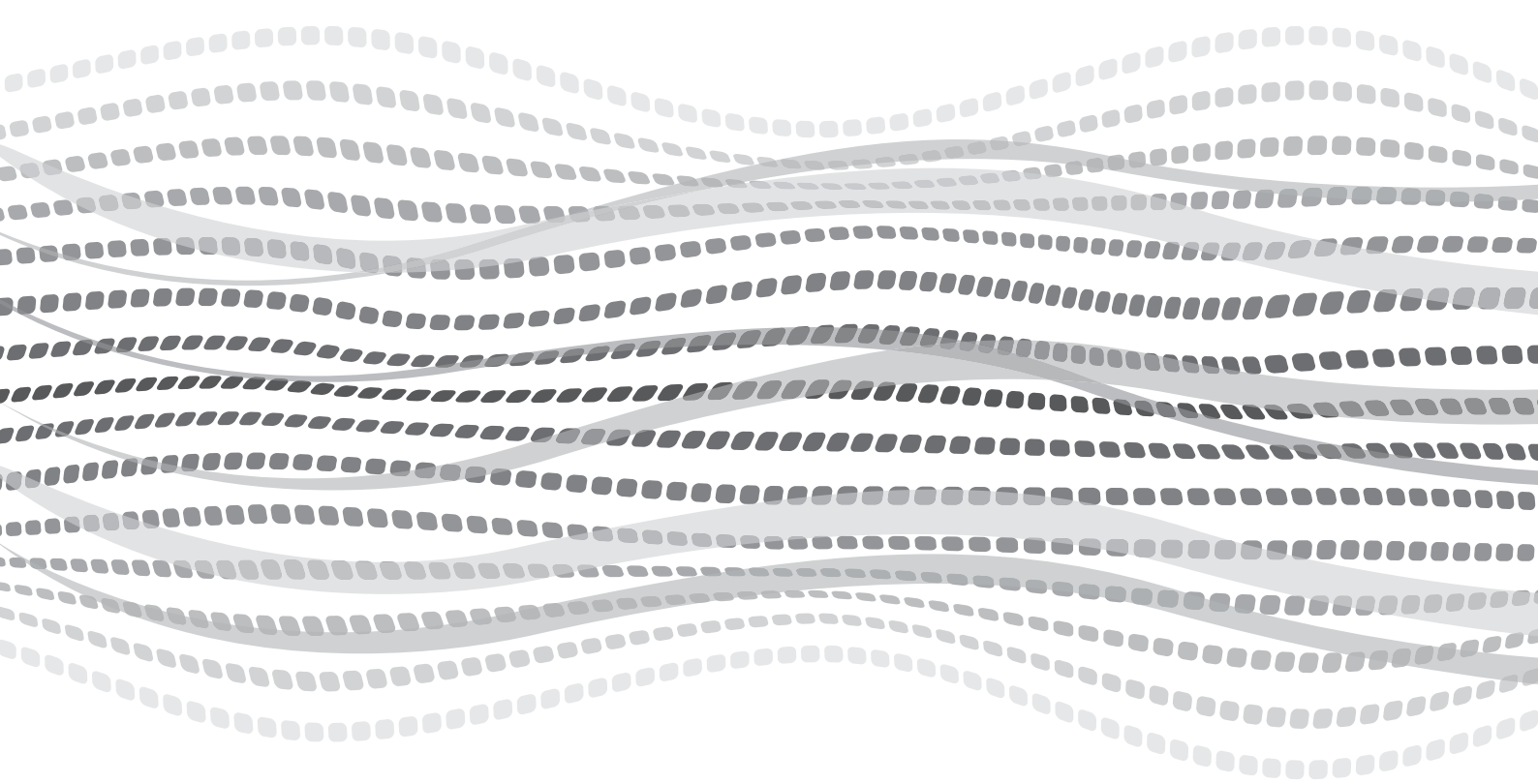


Serious Organised Crime Agency
Annual Report and Accounts
2010/11





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Annual Report and Accounts 2010/11

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Foreword by the Home Secretary



Organised crime ruins lives and damages communities. Much of the crime we see on our streets is driven by organised criminals. That ranges from the more visible impact of drug dealing on street corners, discarded syringes in playgrounds and muggings by addicts; to the less visible but increasing impact of cyber crime, with hackers silently stealing savings and taking identities.

Organised crime costs the UK up to £40 billion a year. It impacts on government, businesses, individuals and communities across the country. The human costs often fall on the most vulnerable in our society, from the elderly victims of fraud to the young women who are trafficked into prostitution. The economic impacts of fraud and money laundering, while perhaps less obvious, affect us all. That is why tackling organised crime is a priority for this government.

The work undertaken by SOCA over the last year, and described in this report, forms an essential and significant part of our overall effort in combating organised crime. SOCA has helped improve our knowledge and understanding of organised crime and it has used that knowledge to take law enforcement action. The real impact on the Class A drugs market and the increasing use of a toolkit that enables SOCA to take action against even greater numbers of organised criminals are just two examples.

Law enforcement has been hampered however by the absence of an overarching Organised Crime Strategy and the lack of effective national tasking and coordination functions.

That is why I have announced proposals to create a new National Crime Agency, building on SOCA, its people and its capabilities. The National Crime Agency will have a dedicated Organised Crime Command, working alongside a Border Policing Command, an Economic Crime Command and the Child Exploitation and Online Protection Centre. These commands will be underpinned by an enhanced intelligence and analysis centre and a cross-cutting Cyber Crime Unit.

As an integral part of British law enforcement, the National Crime Agency will work closely with police forces, the UK Border Agency and other bodies. The NCA will have the ability and the authority to task and co-ordinate the police and other law enforcement agencies, underpinned by the new Strategic Policing Requirement and informed by the forthcoming Organised Crime Strategy.

As described in this report, SOCA and its partners, both in the UK and overseas, have done much to tackle organised crime. In future, as SOCA transitions over to the National Crime Agency, the fight against organised crime will only be enhanced.

A handwritten signature in black ink, appearing to read 'Theresa May'.

RT. HON THERESA MAY, MP



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Joint Statement by the Chair and Director General

This Report highlights SOCA's achievements in tackling organised crime affecting the UK and its people during 2010/11. In addition to convictions against many top end criminals, SOCA-led activity had a major impact on the markets for heroin and cocaine. We know too that denying criminals access to their assets has a huge impact and we have continued to target their finances. We have also pressed ahead with a 'prevention' agenda strongly supportive of the efforts of partners at home and overseas to dislocate criminal markets for fraud and organised immigration crime.

The integration of the UK Human Trafficking Centre into SOCA at the beginning of the year brought a new focus to our activities against the trafficking of human beings while also enabling the Centre, and other agencies active in this area, to draw upon the whole range of SOCA's capabilities.

During the year, we signed a new contract for the provision of ICT services which will be needed by the NCA if it is to deliver the capabilities required of it. We also continued to reduce our estate and further rationalise how we work both to improve the delivery of existing business and to lay the foundations for transition to the NCA.

Drawing on additional funding provided by the Strategic Defence and Security Review, we also continued, in collaboration with our partners, to build our collective contribution to UK Law Enforcement's response to the increasing threat posed by cyber-crime. This will both raise awareness of that threat and provide the basis for the cyber-crime centre of excellence that will form part of the NCA.

As we prepare to transition to the NCA we are not standing still! Between now and when the NCA becomes fully operational in 2013, SOCA officers will continue to disrupt organised criminality, whether by putting major criminals behind bars, through innovative civil and administrative measures aimed at the long tail of criminal enablers, or by undermining the structures around them and so increasing their vulnerability, both at home and overseas

We would like to thank SOCA staff, across the UK and overseas, for the outstanding results they have achieved over the last twelve months, just some of which are described in the following pages. None would have happened but for the professionalism, commitment and sheer hard work of everyone involved. Those qualities will ensure that, as we prepare for the NCA, there is no reduction in the impact SOCA will have on organised crime.



SIR IAN ANDREWS



TREVOR PEARCE QPM
Director General and Accounting Officer
Serious Organised Crime Agency



Introduction

This is the fifth Annual Report of the Serious Organised Crime Agency (SOCA) to be published. It sets out:

- ▶ SOCA's performance over the year in respect of the major illegal commodities and identified threats which it is tasked with tackling. These are drugs, organised immigration crime, non-fiscal fraud, cyber crime and firearms;
- ▶ Details of SOCA activity in Scotland and Northern Ireland, overseas, and activity both in support of, and in collaboration with, domestic and international partners;
- ▶ Progress against SOCA's five Strategic Imperatives:
 - ▷ to build knowledge and understanding of serious organised crime, the harm it causes, and of the effectiveness of different responses;
 - ▷ to tackle criminal finances and profits (CFP), including through asset recovery;
 - ▷ to increase the risk to serious organised criminals operating in the UK through proven investigative capabilities and in new ways;
 - ▷ to collaborate with partners in the UK and internationally to maximise efforts to reduce harm. To provide agreed levels of high-quality support to SOCA's operational partners and, as appropriate, seek their support in return; and
 - ▷ to develop SOCA's capacity to make a difference.

Figures relating to SOCA casework, including drugs seizures, arrests and ancillary orders are set out in Appendix A.

SOCA's statutory remit, as provided in its founding legislation, the Serious Organised Crime and Police Act 2005 (SOCAP), consists of preventing and detecting serious organised crime and contributing to the reduction of such crime in other ways and to the mitigation of its consequences.

SOCA's capabilities derive from Part 1 of SOCAP. Its remit is not limited to traditional law enforcement techniques, although it recognises that criminal justice outcomes will always be important. SOCA has a UK-wide remit and an international reach, together with a broad range of powers and information gateways, which mean that it can go beyond traditional law enforcement approaches.

As provided for in SOCAP, SOCA's strategic priorities are set by the Home Secretary. SOCA is accountable to the Home Secretary through its Chair, Director General and Non-Executive Directors, all of whom are appointed by the Home Secretary.

In its first five years, SOCA planned its work around the five Strategic Imperatives above. These facilitated interaction between different SOCA departments and proved useful: particularly in the early days. As noted in the SOCA Annual Plan 2010/11, the Board has initiated a programme of organisational change, the implementation of which had begun by year end. The key driver of this exercise is to ensure that SOCA is still maintaining a focus on the things it should, and to secure flexibility over time to remain focused on activities and areas where it will be most effective. The change model is also designed to maintain and improve business delivery in preparation for the transition to the new National Crime Agency (NCA).

Introduction

Going forward, SOCA's priorities will be:

- ▶ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement; and contributing to the dislocation of those criminal markets where other agencies have the lead responsibility;
- ▶ the systematic management, on a risk basis, of all SOCA Persons of Interest (Pols) identified as involved in organised crime causing harm to the UK, through effective information management and planned interventions; and
- ▶ the delivery of more law enforcement activity against more organised criminals, at reduced cost, and securing criminal convictions against the most serious criminals.

The report draws some conclusions in respect of work against these three priorities.

The report demonstrates the importance of partnership working and how this is a key part of SOCA's approach. SOCA works closely with intelligence and law enforcement agencies both in the UK and overseas, as well as government departments, agencies and the private and Third sector.

SOCA's work has been taken forward in line with the National Security Strategy (NSS) and the Strategic Defence and Security Review (SDSR), both published in October 2010. The NSS identified the greatest risks to the security of the UK and its wellbeing, arranging them in three tiers. Tier One represents the greatest threats and includes 'hostile attacks upon UK cyber space by other states and large scale cyber crime.' Tier Two threats include 'a significant increase in the level of organised crime affecting the UK'. Tier Three includes 'a significant increase in the level of terrorists, organised criminals, illegal immigrants and illicit goods trying to cross the UK border'. SOCA plays an important role in the effort against each of these threats.

SOCA has approximately 3,800 full-time equivalent staff, based at around 45 sites in the UK and over 130 officers based in around 40 countries worldwide. Most overseas posts maintain a wider remit than the country in which the officers are stationed, enabling an operational reach across over 120 countries.

At the start of the year, the UK Human Trafficking Centre (UKHTC) became part of SOCA. The move to SOCA has provided a clear legal status, while allowing the UKHTC to maintain its identity and functions, including its multi-agency composition and close working relationships with key stakeholders. It continues to have its own management board.

The Statement of Accounts 2010/11 (Part Three) includes the Child Exploitation and Online Protection Centre (CEOP), which is affiliated to SOCA. The Annual Report does not however report on the work of CEOP which has already published its own Annual Review in respect of its activity in 2010/11.

Part One of this report is a summary of successes in 2010/11 and highlights particular cases of note. Part Two provides a conclusion and looks forward to the coming year and the current and future challenges that SOCA faces.

Drugs

SOCA continued to devote significant resources to work against drugs, and Class A drugs in particular. This year, there has been further evidence that SOCA-led activity is having an effect on the drugs market in the UK. Last year's report showed that the impact on the availability, purity and price of cocaine brought about by law enforcement activity has been sustained and this is the case again this year. This year, however, for the first time, SOCA has also seen a demonstrable impact on the UK heroin market. SOCA's work has continued to have both a domestic and an international focus, in line with the Home Office Drugs Strategy, published in December 2010.

Heroin

The improved intelligence picture of the trafficking of heroin reported last year, together with excellent cooperation with SOCA's partners along the heroin route, Turkey in particular, has produced good results this year. In total, both abroad and within the UK, 14.7 tonnes of heroin were interdicted. Shortages of heroin have been reported in several locations in the UK. Wholesale prices for heroin have increased throughout the supply chain, making it more difficult for criminals to operate their businesses. In the UK in 2009/10, the wholesale price of one kilogram of heroin was around £15-17,000. There is now evidence that, when they can source it, dealers are prepared to pay £20,000 and upwards, and there are reports that some organised crime groups are trading high-quality heroin for around £40,000 per kilogram. Street purity fell from 46 per cent in September 2009 to around 32 per cent in September 2010, with suppliers adding more cutting agents to maintain their levels of profit.

SOCA assesses that key contributors to this include the sustained and co-ordinated end-to-end activity against the heroin trade by UK and overseas law enforcement agencies, and through its partnerships on the heroin route from Afghanistan to Turkey and onwards across Europe.

Relationships with the Turkish National Police have continued to develop and are now particularly strong. This strong relationship has led, inter alia, to the imprisonment in Turkey of key figures involved in the trafficking of heroin through the country, towards Europe and the UK.

Targeting a major heroin trafficker through a range of tools

An investigation into the importation of heroin into the UK was commenced in June 2006. The head of the organised crime group involved, Damien O'Connor, was resident in Belgium throughout the investigation as he was wanted in the UK. Following his arrest in February 2007 in Belgium, he was surrendered to the UK on a European Arrest Warrant (EAW) and charged along with 12 other members of the group. He received a custodial sentence of 20 years in February 2009 and a 10-year travel restriction order. His subsequent appeals against conviction and sentence were dismissed. In November 2010, despite contesting the benefit figure, he was ordered to pay £1,021,300 with a five and a half year sentence in the event of default.

SOCA activity in Afghanistan continued this year, with an ongoing focus on supporting and contributing to the wider government strategy in the region; mentoring of the Corruption Investigation Unit (CIU) and the Counter-Narcotics Police of Afghanistan (CNPA); assisting in the creation and development of the Afghan Major Crime Task Force (MCTF) which provides an enhanced ability to investigate kidnap, corruption and serious crime; and working closely with law enforcement and military entities to develop intelligence on counter narcotics. This resulted in successes including the following:

- ▶ in December, 41.5 tonnes of cannabis were seized by CNPA, supported by SOCA;
- ▶ in December, the CNPA received information relating to the movement of a consignment of 583 kg of opium from Balkh Province in Northern Afghanistan to Herat Province in Western Afghanistan. The vehicle being used to transport the drugs was identified and intercepted at a road block; and

- ▶ in January, the CIU received intelligence which indicated that a significant quantity of weapons and explosives had recently been moved to a location close to the centre of Kabul. The CIU secured the site located within the village of Dako in the district of Mirbacha Kot. The cache consisted of 9 anti-tank Rocket Propelled Grenades (RPGs), a quantity of plastic explosive, fuses, detonators, powder explosives and precursor chemicals used in bomb making as well as other associated items.

Cocaine

Activity in conjunction with partners both in the UK and overseas led to the interdiction of 68.1 tonnes of cocaine. Wholesale prices for cocaine remain at historically high levels, with one kilogram reaching prices of between £45,000 and £55,000. This represents a significant rise from mid-2008 when one kilogram averaged about £30,000. The average purity at dealer level has fallen sharply from 62 per cent in 1999 to approximately 20 per cent currently. While the perception is that cocaine is increasingly available in the UK, its purity often ranges between 1 per cent and 10 per cent by the time it reaches the end user.

Independent comment in a report published by the National Treatment Agency in October acknowledged the impact of law enforcement activity on both the price and purity of cocaine in the UK. The report found that *'as efforts to disrupt supply bear fruit, the wholesale cost of cocaine has been rising steadily, encouraging dealers to boost profits by bulking it up...'*

Operations in Latin America in conjunction with law enforcement partners resulted in the arrest of some significant traffickers engaged in the supply of cocaine to Europe and the UK. For example, late in 2010, eight Colombian drug traffickers were arrested in the Cali region of Colombia as part of an ongoing operation between SOCA and the Colombian Anti-Narcotics Police. The men were part of an organised crime group responsible for the delivery of

large consignments of cocaine, via sea and air, to other crime groups across Europe.



Seizing cocaine in transit

SOCA continues to work closely with law enforcement partners in the Caribbean, which remains a significant transit route for cocaine destined ultimately for Europe and the UK. This support led directly to several successes in the region. In Antigua, for example:

- ▶ in February, the Antiguan Organisation of National Drug and Money Laundering Control Policy (ONDCP) co-ordinated an interdiction by the Antigua Coastguard from the yacht *Leap of Faith* within territorial waters off the west coast of Antigua. The yacht was found to contain 150 kg of cocaine, collected following a successful airdrop from Venezuela. The crew, comprising two British Virgin Islands nationals, were arrested; and
- ▶ in July, the Antiguan ONDCP co-ordinated an interdiction by the Antigua Coastguard of a fast boat within territorial waters off the south coast of Antigua. The vessel was found to contain 909 kg of cocaine. The crew, three Venezuelan nationals and one Colombian, were arrested.



West Africa

Capacity building in West Africa was aimed at enhancing the ability of the authorities in that region to tackle maritime trafficking. In June, working in conjunction with the Gambian National Drug Enforcement Agency, SOCA discovered a hidden bunker behind a fake wall in a building that was being used as a large-scale cocaine distribution centre. This discovery led to the seizure of 2.1 tonnes of cocaine 'bricks' - a record for West Africa, and worth more than £100 million at UK wholesale prices. A quantity of cash in €500 notes was also seized. SOCA's work on the €500 note is described elsewhere in this report.

Cutting Agents

The use and availability of chemicals used to cut cocaine and thereby increase dealers' profits continued to be a key

focus for SOCA this year. As well as vigorously pursuing investigations and prosecutions of those supplying cutting agents, large quantities of chemicals such as benzocaine, which were suspected of being destined for the Class A drugs market, were seized and destroyed. SOCA also employed a range of alternative approaches to target those involved in the trade, such as the removal of the websites of individuals suspected of selling cutting agents online to drug dealers. The supply of cutting agents has been dealt with by the courts as an offence of conspiracy to supply cocaine. In one example this year, SOCA's expert evidence supported a UK Border Agency (UKBA) case which resulted in the first conviction for conspiracy to supply cocaine for an individual who was attempting to import phenacetin.

As a result of these efforts, there was a drop in recorded benzocaine importations by 76 per cent between June and September 2010, compared with the same period in 2009. By October, the price of benzocaine had risen to up to £10,000 per 25 kg barrel (with common examples in the region of £4,000 and £6,000) compared with prices of up to £1,700 for the same amount in June.

▼▼▼ **Criminal justice outcome against the supply of cutting agents**

In December, a man who used his online chemical supply business to knowingly sell 17 tonnes of cutting agents to UK drug traffickers was sentenced to 12 years' imprisonment and became the subject of a Serious Crime Prevention Order (SCPO). The investigation by SOCA was challenging, not least because the supply of these chemicals was not, in itself, an unlawful activity. David Wain refused to heed warnings about the implications of supplying chemicals to those with no legitimate use for them.

The leading counsel for the prosecution in this case wrote to SOCA's Director General to commend *'...the very high level of professionalism and commitment shown by the case team in this lengthy and very difficult enquiry... It is a combination of talents which has brought home a very difficult and in many senses an innovative prosecution.'*

▲▲▲

In July, SOCA issued a warning to freight and courier companies that criminals exploit their services to assist with the transportation and distribution of chemicals used either in the production of synthetic drugs or the adulteration of cocaine. Companies were asked to stop transporting such chemicals and staff were provided with a list of signs to look for to indicate criminal activity. Since that date, freight handlers and couriers have identified numerous suspicious chemical importations which have been reported to SOCA via UKBA under Project KITLEY.

Project ENDORSE, a nationwide forensic project to analyse drugs seizures, supports this work. The project analyses data from the forensic submissions made by all UK police forces and law enforcement agencies and gives a detailed analysis above the standard evidential requirement. This provides a better understanding of the UK drugs market. The additional data gives a greater level of quantitative information on the substances used to adulterate drugs and, in the case of heroin, in what proportions. This provides a better understanding of the production and routes of supply. It assists law enforcement to identify potential links between seizures and supports the mapping of illicit activity across the country, which provides for a better targeted law enforcement response. The SOCA website now publishes information taken from Project Endorse making drugs' market trends analysis available to a wider audience.

Legal Highs

This year SOCA has responded to the changing patterns of drug use to target the trade in psychoactive substances, commonly known as 'legal highs'¹. Working with industry partners, as part of a wider initiative to disrupt criminal activity, SOCA took action against websites which continued to advertise mephedrone and naphyrone for sale following their classification as Class B drugs in April and July 2010 respectively. In 2010/11 over 120 websites were closed down as a result of SOCA action, disrupting the supply of these drugs.

¹ These so called 'legal highs' have emerged as a popular alternative to controlled drugs for those who perceive them to be safe because they are legal. Legal highs are advertised and sold over the Internet. Research from test purchases has shown that they may however contain illegal substances especially cathinones, legal stimulants or other active and inactive constituents. The extent of the harm caused by occasional or sustained use of such substances is unknown, especially when used in conjunction with other drugs and/or alcohol. Following advice from the Advisory Council on the Misuse of Drugs (ACMD), mephedrone and cathinone derivatives were classified as Class B controlled drugs in April 2010. Naphyrone and certain naphthyl pyrovalerone derivatives were subsequently classified as Class B controlled drugs in July 2010.

Criminals and their Businesses

SOCA continued to make full use of the powers available to it under SOCAP, the Serious Crime Act 2007, the Proceeds of Crime Act 2002 and other legislation, ensuring top-end criminals were not able to continue running their businesses either in prison or on their release. This included robust steps to ensure compliance with preventative and punitive orders imposed on SOCA persons of interest, and the effective application of financial tools.

Using all Available Tools

SOCA continued to revise and refresh its toolkit of tactical options, intervention capabilities and techniques, including both criminal justice and non-criminal justice tools, and innovative and low cost approaches which can be used to disrupt criminal activity in high volume. Complementary work taken forward in 2009/10 to promote understanding of such tools amongst all of law enforcement, in conjunction with ACPO, HMRC and UKBA, was also completed this year. This is assisting in ensuring a consistent and vigorous approach to organised crime across the UK. Details of these tools were shared also with international partners.

SOCA continued to develop the use of Ancillary Orders at the conclusion of judicial proceedings, as part of a lifetime management approach to organised criminals, to disrupt their activities not only to the point of imprisonment but beyond. The Ancillary Orders in place at the end of the year are set out in Appendix A. These had the effect of disrupting criminal businesses and restricting the opportunities available to top-end/high-impact criminals. Compliance with Ancillary Orders is subject to active monitoring by SOCA. Work on organised crime and prisons led to a range of interventions. SOCA co-ordinated its efforts with UKBA

Long-term approach to attacking an established criminal group

At Winchester Crown Court on 14 July, Tariq Dad and three associates were sentenced on charges of conspiracy to supply cocaine. Dad had controlled a network distributing Class A drugs to dealers in Bristol and the south west of England for 20 years. SOCA in conjunction with Avon and Somerset Constabulary carried out a systematic programme of disruption over a number of years, which progressively damaged his reputation within the criminal fraternity and undermined his ability to stay in business. As his influence deteriorated and his debts mounted, he made an attempt to dominate the regional crack cocaine market by taking a more hands-on role himself. This led to him being convicted of conspiracy to supply cocaine. Every link in Dad's drug distribution chain was attacked and dismantled – from street dealers to suppliers in London and Turkey. So far, sentences totalling over 180 years have been handed out to 20 people who have been prosecuted as a result of operations by SOCA and its partners linked to this investigation.

to ensure that no foreign national prisoner with an outstanding Confiscation Order was deported before the order had been satisfactorily discharged or the default sentence had been served. Work also took place to prevent imprisoned persons of interest who were subject to outstanding Confiscation Orders from securing a move to semi-open or open conditions.

SOCA assisted several police forces in obtaining and monitoring Serious Crime Prevention Orders (SCPOs) and was actively involved in the detection of the first breach of an SCPO which involved the possession and use of a mobile phone whilst in prison. SOCA also continued to work closely with National Offender Management Service (NOMS) Probation to monitor offenders on licence.

Working with key public and commercial partners, SOCA made inroads into disrupting the use of illicit mobile phones by prisoners within the prison estate.

Tackling Criminal Finances and Profits

Money is a key motivation for organised criminals, along with some of the other perceived advantages it can bring, such as lifestyle, reputation and status. SOCA continued to disrupt the flows of criminal assets, undertake complex money laundering investigations, and deny to criminals the ability to enjoy the profits of their actions. Whilst criminals tend to be prepared to take the risk of being caught and imprisoned, denying them access to their assets, or taking assets away as part of the penalty imposed by the courts, results in maximum impact.

This year, SOCA continued to champion the vital role of financial investigation among its law enforcement partners. The Financial Action Task Force (FATF)² published its first Global Money Laundering and Terrorist Financing Threat Assessment (GTA) in June. SOCA led the project team from across the world to produce the GTA, along with the Netherlands and the Inter-governmental Action Group against Money Laundering in West Africa. The GTA provides an overview of the threats posed by systemic money laundering and terrorist financing and is designed to increase knowledge of these threats, to raise awareness of their impact and to help governments across the globe to take action against them.

Money laundering investigation

Four men were sentenced in October 2010 for their part in a criminal money laundering conspiracy estimated to have the potential to process more than £40 million in two and a half years. Their sentences ranged between ten and three years. The group provided a collection and deposit service to launder criminal cash. SOCA's detailed financial investigation into the group began in July 2008 when surveillance officers watched the delivery of two holdalls, which were later found to contain nearly £250,000 in cash. The group transported the money in holdalls and then split it into smaller amounts across numerous bank accounts to try to avoid raising suspicion.

As a direct result of SOCA analysis, the wholesale supply of the €500 note was voluntarily withdrawn from circulation in the UK by the private sector during this period. SOCA evidence showed that over 90 per cent of the UK demand for the note came from criminals. SOCA's analysis concluded that there was no credible legitimate use for the €500 note in the UK in the volumes being supplied, and that easy access to it was a key enabler of criminal activity, since it allowed criminals to move large volumes of cash effectively. Possession of the note is not a criminal offence but obtaining €500 notes is now much more difficult and anyone doing so, or pursuing any of the alternatives, is more likely to attract attention.

SOCA has continued over the year to improve the Suspicious Activity Reports (SARs) regime for all its participants. The SARs Annual Report for 2010, published in November, sets out the progress made against the three-year strategy for the regime and in particular against the first year's action plan.

Civil Recovery and Tax

Civil recovery and tax powers continued to provide SOCA with extensive reach beyond criminal investigative approaches, in one case freezing assets in a European tax haven. Where appropriate, SOCA maximises the impact of its civil recovery proceedings by combining them with tax investigations. In October, SOCA reached a settlement worth approximately £900,000 with the estate of a deceased criminal responsible for drug dealing, brothel keeping and running overcrowded hostels for illegal immigrants. The fact that individuals who ignore SOCA tax assessments potentially face bankruptcy was underlined in a case involving a multi-million pound money laundering operation using London casinos, where the High Court granted bankruptcy orders against a husband and wife team³.

Taking its criminal and civil powers together SOCA denied criminals access to £108.5 million in 2010/11. A further £219.1 million was denied by partners as a result of SOCA support or referrals. The table below gives details.

² FATF is the international standard setter on anti-money laundering and counter-terrorist finance.

³ SOCA is working closely with HMRC to use the new 'Naming and Shaming' provisions under the Finance Act 2009. This will ensure that the names of individuals involved in organised crime who evade their tax liabilities are appropriately publicised. Where, for example, an individual has deliberately evaded their tax liabilities for tax years after April 2010 and for a sum in excess of £25,000, their names may now be published by HMRC.

Category	Value at 31 March
Cash seizures	£5.7m
Restraint orders ⁴	£45.8m
Assets frozen (civil and tax powers)	£13.7m
Confiscation orders obtained	£33.8m
Civil recovery orders	£2.0m
Consent orders ⁵	£7.5m
Value of assets denied by partners in the UK as a result of SOCA referrals	£44.8m
Value of assets denied by partners overseas supported by SOCA	£174.3m
Total assets denied to criminals	£327.6m

Cyber Crime

The Internet is attractive to criminals as it provides great opportunity for significant financial gain, has global reach, is borderless and provides anonymity with a relatively low risk of detection. SOCA has continued to focus therefore on the threat of technology-enabled organised crime, and to degrade criminal capability to use the Internet and IT networks as an operational enabler or means of influence. Much of SOCA's effort sought to increase capability and establish common aims amongst stakeholders, in particular international law enforcement partners, thus delivering more benefit to the UK.

Asset denial figures demonstrate SOCA's activity to prevent actual or suspected criminal assets from being dissipated or used to fund further criminal activity or a criminal lifestyle. Details of performance against asset recovery measures are provided in Appendix A.

Working with GetSafeOnline.org, SOCA identified a highly organised criminal operation employing 'scareware' to trick web users into revealing their financial information to cybercriminals. Potential victims received messages on screen or a call from an IT 'help centre' claiming that their computer might be infected by a virus or other malicious software. A fake scan of their computer was then used to convince the victims that they needed to download new security software. In reality, victims were paying cybercriminals for the privilege of installing useless or malicious software onto their computer. Get Safe Online adopted this threat as the main theme for their 2010 campaign and SOCA provided advice to members of the public on how to spot 'scareware' and how to avoid becoming victims of this type of crime.

Criminal powers: Update on Khalid Malik

Following the systematic dismantling of a crime network responsible for importing and distributing at least 300 kilograms of heroin reported last year, SOCA was granted its largest ever Confiscation Order for £10.5 million against Khalid Mahmood Malik in September. Malik was jailed for 25 years in 2005 for conspiracy to supply heroin. His criminal activity had allowed him to acquire properties in the UK and abroad worth £3 million, as well as luxury cars, including a Lamborghini. When the confiscation order was made, he was given three months to pay, or face a further 10 years in prison.

He appealed against the Order at a hearing in February before a single judge who said *'The consequences of the applicant's failure to comply with the court orders were clearly set out in the Act. He cannot now complain that those consequences were visited upon him.'* Malik indicated an intention to appeal to the full panel of three judges. Among the other associates of Malik who also received custodial sentences, one was Malik's financial advisor, and another a solicitor who had handled almost £600,000 of Malik's money to purchase properties in the names of others.

SOCA's cyber work in action

SOCA is systematically targeting the criminal trade in stolen financial information. In the past 12 months, SOCA seized 1.4 million items of compromised payment card data from cybercriminals and passed these details to UK Payments via the Alerts system. This data has subsequently been used to prevent fraud and identify where security breaches have occurred. The success of this approach has encouraged law enforcement colleagues in the US, Europe and Australia to participate in the initiative.

⁴ The aggregate gross value of Restraint Orders obtained minus the aggregate gross value of Restraint Orders discharged.

⁵ Formerly reported as civil recovery settlements.

SOCA worked with the Department for Energy and Climate Change (DECC) to develop an approach to prevent organised crime associated with carbon trading, following attacks on the system throughout the EU. It worked to identify and deal with suspicious accounts and to raise awareness of the risks and mitigations available to UK businesses through the issuing of Alerts. This enhanced the reputation of the UK as a secure trading location for this business, and supported the Government's attempts to promote the need for security amongst European partners. The successful operation of the carbon trading scheme is important to UK businesses and the Government's ability to meet its environmental obligations.

Firearms

Building on work last year with partners in the UK, such as the National Ballistics Intelligence Service (NABIS), and in Europe to develop a more comprehensive picture of firearms trafficking in the UK, SOCA has utilised the knowledge to prevent the trafficking, distribution, possession and use of firearms within the criminal community. Strong international links allowed SOCA to prevent the criminal importation of firearms and thus stop them being used on streets in the UK. For example:

- ▶ Amsterdam Police, assisted by SOCA, arrested six UK nationals in June. Following searches of a number of properties, weapons including machine guns with silencers and significant quantities of ammunition were recovered. It was assessed that the arrests were likely to have prevented one or more gangland executions.
- ▶ A German law enforcement agency identified a parcel containing two handguns with ammunition destined for an address in the southeast of England. Close collaboration with the German authorities, UKBA and the police forces of Hertfordshire, Lancashire and the Police Service of Northern Ireland led to the controlled delivery of this parcel and the arrest by SOCA of the intended recipient. The consignor has since been located and arrested by the authorities in Germany.



Co-ordinated action to target drug and firearm network

Dawn raids across Europe resulted in 35 arrests. The operation involved 750 officers and targeted a network suspected of trafficking both large quantities of drugs and firearms to gangs across the UK and Europe, and of laundering hundreds of millions of pounds in criminal proceeds. In the UK around 230 SOCA officers searched business and residential addresses and 10 people were arrested. The man believed to be the head of the network was arrested in Spain.



Organised Immigration Crime

SOCA's activity to tackle people smuggling and human trafficking saw it engage in international, national and local operations and projects to support the dislocation of these activities. The UK Human Trafficking Centre, which became part of SOCA on 1 April 2010, provides a central point for the continuing development of expertise and cooperation in relation to combating the trafficking of human beings. This work was characterised by a strong focus on the victims of this crime and joint working with partners, including raising awareness amongst law enforcement, other front line professionals and vulnerable communities to improve the identification of potential victims.

SOCA targeted the enablers of organised immigration crime, through collaborative working with UKBA to address clandestine entry by lorry. This was achieved by engagement with hauliers, drivers and recipients of goods, and involved SOCA notifying the intended recipients of goods when illegal immigrants were found by UKBA to be concealed within them. Some recipients of such information took swift and decisive action to investigate the circumstances of the security breach and then reviewed and cancelled high-value haulage contracts. In addition, goods were returned to the dispatchers. Drivers are now served with a leaflet, explaining how they can protect their loads from infiltration and warning of the penalties to which they could be subjected if found to be complicit in people smuggling.

A wide range of tools were applied against organised immigration crime this year. For example:

- ▶ **Hard edged enforcement:** a collaborative criminal investigation between SOCA and UKBA targeted an organised crime group which was facilitating illegal immigration. The group fraudulently obtained 'leave to remain' in the UK for the immigrants, in exchange for payment. In December 2010 this resulted in an immigration. Another individual was sentenced to individual being sentenced to seven and a half years' imprisonment on 12 counts of assisting unlawful

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Partnership working on organised immigration crime

Partnership working between SOCA, UKBA and an international airline resulted in the closure of an air route used since 2009 to smuggle illegal migrants into Europe. SOCA intelligence, confirmed by a UKBA investigation, identified a number of staff working at an African airport who were taking bribes to smuggle illegal migrants into Europe. As a direct result of sharing this information with the airline, a corrupt official was removed from post. The airline is subsequently working more closely with both UKBA and SOCA and has put in place more stringent security measures on flights from the airport in question as a result.

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immigration. Another individual was sentenced to 18 months' imprisonment for conspiracy to commit forgery offences and conspiracy to facilitate a breach of immigration law. A Confiscation Order was made for £1.6 million and SCPOs were obtained⁶.

- ▶ **International network:** in May, a major organised crime group involved in the smuggling of people of various nationalities from Italy to the UK in rail containers was dismantled. This was a result of a joint operation involving SOCA and French and Italian law enforcement partners.
- ▶ **Financial tools:** SOCA was granted a Confiscation Order for £1.9 million against Thomas Carroll after a judge ruled his assets, including properties in Wales and South Africa, were purchased with the proceeds of organised immigration crime⁷.

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Support to international partners to protect the UK border

Following SOCA support for a Hungarian-led investigation, a man involved in the trafficking of illegal immigrants, primarily to work in cannabis factories in the UK, was surrendered on 29 June to Hungary on a European Arrest Warrant (EAW). Do Huan Nguyen was described as being instrumental to an organised crime group which is believed to have trafficked more than 50 Vietnamese nationals via Moscow and Hungary to the UK on fraudulently obtained Hungarian passports. Once in the UK, they were required to pay their debt by working in premises used for the commercial-scale cultivation of cannabis. The other 17 members of the group were convicted in 2009 by a Hungarian court.

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⁶ New terms included prohibiting the use and ownership of articles and equipment capable of being used in the manufacture or alteration of an immigration or identity document, a prohibition on the possession or control of third party immigration or identity documents, and restrictions on computers, printers and photocopies.

⁷ The dismantling of the prostitution ring run by Carroll and his family was described in last year's Annual Report.

Fraud

SOCA's activity in targeting fraud focused on collaborative and preventative action. In a worldwide day of action on 1 June, SOCA led the UK's contribution to raising awareness of mass marketing fraud (MMF)⁸. It collaborated with partners in the National Fraud Authority (NFA), the Serious Fraud Office (SFO), the Metropolitan Police Service and City of London Police, the Office of Fair Trading and the Financial Services Authority (FSA) to arrange co-ordinated action and messaging designed to alert people to the dangers of MMF. As part of the day of action, SOCA wrote to around 200 people, warning them that they were the targets of a mail fraud from West Africa. A scam letter to each person had been seized before it could reach its victim as part of SOCA's international efforts to combat this type of fraud.

In April, over 800 people who had been the victims of MMF had their money returned to them by SOCA. Letters were sent to each one of them, containing cheques for between £10 and £60. The victims' letters had been seized during an investigation into a sophisticated mass market fraud.

Collaboration and coordination amongst law enforcement agencies has expanded and become more international over the last year. SOCA has led many of these activities and has had success in arresting fraudsters whose crimes have been worldwide and whose profits have been huge. One success in Ghana put an end to the reign of misery brought by one

marketing fraudster whose profits had exceeded £1 million and accounted for losses to one victim of over £250,000.

The identification of major points of vulnerability which act as enablers of fraud led to targeted activity being taken forward by SOCA in collaboration with other public and private sector partners. For example, over the past 12 months, work continued with law enforcement agencies and industry partners to target harden⁹ against the criminal abuse of accommodation addresses and virtual offices by fraudsters.

Scotland and Northern Ireland

SOCA undertook work in Scotland and Northern Ireland in line with the specific priorities in those areas, as well as in respect of UK-wide issues. In both Scotland and Northern Ireland it enjoyed excellent working relationships with law enforcement partners, working through the Serious Organised Crime Taskforce and the Organised Crime Taskforce respectively.

SOCA has deployed staff full-time to the 'Regional Intelligence Unit Plus' facility in Northern Ireland. This is a 'one-stop shop' for the flow of intelligence between agencies in Northern Ireland in support of partners' operational activity. SOCA also has staff based permanently at the Scottish Intelligence Co-ordination Unit to ensure SOCA plays a full part in refining the Serious Organised Crime Map for Scotland and the development of appropriate action.

In Scotland highlights included:

- ▶ CAPTURA, the joint venture between SOCA, Crimestoppers and, in Scotland, the Crown Office and Procurator Fiscal Service (COPFS) has resulted in the arrest of five fugitives to face the Scottish courts (detail of the cross-UK success of CAPTURA is covered on page 26); and



Intellectual Property Crime (IPC)

SOCA teamed up with Crimestoppers to promote the 'Fakes Fund Crime' campaign, designed to raise awareness of the dangers of counterfeiting and its link with other criminal activity. The campaign seeks to quash the myth that counterfeiting goods is a harmless enterprise, and to demonstrate that it is in fact often run by highly organised and profitable criminal networks. The money raised is used to fund other organised crime, such as drug trafficking and organised immigration crime.



⁸ MMF is the use of email, post and telephone to reach a large number of potential victims. Typically victims are asked to advance some money to secure the release of an inducement, such as a false inheritance or a fraudulent lottery win. The inducement never arrives and the suspect continues to report difficulties which require further money from the victim. The fraud is such that the victim will never receive any money and their losses often run into tens of thousands of pounds.

⁹ Target hardening is practical advice to individuals, public and private sector organisations to enable them to take measures to protect themselves from organised crime.

- ▶ SOCA, along with law enforcement agencies from Scotland and Romania, took part in a day of action in February which resulted in one man being arrested in Romania and two men being detained in Scotland. Sixteen human trafficking victims were rescued on the Isle of Skye, having been trafficked for labour exploitation, in particular whelk picking. All were under debt bondage; ostensibly to cover the cost of transportation to the UK, accommodation and other fees.

SOCA remains committed to moving to the Scottish Crime Campus at Gartcosh in late 2013, along with several key partners. For the first time it will see law enforcement agencies working to both devolved and UK-wide legislation and accountability operating under the same roof. In addition to forming SOCA's Scottish hub, the campus will house the Scottish Crime and Drug Enforcement Agency, the Risk and Intelligence and Criminal Investigation arms of HM Revenue and Customs, and the organised crime unit of the COPFS. There will also be a state of the art forensic laboratory. SOCA's outline business case has been ratified and Ministers will be invited to consider a full business case in the coming months.

In Northern Ireland highlights included:

- ▶ a SOCA-led operation into the importation of Class A drugs to the UK from Europe which resulted in the arrests of 27 people in England and Northern Ireland and the seizure of a quantity of Class A drugs and forged documents;
- ▶ a case referred by the Police Service of Northern Ireland (PSNI), in which a High Court Civil Recovery Order was granted in January in respect of assets held by a Chinese restaurateur and well known figure in Northern Ireland. The recovered assets included over £100,000 held in a stock market linked investment account, several other bank accounts, a pension fund, a personalised number plate and items of jewellery. In SOCA's civil recovery application, it was submitted that Wai Keung (Nicky) Cheung derived the majority of his assets through multiple mortgage and loan

frauds, tax evasion and money laundering the proceeds of those offences; and

- ▶ two men arrested in connection with an international investigation into drug smuggling. Gerald Robert McCann, from Holywood in County Down was arrested on a European Arrest Warrant issued by Spain and appeared before a court in Belfast. He was subsequently surrendered to Spain. The second man was arrested and questioned by SOCA. SOCA officers carried out searches in Counties Down and Armagh and items were taken away for forensic examination. The arrests were in relation to a 600 kg cannabis seizure by the Spanish police in August on the Spanish French border.



UK Borders

Working in partnership with UKBA, SOCA responds to seizures at the border which meet the criteria that indicate the involvement of organised criminals. Over the past year, 90 seizures have been made that have led to either detailed debriefs of UKBA operations or the initiation of SOCA investigations. For example:

- ▶ seven men were jailed for their roles in bringing over half a billion pounds worth of cocaine into the UK hidden in metal pipes. They were caught after an 80 kg haul, with a street value of £15 million, was discovered at Dover. SOCA officers switched the drugs for flour and allowed the pipes to be transported to a warehouse in Manchester. Officers obtained evidence to show that there had been more than 30 previous deliveries to the warehouse identical to the one that had been intercepted. If each contained a similar amount of cocaine then the total amount could have had a street value of almost £500 million.
- ▶ two men were jailed for money laundering, drugs, and weapons offences after £261,700 cash, small amounts of fluoro-amphetamine and two knuckle dusters were found in a lorry at Dover in March 2010. SOCA officers conducted a forensic examination of the cash bags and linked the money to a convicted drug trafficker. The courier was sentenced to two years' imprisonment for money laundering and the possession of Class A drugs and offensive weapons. The drug dealer was sentenced to eight years' imprisonment for money laundering offences, possession with intent to supply Class B drugs and possession of an offensive weapon. The cash was forfeited.



Working with Partners

SOCA operates within the UK Control Strategy for Organised Crime. At year end this consisted of 13 multi-agency programmes of activity, targeting specific threat areas such as drugs, immigration crime and fraud, as well as cross-cutting issues such as firearms.

The Organised Crime Group Mapping (OCGM) process provides an index of groups and individuals engaged in organised crime impacting on the UK. SOCA has contributed around 9,000 Persons of Interest (Pols) to this multi-agency process, which has led to a single aggregated dataset of 38,000 organised criminals believed to be impacting upon the UK¹⁰.



Working with EU partners

SOCA has continued to contribute to EU efforts against organised crime, through its support to the UK's participation in the Standing Committee on Operational Cooperation on Internal Security (COSI). Over the year, the House of Lords EU Committee examined this work as part of an inquiry into the EU Internal Security Strategy. Its subsequent report commended SOCA's positive engagement with COSI on organised crime matters.



High Volume Operating Model

There was good progress in the development of the High Volume Operating Model (HVOM). HVOM seeks systematically to manage those organised criminals on record, and provide proportionate matching against other datasets (for example UKBA's Warning Index) and through this to provide opportunities for a range of high volume

disruptions. This in turn identifies opportunities to target a greater number of Pols using a combination of the available tools. By the end of the year, SOCA had implemented group action plans covering all Pols identified by SOCA and not subject to specific operational activity at that time.



HVOM leads to the disruption of organised crime in the security industry

The security industry is well known as an attractive target for organised criminals seeking to gain access to potential drug markets in nightclubs, find opportunities to launder criminal cash, and get access to equipment that may be used to evade law enforcement surveillance. Whilst penetration is the case for some of the industry, it is for a minority and the industry itself has taken great strides to improve.

In an example of the High Volume Operating Model in action, the Security Industry Authority (SIA) and SOCA are working together to identify, disrupt and prevent known organised criminals from working within the security industry. By using data sharing powers under s.33 and s.34 of SOCAP 2005, the two agencies have conducted data matching exercises to identify known organised criminals holding SIA licences. This exercise has identified over 100 individuals involved in organised crime who hold an SIA licence, some with undeclared criminal convictions. The exercise also identified a number of companies where there were links to organised crime. These are subject to ongoing activity by SOCA.

Over 50 individuals have had their licence revoked, suspended or are being investigated by the SIA and partners for an offence that could lead to the revocation of their licence or suspension. SOCA, the SIA and police forces are taking a range of measures to prevent the remaining identified individuals from using their position to facilitate further criminal activity, striking a balance between the threat they pose and the impact on their occupation.

This approach is scalable. A similar exercise conducted using the Organised Crime Group Mapping data might be expected to identify several hundred matches. This joint working has provided a level of assurance to the legitimate industry about the level of penetration by serious organised crime, and that steps are being taken to reduce these abuses.

¹⁰The Pol database is kept constantly under review in the light of intelligence received.

Assessments and Reports

This year, SOCA produced 209 pieces of assessed reporting¹¹ (21 SOCA assessments and 188 SOCA reports), covering the full range of organised criminality described in the UK Threat Assessment of Organised Crime. SOCA drew on material provided by partners in addition to its own reporting to provide quarterly updates on the intelligence picture for each of the Control Strategy programme of activity threat areas. Feedback received by SOCA during the year confirmed that its assessed reporting helped partners in the UK and overseas to achieve even greater impact.

Private Sector

SOCA's network of private sector and regulatory contacts enabled the profiling and dissemination of 114 Alerts designed to allow them, and others, to protect themselves against organised crime. SOCA has continued to use the Alerts process as a vehicle for notifying private sector and other partners of fraud-related vulnerabilities and threats identified through its intelligence collection. In one example intelligence gathered by the SOCA Overseas Liaison Officer Network highlighted a substantial fraud being planned by an international crime group. The fraud had a potential value of £10 million and would have targeted UK-based financial institutions. Co-ordinated action across SOCA enabled the issue of an expedient, targeted Alert to the institutions concerned. The Alert assisted them in taking the internal actions necessary to prevent the fraud from occurring.



Businesses protecting themselves through Alerts

SOCA, in partnership with the Identity and Passport Service, released a series of seven SOCA Alerts containing the details of 466 Fraudulently Obtained Genuine (FOG) Passports. These passports are believed to be used by criminals and illegal migrants to secure employment, gain access to financial products and services, obtain social benefits, travel and commit a variety of criminal offences.

Through this initiative many businesses throughout the UK's private sector have been able to use the information to protect themselves from attack. One case alone identified a fraudulent mortgage application of £126,000. Through the Suspicious Activity Reports regime (SARs) and other feedback reporting, businesses have provided valuable intelligence that has since been used to support further action against these criminals.



Specialist Support

SOCA continued to provide support to partners in the UK and overseas under both directed and voluntary arrangements. These included:

- ▶ support on firearms, kidnap and extortion and corruption;
- ▶ covert collection and lawful interception capabilities;
- ▶ the UK Gateway for law enforcement to access the specialist services of international bodies such as Interpol and Europol as well as Article 40 Schengen requests for cross-border surveillance; and
- ▶ the principal UK Central Authority for the processing of European Arrest Warrants.

¹¹ Assessed reporting comprises of SOCA Assessments and Reports. A SOCA Assessment draws together what is known about a specific threat or area of organised crime, providing analysis and assessment as a basis for deciding on action to tackle it. A SOCA Report contains details of an event or piece of information, with comment and contextual information added.

Firearms

SOCA firearms officers were deployed both in SOCA's own investigations and in support of those carried out by law enforcement partners. Notably this year, SOCA became the first UK law enforcement body to be granted a firearms licence without conditions.

Referrals by SOCA for firearms support resulted in 62 deployments, including 24 in an armed surveillance role and 22 as mobile armed support to a surveillance team.



Firearms support in the search for Raoul Moat

In June, SOCA responded to a request from Northumbria Police to assist in the search for armed fugitive Raoul Moat. SOCA officers, including firearms officers, provided armed surveillance, air support and technical assistance during the search. Both the Chief Constable of Northumbria and the Gold Commander in the case wrote to the Director General of SOCA to commend the action of SOCA officers deployed. The Gold Commander commented that:

'The conduct of every member of SOCA... was exemplary and I have nothing but the highest admiration for the skills, and experience that they brought. I believe that in time this may well prove to be a watershed moment for your agency in that it underlines with clarity the importance of what you bring to dynamic operations.'



Kidnap and extortion

SOCA continued to provide support, advice and tactical assistance to its partners in law enforcement, government and industry in relation to kidnap and extortion and product contamination. SOCA received 376 reports of kidnap and 97 cases of blackmail and dealt with 16 cases of product contamination. In 2010/11 there were 226 threats to life referrals to SOCA, leading to 48 warning notices or disruption notices being issued to persons involved¹².



Corporate blackmail

In November, SOCA was asked to provide expert advice on crisis management which led to the successful detection of a case of corporate blackmail in the Isle of Man. The Head of the Senior Command Team at the Isle of Man Constabulary wrote to SOCA to commend the officers involved, saying that *'the professionalism and commitment demonstrated by them during this input... was simply outstanding'*.



Kidnap of British boy

This year, one of the hostage takers responsible for the kidnap of a five-year old British boy in Pakistan in 2010 was sentenced to 60 years' imprisonment. SOCA co-ordinated the response to the kidnap investigation by providing tactical and strategic advice which resulted in the safe recovery of the child. A ransom payment sequence under the control of Greater Manchester Police (GMP) and SOCA was initiated in Manchester and taken by courier whilst under surveillance by British, French and Spanish officers. The hostage takers released the child when they received information that the £400,000 had safely been delivered in Spain. A number of arrests were then made in Pakistan, Spain and France and the ransom money was recovered.



¹² An increased threats to life case load in recent years, including a rise in referrals of 75% on the previous year, derives from factors including improved intelligence work and improved reporting of threats to life.

Corruption

SOCA continued to provide tactical advice and support to its partners by handling, disseminating and developing intelligence on corruption-related matters. It provided covert operational support to forces on nine occasions in circumstances where the force did not have its own covert assets or it was not appropriate to use them. SOCA also dealt with 26 external requests for tactical advice and support with covert operational planning from corruption investigators.



Corruption case

Concerns arose about a senior barrister employed by the Crown Prosecution Service (CPS) after he was observed meeting the head of an organised crime group. The CPS requested that SOCA fully investigate his links to organised crime. He was subject to an intensive 'integrity test' which resulted in him discontinuing a case in return for a payment of £10,000. He pleaded guilty to misconduct in a public office, attempting to pervert the course of justice and corruption. He was sentenced to four and a half years' imprisonment.



CAPTURA

CAPTURA is a joint initiative with Crimestoppers, the Spanish authorities and UK law enforcement, launched in 2006. To date 60 fugitives who are wanted on European Arrest Warrants (EAW) and are believed to be living in Spain have been identified and their details and photographs published on the Crimestoppers website. So far, 43 of those 60 have been arrested.

In view of CAPTURA's considerable success in tracing the most wanted fugitives, SOCA and Crimestoppers launched a similar initiative, known as Operation RETURN in March 2010 in the Netherlands. Of the six individuals whose details were published, two had been arrested at year end. One of these was Edward Morton, one of SOCA's most wanted, who was on the run for more than three years after failing to appear for trial on cocaine trafficking charges. He was arrested in April 2010 in Amsterdam, returned to the UK to face trial and subsequently convicted. In sentencing him to 24 years' imprisonment, HH Judge Masen praised SOCA's team for its outstanding investigation *'without which this conspiracy would undoubtedly have continued.'*



Criminals' perceptions of SOCA

Joint SOCA and Spanish operational activity to arrest UK fugitives made front page headlines in Southern Spain. Several of the fugitives made reference to SOCA. On arrest, one fugitive stated *'Spain is a nightmare at the moment – nobody can do anything'*.

In December, a UK national was surrendered to the UK from the Netherlands to face fraud charges. Upon transfer he stated that the current perception amongst British criminal circles in the Netherlands is that Dutch remand prisons are being flooded with British criminals arrested by SOCA. He implied that British criminals in the Netherlands feel significantly impacted upon, particularly as a result of activity by SOCA. Similar comments were made by other subjects following activity in the Netherlands. One subject arrested in September 2010 stated that criminals felt it was no longer safe to go into the centre of Amsterdam due to the number of recent arrests.



Part 2 – Conclusions and next steps

Conclusion

At the year-end stage SOCA's priorities were:

- ▶ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement, and contributing to the dislocation of those criminal markets where other agencies have the lead responsibility;
- ▶ the systematic management, on a risk basis, of all SOCA Persons of Interest (Pols) identified as involved in organised crime causing harm to the UK, through effective information management and planned interventions; and
- ▶ the delivery of more law enforcement activity against more organised criminals, at reduced cost and securing criminal convictions against the most serious criminals.

SOCA's Annual Report for 2011/12 will look back on performance against these priorities.

In 2010/11 SOCA achieved a sustained impact on the drugs markets, through the delivery of high-quality, targeted investigative and preventative activity, based on a foundation of partnership with law enforcement and others, in the UK and upstream. Most notably, this year for the first time there was a clear impact on the heroin market and a reduction in the availability of heroin in the UK. SOCA was also successful in dislocating criminal finances, as its understanding of the effects of this work and its application of asset denial tools improved further.

SOCA made a strong contribution to the efforts of partners to dislocate other criminal markets, with respect for example to organised immigration crime and fraud, targeting the enablers and reducing the opportunity for criminals to take advantages of opportunities and weaknesses.

The development of measures to ensure the systemic management of SOCA Pols was accompanied by criminal justice success against significant top-end criminals. There

was also evidence of the disruption of criminal groups and networks, and impact against the long tail of organised crime. The range of tools and techniques used had the result of bringing more criminals within the reach of law enforcement.

Next steps

The future presents further opportunity to improve the response to organised crime, in particular as the Organised Crime Strategy is taken forward and the National Crime Agency (NCA) is created.

SOCA will continue to prosecute the most serious organised criminals, in combination with other approaches. Once convicted, the use of systematic and lifetime management techniques will ensure that during a prison sentence and on release, appropriate measures can be put in place to prevent criminals from restoring their position in the criminal hierarchy. This will be accompanied by a comprehensive assessment of the threat posed by SOCA Pols and the embedding of high volume activity against groups of Pols, delivering a range of alternative disruption activities.

The basis of this work is the Organised Crime Group Mapping exercise conducted by the Organised Crime Partnership Board (OCPB), which will guide activity against all of the 38,000 individuals identified to date as being involved in organised crime impacting on the UK, based on the harm each causes. The Organised Crime Co-ordination Centre (OCCC) will co-ordinate the national effort and ensure provision of the most up to date picture of criminals and crime groups which threaten the UK. SOCA will host the OCCC on behalf of the UK, and provide set-up resources.

SOCA's change programme will see the realignment of SOCA's activities, functions and capacity to make it more flexible and able to respond to current and future challenges, as well as provide a platform for a smooth transition into the NCA. The programme was well advanced by the end of 2010/11 and will allow SOCA to maintain and improve

Part 2 – Conclusions and next steps

business delivery during a period of change and financial pressure. It will allow for more officers to be deployed on operational activity, and more action to be taken against a greater number of criminals.

Drugs

On heroin and cocaine, the aim is to sustain the recent market-level success achieved by international and UK law enforcement. To help achieve this, and in line with the Home Office Drugs Strategy, it will be important to maintain law enforcement pressure on the supply and availability of drugs from source to street, and further increase the risks to those involved. SOCA will focus on working closely with law enforcement agencies in source and transit countries, identifying and disrupting the major traffickers, targeting cutting agents, and denying access to criminal assets. It will also work closely with partners in the UK, including ACPO, as it takes forward the programme of activity on the illegal drugs trade in the UK.

Also in line with the Home Office Drugs Strategy priorities, SOCA will continue to disrupt the trade in psychoactive substances, so called 'legal highs'. SOCA will work with others to understand the nature of the market; and where there are importation restrictions or, in the future, temporary bans in place, to identify and disrupt the importers, distributors and sellers. This will include the seizure of products and activity against websites that sell banned substances.

Cyber Crime

A significant proportion of organised crime will, in the future, either be enabled by the internet or take place in cyber space. The National Security Strategy and the Strategic Defence and Security Review (SDSR) recognised the threat from cyber crime as a tier 1 threat to national security. As part of the SDSR outcomes, SOCA was allocated

£19 million over four years to support the delivery of a wider National Cyber Security Programme (NCSP)¹³. SOCA will use this funding to support the Government's priorities on cyber crime in the following ways:

- ▶ by increasing the capability and capacity to collect, analyse and disseminate intelligence on cyber crime and cyber criminals;
- ▶ by providing an effective criminal justice response to cyber crime through the enhancement of capabilities and the delivery of high-end operational outcomes. It will also provide additional legal services to deliver expert tactical and strategic support;
- ▶ by working with law enforcement, intelligence agency, private sector and academic partners to maximise use of technical and other capabilities for the benefit of all parties;
- ▶ by focusing dedicated resource to the delivery of high-volume interventions to disrupt criminal cyber activity;
- ▶ by increasing private sector and public awareness through enhanced dissemination of timely intelligence and warnings via diverse media channels and Alerts; and
- ▶ by establishing a dedicated overseas resource to tackle cyber criminality in partnership with local law enforcement and other agencies and provide additional legal services to deliver expert tactical and strategic support to enhance international law and improve international co-operation.

Organised Immigration Crime and Fraud

Work to ensure that more law enforcement activity takes place against more organised criminals will help SOCA to further contribute to the dislocation of those criminal markets where other agencies have the lead responsibility. Preventative work on fraud, through awareness raising and target hardening, will remain central to the approach.

¹³ Led by the Office of Cyber Security and Information Assurance (OCSIA) in the Cabinet Office.

Part 2 – Conclusions and next steps

On organised immigration crime, SOCA will target the enablers of this activity in order to disrupt it. SOCA has initiated a plan to enhance engagement with UKBA and improve co-ordination of overseas activity and thereby develop the UK's upstream response to organised immigration crime. Other SOCA activity will include raising awareness of human trafficking, which is key to reducing the number of trafficking victims, as well as improving the multi-agency response. SOCA will also focus on those transit and source countries from where the greatest threat originates, in line with commitments in the SDSR to prioritise and plan overseas activity against organised crime through stronger strategic prioritisation and co-ordination.

UK Borders

Following the production this year of a baseline assessment by SOCA (working with law enforcement and private sector partners) of the threat of private sector corruption at the border, a dedicated multi-agency working group was established to address the threats and vulnerabilities identified. In 2011/12, SOCA activity will aim to exploit Organised Crime Group Mapping data, target-harden, deliver high volume interventions and thereby safeguard the public by preventing and detecting corruption which enables drugs, firearms and other illegal commodities to be smuggled into the UK.

Prevention

SOCA will deliver efficient and economic prevention plans and activity against organised crime and deliver disruption and dislocation activity that provides clear and measurable impact, for example by estimating the value of a potential fraud which has been averted. Key to this will be the development and maintenance of mutually beneficial private and public partnerships which can respond to existing and emerging threats.

Part Three: Statement of Accounts 2010/11





Management Commentary

Statutory Background

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

SOCA assumed its statutory functions on 1 April 2006. It brought together staff from the National Crime Squad (NCS) and the National Criminal Intelligence Service (NCIS), staff and resources from HM Revenue and Customs (HMRC) to support the transfer to SOCA of certain work on drug trafficking and associated criminal finance, and some of those dealing with organised immigration crime in the UK Immigration Service. SOCA has added to this a number of individuals with other backgrounds to widen the skills available. The NCS and NCIS ceased to exist on 31 March 2006. On 1 April 2008 the Assets Recovery Agency (ARA) merged with SOCA and this merger resulted in new civil recovery arrangements within SOCA. ARA as an entity ceased to exist on 31 March 2008.

In April 2010 the UK Human Trafficking Centre (UKHTC) became part of SOCA. This has provided long-term legal status, while allowing the UKHTC to maintain its identity and functions, including its multi-agency composition and close working relationships with key stakeholders. It continues to have its own management board.

Child Exploitation and Online Protection Centre (CEOP) is an affiliated unit and while it has operational independence from SOCA it is accountable to the SOCA Board through a Board chaired by a Non-Executive Director of SOCA. It publishes its own separate Annual Plan and Review. Resources allocated to CEOP are included in the SOCA Statement of Accounts.

Statement of Purpose and Vision

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

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

Principal Activities

SOCA's functions are set out in the Serious Organised Crime and Police Act, 2005. They are to prevent and detect serious organised crime and to contribute to its reduction in other ways and the mitigation of its consequences, and to gather, store, analyse and disseminate information on crime. In addition, SOCA is tasked to provide support to law enforcement partners, notably UK police forces and HM Revenue and Customs.

- ▶ SOCA's approach continued in 2010/11 to reflect not only its founding legislation and the White Paper *One Step Ahead* which preceded it, but also the strategic tasking letters provided to the Agency by the Home Secretary and the recommendations within the Government report 'Extending our Reach' which was published in 2009/10. That report challenged SOCA and its UK law enforcement partners to work ever more closely together under Home Office

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leadership in the fight against organised crime. During 2010/11, SOCA worked closely with those partners to progress the 13 programmes under the UK Control Strategy and to continue the development of the Organised Crime Group Mapping and the High Volume Operating Model.

The main features of SOCA's approach in response to these requirements were:

- ▶ a significant contribution to the United Kingdom Threat Assessment of Organised Crime (UKTA) which drew together, from operational partners across the UK, the best judgements that could be made about the nature, scale and impact of organised crime against the UK;
- ▶ the preparation of an annually revised National Intelligence Requirement for Organised Crime (NIR) which set out for the benefit of all agencies involved what information was needed in relation to each of the threats to enable them to be tackled more effectively;
- ▶ a significant contribution to the UK Organised Crime Control Strategy (the Control Strategy) which provided a framework for a co-ordinated and concerted response by all relevant UK agencies and departments to the problems described in the UKTA. The strategy was delivered through 13 multi-agency Programmes of Activity. Governance for this work was provided by programme leaders from appropriate agencies across the UK and a Home Office chaired Programme Review Group with members from 22 departments and agencies;
- ▶ internal tasking and co-ordination arrangements, based on SOCA's developing understanding of organised crime problems that affect the UK, designed to ensure that SOCA's operational work was planned both in accordance with the priorities set by the Home Secretary and to ensure that finite resources were focused where they could have most effect;
- ▶ attention to organised crime markets, focused on identifying and exploiting the vulnerabilities in the criminals' operations wherever they might be;
- ▶ as envisaged in SOCA's legislation, the sharing of intelligence reporting and assessments with those elsewhere in law enforcement and in Government who were in a position to use the information to respond effectively to criminal problems;
- ▶ support for law enforcement partners across the UK where SOCA held national capabilities or provided gateways to international networks, or had liaison officers in place to facilitate engagement with foreign law enforcement agencies, and
- ▶ the identification and use of additional tools to those provided by the criminal law to make it more difficult for organised criminals to perpetrate crimes that damage this country and to profit from their criminality.

This work was delivered through SOCA departments with staff based in 44 locations in the UK (2009/10: 49) and 38 countries overseas (2009/10: 42) including remote responsibilities in 90 additional countries. On 31 March 2011, a snapshot of staff deployments showed that just under 81 per cent (2009/10 – 70 per cent) of SOCA staff were then deployed on criminal and civil justice casework, on covert collection capabilities such as interception, eavesdropping, surveillance and human source intelligence that supported it, and on providing assistance to others at home and overseas with their casework.

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Results for the Year and Financial Position

Financial Outturn 2010/11 – Comparison to Approved Budget Allocations

	Resource Expenditure 2010/11			Capital Expenditure 2010/11			Overall underspend of DEL allocations £m
	Budget	Actual	Over/(Under) spend	Budget	Actual	Over/(Under) spend	
	£m	£m	£m	£m	£m	£m	
<i>Funding source</i>							
DEL allocations	431.8	425.4	-6.4	31.0	35.5	4.5	-1.9
AME expenditure approval	10.0	5.4	-4.6	-	-	-	-
Externally funded capital projects	-	-	-	9.7	9.7	-	-
Sub total – budget comparisons	441.8	430.8	-11.0	40.7	45.2	4.5	-
IAS 19 pension credit (non-budget)	-	-49.8	-	-	-	-	-
Total expenditure per accounts	-	381.0	-	-	45.2	-	-

SOCA controls expenditure against four different reporting categories, the most significant of which is the Departmental Expenditure Limit (DEL) for resource and capital. In 2010/11 SOCA underspent its resource DEL allocation by £6.4m but overspent the capital allocation by £4.5m. Overall, DEL allocations were underspent by £1.9m. During the year, SOCA applied to switch funds from Resource to Capital but this was not necessary as Home Office decided to accommodate increases in SOCA's capital expenditure against underspends elsewhere within its remit.

Annually Managed Expenditure (AME) budgets relate to volatile expenditure managed outside DEL budgets. In 2010/11, AME expenditure reported by SOCA included early retirement scheme pension liabilities, negative capital asset indexation costs, and changes in the provision for legal liabilities. The overall cost of these was well within the £10m agreed limit for AME expenditure last year.

SOCA's accounts include externally funded Capital Expenditure which is fully recharged to scheme sponsors.

IAS19 expenditure covers the annual fluctuations in the actuarial assessment of Pension Scheme liabilities. In 2010/11, a credit of £49.8m is reported which comprises two factors – a reduction of £72.2m due to the governments change from the Retail Price Index to the Consumer Prices Index for assessing future pension payments, offset by a £22.4m charge for the other changes in the actuarial valuation of pension liabilities.

Going Concern Statement

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

The Statement of Financial Position at 31 March 2011 shows net liabilities of £314 million (2009/10 – £439 million). This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not met from SOCA's other sources of income, may only be met by future grants or grants-in-aid from the Home Office, SOCA's sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

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Grants and Grant-in-Aid for 2011/12, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's Estimates for that year. These have been approved by Parliament and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The government has set out plans for the creation of a National Crime Agency (NCA) by 2013. This would incorporate the functions currently exercised by SOCA, as well as a number of other national policing functions including a Border Police Command which was outlined in the Coalition Agreement. The Home Secretary will outline her plans for the new agency during the course of this year and legislation proposing the dissolution of SOCA and the transfer of its functions to the NCA will be brought to Parliament for consideration in due course.

Financial Instruments

Due to the largely non-trading nature of its activities and the way in which it is financed, SOCA is not exposed to the degree of financial risk faced by commercial entities. Further information with respect to risk management and strategy is provided in Note 7.

Remuneration of the External Auditors

The remuneration for the National Audit Office (NAO) is disclosed in Note 3 of the accounts totalling £0.147 million (2009/10: £0.153 million).

Compliance with Public Sector Payment Policy

SOCA policy, in line with Government requirements, is to pay all invoices within 30 days of receipt, unless a longer payment period has been agreed or the amount billed is in dispute. For 2010/11, on average, 91.3 per cent of invoices were paid within 30 days of receipt (2009/10 – 86 per cent). SOCA monitors its statistics monthly, with all departments taking action as necessary.

During 2010/11, SOCA paid £nil interest to suppliers (2009/10: £2,761), under the Late Payment of Commercial Debts (Interest) Act 1998 but is currently negotiating a claim for £7,339.

SOCA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Social and Community Issues

SOCA's purpose is to reduce the harm caused to the UK and its communities by serious organised crime. In order to target the needs of different parts of society, SOCA employs a Community Liaison Officer in every region of the country to develop community engagement strategies.

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In addition SOCA:

- ▶ encourages its staff to participate in local community activities, including local and national charitable activities;
- ▶ supports local activity through a Community Fund; and
- ▶ operates an Estates Strategy that specifically targets minimum impact on the environment.

Environmental Policy

SOCA has recorded its commitment to reducing its impact on the environment in the Estates and Sustainability Strategy, a sub-set of the Investment and Capability Strategy which defines the performance measures and statutory requirements with Connected Reporting; Greening Government and Carbon Reduction Commitment Energy Efficiency Scheme.

To reduce our environmental impact by 2015 our targets are:

- ▶ recycling 75 per cent of waste;
- ▶ reducing waste by 25 per cent;
- ▶ reducing water consumption by 25 per cent;
- ▶ cut carbon emissions by 25 per cent;
- ▶ cut domestic business travel flights by 20 per cent; and
- ▶ cut our paper usage by 10 per cent in 2011/12.

2010/11 year is a dry run year for reporting purposes, as much data as possible has been collected and collated, using Automated Meter Readers and available billing.

In order to achieve this we have collected as much data as possible on present performance and the figures relating to Greenhouse gas emissions from electricity, gas and oil are shown below.

Finite resource data is extracted from available billing; much more comprehensive data will be supplied as part of the new Facilities Management contract starting in September 2011.

Total 2010/2011

Electricity		Gas		Oil		Water	Total CO2
kWh	CO2 (t)	kWh	CO2(t)	ltr	CO2(t)	m3	tonnes
18,836,241.50	10190.41	5,717,739.53	1049.78	92.30	0.23	25,219.06	37,672,483

Better monitoring of this will be possible in future using data that will be supplied as part of the new facilities management contract starting in September 2011.

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Waste minimisation and management is also part of the new Facilities Management contract, monthly reports will be supplied from September detailing:

- ▶ total waste arising;
- ▶ waste sent to landfill;
- ▶ waste recycled/reused; and
- ▶ waste incinerated.

SOCA is adopting a series of measures to monitor and reduce consumption, monitor and reduce waste, monitor and reduce impact; align estates, ICT and transport strategies via the Investment and Capability Strategy, raise awareness and support sustainable projects. Procurement legislation ensures that in all contractual relationships the supply organisation is required to have an environmental strategy and policy. SOCA will test such compliance during contracting phases and seek assurance that framework and enabled arrangements are compliant.

Training is to be provided to all staff to ensure they are environmentally aware and compliant with the policy and government legislation and best practice.

Good environmental and sustainable performance not only has an impact on the environment it can promote financial savings through better use of resources, recycling and waste reduction.

Inclusion, Diversity and Equality

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

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

Staff Engagement

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

- ▶ team meetings which set information in context, encourage discussion, answer questions and feed concerns back to senior staff;

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- ▶ SOCA intranet for fast-time news, online information tools, and an archive of material and a library of policy, handbooks etc.;
- ▶ weekly ebulletin of news and information and a recap of all corporate stories from the past week, newly-published policies and forward-planning diary etc;
- ▶ Chairman's notepad and DG updates – two views from the top which explain our direction of travel, the first set in the broadest context, the second short regular single-issue updates;
- ▶ Take it to the top – a facility through which staff can put questions to the Board and receive answers which are then shared with staff;
- ▶ project boards and working parties focus on particular issues and tailor and target messages arising from their work to the people who need to know; and
- ▶ an induction programme for all new staff provides an overview of SOCA priorities, strategies, values and activities as well as areas such as health and safety and security.

Staff Sickness Reporting

SOCA staff were absent on sick leave for an average of 6.33 days per employee (2009/10: 6.79 days).

High Potential Recruitment and Development scheme

SOCA developed the 'High Potential Recruitment and Development Scheme' in order to recruit high calibre staff for its vacancies. The scheme enables SOCA to recruit and retain the best people, drive efficiency and develop creative solutions to problems. Positions are advertised annually, subject to Government recruitment restrictions, during the year and successful candidates appointed.

Subsequent Events

The Government will adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the Police Pension scheme that SOCA provides for former police officers. The 2010/11 financial year pension disclosures as at 31 March 2011 for police pensions are calculated based on CPI.

The Accounting Officer Trevor Pearce authorised the 2010/11 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

Virtual Global Taskforce Company

SOCA has a non-trading wholly owned subsidiary company called Virtual Global Taskforce Limited, a company limited by guarantee to the value of £10. This company was set up previously by the National Crime Squad for the Child Exploitation and Online Protection Centre (CEOP) in order to protect the name of a registered trademark, and ownership passed to SOCA

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on 1 April 2006.

Reporting of Personal Data Related Incidents

There were no personal data incidents of a nature which required a report to be made to the Information Commissioner in 2010/11.

Declarations

- 1) As far as I am aware, there is no relevant audit information of which the auditors are not aware.
- 2) I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of such information.

Trevor Pearce QPM

Director General and Accounting Officer

Serious Organised Crime Agency

1 July 2011

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Remuneration Report

The Remuneration Report has been audited.

Appointment of Board of Directors of SOCA and Accounting Officer

The Chair and Non-Executive Directors of SOCA's Board are appointed by the Home Secretary. The Home Secretary approved the appointment of Trevor Pearce as Director General with effect from 1 September 2010. The SOCA Board approved the appointment of Bradley Jones as Director Enforcement with effect from 1 September 2010. Bradley Jones can attend the Board but is not a member. This is in accordance with the requirements of SOCAP 2005 in respect of the body corporate of SOCA. The Executive Directors are appointed through open and fair competition; such appointments may sometimes be filled by means of fixed term secondments from other organisations. Two Non-Executive Directors retired on 31 August 2010 and three continuous Non-Executive Directors were appointed on 1 September 2009.

Details of 2010/11 remuneration in respect of salaries paid are set out below.

	<i>Date appointed</i>	<i>Contract end date</i>	<i>Salary 2010/11 £'000</i>	<i>Benefits in Kind 2010/11 £'000</i>	<i>Salary 2009/10 £'000</i>	<i>Benefits in Kind 2009/10 £'000</i>
<i>Director General</i>						
William Hughes	1 April 2006	31 Aug 2010	80-85	25.9	180-185	59.2
Trevor Pearce	1 Sept 2010	N/A	85-90	-	-	-
<i>Chairman</i>						
Sir Ian Andrews	3 Aug 2009	2 Aug 2013	60-65	-	45-50	-
<i>Executive Directors</i>						
David Bolt	1 April 2006	30 June 2010	35-40	-	145-150	11.1*
Malcolm Cornberg	1 April 2006	N/A	145-150	45.2	155-160	63.3*
Paul Evans	1 April 2006	N/A	135-140	60.2	145-150	56.6
Trevor Pearce	1 April 2006	31 Aug 2010	55-60	3.2	145-150	4.1*
Bradley Jones	1 Sept 2010	N/A	55-60	-	-	-
<i>Non-Executive Directors</i>						
Elizabeth France	1 April 2006****	31 Aug 2010	5-10	-	15-20	-
Dame Janet Paraskeva	1 April 2006****	31 Aug 2010	15-20	-	35-40	-
Peter Clarke	1 Sept 2009	31 Aug 2012	15-20	-	10-15	-
Sue Garrard	1 Sept 2009	31 Aug 2012	**	-	**	-
Francis Plowden	1 Sept 2009	31 Aug 2012	30-35***	-	15-20	-

* The benefits in kind for these Directors, relate to accommodation (2009/10: included the use of cars). Accommodation benefits for the Executive Directors are adjusted by the proportion of time the accommodation is occupied by them rather than other staff. Were the Directors the sole occupants of the accommodation, the full cost of the benefit in kind would be £11.1k for David Bolt and £22.8k for Trevor Pearce (2009/10: D Bolt £58.5k and T Pearce £63.9k). Trevor Pearce relinquished his accommodation on 9 August 2010 and Malcolm Cornberg relinquished his accommodation on 20 March 2011.

**Non-Executive Director Sue Garrard is a public appointment by the Home Secretary. At the beginning of the year she was a civil servant and as a result SOCA did not pay her annual salary or pension contributions. In January 2011 Sue Garrard resigned from the civil service to take a senior communications post within a multinational company. She has agreed to continue her role as a Non-Executive Director pro bono publico.

*** Non-Executive Director Francis Plowden has additional responsibility to Chair the CEOP Board.

**** Elizabeth France and Dame Janet Paraskeva began work on SOCA on 1 September 2005 but were not paid by SOCA from this date. They were paid by SOCA with effect from 1 April 2006.

Senior Management salaries are based on recommendations of the Senior Salaries Review Body.

The salary of the Director General and Executive Directors includes London weighting allowance.

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Benefits and Pension Contributions

In addition to salaries paid and taxable benefits in kind (for accommodation and use of car with the associated taxes paid by SOCA) the pension entitlements of the Senior Management Team are disclosed below.

	<i>Pension contributions in 2010/11</i> £	<i>Real increase in pension 2010/11</i> £'000	<i>Real increase in lump sum 2010/11</i> £'000	<i>Total accrued pension at age 60 in 2010/11</i> £'000	<i>Total lump sum at age 60 in 2010/11</i> £'000	<i>Cash equiv transfer value 2010/11</i> £'000	<i>Real increase in cash equiv transfer value 2010/11</i> £'000
Sir Ian Andrews	-	-	-	-	-	-	-
William Hughes	12,515	0-2.5	-	5-10	-	178	13
Trevor Pearce	30,035	0-2.5	-	10-15	-	166	25
David Bolt	7,509	-	-	50-55	160-165	1,124	-
Malcolm Cornberg	30,035	0-2.5	-	15-20	-	292	27
Paul Evans	32,469	-	0-2.5	55-60	175-180	1,168	2
Bradley Jones	12,977	0-2.5	-	5-10	-	123	10

	<i>Pension contributions in 2009/10</i> £	<i>Real increase in pension 2009/10</i> £'000	<i>Real increase in lump sum 2009/10</i> £'000	<i>Total accrued pension at age 60 in 2009/10</i> £'000	<i>Total lump sum at age 60 in 2009/10</i> £'000	<i>Cash equiv transfer value 2009/10</i> £'000	<i>Real increase in cash equiv transfer value 2009/10</i> £'000
Sir Ian Andrews	-	-	-	-	-	-	-
Sir Stephen Lander	7,035	-	-	-	-	-	-
William Hughes	30,000	0-2.5	-	5-10	-	174	45
Trevor Pearce	30,000	0-2.5	-	5-10	-	139	35
David Bolt	30,000	7.5-10	27.5-30	55-60	175-180	1,305	20
Malcolm Cornberg	30,000	2.5-5	-	10-15	-	257	46
Paul Evans	30,000	2.5-5	7.5-10	55-60	170-175	1,174	55

Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits the individual has accrued as a consequence of their total SOCA and related pre-cursor agency service, not just their current appointment. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

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Real Increase in CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the individual and is worked out using common market valuation factors for the start and end of the period.

Related Party Transactions

The Directors' related party transactions for the year ending 31 March 2011 have been fully disclosed under Note 18 and are also reported below.

During the year ended 31 March 2011, the following related party transactions occurred:

In April 2010 David Bolt, former Executive Director Intelligence, purchased a car from the organisation for £6,600.

In April 2010 Malcolm Cornberg, Executive Director Corporate Services, purchased a car from the organisation for £5,475.

In both cases price was determined through an independent process to ensure SOCA received the market price.

In September 2010 William Hughes, former Director General, requested to retain some small office equipment and furniture valued at £nil cost as the cost of removing and disposing them outweighed expected disposal proceeds (2009/10: No board member, key manager or other related parties undertook any material transactions with SOCA).

Trevor Pearce QPM

*Director General and Accounting Officer
Serious Organised Crime Agency
1 July 2011*

Statement of the Accounting Officer's Responsibilities

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

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

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

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

Trevor Pearce QPM

*Director General and Accounting Officer
Serious Organised Crime Agency
1 July 2011*

SERIOUS ORGANISED CRIME AGENCY

Statement on Internal Control 2010/11

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Serious Organised Crime Agency's (SOCA's) policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, and general guidance documents referred to in the Financial Memorandum agreed with Home Office. I became the SOCA Director General and Accounting Officer on 1 September 2010, following the retirement of my predecessor, William Hughes on 31 August 2010.

My Executive Directors, Senior Managers and I are involved in regular meetings to discuss strategic issues with stakeholders, including members of the SOCA Board, and at different levels in the Home Office. The Chairman of the Board and I have briefed Committees and Parliamentary Groups in both the House of Commons and the House of Lords on the work of SOCA. We also have regular meetings with the Home Secretary, Home Office Ministers and Ministers across Government.

The purpose of the system of internal control

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

The system of internal control has been in place in SOCA throughout the period 1 April 2010 to 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

My overall strategy is to manage risks at multiple levels with Executive and Deputy Directors providing a key link at senior management level for risk, performance, financial and operational management. SOCA maintains a Strategic Risk Register (SRR) which is reviewed each quarter and is supported by subsidiary risk registers and processes to escalate emerging risks.

My Executive Directors, Senior Managers and I are involved in regular meetings as stated above. In addition, SOCA reports in writing to the Home Affairs Select Committee every six months on its performance. Meetings are also frequently held between SOCA Senior Managers and the Home Office at different levels.

Thus, a framework of reports and meetings is in place to address:

- ▶ performance in support of SOCA's strategic imperatives and priorities and the UK Control Strategy for serious organised crime;

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

The Risk and Control Framework

Risk Management

SOCA has maintained a Strategic Risk Register (SRR) throughout the reporting period. The SRR sets out the Agency's key generic and specific risks and tracks the effectiveness of the controls in place to manage them. The SRR is reviewed each quarter by the Agency's Risk Board and a copy is submitted to Executive Committee Members. The SRR is also considered at each Audit and Risk Committee meeting, periodically reviewed by the SOCA Board and a summary of the Agency's strategic risks is shared with the Home Office each quarter.

The SRR is supported by a range of risk registers based on corporate templates which include the criteria for elevating risks from one level to the next. During the reporting period the requirement for risk registers has been revised to reflect forthcoming structural changes. This has seen a transition from directorate risk registers to those maintained at deputy director level. A further transition will take place in the lead up to the new financial year.

The SRR is also supported by CEOP's risk register. Additionally, SOCA's portfolio of programmes has continued to be covered by an overarching Investment Management Risk Register which is regularly reviewed by the Agency's Investment Board and feeds into the SRR.

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In terms of risk appetite, SOCA's practice is to focus on the effectiveness of individual controls. Where these are fully embedded and effective SOCA is deemed to have reached its risk appetite, as it has done everything required to control the relevant risks, accepting that it cannot altogether eliminate risks.

SOCA continues to have a dedicated Risk Manager responsible for developing and maintaining the Agency's Risk Management Policy and Risk Management Handbook. Both documents remain widely available to SOCA staff, clearly articulate risk management roles and responsibilities and provide practical guidance on the risk management process itself, such as risk assessment and ownership.

The Risk Manager is also responsible for co-ordinating and improving risk registers across the organisation. For example, during the year the Risk Manager has reviewed deputy director level risk registers and provided feedback to help enhance these where required.

Collectively SOCA's risk management guidance, hierarchy of risk registers, individual risk assessments and Risk Manager help to embed risk management within the Agency and, where necessary, ensure that improvements continue to be made.

The effective management of information risk under the oversight of the Senior Information Risk Owner continues to feature prominently in the conduct of SOCA business, a strong control framework going hand-in-hand with a continuing quest to optimise the utility of the data which SOCA collects. The scope of SOCA's compliance regime has been extended to key third party suppliers by a programme of audit and inspection, operated in collaboration with the Home Office where interests coincide. SOCA's aim of advancing from Level 2 to Level 3 of the Information Assurance Maturity Model was achieved, supported by continued attention to staff training and technical provision to protect our systems.

2010/11 has seen some significant changes to SOCA. During this period, we continued the programme of work known as Evolve, which will lead to a major organisational restructure with effect from 1 April 2011. Furthermore, the 2010 Programme awarded a 10-year strategic partnership contract for the provision of SOCA's Information & Communication Technology (ICT) in December. The ICT Modernisation Programme is a major element in the execution of that contract and will replace the bulk of the Corporate ICT infrastructure in use throughout the organisation with a new ICT service.

At the end of 2009/10 year there was a rationalisation of the non-current asset register (NCAR) and progress on strengthening controls has continued. Part of this has been improving the analysis on five projects shown in the Accounts as 'Assets under construction' at the previous year end ensuring the correct values are identified and recognised in a way that can be properly managed in future.

Quartermaster (QM) provides a uniform approach to asset management. It informs the business of the location, maintenance status, current holder and ownership status of an asset. Maintaining of this corporate record system is the responsibility of all SOCA staff. Lead owners are actively engaged in adding SOCA's assets and inventory items onto QM, which will naturally be an on-going activity as items continue to be procured. Following pilot training sessions in May 2010, the training of all staff who are required to use QM has been taking place since October 2010 and will be complete by early 2011/12.

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As a result of an inspection of the ELMER (Suspicious Activity Reports - SARs) database, the Information Commissioner made a recommendation that SOCA should establish a retention and deletion policy for SARs records, in order to comply with the Data Protection Act. SOCA's work to address this recommendation has included seeking legal advice on how to balance SOCA's obligations under DPA and the Human Rights Act, with the Agency's statutory obligations under the Criminal Procedures and Investigations Act (CPIA) 1996. SOCA is working closely with the Information Commissioner's Office to bring about a swift resolution.

The Audit and Risk Committee has continued to monitor SOCA's risk management framework, ensure that internal audit and other independent assurance activity is focused on strategic risks and report to the SOCA Board on key financial and other risks.

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

Other Sources of Assurance and Information

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

- ▶ relevant internal experts, including those providing various self-inspection, compliance and assurance functions within the organisation;
- ▶ SOCA's internal audit function;
- ▶ the Surveillance Commissioners;
- ▶ the Information Commissioner;
- ▶ the Interception Commissioner;
- ▶ the Independent Police Complaints Commission (IPCC);
- ▶ the Health and Safety Executive;
- ▶ Her Majesty's Inspector of Constabulary (HMIC); and
- ▶ the National Audit Office (NAO).

Review of effectiveness

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

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

In June 2011 the Government published the National Crime Agency plan, which sets out proposals to create a National Crime Agency by 2013. In terms of potential impact upon SOCA's risk and control framework, SOCA is closely following the progress of these proposals.

During the year SOCA's Corporate Assurance Department audited a wide range of business areas, principally focusing on the high level control framework. No fundamental weaknesses in SOCA's control framework have been reported.

Trevor Pearce QPM

*Director General and Accounting Officer
Serious Organised Crime Agency
1 July 2011*

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

I certify that I have audited the financial statements of the Serious Organised Crime Agency (SOCA) for the year ended 31 March 2011 under the Serious Organised Crime and Police Act 2005. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of SOCA, the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, SOCA and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Serious Organised Crime and Police Act 2005. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Serious Organised Crime Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Serious Organised Crime Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts including the Management Commentary, the Remuneration Report and the Statement of Internal Control to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- ▶ the financial statements give a true and fair view of the state of the Serious Organised Crime Agency's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and

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- ▶ the financial statements have been properly prepared in accordance with the Serious Organised Crime and Police Act 2005 and the Secretary of State's directions issued thereunder.

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in light of the proposed dissolution of SOCA and transfer of its functions to a new National Crime Agency. This is subject to legislation and there is therefore uncertainty whether SOCA will continue to operate in its current legal form.

Opinion on Other Matters

In my opinion:

- ▶ the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State's directions issued under the Serious Organised Crime and Police Act 2005; and
- ▶ the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I Report by Exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- ▶ adequate accounting records have not been kept; or
- ▶ the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- ▶ I have not received all of the information and explanations I require for my audit; or
- ▶ the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road, Victoria, London, SW1W 9SP

Date: 6 July 2011

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Serious Organised Crime Agency

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

	Note	2010/11 £'000	2009/10 Restated £'000
<i>Income</i>			
Funding received separate from Grant-in-Aid	4.a	18,014	21,670
Rents and service charges		56	62
Donations of goods and services	4.b	1,702	2,515
Other operating income	4.b	2,457	1,778
Recovery of costs	4.c	939	345
Total operating income		23,168	26,370
<i>Expenditure</i>			
Staff costs	2	(196,411)	(270,872)
Operating costs	3	(167,479)	(181,455)
Depreciation	5,6	(39,873)	(35,817)
Transfer from Government Grant Reserve	16.e	772	500
Loss on asset revaluation and write off	5,6	(1,830)	(14,425)
Corporation tax	1.u	1,037	(1,168)
Net expenditure after interest		(380,616)	(476,867)
Surplus/(loss) on disposal of non-current assets		(352)	22
Net expenditure for the financial year		(380,968)	(476,845)

The results for the year all relate to continuing operations. There were no acquisitions or disposals of operations during the period.

The Notes on pages 54 to 82 form part of these Accounts.

Part Three: Statement of Accounts 2010/11

Serious Organised Crime Agency

Statement of Financial Position

For the year ended 31 March 2011

	Note	2010/11 31 March £'000	2009/10 31 March £'000 <i>Restated</i>	2008/9 31 March £'000
<i>Non-Current Assets</i>				
Property, Plant and equipment	5	144,348	139,816	139,478
Intangible non-current assets	6	37,919	39,782	18,830
		182,267	179,598	158,308
<i>Other Non-Current Assets</i>				
Receivables falling due after one year	8.c	97	124	104
IAS 19 Pension Asset	2	-	-	60
Total non-current assets		182,364	179,722	158,472
<i>Current Assets</i>				
Trade and other receivables	8.a	37,277	31,552	26,432
Cash and cash equivalents	9	32,285	27,599	10,542
Total current assets		69,562	59,151	36,974
Total assets		251,926	238,873	195,446
<i>Current Liabilities</i>				
Trade and other payables	10.a	(45,764)	(52,468)	(48,475)
Deferred income	12	(14,409)	(8,524)	(3,958)
Total current liabilities		(60,173)	(60,992)	(52,433)
Non-current assets plus net current assets		191,753	177,881	143,013
<i>Non-current Liabilities</i>				
IAS 19 Pension Liability	2.d	(493,660)	(609,656)	(439,448)
Provisions	11	(8,872)	(3,964)	(3,511)
Other payables	10.c	(3,174)	(3,628)	(4,114)
Total non-current liabilities		(505,706)	(617,248)	(447,073)
Assets less liabilities		(313,953)	(439,367)	(304,060)
<i>Taxpayers Equity</i>				
Net Expenditure Reserve	16a	48,056	(1,961)	58
Revaluation Reserve	16c	5,950	5,652	2,128
Pension Reserve	16b	(392,834)	(459,032)	(311,368)
Donated Asset Reserve	16f	763	744	421
Government Grant Reserve	16e	19,381	10,499	-
Other Reserves	16d	4,731	4,731	4,701
		(313,953)	(439,367)	(304,060)

The Notes on pages 54 to 82 form part of these Accounts

Trevor Pearce QPM

Director General and Accounting Officer
Serious Organised Crime Agency
1 July 2011

Part Three: Statement of Accounts 2010/11

Serious Organised Crime Agency

Statement of Cash Flows

For the year ended 31 March 2011

	2010/11	2009/10
	£'000	Restated £'000
Net expenditure for financial year	(380,968)	(476,845)
Depreciation and Amortisation	39,873	35,817
Credit from Government Grant Reserve	(772)	(500)
Loss on asset revaluation	1,830	14,425
(Surplus)/Loss on disposal of non-current assets	352	(22)
Pension costs	(49,790)	22,603
(Increase)/Decrease in receivables falling due after one year	27	40
(Increase)/Decrease in accounts receivables	(8,475)	5,909
Increase/(Decrease) in accounts payable and deferred income falling due within one year	(8,117)	(7,036)
Increase/(Decrease) for use of provisions	4,908	453
Increase/(Decrease) in accounts payables and deferred income falling due after one year	(454)	4,080
Net cash outflow from operating activities	(401,586)	(401,076)
<i>Cash flows from investing activities</i>		
Purchase of non-current assets, property, plant and equipment	(27,538)	(29,079)
Purchase of non-current intangible assets	1,838	(28,391)
Proceeds of disposal of property, plant and equipment	968	454
Net cash outflow from investing activities	(24,732)	(57,016)
<i>Cash flows from financing activities</i>		
Grant-in-Aid for capital expenditure	31,000	59,430
Grant-in-Aid for revenue expenditure	399,985	415,396
Donated asset funding	19	323
Net Financing	431,004	475,149
Net Increase in cash and cash equivalents in the period	4,686	17,057
Cash and cash equivalents at the beginning of the period	27,599	10,542
Cash and cash equivalents at the end of the period	32,285	27,599

The Notes on pages 54 to 82 form part of these Accounts.

Part Three: Statement of Accounts 2010/11

Serious Organised Crime Agency

Statement of Changes in Taxpayers Equity

For the year ended 31 March 2011

	<i>Inc & Exp Reserve Restated £'000</i>	<i>Pension Reserve Restated £'000</i>	<i>Reval'n Reserve £'000</i>	<i>Donated Asset Reserve £'000</i>	<i>Other Reserves £'000</i>	<i>Government Grant Reserve £'000</i>	<i>Total Reserves £'000</i>
<i>Restated changes in reserves for 2008/09</i>							
Balance at 31 March 2008	11,634	(407,023)	2,628	421	4,701	-	(387,639)
Additions from HMRC transfer	754	-	-	-	-	-	754
Net gain/(loss) on revaluation of property, plant and equipment	-	-	(500)	-	-	-	(500)
Actuarial gain/(loss) on pension reserve	-	95,655	-	-	-	-	95,655
Total recognised income and expense for 2008/09	(477,233)	-	-	-	-	-	(477,233)
Grants received	464,903	-	-	-	-	-	464,903

Restated changes in reserves for 2009/10

Balance at 31 March 2009	58	(311,368)	2,128	421	4,701	-	(304,060)
Net gain/(loss) on revaluation of property, plant and equipment	-	-	3,524	-	-	-	3,524
Actuarial gain/(loss) on pension reserve	-	(147,664)	-	-	-	-	(147,664)
Total recognised income and expense for 2009/10	(476,845)	-	-	-	-	-	(476,845)
Grants received	-	-	-	323	30	10,999	11,352
Transfer for depreciation	-	-	-	-	-	(500)	(500)
Grant-in-Aid received	474,826	-	-	-	-	-	474,826
Balance at 31 March 2010	(1,961)	(459,032)	5,652	744	4,731	10,499	(439,367)

Changes in reserves for 2010/11

Net gain/(loss) on revaluation of property, plant and equipment	-	-	298	-	-	-	298
Actuarial gain/(loss) on pension reserve	-	66,198	-	-	-	-	66,198
Total recognised income and expense for 2010/11	(380,968)	-	-	-	-	-	(380,968)
Grants received	-	-	-	19	-	9,654	9,673
Transfer for depreciation	-	-	-	-	-	(772)	(772)
Grant-In-Aid received	430,985	-	-	-	-	-	430,985
Balance at 31 March 2011	48,056	(392,834)	5,950	763	4,731	19,381	(313,953)

The Notes on pages 54 to 82 form part of these Accounts.

Notes to the Accounts for the period ended 31 March 2011

1 Statement of Accounting Policies

1 a) Basis of Preparation

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) and Accounts Direction given by the Secretary of State for the Home Department with the consent of the Treasury, under the Serious Organised Crime and Police Act 2005. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Organised Crime Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Organised Crime Agency for the period ending 31 March 2011 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

1 b) Grant-in-Aid and Income Recognition

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

Funding received solely for use in specific projects is transferred to deferred income and released to the Statement of Comprehensive Net Expenditure over the project period to match the related costs incurred. Capital grants received are transferred to the Government Grant Reserve and released to the Statement of Comprehensive Net Expenditure to match the related depreciation charges.

1 c) Capital Charge

Treasury guidance has confirmed SOCA should exclude the charge that reflects the cost of capital utilised by SOCA from its accounts in 2010/11 (2009/10 – £12.6 million). The £12.6 m charge has been removed from the 2009/10 Statement of Comprehensive Net Expenditure in accordance with this guidance.

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1 d) Pensions Reserve

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

1 e) Non-Current Assets

Expenditure incurred by SOCA on the acquisition of capital assets, or expenditure which adds to the value of existing assets is capitalised, provided that the assets give benefit to SOCA for a period of more than one year. Where appropriate, SOCA will capitalise the cost of salaries attributable in developing the non-current assets as permitted within IAS 16.

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

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

Tangible non-current assets are carried at fair value for existing use.

1 f) Depreciation and Amortisation

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

<i>Asset type</i>	<i>Useful life</i>
Land and buildings	Land is not depreciated. Buildings are depreciated to their estimated residual value over the remainder of the buildings' estimated economic lives.
Improvements to leasehold buildings	The shorter of the duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.
Motor vehicles	3-7 years
Plant and equipment	5 years
Furniture and fittings	5 years
IT equipment and software	3-5 years
Intangible non-current assets – IT licences	3-5 years

Tangible assets are revalued on a regular basis and are reported at current cost.

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

1 g) Revaluation

SOCA has a policy of revaluing its non-current assets. Any gain on revaluation relating to assets funded by Government Grant is credited to the Revaluation Reserve. A loss on revaluation is debited to the Statement of Comprehensive Net Expenditure to the extent that the loss exceeds the balance on the Revaluation Reserve for that asset.

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

1 h) Government Grant Reserve

SOCA has received funding from other government bodies to finance capital expenditure. The monies received have been credited to the Government Grant Reserve and as the assets capitalised are depreciated, a credit transfer for depreciation will be charged to the Statement of Comprehensive Net Expenditure.

1 i) Recovered Assets

SOCA's merger with the Assets Recovery Agency (ARA) required the agency to take a more operational role under the Proceeds of Crime Act 2002, and gave rise to criminal confiscation, civil recovery and taxation of benefits related to criminal property. As a result, proceeds from recovered assets are received and paid over to the Home Office. SOCA participates in the incentivisation scheme whereby SOCA and referring law enforcement agencies receive a portion of the remittances as an incentive to build their asset recovery capacity (see Note 1r).

Sale proceeds from recovered assets less allowable costs, including receivers' fees deducted, are paid to the Home Office.

1 j) Foreign Currency

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

Monetary assets and liabilities denominated in foreign currency at the Statement of Financial Position date are translated at the rates ruling at that date. Any translation differences arising are taken to the Statement of Comprehensive Net Expenditure.

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1 k) Operating Leases

Payments made under operating leases on land and buildings and equipment are charged to expenditure. Discounts received for rent free periods are spread over the term of the lease.

1 l) Rental and Service Charges income

SOCA sub-lets one of its rented accommodation to another organisation on a commercial basis, ensuring that full occupancy is maintained on rented property in use. Rents and other property income received are credited to the Statement of Comprehensive Net Expenditure.

1 m) Liquid Resources

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

1 n) Pension Costs

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

The cost of providing unfunded pension benefits for former police officers is charged to the Net Expenditure account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with SOCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Statement of Comprehensive Net Expenditure is calculated so that the Statement of Financial Position provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the Statement of Financial Position date. The Police Pension liability includes a provision for future injury awards.

The Government Actuaries Department (GAD) have now, in accordance with IAS 19, advised that any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Police scheme are dependent on service, GAD have valued the liability expected to arise due to injury awards in respect of service prior to the valuation date. GAD have used historic data from police authorities to determine the expected incidence and size of future injury awards. The expected liability arising from injury awards has been included in the restated 2009/10 accounts at a value of £14.28m. The restated documents in the 2009/10 accounts are as follows:

- ▶ Statement of Comprehensive Net Expenditure
- ▶ Statement of Financial Position
- ▶ Statement of Cashflows

Part Three: Statement of Accounts 2010/11

- ▶ Statement of Changes in Taxpayers Equity
- ▶ Note 2 – Staff numbers and related costs

1 o) Value Added Tax

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

1 p) Donations Received

The Child Exploitation and Online Protection Centre (CEOP) at SOCA receives cash donations, donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statement of Recommended Practice (SORP) which requires income to be recognised where donations in kind are received, matching expenditure in the Statement of Comprehensive Net Expenditure. This treatment departs from the Financial Reporting Manual (FRM) as set out under section 5.2.12 for assets received and section 4.5.1 for notional costs. However, SOCA has determined that the treatment under the SORP follows a clearer path for the reader of the accounts than the FRM treatment.

1 q) Payment of Contributions to Interpol

SOCA makes annual payments to Interpol, at a contribution rate agreed by the Interpol Board. SOCA accounts for this payment on an accruals basis.

1 r) Assets Recovered Incentivisation Scheme (ARIS)

ARIS funding (previously known as RAIF – Recovered Assets Incentivisation Funding) received during the year is required to be spent within 12 months of receipt according to Home Office direction. ARIS monies received but not spent at 31 March are reported as Deferred Income in the accounts. The Home Office have given SOCA exceptional approval to carry forward unspent 2009/10 ARIS funds, to the value of £8.12 million, for a second year to 2011/12 and then to be utilised according to pre-agreed criteria.

1 s) Provision for Doubtful Debts

All outstanding debts are assessed for the potential risk of the debt not being recovered and a provision made where deemed necessary. Trade receivables are stated net of the bad debt provision.

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1 t) Going Concern

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

The Statement of Financial Position at 31 March 2011 shows net liabilities of £314 million (2009/10 – £439 million). This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from SOCA's other sources of income, may only be met by future grants or Grant-in-Aid from the Home Office, SOCA's sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants and Grant-in-Aid for 2011/12, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The government has set out plans for the creation of a National Crime Agency (NCA) by 2013. This would incorporate the functions currently exercised by SOCA, as well as a number of other national policing functions including a Border Police Command which was outlined in the Coalition Agreement. The Home Secretary will outline her plans for the new agency during the course of this year and legislation proposing the dissolution of SOCA and the transfer of its functions to the NCA will be brought to Parliament for consideration in due course.

1 u) Corporation Tax

SOCA has registered with HMRC to pay Corporation Tax as part of the Home Office group. SOCA is liable to pay taxes on interest received, paid and payable to the Home Office.

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2. Staff Numbers and Related Costs

Staff costs comprise

	2010/11 £'000	2009/10 £'000 <i>Restated</i>
Salaries and Allowances—permanently employed	171,851	174,356
Salaries and Allowances—seconded officers	3,574	3,041
Agency/temporary staff	8,269	11,762
Social Security costs	13,799	14,541
Pension costs	37,651	31,168
Indirect Employee costs	11,057	13,401
Total net costs before pension costs - actuarial valuation	246,201	248,269
Pension costs – actuarial valuation*	(49,790)	22,603
Total net costs	196,411	270,872

Average number of persons employed

	2010/11	2009/10
Directly employed	3,830	3,782
Seconded	45	45
Contract and temporary staff	115	162
Total	3,990	3,989

In addition to the above directly employed staff, SOCA had an average of 46 attached (2009/10 – 36) from other organisations which are excluded from the above figures as they do not form part of the SOCA establishment. SOCA is not charged for the attached staff who are considered to be working for the benefit of their employers. It is estimated that the cost of employing the attached staff to SOCA in 2010/11 would have been £2.4 million (2009/10 – £1.92 million).

Costs totalling £2.2 million (2009/10 £0.2 million) were capitalised during the year for work carried out on capital projects.

* The credit reported in 2010/11 reflects the negative past service cost due to the switch in benefit indexation from RPI to CPI of £72.25 million.

Pension benefits

(a) Principal Civil Service Pension Scheme (PCSPS)

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

A full actuarial valuation was carried out as at 31 March 2007. The scheme bands were adjusted in 2007/08 and the contribution rates adjusted in 2008/09. The contributions are set to meet some of the pension cost of the members on retirement. The state of the current scheme is currently under review. From 30 July 2007 the existing scheme was closed

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to new entrants and scheme amendments allowed staff in classic or classic plus who leave after 1 October 2007 to give up some of their pension in exchange for a higher tax-free lump sum. Employees joining after 30 July 2007 are able to join the nuvos scheme, a defined benefit scheme with, in common with the existing premium and classic plus schemes, a member contribution rate of 3.5% of pensionable pay. Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic scheme. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010/11 employer contributions of £24 million (2009/10 – £23.2 million) were payable to PCSPS at one of four rates in the range between 16.7% and 24.3% of pensionable pay (2009/10 – 16.7% and 24.3%), based on salary bands. This includes £0.4 million of contributions paid to other agencies e.g. Home Office, in respect of staff seconded to SOCA (2009/10 – £0.1 million). The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer contributions of 0.8% (2009/10: 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. For 2010/11 contributions of £0.007 million were payable to PCSPS in respect of these benefits (2009/10: £0.005 million).

(b) Partnership and Stakeholder Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions for partnership pensions are payable to one or more of a panel of four appointed stakeholder pension providers. These contributions are age related and range from 3% to 15.5% of pensionable pay (2009/10 – 3% to 15.5%). Employers also match employee contributions up to 15.5% of pensionable pay. During 2010/11 SOCA paid employers' contributions of £0.12 million to stakeholder pension providers (2009/10 – £0.09 million).

(c) Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme and eligible ex-SOCA employees participate in a fund managed by the London Pensions Fund Authority (LPFA). In order to comply with the Government Finance Reporting Manual SOCA is required to provide in these accounts for the full value of the expected future pension liabilities to the officers. The LPFA have provided a valuation of the scheme assets as at 31 March 2011 showing net pension asset of £0.01 million (2009/10 scheme liability of £0.02 million); this figure is reflected on the Statement of Financial Position.

The net scheme assets at 31 March

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Present value of Assets	888	555	521
Present value of Liabilities	(837)	(742)	(461)
Net pension asset/(liability)	51	(187)	60
Movement in Pension Asset/Reserve	188	(264)	120
Surplus/(Loss) in Statement of Financial Position	239	(451)	180

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The main assumptions used by the actuaries Barnett Waddingham, employed by LPFA, were as follows:

The net scheme assets at 31 March

	2010/11 %	2009/10 %	2008/09 %
Inflation assumption	3.5	3.9	3.1
Rate of salaries increase	4.5	5.4	4.6
Rate of pensions increase	2.7	3.9	3.1
Discount rate	5.5	5.5	6.9

During 2010/11 employers' contributions of £0.038 million (2009/10 – £0.038 million) were paid to the LPFA at 14.9% of pensionable pay (2009/10 – 14.8%). The contribution rate is determined by the Fund actuary based on a three yearly actuarial valuation. Under pension fund regulations the contribution rates must be set to meet the overall liabilities of the Fund. The latest formal valuation of the LPFA pension fund was at 31 March 2011. The fair value of assets held by the scheme at the beginning of the year and at the end of the year is disclosed below, analysed by investment class, together with expected rate of return for each class for the subsequent period.

Fair value of assets

	<i>Assets at 31 March 2011 £'000</i>	<i>Expected rate of return of return 31 March 2011 %</i>	<i>Assets at 31 March 2010 £'000</i>	<i>Expected rate of return 31 March 2010 %</i>	<i>Assets at 31 March 2009 £'000</i>	<i>Expected rate of return 31 March 2009 %</i>
Equities	612	7.4	388	7.5	297	7.0
Target Rate Portfolio / Bonds	107	4.5	55	4.5	52	5.5
Alternative Assets/Property	124	6.4	78	6.5	130	6.0
Cash	27	3.0	28	3.0	42	4.0
Corporate Bonds	18	5.5	6	5.5	n/a	n/a
Total	888		555		521	

(d) Police Pension Scheme

The Agency operates for former police officers, a defined benefit Police Pension Scheme.

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

Pensions benefits are paid from SOCA resources as they fall due. In 2010/11, £17.8 million was paid to pensioners (2009/10 – £17.74 million).

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Pensions paid in the year are charged against the Pension Provision. SOCA paid employer contributions at the rate of 24.2% of pensionable pay in the year totalling £6.47 million (2009/10 – £7.57 million).

In order to comply with the Government Financial Reporting Manual and Accounts Guidance, SOCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. This is the first year the Government Actuary's Department have valued contingent injury awards, the previous approach valued injury awards as they came into payment. This change in practice is due to the adoption of IAS19. SOCA commissioned the Government Actuary's Department (GAD) to value the scheme liabilities as at 31 March 2011. Full provision for this liability in 2010/11 of £493.67 million (2009/10 – £609.66 million) is reflected in the Statement of Financial Position and is based on the assumptions and information set out below.

Pension liabilities

	2010/11 £'000	2009/10 £'000 <i>Restated</i>	2008/09 £'000
Present value of liabilities – police officers	493,660	609,656	439,448
Net pension liabilities	493,660	609,656	439,448

Main assumptions

	2010/11 % pa	2009/10 % pa	2008/09 % pa
Inflation assumption	2.65	2.75	2.75
Rate of increase in salaries	4.90	4.30	4.30
Rate of increase in pensions	2.65	2.75	2.75
Rate of discounting scheme liabilities	5.60	4.60	6.04

Actuarial gains and losses for year

Direct Recruits Scheme

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Experience gains/(losses)	22,160	12,160	(37,090)
Effect of changes in demographic and financial assumptions	43,850	(159,540)	(57,533)
Total actuarial gains/(losses)	66,010	(147,380)	(94,623)

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(e) Changes in Pension Assets and Liabilities for the Year by Scheme

In compliance with advice from the Home Office, the change in the pension liabilities resulting from operating and finance costs have been charged to the Statement of Comprehensive Net Expenditure. This charge is reduced by the contributions receivable in the year from the active members. The actuarial gain/loss calculated by GAD has been reflected in the Statement of Financial Position (Pension Reserve).

Changes in Pension Assets and Liabilities for the Year by Scheme

	2010/11 LGPS £'000	2010/11 Police officers £'000	2010/11 Total £'000	2009/10 PO/LGPS £'000 <i>Restated</i>	2008/09 PO/LGPS £'000
<i>Operating cost</i>					
Current service cost	(9)	(57,230)	(57,239)	13,115	18,329
Pensions and benefits paid	-	(17,930)	(17,930)	(16,900)	(10,200)
<i>Finance cost</i>					
Interest on pension liabilities	52	25,420	25,472	26,458	26,862
Expected return of employer assets	(53)	-	(53)	(30)	(44)
Net Return	(10)	(49,740)	(49,750)	22,643	34,947
<i>Actuarial gain/(loss)</i>					
Experience gain/(loss) on pension liabilities	43	22,160	22,203	12,117	37,090
Actuarial return less expected return on scheme assets	3	-	3	108	(179)
Changes in demographic & financial assumptions	142	43,850	43,992	(159,889)	58,744
Total Actuarial Gain/(Loss) charged to Pension Reserve	188	66,010	66,198	(147,664)	95,655
<i>Movement in the provision during the year</i>					
Net liabilities at start of year	187	609,469	609,656	439,448	500,125
Current & past service cost	(9)	(57,230)	(57,239)	13,115	18,337
Pensions paid in the year	(2)	(17,930)	(17,932)	(16,900)	(10,200)
Employer's contribution	(38)	-	(38)	(38)	(37)
Impacts of settlement and curtailments	-	-	-	-	-
Net finance charge	(1)	25,412	25,411	26,367	26,878
Actuarial (gain)/loss	(188)	(66,010)	(66,198)	147,664	(95,655)
Net (assets)/liabilities at end of year	(51)	493,711	493,660	609,656	439,448

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3. Operating Expenditure

	2010/11 £'000	2009/10 £'000
Premises costs	42,169	41,429
IT expenses	35,955	34,485
Accommodation, subsistence and general expenses	14,872	17,387
Transport costs	8,007	7,819
Office and general expenses	2,012	2,114
Conference set up and running costs	600	1,590
Office equipment and repairs	592	904
	104,207	105,728
Operational and communication costs	18,554	19,170
Europol subscription	-	5,913
Interpol subscription	2,862	2,933
Other operating subscriptions	1,330	881
Foreign exchange (gain)/loss	35	(56)
	22,781	28,841
Fees:		
Forensic fees	3,035	3,724
Interim Receivers' Fees	822	1,984
Internal audit fee	17	217
External audit fee	147	153
	4,021	6,078
Other Expenditure:		
Grants to forces and other public sector bodies	1,793	3,485
Notional expenditure covered by donations	1,702	2,515
Contract charges	26,585	26,277
Professional services and fees	6,378	8,522
Interest charges	12	9
	167,479	181,455

Total costs in 2010/11 were reduced by a credit note of £2.4m this being a one-off saving achieved through central government bargaining arrangements and allocated to SOCA.

3.a Analysis of Net Expenditure by Segment

SOCA is funded primarily through grants by the Home Office, and for the purposes of IFRS 8, SOCA is regarded as a single operating segment.

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4. Income and Funding

	Note	2010/11 £'000	2009/10 £'000
<i>Funding received separate from Grant-in-Aid</i>			
Scottish Executive contributions		4,927	5,661
Northern Ireland Office contributions		1,511	1,511
Recovered Asset Incentivisation Fund		-	2,678
EU funding		408	687
Civil recoveries applied to receivers' fees		822	1,984
Specific operational funding		10,246	5,979
Others		100	3,170
	4.a	18,014	21,670
<i>Donation of goods and services</i>			
Donations over £250k		1,071	1,590
Donations under £250k		631	925
	4.b	1,702	2,515
<i>Other operating income</i>			
Cash donations		-	167
Others		2,457	1,611
	4.b	2,457	1,778

4.a Funding

Funding includes grants and contributions received from Home Office and other government bodies. SOCA received Grant-in-Aid cash funding from the Home Office totalling £431.8 million (2009/10 – £474.8 million), considered as financing and therefore included as part of the Changes in Taxpayers Equity.

4.b Donations of Goods and Services

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

In the period to 31 March 2011 various goods and services with an estimated value of £1.7 million (2009/10 – £2.5 million) have been received from organisations and charities which have been used by CEOP to support its objectives. There was one contribution of £0.476 million received and 19 contributions totalling £1.226 million received in the year. In addition to the above donations in kind, cash donations of £0.185 million (2009/10 – £0.2 million) are included as Other Income.

4.c Costs Recovered

Other income includes costs recovered from other law enforcement agencies in 2010/11 of £939,000 (2009/10 – £345,000).

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5.a Tangible Non-Current Assets – Property, Plant and Equipment at 31 March 2011

	<i>Buildings</i>	<i>Land</i>	<i>Improvements to leasehold buildings</i>	<i>Motor vehicles</i>	<i>IT assets</i>	<i>Plant and machinery</i>	<i>Furniture and fitting</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost of valuation</i>									
At 1 April 2010	23,246	3,828	51,321	39,207	47,704	36,378	4,306	30,904	236,894
Additions	110	-	13,507	1,514	6,368	3,250	363	14,525	39,637
Disposals	(148)	-	(149)	(4,086)	(400)	-	-	-	(4,783)
Impairments	-	-	-	-	-	-	-	-	-
Transfers	5,949	-	16,172	1,633	4,584	1,338	1,234	(30,910)	-
Revaluations	(1,684)	-	1,838	(57)	(3,925)	2,696	78	6	(1,048)
At 31 March 2011	27,473	3,828	82,689	38,211	54,331	43,662	5,981	14,525	270,700
<i>Depreciation</i>									
At 1 April 2010	3,712	-	21,075	26,184	24,922	19,192	1,993	-	97,078
Charge in year	2,908	-	5,080	4,505	11,674	7,128	1,287	-	32,582
Disposals	(54)	-	(56)	(3,587)	-	-	-	-	(3,697)
Impairments	-	-	-	-	-	-	-	-	-
Transfers	893	-	(1,017)	-	-	-	124	-	-
Revaluation	(198)	-	953	(38)	(2,274)	1,902	44	-	389
At 31 March 2011	7,261	-	26,035	27,064	34,322	28,222	3,448	-	126,352
<i>Net book value</i>									
At 31 March 2011	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348
At 1 April 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
<i>Asset financing</i>									
Owned	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348
<i>Net book value</i>									
At 31 March 2011	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348
At 1 April 2011	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348

Freehold properties were valued professionally by Knight Frank Chartered Surveyors in March 2009.

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During the year SOCA carried out a partial review of all of its assets and any losses relating to impairment in value have been charged to the Statement of Comprehensive Net Expenditure. Non-current Assets have been re-valued using the Price Index Numbers for Current Cost Accounting (MM17), published by the National Statistics Office and the BSI tender price index Public Sector building as appropriate. Any losses on revaluation not offset by prior year gains have been charged to the Statement of Comprehensive Net Expenditure.

During the year SOCA carried out partial verification of all of its non-current assets including assets transferred from precursor agencies held at nil book value. The verification exercise identified some leasehold improvements that no longer existed due to further refurbishments and some IT and plant and equipment that could not be easily identified from the descriptions in the asset register. As SOCA cannot recover VAT paid on properties acquired or re-valued, used as offices, the amount of VAT charged has been written off.

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5.b Tangible Non-Current Assets – Property, Plant and Equipment at 31 March 2010

	<i>Buildings</i>	<i>Land</i>	<i>Improvements to leasehold buildings</i>	<i>Motor vehicles</i>	<i>IT assets</i>	<i>Plant and machinery</i>	<i>Furniture and fitting</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost of valuation</i>									
At 01 April 2009 (restated)	21,835	3,828	64,729	35,414	50,421	66,036	4,125	11,443	257,831
Additions	3,255	-	701	885	1,638	2,266	460	30,904	40,109
Disposals	-	-	-	(3,367)	-	-	-	-	(3,367)
Impairments	(2,026)	-	(8,036)	-	(17,473)	(34,264)	-	-	(61,799)
Transfers	735	-	3,515	1,607	5,310	237	39	(11,443)	-
Revaluations	(553)	-	(9,588)	4,668	7,808	2,103	(318)	-	4,120
At 31 March 2010	23,246	3,828	51,321	39,207	47,704	36,378	4,306	30,904	236,894
<i>Depreciation</i>									
At 01 April 2009 (restated)	2,776	-	25,704	21,021	24,888	42,632	1,332	-	118,353
Charge in year	948	-	7,280	4,560	8,482	8,107	790	-	30,167
Disposals	-	-	-	(2,875)	-	-	-	-	(2,875)
Impairments	-	-	(7,446)	-	(13,370)	(33,087)	-	-	(53,903)
Revaluation	(12)	-	(4,463)	3,478	4,922	1,540	(129)	-	5,336
At 31 March 2010	3,712	-	21,075	26,184	24,922	19,192	1,993	-	97,078
<i>Net book value</i>									
At 31 March 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
At 01 April 2009 (restated)	19,059	3,828	39,025	14,393	25,533	23,404	2,793	11,443	139,478
<i>Asset financing</i>									
Owned	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
<i>Net book value</i>									
At 31 March 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
At 1 April 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816

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6. Intangible Non-Current Assets

Intangible assets comprise software licences and consultancy charges.

	<i>Purchased software</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost or valuation</i>			
At 1 April 2010	24,440	23,992	48,432
Additions	2,114	3,401	5,515
Disposals	-	-	-
Impairments	(87)	-	(87)
Transfers	18,115	(18,115)	-
At 31 March 2011	44,582	9,278	53,860
<i>Amortisation</i>			
At 1 April 2010	8,650	-	8,650
Charge in year	7,291	-	7,291
Disposals	-	-	-
Impairments	-	-	-
Transfers	-	-	-
At 31 March 2011	15,941	-	15,941
<i>Net Book Value</i>			
at 31 March 2011	28,641	9,278	37,919
At 31 March 2010	15,790	23,992	39,782
<i>Cost or valuation</i>			
At 1 April 2009 (restated)	35,150	2,314	37,464
Additions	4,399	23,992	28,391
Disposals	-	-	-
Impairments	(17,423)	-	(17,423)
Transfers	2,314	(2,314)	-
At 31 March 2010	24,440	23,992	48,432
<i>Amortisation</i>			
At 1 April 2009 (restated)	18,634	-	18,634
Charge in year	5,650	-	5,650
<i>Disposals</i>			
Impairments	(15,634)	-	(15,634)
Transfers	-	-	-
At 31 March 2010	8,650	-	8,650
<i>Net Book Value</i>			
At 31 March 2010	15,790	23,992	39,782
At 31 March 2009 (restated)	16,516	2,314	18,830

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7. Financial Instruments

As the cash requirements of SOCA are met through Grant-in-Aid provided by the Home Office, financial instruments (IFRS 7) play a more limited role in creating risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with SOCA's expected purchase and usage requirements and SOCA is therefore exposed to little credit, liquidity or market risk.

8. Trade Receivables and Other Current Assets

	2010/11 £'000	2009/10 £'000	2008/09 £'000
<i>(a) Amounts falling due within one year</i>			
Trade receivables	11,448	6,318	9,096
Accrued income	11,071	8,576	1,670
Other receivables	5,617	7,790	1,570
Prepayments	9,141	8,868	14,096
	37,277	31,552	26,432
<i>(b) Intra-government balances</i>			
Balances with central government bodies	24,146	21,464	9,205
Balances with local authorities and police authorities	<u>797</u>	<u>600</u>	<u>412</u>
Subtotal: intra-government balances	24,943	22,064	9,617
Balances with bodies external to government	12,334	9,488	16,815
	37,277	31,552	26,432
<i>(c) Amounts falling due after one year</i>			
Other receivables	97	124	104
<i>(d) Intra-government balances</i>			
Balances with bodies external to government	97	124	104

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9. Cash and Cash Equivalents

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance at 1 April	27,599	10,542	9,436
Net change in cash and cash equivalents balances	4,686	17,057	1,106
Balance at 31 March	32,285	27,599	10,542

The following balances at 31 March were held at:

Commercial banks and cash in hand	31,682	26,969	10,073
Balance held with Government Banking Service	603	630	469
Balance at 31 March 2011	32,285	27,599	10,542

SOCA operates a number of bank accounts and cash imprest accounts. The UK accounts operate under a pooling arrangement which allows some accounts to be overdrawn, as long as the main SOCA account is in credit to cover the overdrawn balances. At the 31 March 2011 the cash and balances totalled £32.3 million (2009/10 – £27.6 million).

Interest received during the year and paid to the Home Office has been included as part of the movement of working capital. SOCA does not recognise this interest as part of its income as it is due to the Home Office.

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10. Trade Payables and Other Current Liabilities

	2010/11 £'000	2009/10 £'000	2008/09 £'000
<i>(a) Amounts falling due within one year</i>			
Trade payables	4,825	18,751	17,147
Accruals	40,939	33,717	31,328
	45,764	52,468	48,475
<i>(b) Intra-government balances</i>			
Balances with central government bodies	5,897	13,657	3,299
Balances with local authorities and police authorities	325	934	702
Subtotal: intra-government balances	6,222	14,591	4,001
Balances with bodies external to government	39,542	37,877	44,474
	45,764	52,468	48,475
<i>(c) Amounts falling due more than one year</i>			
Other payables	3,174	3,628	4,114
<i>(d) Intra-government balances</i>			
Balances with bodies external to government	3,174	3,628	4,114

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11. Provisions for Liabilities and Charges

	<i>Balance at 31 March 2010 £'000</i>	<i>Provided for in year £'000</i>	<i>Provisions used in year £'000</i>	<i>Unused Provision reversed in year £'000</i>	<i>Balance at 31 March 2011 £'000</i>
a) Tax provision	(1,260)	-	-	1,260	-
b) Legal provision	(1,177)	(1,064)	279	-	(1,962)
c) General provisions	(36)	-	-	36	-
d) Retirement provision	(909)	(5,966)	212	-	(6,663)
e) Employment related	(164)	-	65	99	-
f) Dilapidation provision	(418)	(348)	310	209	(247)
	(3,964)	(7,378)	866	1,604	(8,872)

	<i>Balance at 31 March 2009 £'000</i>	<i>Provided for in year £'000</i>	<i>Provisions used in year £'000</i>	<i>Unused Provision reversed in year £'000</i>	<i>Balance at 31 March 2010 £'000</i>
a) Tax provision	(97)	(1,278)	115	-	(1,260)
b) Legal provision	(1,110)	(532)	465	-	(1,177)
c) General provisions	(36)	-	-	-	(36)
d) Retirement provision	(706)	(467)	253	11	(909)
e) Employment related	(1,486)	(65)	-	1,387	(164)
f) Dilapidation provision	(76)	(382)	-	40	(418)
	(3,511)	(2,724)	833	1,438	(3,964)

	<i>Balance at 31 March 2008 £'000</i>	<i>Provided for in year £'000</i>	<i>Provisions used in year £'000</i>	<i>Unused Provision reversed in year £'000</i>	<i>Balance at 31 March 2009 £'000</i>
a) Tax provision	(1,199)	(1,297)	2,302	97	(97)
b) Legal provision	(1,566)	(1,173)	858	771	(1,110)
c) General provisions	(36)	-	-	-	(36)
d) Retirement provision	(505)	(367)	166	-	(706)
e) Employment related	(379)	(1,458)	54	297	(1,486)
f) Dilapidation provision	(76)	-	-	-	(76)
	(3,761)	(4,295)	3,380	1,165	(3,511)

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The provision held at 31 March 2011 expected to mature within one year is dilapidations and charges to the relevant expenditure categories in the Statement of Comprehensive Net Expenditure include the following:

- b) Legal provision of £1.96 million relates to cases in progress to cover estimates on litigation costs for employees undertaking action because of injury, loss of employment, changes in conditions of service and operational activity.

- f) Dilapidation provision for five offices has been included to cover the cost of repair works necessary in accordance with the lease. It is anticipated that one dilapidation will be settled within the next 12 months with the remaining four to be settled after 12 months.

Those provisions expected to mature after one year are legal and retirement.

12. Deferred Income

	<i>2010/11</i> <i>£'000</i>	<i>2009/10</i> <i>£'000</i>	<i>2008/09</i> <i>£'000</i>
Deferred income relating to donations, ARIS monies and other income received in advance	14,409	8,524	3,958

13. Capital Commitments

	<i>2010/11</i> <i>£'000</i>	<i>2009/10</i> <i>£'000</i>
Contracted capital commitments for 31 March for which no provision has been made	32,682	6,675

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14. Commitments under Leases

Annual commitment for operating leases

Operating expenditure includes £20.4 million (2009/10 – £20.6 million) in respect of rental of land and buildings. SOCA is committed to pay the following operating lease rentals in the future financial years:

	2010/11 £'000	2009/10 £'000
<i>Obligations under operating leases comprise</i>		
<i>Buildings</i>		
Not later than one year	20,858	20,659
Later than one year and not later than five years	91,631	83,003
Later than five years	146,770	116,129
	259,259	219,791

15. Other Financial Commitments

Other commitments include three contracts for the provision of information technology and communications services. Payments made under the contracts in 2010/11 were £41.6 million (2009/10 – £31.9 million).

	2010/11 £'000	2009/10 £'000
<i>Other financial commitments</i>		
Not later than one year	27,898	29,500
Later than one year and not later than five years	63,112	2,000
Later than 5 years	63,287	-
	154,297	31,500

16. Notes on Reserves

16 a) Net Expenditure Reserve

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

16 b) Pensions Reserve

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

16 c) Revaluation Reserve

SOCA's assets are revalued on an annual basis. Any revaluations other than impairments are credited to the Revaluation Reserve. Prior year depreciation adjustments, other than for impairments, are debited to the reserve.

16 d) Other Reserves

Other Reserves include the Airwave Reserve and the Forfeiture Fund.

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

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

16 e) Government Grant Reserve

Capital grants received from other government bodies for capital expenditure have been credited to the Government Grant Reserve account. Depreciation for capital projects is debited to the Statement of Comprehensive Net Expenditure to match funds released from the Government Grant Reserve.

16 f) Donated Asset Reserve

The Donated Asset Reserve recognises contributions from the NPIA, Metropolitan Police and the City of London Police that enable the advancements of technology based activity.

17. Contingent Liabilities

17 a) Lease Dilapidations

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

The costs to SOCA on vacation of leased premises have been estimated as £3.8 million (2009/10 – £4 million). This estimate is based on a charge per sq. ft of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration. This potential liability is currently estimated to fall due as follows:

	<i>2010/11</i> <i>£'000</i>	<i>Restated</i> <i>2009/10</i> <i>£'000</i>
<i>Year ended 31 March</i>		
2012	179	179
2013 to 2017	782	794
2018 to 2028	2,862	3,035
	3,823	4,008

17 b) Litigation Costs

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

17 c) Indemnities

Under the departmental minute laid before Parliament enabling SOCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value, at any one time, of £50 million, SOCA has entered into 38 agreements with suppliers during the past year (2009/10 – 22), with a maximum value at any one time of £10 million (2009/10 – £5 million). Obligations outstanding at 31 March 2011 were £5 million (2009/10 – £5 million).

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Under the obligations to enter into indemnities for operational need SOCA has the authority to enter into indemnities of up to £1 million in any particular case. SOCA entered into one indemnity of £1 million during the year, but this obligation ceased before 31 March 2011 due to the changes in the operation.

The following indemnities remain current from the previous years:

- ▶ three operational indemnities with an estimated combined value of £1 million;
- ▶ five indemnities with banks relating to the recovery of criminal assets with an estimated value of £0.62 million;
- ▶ five indemnities with clearing banks with a maximum aggregated value of £0.785 million; and
- ▶ six PF78 (solicitor's undertaking as to expenses) with potential liability of less than £0.15 million.

No liabilities crystallised during the year. SOCA continually reviews indemnities according to the quantum of risk and likelihood.

17 d) Contingent Liability - October 2011 Early Exit Scheme

As part of its efficiency programme, SOCA has identified an opportunity to reduce senior staff costs by offering staff a voluntary redundancy programme for up to 52 staff at senior grades. At 31 March 2011, Home Office approval for this scheme had been given and action to identify applicants for the scheme had started. The Budget for 2011/12 makes full allowance for the termination costs which will arise as a result of this initiative.

18. Related Party Transactions

The Home Office is the sponsoring department of SOCA. The Home Office, the Scottish Executive, the Northern Ireland Administration, the National Policing Improvement Agency and the Foreign and Commonwealth Office are considered to be related parties to SOCA. During the year ended 31 March 2011 these bodies provided SOCA with Grant-in-Aid and other funding. In addition SOCA had a small number of transactions with other government departments and other central government bodies.

During the year ended 31 March 2011, the following related party transactions occurred:

- ▶ in April 2010 David Bolt, former Executive Director Intelligence, purchased a car from the organisation for £6,600;
- ▶ in April 2010 Malcolm Cornberg, Executive Director Corporate Services, purchased a car from the organisation for £5,475; and

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- ▶ in both cases price was determined through an independent process to ensure SOCA received the market price.
- ▶ in September 2010 William Hughes, former Director General, requested to retain some small office equipment and furniture valued at £nil cost as the cost of removing and disposing them outweighed expected disposal proceeds (2009/10 – No board member, key manager or other related parties undertook any material transactions with SOCA).

19. Third Party Assets

Seized property is that which is appropriated by SOCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by SOCA at 31 March 2011 consisted of £12.9 million (2009/10 – £11.8m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

These are not SOCA's assets and are not included in the accounts.

20. Subsequent Events

The Government will adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the Police Pension scheme that SOCA provides for former police officers. The 2010/11 financial year pension disclosures as at 31 March 2011, for police pensions, are calculated based on CPI

The Accounting Officer Trevor Pearce authorised the 2010-11 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

21. Losses and Special Payments

SOCA incurred losses during the year totalling £2.5 million (2009/10 – £14.4 million) in respect of assets written down. This includes a constructive loss of £0.23 million (2009/10 – £1.8 million) relating to IT equipment procured in 2008/9 which has not been brought into use due to a change of project specification meaning that the assets are no longer required for their originally-intended purpose. In addition £nil (2009/10 – £2.6 million) in compensation payments were made.

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22. Recovered Assets

SOCA currently manages three bank accounts where recovered assets are deposited. Each year-end, the excess of civil recoveries over receivers' fees applied net of any direct disposal costs is paid over to the Home Office. For assets recovered through Criminal and Tax cases the amounts are paid over quarterly. The figures presented below are net of direct costs.

	2010/11 £'000	2009/10 £'000
<i>Recovered assets receipts during 2010/11</i>		
Civil	6,220	5,818
Criminal	2,639	639
Tax	1,050	317
	9,909	6,774
Recovered assets receipts relating to 2010/11		
Asset recoveries applied against receivers' fees (see below)	(822)	(1,984)
Net recovered receipts	9,087	4,790
Receipts paid to the Home Office during 2010/11	(2,185)	(2,412)
Recovered asset proceeds held at 31 March 2011	6,902	2,378

SOCA pays to the Home Office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £6.9 million from the monies held in the separately-identified third party bank accounts will be paid to the Home Office in June 2011

The civil and tax figures quoted above differ from SOCA's reported performance against the Home Office civil and tax recovery target for 2010/11 in the annual report as a result of the deduction of allowable costs in the above figures.

The criminal receipts figure quoted above relates to SOCA's ongoing responsibility to enforce payment against criminal confiscation orders in relation to investigations which were conducted by ARA. This income is not counted as part of SOCA's performance and the number of confiscation orders being enforced by SOCA under this regime will continue to diminish. Any Confiscation Orders obtained following SOCA investigations continue to be enforced by the courts. This figure has no relationship to the value of new Confiscation Orders obtained by SOCA during 2010/11; nor to the value of receipts banked by the courts in fulfilment of Confiscation Orders obtained by SOCA in 2010/11 and previous years.

23. Recovered Assets Allowable Against Receivers' Fees

Section 280, Subsection 3 of the amended Proceeds of Crime Act 2002 (POCA) enables the Director General to meet the costs of an appointed Interim Receiver from sums received from Civil Recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of POCA. Receivers' fees totalling £0.822 million were incurred on civil recovery during 2010/11 (2009/10 – £1.984 million). The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds.

	<i>2010/11</i> <i>£'000</i>	<i>2009/10</i> <i>£'000</i>
Total receivers' fees in year	822	1,984
Assets in enforcement applied as income	(822)	(1,984)
Net receivers' fees in year	0	0

24. Forfeiture and Confiscation Orders

Receipts paid to the Home Office during the year in fulfilment of cash forfeiture orders obtained in 2010/11 and previous years are set out below. It should be noted that the time-lag created by the 30 day appeal period which follows all cash forfeiture orders and the normal business delays in processing forfeited cash through to the Home Office means that the amount paid to the Home Office in any given financial year will not correspond precisely to the stated value of new cash forfeiture orders obtained over the same period.

	<i>2010/11</i> <i>£'000</i>	<i>2009/10</i> <i>£'000</i>
Forfeiture and confiscation monies paid over	3,740	9,757



Appendices





Appendix A: progress against SOCA's Strategic Imperatives

At the start of the year SOCA's activity was based around its five Strategic Imperatives. These were the overarching priorities for the organisation, set by the SOCA Board.

- 1. To build knowledge and understanding of serious organised crime, the harm it causes and of the effectiveness of different responses.**
- 2. To tackle criminal finance and profits, including through asset recovery.**
- 3. To increase the risk to serious organised criminals operating against the UK, through the full range of tools and techniques available to SOCA.**
- 4. To collaborate with partners in the UK and internationally to maximise efforts to reduce harm, and provide agreed levels of high quality support to our operational partners and as appropriate seek theirs in return.**
- 5. To build our capability to make a difference.**

This appendix sets out what has been achieved in respect of each of the Strategic Imperatives.

The introduction to the Annual Report, and the Annual Plan 2011/12, provide details of SOCA's priorities going forward.

Appendix A: progress against SOCA's Strategic Imperatives

Strategic Imperative 1: To build knowledge and understanding of serious organised crime, the harm it causes and of the effectiveness of different responses.

Objective set out in Annual Plan

Progress in 2010/11

To build knowledge and understanding of serious organised crime

SOCA co-ordinated the production of the National Intelligence Requirement (NIR) and Control Strategy on behalf of the Home Office, and ensured these were reflected in its central tasking process. Details of assessed intelligence reporting, and the positive feedback received on it from partners, are provided in Part 1.

There were improvements in NIR ratings. At the end of March 2011, 70% of all headings were rated 'fair', 'good' or 'excellent', compared with 65% at the end of March 2010 and 57% at the end of March 2009.

To use knowledge and understanding to reduce the opportunities for serious organised crime to cause harm

SOCA's operational activity is aligned to the UK Control Strategy for Organised Crime published by the Home Office.

The numbers of Persons of Interest (Pols)¹ SOCA contributed to the multi-agency Organised Crime Group (OCG) map increased from 7,000 in 2009/10 to over 9,000 by the end of 2010/11. Progress in the implementation of group action plans under the High Volume Operating Model (HVOM) is described in Part 1.

SOCA's Tasking and Co-ordination process responds to the changing picture of organised crime. It ensures that activity is focused where it can deliver the greatest impact. This includes traditional investigations that deliver criminal justice outcomes as well as a range of non-traditional and innovative techniques to undermine criminal activity, many of which are outlined in Part 1.

During the year SOCA worked with partners to develop an approach to enable multi-agency agreement on the levels of harm posed by identified individuals and groups.

To build knowledge and understanding of the effectiveness of different responses

Work to develop the multi-agency toolkit for tackling organised crime is described in Part 1.

SOCA shared its understanding of organised crime through assessed reporting to inform strategic and tactical decision making. Details of this are provided in Part 1.

¹ Persons of Interest to SOCA are recorded on the SOCA Knowledge Base (KB) system. This is a 'live' intelligence database that is used across SOCA and as such the status of Pols is constantly changing.

Strategic Imperative 2: Tackling criminal finance and profits, including through asset recovery.

Objective set out in Annual Plan

Progress in 2010/11

To improve the detection of criminal finances and profits

Suspicious Activity Reports (SARs) were increasingly employed in combination with other data sets, producing benefits for partners. A significant proportion of work by the UK Financial Intelligence Unit in SOCA now involves using bulk SARs data in combination with other data sources to add value to HVOM activity. Examples of these exercises were provided in the 2010 SARs Annual Report.

A Financial Intelligence Requirement and Financial Status Assessment are now completed during the early stages of operations by Financial Intelligence Officers (FIOs) and Financial Investigators (FIs), working alongside operational teams.

Improved knowledge of criminal finances and profits led to a range of outcomes including the withdrawal of the €500 note from circulation in the UK, as described in Part 1.

To improve asset denial (and linked recovery) against criminal finances and profits

Asset denial data is set out in Part 1. Combining cash forfeiture, Confiscation Orders enforced and civil recovery and tax, SOCA's asset recovery receipts were £20.3 million, compared with £24.3 million in the previous year. Additionally SOCA received £2.6 million from the enforcement of Assets Recovery Agency legacy confiscation orders, an increase from £0.6 million in the previous year. Receipts from enforcement of Confiscation Orders and civil and tax recovery receipts increased by 3% and 19% respectively. However, a decline in cash forfeiture replicated a trend across the law enforcement community, albeit that the figures reported in last year's Annual Report included a single, unusually large (£5 million) cash seizure.

SOCA has established a Cash Seizure Development Unit to maximise standalone cash seizure opportunities arising from SOCA intelligence feeds and to pass these to partners where appropriate. This targeted approach has resulted in a series of seizures with a total value of £1.6 million against a number of criminal groups.

To increase deterrent influence on criminals allied with enhanced target hardening to protect the public and businesses

A total of 67 Alerts were directed to the financial sector during the past year. These led to increased awareness of particular issues and threats, leading, for example, to better informed banking systems and processes and the submission of SARs.

Details of the improved use of SARs by law enforcement partners are provided in the SARs Annual Report 2010. ▶▶▶

Strategic Imperative 2: Tackling criminal finance and profits, including through asset recovery.

Objective set out in Annual Plan

Progress in 2010/11



To increase organisational and partner effectiveness against criminal finances and profits

Significant publicity was secured on a range of operational activity carried out in 2010/11, including a financial investigation against the former leader of Preston Council, Frank McGrath, which concluded in Spring 2011 with the granting of a confiscation order for £925,000. There was also positive coverage of the earlier conviction. This led to invitations from the private sector to engage at events with a view to improving SAR submissions. There was also positive local commentary following a £10.5 million Confiscation Order against Khalid Malik (reported in Part 1).

Details of performance in relation to asset recovery are described above.

Improvements in the NIRs (described under Strategic Imperative 1) included a better understanding of the impact of Proceeds of Crime Act tools.

Following collaborative work with the Home Office Quest Team, SOCA adopted a methodology in September 2010 to improve the effectiveness of financial investigations. SOCA now devotes less resource to low-value confiscation investigations and has increased the number of new business referrals focusing on money laundering, to improve the asset recovery pipeline.

Organisational awareness of criminal finance and profits was driven through its inclusion in SOCA training, including Lead Officer and SOCA Operational Skills courses.

SOCA officers led on mentoring programmes with staff from other agencies, resulting in their attainment of full financial accreditation status and an associated improvement in their effectiveness. Partner engagement under a Cash Action Plan has resulted in referrals and the dissemination of actionable intelligence.

SOCA has rolled out technology to partners, which improves the analysis of SARs data and therefore its effectiveness against criminal finances and profits (further details are available in the SARs Annual Report 2010).

Strategic Imperative 3: To increase the risk to serious organised criminals operating against the UK, through the full range of tools and techniques available to SOCA.

Objective set out in Annual Plan

Progress in 2010/11

To bring to justice those involved in serious organised crime

As at 31 March 2011, there were 478 operations against individuals and groups, and 147 thematic projects. 60% of this activity involved working with Organised Crime Partnership Board (OCPB) partners.

Details of SOCA criminal casework within the UK and overseas is set out in Table 1. In addition, SOCA has provided specialist operational support to UK law enforcement agencies in areas such as kidnap and extortion, armed surveillance, and vulnerable persons. Details of this work are provided in Part 1.

SOCA advocates the use of Joint Investigation Teams (JITs) as a mechanism for supporting international operational engagement. This was emphasised in the UK paper 'Practical Cooperation to Tackle Organised Crime', developed by SOCA and the Home Office and presented by the former Director General to the EU Committee on operational cooperation on internal security (COSI) in June 2010. SOCA appointed a national Joint Investigation Team expert who participates in the EU-level forum for national JIT experts. SOCA also seconded a member of staff to Eurojust to promote the use of JITs by UK law enforcement partners, in collaboration with EU Member States and Europol.

To restrict severely the opportunities of those convicted of serious organised crime to be able to operate

Ancillary Orders are considered as part of every criminal investigation. The details of Ancillary Orders in place at year end are set out in Table 1. SOCA referred two breaches of Financial Reporting Orders to the Crown Prosecution Service; both have resulted in prosecutions.

SOCA influenced prisoner categorisation/location in 31 instances.

To disrupt organised criminals, their networks and market opportunities

Quantities of drugs interdicted are set out in Table 1; these supported the dislocation of criminal markets described in Part 1. There was evidence of awareness of SOCA amongst criminals and that behavioural changes had occurred as a result of SOCA activity.

Details of partner feedback with regards to operational activity and assessed intelligence reporting are provided in Part 1.

A total of 86 illegal immigrants were detained in the course of SOCA operations in 2010/11.



Strategic Imperative 3: To increase the risk to serious organised criminals operating against the UK, through the full range of tools and techniques available to SOCA.

Objective set out in Annual Plan

Progress in 2010/11

▶▶▶ **To target organised criminal activities through community engagement**

A collaborative approach has been developed with partners such as the Police Service and Community Safety Partnerships to identify areas that suffer from the effects of organised crime, to develop and implement actions in response, and therefore improve the lives of the community:

- ▶ a multi-agency approach to tackling organised crime in Salford, Manchester, involving partners including Greater Manchester Police caused significant disruption to organised criminals. SOCA allocated staff to the intelligence cell, developing and sharing actionable intelligence with a broad range of partners. Working with overseas law enforcement, SOCA assisted in locating and arresting eight of the nine local criminals wanted for serious offences. This has generated positive community responses.
- ▶ Similarly Stockbridge Village in Merseyside was identified by SOCA as being an area where organised crime has a strong hold over the community. SOCA has brought together a range of law enforcement and non-law enforcement partners to form a multi-agency group to target 'end-to-end' crime in this community. The result of the work undertaken by the group has seen an increase in intelligence provided by the community and the seizure of significant amounts of controlled drugs and firearms.

Collaborative working led to the closure of a local public house that was an infamous haven for organised criminals. The project has also sought to use criminal and civil powers to disrupt the activities of those members of the community who are acting on behalf of organised criminals resident overseas.

There were over half a million visitors to the SOCA website, 53% of which were completely new to the site. During the year the scope of the site was expanded, with details of contemporary Ancillary Orders and drugs forensic data published for the first time.

Work with Crimestoppers through Operation CAPTURA and the 'Fakes Fund Crime' campaign is described in Part 1.

1,314 calls were made to SOCA's public telephone number, which resulted in 141 Human Intelligence Source logs and 129 SOCA intelligence logs.



Strategic Imperative 3: To increase the risk to serious organised criminals operating against the UK, through the full range of tools and techniques available to SOCA.

Objective set out in Annual Plan

Progress in 2010/11

►►► **To make the UK a hostile environment for organised crime**

As well as the sharing of intelligence through operational activity, SOCA issued 114 Alerts to a range of partners. Feedback showed that these Alerts enhanced the protection of businesses and customers and improved staff training in some instances.

The results of efforts to target the cutting agent market are described in Part 1, alongside details of the dislocation of the drugs market.

In making the UK a hostile market for organised immigration crime, SOCA has continued to build on the bilateral partnership with OCRIEST, the French agency responsible for targeting it, and was involved in four joint operations.

Table 1: Criminal justice work 2010/11

Orders achieved by SOCA

<i>Order</i>	<i>Pre 1 April 2009</i>	<i>2010/11</i>	<i>Total in place</i>
Serious Crime Prevention Order	39	18	57
Financial Reporting Order	77	11	84 (4 rescinded)
Travel Restriction Order	54	14	65 (3 expired)

Orders achieved by SOCA

<i>SOCA casework</i>	<i>2009/10</i>	<i>2010/11</i>	<i>% change on previous year</i>
Work in progress			
Ops/Projects in progress at 31 March	611	625	+2.3

SOCA casework

UK arrests	714	684	- 4.2
Cases reaching UK courts	360	273	-24.2
UK convictions	315	240	- 23.8
International casework arrests	579	696	+20.2
Total arrests	1293	1380	+6.7

European Arrest Warrants executed

Wanted from the UK	1032	1359	+31.7
Wanted by the UK	99	145	+46.5

SOCA drug interdiction 2010/11 (Tonnes)

<i>Drug</i>	<i>2009/10</i>	<i>2010/11</i>
Cocaine	33.5	68.1
Heroin	3.1	14.7
Opium	36.9	18.9
Cannabis	42.4	89.2

Strategic Imperative 4: Collaboration with partners in the UK and internationally to maximise efforts to reduce harm, and provide agreed levels of high quality support to our operational partners and as appropriate seek theirs in return.

Objective set out in Annual Plan

Progress in 2010/11

To build effective working partnerships with public and private organisations distinguished by strong personal relationships at management levels and to ensure that engagement is impactful and prioritised; the result being that greater effort is brought to bear on serious organised crime than SOCA can deliver alone

SOCA is closely engaged with key public and private sector partners both in the UK and overseas in mutually beneficial relationships. Where necessary these relationships are established in formal agreements or contracts.

Since the UK election in May 2010, SOCA has been a member of the officials' level National Security Council on Organised Crime group, and has made a full and active contribution; including in relation to developing the new Organised Crime Strategy, which will provide a framework for future partnership engagement. Activity also took place to inform the Home Office-led work to develop proposals for the National Crime Agency.

Part 1 describes a wide range of outcomes achieved through partnership working. Activity with business was refocused through creation of a new Prevention department.

UKHTC project plan milestones were agreed and delivered on time and to target.

To maintain a reputation as a centre of excellence and a collaborative, operational partner

Details of operational activity are set out under Strategic Imperative 3. Of these 40% involved working with international law enforcement agencies.

In addition there were 311 instances of support to partners, excluding directed arrangements under SOCAP and kidnap work, which is described in Part 1.

In total, there are over 17 partners from the public, private and voluntary sectors who have seconded or attached staff working in SOCA. SOCA staff are embedded with partners as required.

SOCA produced assessed reporting which received positive feedback from the Olympics Intelligence Centre and worked closely with other partners including the London Organising Committee of the Olympic Games (LOCOG), Metropolitan Police Service and ACPO in relation to a number of threat areas in relation to the Games. SOCA had 14 posts funded at year-end in support of the Olympics, with increases planned in the run up to the Games.

Joint working with police forces included putting SOCA staff and IT systems into each of the ten Regional Intelligence Units in England and Wales, working directly with police and other staff. Details of such deployments in Scotland and Northern Ireland are provided in Part 1. ▶▶▶

Strategic Imperative 4: Collaboration with partners in the UK and internationally to maximise efforts to reduce harm, and provide agreed levels of high quality support to our operational partners and as appropriate seek theirs in return.

Objective set out in Annual Plan

Progress in 2010/11

▶▶▶ **To ensure that overseas bilateral and multilateral relationships are functional, delivering benefit and aligned to the UK Control Strategy and overseas priorities and opportunities**

In 2010/11, SOCA implemented a review process to optimise the deployment of overseas SOCA Liaison Officers (SLOs) in line with the UK Control Strategy for Organised Crime, increasing overseas impact whilst maximising value for money. Following consultation across SOCA's domestic and overseas partnership base, the review identified opportunities to reduce expenditure and reinvest the resources released against new posts on a prioritised list of upstream threat locations. This process will be repeated on an annual basis to ensure SOCA maintains the flexibility to respond to the challenging nature of organised crime impacting on the UK from overseas, in line with the UK Control Strategy for Organised Crime. Furthermore, this will allow SOCA to focus international investment in those areas where the greatest return will be derived.

There are in excess of 130 SLOs in around 40 countries. The nature and impact of SOCA's international work is described in Part 1. Two funding applications were successful under the EU ISEC funding stream².

To reduce the harm caused by serious organised crime through effective partnership working

This is described in Part 1.

² ISEC is a funding programme run by the Directorate General for Home Affairs in the EU Commission which Member States bid for through subject-specific calls for proposals. It forms part of the wider programme 'Security and Safeguarding of Liberties' (Sécurité et protection des libertés). The initials stand for Internal Security, but it is more commonly referred to as the 'Prevention of and Fight against Crime' (Prévenir et combattre la criminalité).

Strategic Imperative 5: Build our capability to make a difference.

Objective set out in Annual Plan

Progress in 2010/11

To continue to build a diverse and flexible workforce where staff have the knowledge, skills, experience and training to deliver SOCA's objectives

SOCA has developed a complete set of published policies supporting people management as well as a number of business specific policies. Other progress included:

- ▶ the publication of career pathways to help staff manage their careers;
- ▶ the management of SOCA's 'Full-Time Equivalent' target in line with its financial allocation and in accordance with the pan-government recruitment freeze;
- ▶ the further development of SOCA's Personal Development System (PDS) to enable it to be delivered online and linked into internal recruitment campaigns;
- ▶ further progress in consolidating relationships with the recognised trade unions;
- ▶ training continued to be delivered to ensure that the organisation and its staff were 'safe, legal and compliant';
- ▶ the Inclusion, Diversity and Equality self assessment tool was developed and is currently under review to ensure the latest changes to the Equality Act duties and organisational developments are reflected within it. Deployment of the assessment tool will follow once this review is completed; and
- ▶ it was confirmed that all contracts for goods, services or works meet current legal diversity requirements. Recruitment activity and the associated operating procedures have been reviewed to ensure SOCA remains diversity-compliant. Training awareness for recruitment staff is being delivered to support Equality Awareness 2010.

To optimise the use of available resource in support of SOCA's capability development

- ▶ SOCA was set a £60 million VFM cash savings target for the 2007 Comprehensive Spending Review (CSR). The performance report at the end of 2009/10, independently reviewed by the Home Office Audit Team, showed SOCA to be £10 million ahead of target.
- ▶ The Commercial Department has delivered savings of £3.6 million against the £2 million target set for 2010/11.
- ▶ Projects and programmes were delivered within their allocated resources and in accordance with business case criteria. Delivery of business benefits were verified and are being tracked.



Strategic Imperative 5: Build our capability to make a difference.

Objective set out in Annual Plan

Progress in 2010/11

▶▶▶ **To maintain investment in infrastructure and technology to underpin SOCA capability development in accordance with SOCA key priorities**

- ▶ A newly-awarded ICT service contract will consolidate disaggregated legacy IT services and contracts into a single unified service underpinned by a modern modular and flexible contract. The contract leverages better value for money for the Home Office 'family' and other bodies through commercial, technical and architectural convergence opportunities. It secures the ICT services needed by the NCA to deliver the capabilities expected of it.
- ▶ The Intelligent Client Function (ICF) was developed to act as the strategic point of interaction between SOCA and i²d (Logica). The ICF will ensure the delivery of the contract and business case benefits by holding both i²d and SOCA to account and will lead on the strategic partnership work between SOCA and i²d.
- ▶ All contracts under the Logistics Programme have been reviewed and developed, and have either been let or are in the process of being let.
- ▶ Through the Estates Strategy, SOCA has managed down the number of SOCA sites from 71 at inception to 43 at year end. It is planned to further reduce this number to 26 by 2013/14.
- ▶ The implementation of the Sirene Bureau has been deferred to 2014/15. This follows a Treasury and Cabinet Office review of the Schengen Information System (SIS II)³ programme in mid-2010.
- ▶ All projects approved by the SOCA Investment Board were delivered to time, budget and quality.

To continue to deliver a secure organisation through the embedding of a security culture and the protection of SOCA's people, assets and information

- ▶ SOCA continues to progress towards its DV clearance target of 85% by 2012/13 and clearance levels have continued to rise – they now stand at 59%.
- ▶ SOCA has continued to provide a high quality National Security Vetting service for its own purposes and for its partners that is threat-driven and risk-based and designed to protect SOCA's people, assets, information and operations, both in the UK and abroad in accordance with Cabinet Office guidelines and the Security Policy Framework (SPF) minimum mandatory standards.
- ▶ SOCA has successfully delivered through its intranet a programme of mandatory training to raise awareness of and knowledge about information security.

³ This is key to the introduction of the Sirene Bureau under the National Policing Improvement Agency Schengen Information System II (SIS II) Programme, a pan-European data sharing initiative.





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