	7.3%	3,050	7.4%

Details of the movement in liabilities are shown in matrix 7.4

7.3 Police Pension Schemes - Association of Chief Police Officers (ACPO) and other directly recruited officers

ACPO officers

Until 1 April 2002 the Authority maintained an unfunded defined benefit scheme for directors or former National Crime Squad directors of ACPO rank. The benefits provided were identical to those the officers would have received had they remained with a police force and hence members of the National Police Pension Scheme. As part of the ACPO scheme, the National Crime Squad 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 former employers in respect of this liability, as well as their pensionable service whilst employed by the National Crime Squad. Since the National Crime Squad was established as an NDPB on 1 April 2002 ACPO officers have been able to rejoin the National Police Pension Scheme.

Other directly recruited officers

As at 31 March 2005 the National Crime Squad had directly recruited eleven police officers. These officers are members of the National Police Pension Scheme, which is a multi-

employer unfunded defined benefits scheme. As with the ACPO scheme, the National Crime Squad accepts liability for payment of the pension benefits in respect of the officers' past service with the police, although no transfer values are payable from their former employers in respect of this liability, as well as their pensionable service whilst employed by the National Crime Squad.

For both schemes no employer contributions are payable, but pensions benefits are paid as they fall due from National Crime Squad resources. In 2004/05 £148,767 was paid to four pensioners (ACPO scheme) (2003/04 £143,615). Pensions paid in the year are charged against the Pension Provision (note 7.4).

In order to comply with the Executive Non-Departmental Public Bodies: Annual Report and Accounts Guidance, the National Crime Squad is required to provide in these accounts for the full value of the expected future pension liabilities of the officers. The National Crime Squad commissioned the Government Actuary (GAD) to value the scheme liabilities as at 31 March 2005 and full provision for the liability £12.411m (31 March 2004, £9.593m) is reflected in the balance sheet.

The scheme liabilities at 31 March were:	2005	2004
	£'000	£'000
Present value of liabilities - ACPO officers	7,574	7,266
Present value of liabilities - Other directly recruited officers	4,837	2,327
Net pension liabilities	12,411	9,593

There were no pension scheme assets at 31 March 2005 (31 March 2004 = nil)

The main assumptions used by the actuary were as follows:	2004/05	2003/04 (restated)	2002/03
	%	%	%
Inflation assumption	2.5	2.5	3.4
Rate of salaries increase	4.0	4.0	4.9
Rate of pensions increase	2.5	2.5	3.4
Discount rate	6.1	6.1	7.0

In compliance with advice from the Home Office, the change in the pension liabilities resulting from operating and finance costs has 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 loss calculated by GAD has been reflected in the balance sheet (Pension Reserve).

7.4 Changes in pension liabilities for the year by scheme

	2004/05			Total	2003/04
	ACPO	Other officers	LGPS		Total
	£'000	£'000	£'000	£'000	£'000
Operating cost:					
Current service cost	163	175	28	366	2,510
Active member contributions *	(40)	(52)		(92)	(76)
Finance cost:					
Interest on pension liabilities	444	147	124	715	527
Expected return on employer assets			(272)	(272)	(227)
Amount charged in the I+E Account	567	270	(120)	717	2,734
Actuarial loss					
Experience loss/(gain) on pension liabilities	(274)	2,019	(34)	1,711	192
Actuarial return less expected return on scheme assets			(135)	(135)	(492)
Changes in demographic & financial assumptions	124	169	803	1,096	1,043
Total actuarial loss/(gain) charged to Pension Reserve	(150)	2,188	634	2,672	743

Both the ACPO and directly recruited officers schemes are unfunded and therefore the active member contributions are not reflected in the movements in the provision but reduce the cost in the income and expenditure account.

Movement in the provision during the year:	2004/05			Total	2003/04
	ACPO	Other officers	LGPS		Total
	£'000	£'000	£'000	£'000	£'000
Net liabilities at start of year	7,266	2,327	(1,508)	8,085	4,708
Current service cost	163	175	28	366	2,510
Pensions paid in the year	(149)			(149)	(143)
Employers contribution			(23)	(23)	(33)
Net finance charge	444	147	(148)	443	300
Actuarial loss/(gain)	(150)	2,188	634	2,672	743
Net liabilities at end of year	7,574	4,837	(1,017)	11,394	8,085

7.5 History of experience gains and losses

	2005	2004	2003
Local Government Pension Scheme	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets			
Amount	135	492	(3,417)
Percentage of assets	2.8%	13.0%	-112.0%
Experience gains/(losses) on liabilities			
Amount	34	(26)	571
Percentage of total present value of liabilities	0.9%	-1.1%	26.6%
Total amount recognised in statement of total recognised gains and losses:			
Amount	(634)	466	(2,846)
Percentage of total present value of liabilities	-16.7%	20.3%	-132.8%
 Association of Chief Police Officers	 2005	 2004	 2003
	£'000	£'000	£'000
Experience gains/(losses) on liabilities			
Amount	274	(166)	(108)
Percentage of total present value of liabilities	3.6%	-2.3%	-2.0%
Total amount recognised in statement of total recognised gains and losses:			
Amount	150	(1,209)	(108)
Percentage of total present value of liabilities	2.0%	-16.6%	-2.0%
 Directly Recruited Officers	 2005	 2004	
(new scheme from March 2003/04)	£'000	£'000	
Experience gains/(losses) on liabilities			
Amount	(2,019)	0	
Percentage of total present value of liabilities	-41.7%	0.0%	
Total amount recognised in statement of total recognised gains and losses:			
Amount	(2,188)	0	
Percentage of total present value of liabilities	-45.2%	0.0%	

7.6 Other police officers

All other police officers are currently seconded to the National Crime Squad and their home forces remain responsible for their pension benefits. No charge or provision is included in these accounts in respect of these officers.

8 Other operating costs

	2004/05	2003/04
	£'000	£'000
Information management	20,835	16,191
Operational and communications costs	12,197	8,795
Premises costs	14,061	10,194
Unrecoverable VAT	0	6,857
VAT Recovery	(64)	(59)
Transport costs	5,139	4,424
Accommodation and subsistence	3,159	3,140
Grants to forces & other organisations	4,571	9,176
Professional services and fees	4,676	4,116
Forensic fees	3,281	2,401
Office equipment and repairs	955	487
External audit fees	57	55
Revaluation losses	34	0
Other supplies and services	3,512	3,202
	72,413	68,979

In the year 2004/05 VAT on the cost of goods purchased was charged to the related expenditure account whereas in previous years the cost was charged to a single irrecoverable VAT account.

9.1 Tangible fixed assets

	PoA/assets under construction £'000	Freehold property £'000	Vehicles £'000	Operational equipment £'000	Leasehold building improvement £'000	Total £'000
Cost or valuation						
31 March 2004	493	7,764	19,935	8,633	7,397	44,222
Additions	1,586	2,529	3,359	1,652	195	9,321
Transfer	(20)	20				0
Disposals			(3,224)	(1,583)		(4,807)
Revaluation in the year	16		265	(20)	560	821
31 March 2005	2,075	10,313	20,335	8,682	8,152	49,557
Depreciation						
31 March 2004	0	240	10,566	6,092	2,530	19,428
Charge for the year		341	3,822	1,282	1,069	6,514
Disposals			(2,572)	(1,565)		(4,137)
Revaluation			156		164	320
31 March 2005	0	581	11,972	5,809	3,763	22,125
Net book value						
As at 31 March 2004	493	7,524	9,369	2,541	4,867	24,794
As at 31 March 2005	2,075	9,732	8,363	2,873	4,389	27,432

All assets other than freehold property and payments on account (PoA) have been revalued during the year. Freehold property along with all other assets will be revalued at 31 March 2006 pending their transfer to SOCA.

9.2 Revaluation of tangible fixed assets

	PoA/assets under construction £'000	Freehold property £'000	Vehicles £'000	Operational equipment £'000	Leasehold building improvement £'000	Total £'000
Historic Cost						
Value	2,059	10,313	20,070	8,702	7,592	48,736
Depreciation		581	11,816	5,809	3,599	21,805
Historic cost net book value	2,059	9,732	8,254	2,893	3,993	26,931
Revaluation						
Cost - gains	16		265	14	560	855
Cost - losses				(34)		(34)
Depreciation			156		164	320
Net revaluation	16	0	109	(20)	396	501
Fixed assets as at 31 March 2005	2,075	9,732	8,363	2,873	4,389	27,432

Freehold property and payments on account (PoA) have not been revalued as at 31 March 2005. All other assets have been revalued using the applicable Price Index Numbers for Current Cost Accounting (MM17) as published by the National Statistics Office with the exception of leasehold buildings improvements and work in progress which have been revalued using the Output Index For New Construction Work produced by the Department of Trade and Industry.

10 Debtors and prepayments

	31 March	31 March
	2005	2004
	£'000	£'000
Amounts due within one year:		
Prepayments	1,297	1,465
Other debtors	1,209	983
	2,506	2,448

Long term debtors totalling £8,000 (2003/04 £21,000) are included within other debtors. This amount is not considered material and is not separately disclosed in the balance sheet.

11 Interest payable

	31 March	31 March
	2005	2004
	£'000	£'000
Public Works Loan Board	0	219
	0	219

These loans were repaid in 2003/04.

12 Creditors falling due in less than one year

	31 March	31 March
	2005	2004
	£'000	(restated) £'000
Police force and other creditors	6,294	5,670
Police force and other accruals	16,403	20,050
Taxation and social security	669	545
	23,366	26,265
Overdrawn bank accounts and cash (net)	4,903	2,316
	28,269	28,581

The National Crime Squad operates a number of bank accounts. At any one time some will be in credit, whilst others will be overdrawn. For cash flow management and reporting purposes the balances of all accounts are combined. As at 31 March 2005 the total value of unpresented cheques included in the above figures was £8.3m. (2003/04 £6.9m)

13 Provisions for liabilities and charges

	Balance 31 March 2004 £'000	Increase in the year £'000	Reversal in the year £'000	Balance 31 March 2005 £'000
LGPS to PCSPS transfer	7,400	4,000		11,400
Corporation tax provision	587		(587)	0
Legal provisions	0	2,890		2,890
Tax provision	0	657		657
Other provisions	0	438		438
	7,987	7,985	(587)	15,385

The LGPS to PCSPS transfer provision is based upon an actuarial assessment of the shortfall in assets in the LGPS scheme compared to the transfer value needed to match the accrued retirement benefits of staff in the LGPS transferring to the PCSPS. The transfer of assets, and the shortfall payment, will take place during 2005/06. The exact value of the shortfall will be confirmed when the transfer takes place although it is not expected to differ significantly from the amount provided. Further information about this provision is given in note 7.2 of these accounts.

Corporation tax provision

This related to a liability to pay tax on interest income since the National Crime Squad became an NDPB in 2002. HM Customs and Revenue has subsequently held, in 2004/05, that the National Crime Squad is able to claim Crown Exemption and the provision has therefore been released.

Legal provisions

This includes an element for compensation. The Provisions are made on the most up-to-date estimates of cost available. However exact costs to the organisation will not be known until agreements have been reached.

14 Deferred income

	1 April 2004 £'000	2004/05 receipts £'000	2003/04 spend £'000	31 March 2005 £'000
Other Government grant (received 2004/05):				
Recovered Assets and Incentivisation Fund	319	2,304	2,322	301
Strategy for a healthy police force	0	58	16	42
	319	2,362	2,338	343

15 Reserves

	As at 31 March 2004 £'000	Income £'000	Expenditure £'000	Transfers £'000	As at 31 March 2005 £'000
Income and expenditure account	(38,917)	167,347	(171,843)		(43,413)
Government grant reserve	24,474	9,321	(7,463)	855	27,187
Donated asset reserve	320		(74)		246
Pension reserve	(3,697)			(2,672)	(6,369)
Other reserves					
Radio replacement reserve	4,581				4,581
Forfeiture fund	0	278			278
	(13,239)	176,946	(179,380)	(1,817)	(17,490)

A brief description of each reserve is given on the next page.

Income and Expenditure Account (I+E A/c)

The balance of accumulated surpluses or deficits in operating income over operating expenditure.

Government Grant Reserve (GGR)

Grants received as a contribution towards expenditure on fixed assets. The amount of the year's depreciation for grant financed assets is transferred from the GGR to the Income and Expenditure Account. The balance of the GGR represents the current cost value, less accumulated depreciation, for fixed assets financed through grants. During the year the National Crime Squad received £9.3m of grant for the purchase of fixed assets and £6.8m was released from the GGR to the I+E A/c in respect of depreciation. The net book value of grant financed assets disposed of during the year, £0.7m was also released from the GGR to the I+E A/c. The revaluation of fixed assets is shown in the Statement of Total Recognised Gains and Losses.

Donated asset reserve

Contributions totalling £460,000 were received from two of the former Regional Crime Squads and a developer in 1998/99 and utilised in 1998/99 and 1999/2000 to meet

capital expenditure. In 2003/04 a further contribution of £155,000 was received towards the cost of improvements to a leasehold property. The reserve is written down each year to the I + E A/c to offset the annual depreciation charge.

Pensions reserve

In accordance with Government accounting advice, actuarial gains/losses on pension scheme liabilities are recognised in the statement of total recognised gains and losses. The net gain/loss is shown in the pensions reserve.

Radio replacement reserve

The National Crime Squad is required to replace all its police radios during 2006 to meet a change in wavelengths and to upgrade its communications technology. This is part of the national Airwave Project.

Forfeiture fund

Cash, including the proceeds from the sale of assets, seized from convicted criminals and forfeited to the National Crime Squad by the courts. The fund is applied for operational purposes only, as specified by the courts.

16 Notes to the cash flow statement

	2004/05	2003/04
	£'000	£'000
Reconciliation of operating surplus for the year to net cash outflow from operating activities		
Surplus/(deficit) for the year	(5,083)	(38,767)
Add back depreciation	6,834	6,291
Less net interest receivable	(409)	(276)
Less releases from Government Grant Reserve	(7,504)	(6,792)
Less surplus on disposal of fixed assets	(60)	(81)
Add increase in Forfeiture Fund	278	(1,553)
Decrease/(increase) in debtors and prepayments	(58)	406
Decrease/(increase) in FRS 17 asset	491	(568)
(Decrease)/increase in creditors	(2,899)	6,506
(Decrease)/increase in deferred income	24	(3,777)
(Decrease)/increase in provisions for liabilities and charges	8,131	3,202
Net cash outflow from operating activities	(255)	(35,409)

17 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, the National Crime Squad 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 the National Crime Squad in undertaking its activities.

Liquidity risk:

The net revenue resource requirement of the National Crime Squad is financed by Grant-in-aid from the Home Office, as is its capital expenditure. The Grant-in-aid is drawn down

monthly based on forecast cashflow and the National Crime Squad is therefore exposed to a liquidity risk which requires active management. This is particularly important as NDPBs are required to keep cash balances to a minimum level consistent with operational requirements to ensure that Government funds are not drawn down in advance of need.

Interest rate risk:

Cash balances held by the National Crime Squad are kept at a minimum level consistent with operational need. Cash

balances are invested on a short term basis at prevailing market rates (see note 19).

Currency rate risk:

All financial assets and financial liabilities held by the National Crime Squad are based in sterling avoiding any currency rate risk.

Investment risk:

Please refer to note 19.

18 Financial liabilities

	31 March 2005	31 March 2004
	£'000	£'000
Bank overdraft	4,903	2,316
Financial liabilities as defined by FRS13	4,903	2,316

The book value and the fair value of financial liabilities are not materially different. As permitted by FRS13 short-term creditors are excluded from the above analysis.

19 Financial assets

	31 March 2005	31 March 2004
	£'000	£'000
Cash at bank and in hand	0	0
Short-term deposits and investments	7,963	4,491
Financial assets as defined by FRS13	7,963	4,491

Cash earns market rates of interest. Short term deposits and investments are invested for the National Crime Squad by Tilney Fund Management, which is a member of the London Stock Exchange and regulated by the Financial Services Authority. The investments made by Tilneys, through a nominee company, consist of cash deposits and other secure readily realisable investments as stipulated in the National Crime Squad's contract with Tilneys. The National Crime Squad is exposed to gains and losses arising from changes in interest rates and the market value of investments. The National Crime Squad also bears the risk of default by any

institutions in which Tilneys invest National Crime Squad funds. If the nominee company defaults, Tilneys is responsible for making up any losses, to the extent that Tilneys assets are not subject to claims from other entities. The portfolio is monitored via monthly valuation reports prepared by Tilneys and meetings with the investment manager as required. The book value and the fair value of financial assets are not considered to be materially different. As permitted by FRS13 short term debtors are excluded from the above analysis.

20 Capital commitments

	31 March 2005	31 March 2004
	£'000	£'000
Capital expenditure contracted but not provided for in these accounts	1,380	2,327
Capital expenditure authorised but not contracted for	2,870	3,810
	4,250	6,137

For 2005/06 a further £3.75m is scheduled to be spent on capital investment. However individual projects had not been approved as at 31 March 2005.

21 Other commitments

Other commitments includes a ten-year contract which the National Crime Squad has awarded to a private sector company, to provide the Squad with information technology

and communications services. The service provided is central to the successful delivery of the National Crime Squad IT strategy. Payments made under the contract in 2004/05 were £13.88m (2003/04 £12.14m). The contract ends on 31 August 2010.

	31 March 2005	31 March 2004
	£'000	£'000
Within 1 year	15,893	13,092
Between 2 and 5 years	63,978	48,356
Over 5 years	8,795	14,968
	88,666	76,416

22 Operating leases

Expenditure on operating leases for office buildings and operational equipment in 2004/05 was £7.2m (2003/04

£5.29m). During the next financial year the National Crime Squad is committed to the following annual rental amounts on operating leases expiring:

	31 March 2005	31 March 2004
	£'000	£'000
Within 1 year	1,343	738
Between 2 and 5 years	2,950	2,574
Over 5 years	2,269	2,520
	6,562	5,832

23 Related party transactions

The Home Office and associated bodies are related parties and provided the National Crime Squad with Grant-in-aid

(see note 4) and other services during the year. There were no other reportable transactions with directors, senior management or other related parties in the year.

24 Intra - Government balances

Amounts falling due within one year

	31 March 2005	31 March 2005
	£'000	£'000
	Debtors	Creditors
Balances with police forces	66	9,940
Balances with other Central Government bodies	559	2,153
Balances with local authorities	12	189
Balances with bodies external to Government	1,869	11,084
	2,506	23,366

Deferred Income of £343,000 reported in note 14 is an additional balance with other Central Government bodies which is not included in the above figures.

This is a new note for 2004/05. No comparative figures for the prior year have been produced.

25 Losses and special payments

A special payment of £8k was made during the year.

26 Third party assets

Seized property is that which is appropriated by law enforcement bodies such as the National Crime Squad but which may still be liable to be returned. Seized property held by the National Crime Squad at 31 March 2005 included £10.2m (2003/04 £11m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity. The value of this property is not included in these accounts.

27 Contingent liabilities

The National Crime Squad occupies leasehold premises at locations across England and Wales, and many of these premises have been modified by the National Crime Squad 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 obligates the National Crime Squad to incur future expenditure on returning the premises to their pre-occupation condition. However in general, and

particularly for rolling leases and the longer term fixed term leases, the amount and timing of this expenditure cannot be assessed with any reasonable certainty. Therefore an estimate of the future expenditure that may be incurred, over the next 25 years, in meeting this obligation is not provided for in these accounts. There were no other contingent liabilities at 31 March 2005.

28 Post balance sheet events

On 7 April 2005 the Serious Organised Crime and Police Act 2005 received Royal Assent. This is part of the Government's strategy for tackling organised crime as set out in the White Paper 'One Step Ahead- a 21st Century Strategy to Defeat Organised Crime' published on 29 March 2004. The bill establishes a new national crime agency, to be known as the Serious Organised Crime Agency (SOCA). It also provides for the abolition of the National Crime Squad and the National Criminal Intelligence Service with effect from 1 April 2006. The two agencies' structures and roles will be absorbed into SOCA, together with the part of HM Revenue and Customs which tackles drug trafficking and money laundering and the part of the UK Immigration Service which deals with organised immigration crime. Further information is shown in the Foreword to the Accounts.

Glossary of abbreviations

ACPO	Association of Chief Police Officers
APA	Association of Police Authorities
AUU	Audit and Assurance Unit
CHIS	Covert Human Intelligence Source
CIDA	Concerted Inter-agency Drugs Action Group
CICFA	Concerted Inter-agency Criminal Financial Assets Group
CIU	Central Intelligence Unit
DEL	Departmental Expenditure Limits
FBI	Federal Bureau of Investigation
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
GAD	Government Actuary Department
GGR	Government Grant Reserve
HMRC	HM Revenue and Customs (Formerly HM Customs and Excise)
HMIC	HM Inspectorate of Constabulary
ILU	Illicit Laboratory Unit
LGPS	Local Government Pension Scheme
LPFA	London Pension Funds Authority
MDMA	Methylenedioxymethylamphetamine - ecstasy
NCIS	National Criminal Intelligence Service
NDPB	Non-Departmental Public Body
NHTCU	National Hi-Tech Crime Unit
NIM	National Intelligence Model
OCE	Organised Criminal Enterprise
OCU	Operational Command Unit
PITO	Police Information Technology Organisation
PCSPS	Principle Civil Service Pension Scheme
POLIT	Paedophilia On Line Investigation Team
PoA	Payment on Account
POCA	Proceeds of Crime Act
PPAF	Policing Performance Assessment Framework
QPM	Queen's Police Medal
RAB	Resource Accounting and Budgeting
RIPA	Regulation of Investigatory Powers Act
SOCA	Serious Organised Crime Agency
SOP	Standard Operation Practice
UKIS	Immigration Service
VME	Visible Minority Ethnic

Presented to Parliament by the Secretary of State in pursuance of
Chapter 50, Part II, Section 51, paragraph 3, and Section 66A, of the Police Act 1997
(as amended by the Criminal Justice and Police Act 2001)

Ordered by the House of Commons to be printed on 20 July 2005. HC 211

The Service Authority Annual Report, the National Crime Squad Annual Report and the Statement of Accounts
are published on behalf of the National Crime Squad Service Authority and the Director General by the
National Crime Squad Corporate Communications Department.

All information on the National Crime Squad is available on the regularly updated website,
www.nationalcrimesquad.police.uk
Law enforcement enquiries should be made initially through the main switchboard: 020 7238 2500
Media enquiries should be made through Corporate Communications: 0870 268 8100

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID 181265 07/05

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