



National Crime Agency Remuneration Review Body

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First Report 2014

Chair: David Lebrecht



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**Presented to Parliament by the
Prime Minister and Secretary of State for the Home Department
by Command of Her Majesty**

July 2014



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NCA Remuneration Review Body

The National Crime Agency Remuneration Review Body is an independent body which advises the Government on the pay and allowances of National Crime Agency (NCA) officers designated with operational powers.

Terms of reference¹

In considering its recommendations in relation to NCA officers designated with operational powers the Review Body must have regard to the following considerations:

- the operational crime-fighting role of NCA officers;
- the prohibition on NCA officers with operational powers taking strike action;
- the need to recruit, retain and motivate suitably able and qualified officers;
- the funds available to the NCA, as set out in the Government's departmental expenditure limits;
- the Government's wider public sector pay policy and the Government's policies for improving public services;
- the Government's inflation target;
- relevant legal obligations on the NCA in England, Wales, Scotland and Northern Ireland, including the Equality Act 2010.

The Review Body is also required to consider other specific issues as directed by the Home Secretary, and is required to take account of the economic and other evidence submitted by the Government, professional representatives and others.

Reports and recommendations of the Review Body should be submitted to the Home Secretary and the Prime Minister, and they should be published.

Members of the Review Body

David Lebrecht (Chair)
Heather Baily
Professor Brian Bell
Elizabeth Bell
Christopher Pilgrim
Patrick Stayt

The secretariat is provided by the Office of Manpower Economics.

¹ The terms of reference were set by the Home Office following consultation with the parties on the National Crime Agency (Remuneration Review Body) Regulations 2013, Statutory Instruments 2013 No 1958.

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NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY

First Report 2014

Executive Summary

Our 2014/15 recommendations (from 1 August 2014)

- NCA officers designated with operational powers assessed as at least “good” under the NCA’s performance management system should receive consolidated pay increases at the following values: below target range £540; within target range £270; and above target range £135 (non-consolidated where above the pay range maxima).
- Border Investigators (former UK Border Agency officers) designated with operational powers not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima).
- No changes in the values of NCA allowances within our remit.
- The NCA should conduct a full review of the design, purpose and value of the London Weighting Allowance and present proposals in evidence to us.

Establishment and remit

This is our first report on the pay and allowances of National Crime Agency (NCA) officers designated with operational powers. The *Crime and Courts Act 2013* placed strike restrictions on these officers and we were therefore established as an independent, compensatory measure. The Home Secretary’s remit letter asked us to have regard to: the Government’s policy that public sector pay awards should average 1% in 2014/15; the need to recruit, retain and motivate officers; the funds available to the NCA; and the effects of any pay divergence with the rest of the NCA workforce. We have independently assessed the evidence in relation to this remit, guided by our full terms of reference, and make recommendations accordingly.

We welcome the effective engagement and co-operation with the process by all parties which enabled us to deliver our first report. Our remit covers only part of the NCA workforce, with the remainder dealt with by negotiations. We note the potential difficulties associated with these arrangements. However, all parties stressed their support for maintaining a “single workforce” approach to pay determination.

The evidence

Our initial assessment of the broad themes from the available evidence is as follows:

- The NCA is not faced with immediate concerns relating to recruitment, retention and motivation – the recent recruitment exercise for trainee officers suggests a healthy position, turnover remains stable and motivation levels appear comparable with the wider civil service (although evidence on motivation is limited);
- An improving labour market means the NCA will need to position itself to compete for quality applicants and to ensure retention; and

- The Agency is facing significant affordability constraints and it will be important that the development of future pay proposals supports wider efforts to improve delivery, through its transformation programme.

Pay proposals and recommendations for 2014/15

We reviewed the evidence on a range of options for the basic pay increase for NCA officers with operational powers including: the NCA's pay proposals; a 1% across-the-board increase; and whether a higher increase was justified. From the evidence, we conclude that the NCA proposals provide the most effective solution within the Government's pay policy, and could better support recruitment and retention than alternative options, given affordability constraints. They offer a degree of continuity for NCA officers ahead of major transformation at the NCA. We therefore recommend the pay increases at various levels proposed by the NCA. In doing so, we note particularly that they provide an element of targeting, offering higher increases for those in each grade below the target range, so providing a modest degree of progression. We also note that, because increases are expressed as flat cash values, those in the lower grades receive a higher relative benefit. In view of this targeting, the increase available to individuals varies between 3.1% and 0.2%. The pay bill increase is approximately 1%.

For Border Investigators not offered assimilation we recommend a 1% increase (non-consolidated where above the pay range maxima) and accept the NCA's proposal for no uplift for those electing to remain on precursor terms. We would welcome further information on the NCA's assimilation plans.

The NCA asked us to endorse a proposal to limit London Weighting Allowance to sites within the M25 boundary, to apply to new recruits or those moving to the sites and not already in receipt. We do not consider we have received sufficient evidence to endorse the proposal at this time, and we specifically recommend that the NCA conducts a full review of London Weighting Allowance, considering its design, purpose and value, and the range of practice in other organisations.

Overall, there was no compelling evidence to uprate NCA allowances within our remit and we recommend accordingly. On Recruitment and Retention Allowances, we look forward to receiving evidence-based proposals when appropriate.

Environment for the 2015/16 pay round

The Government has already said it intends to limit public sector awards to an average of up to 1%. Against this background, and a strengthening external labour market, we will want to monitor carefully recruitment, retention and motivation of the remit group. Our summer visits will provide an important additional strand of evidence on these issues. We look forward to developing further our understanding of the valuable work of NCA officers and the challenges they face. We recognise the impact that pay and reward can have on organisational transformation and look forward to further proposals from the NCA as it develops its plans on workforce and pay structures. We hope the NCA will build on its effective dialogue with the trades unions, including on developing pay proposals for our consideration.

We note the legislation is now in place to establish the Police Remuneration Review Body and we will be engaging with the parties as we prepare to take on our new functions.

CHAPTER 1 – INTRODUCTION

Introduction

- 1.1 This first report of the National Crime Agency Remuneration Review Body (NCARRB) covers pay and allowances recommendations from 1 August 2014 for National Crime Agency (NCA) officers designated with operational powers. Our recommendations are set in the context of the first operational year of the National Crime Agency and we have been guided throughout our deliberations by our terms of reference.

Establishment of the NCA and the Review Body

- 1.2 The National Crime Agency was established by the *Crime and Courts Act 2013* and came into operation on 7 October 2013. The NCA is a Non-Ministerial Government Department with operational independence from Ministers but it receives its budget allocation through the Home Office, to whom the Director General is accountable¹. Its core mission is to lead the UK's fight to cut serious and organised crime by: identifying and relentlessly disrupting high-priority and priority serious and organised criminals and their groups; and providing valuable specialist capabilities to support its partners. We recognise the important role of the NCA and that, at the time of this report, the Agency is in the early stages of its organisational development.
- 1.3 The NCA operates UK-wide in leading a comprehensive and co-ordinated national response in the fight against serious and organised crime while respecting the devolution of policing in Scotland and Northern Ireland².
- 1.4 In establishing the NCA, the *Crime and Courts Act 2013* placed strike restrictions on NCA officers designated with operational powers. The Home Office told us that the Agency needed operational flexibility and capacity to meet the threats posed by those engaged in serious and organised crime and, as a law enforcement agency operating on a 24/7 basis, it was vital that it remained operationally effective at all times. The Home Office added that this brought the NCA into line with other services which had a vital role in keeping the public safe from harm caused by crime, such as police officers and prison officers.
- 1.5 The Act allowed the Home Secretary to provide for the establishment, maintenance and operation of procedures for the determination of the rates of pay and allowances to be applied to NCA officers designated with operational powers. As the NCA and trades unions were unable to negotiate a no-strike agreement, the National Crime Agency Remuneration Review Body was established as an independent, compensatory measure to make recommendations on pay and allowances for this group of officers.
- 1.6 The National Crime Agency (Remuneration Review Body) Regulations³ dated 29 August 2013 set out arrangements for membership, referral of matters, considerations, evidence required and timing of reports.
- 1.7 Our remit group consists of NCA officers below Deputy Director with one or more operational power as designated by the Director General of the NCA. Operational powers are:
- the powers and privileges of a constable;
 - the powers of an officer of Revenue and Customs; and
 - the powers of an immigration officer.

¹ Home Office (October 2013), *Framework Document for the National Crime Agency*. Available at: <https://www.gov.uk/government/publications/framework-document-for-the-national-crime-agency>

² In Northern Ireland, the NCA's activities are restricted to reserved and excepted matters. Schedule 24 of the *Crime and Courts Act 2013* sets out the sections that do not apply in Northern Ireland.

³ The National Crime Agency (Remuneration Review Body) Regulations 2013, Statutory Instruments 2013 No 1958.

- 1.8 The NCA expects that the vast majority of officers designated with operational powers will hold “tripartite powers” also known as NCA Standard Powers. Our remit group does not cover NCA officers without operational powers. The NCA told us that the review of pay and allowances for officers who do not hold operational powers would be undertaken through the NCA’s consultation and negotiation machinery with its three recognised trades unions and that the outcome of our deliberations should be capable of similarly being applied to those without operational powers.

Our terms of reference

- 1.9 We make independent recommendations to the Government on the pay and allowances of NCA officers designated with operational powers. Our terms of reference are similar to those of other public sector Pay Review Bodies in that we must have regard to: the need to recruit, retain and motivate officers; the funds available to the NCA; the Government’s public sector pay policy and policies for improving public services; the Government’s inflation target; and the relevant legal obligations on the NCA.
- 1.10 They also require us to have regard to the specific circumstances of our remit group, namely the operational crime-fighting role of NCA officers and the prohibition on taking strike action.
- 1.11 Our terms of reference are set out in full at the start of this report (page iii).
- 1.12 In practice, our remit covers basic pay and contractual allowances including the uprating and revalorisation of pay ranges, pay progression, London Weighting Allowance, Shift/Unsociable Hours Payments and Standby/On-call Allowances. Our remit does not encompass other NCA allowances and payments such as Overseas Allowances, Special Duties Bonus, Honorarium Payments and Excellent Performance Awards. Nor do we cover NCA terms and conditions, or pension arrangements.

Our remit for 2014/15

- 1.13 The Chief Secretary to the Treasury (CST) wrote to us on 22 January 2014 (see Appendix A) setting out the Government’s view that the case for continued pay restraint across the public sector remained strong and its policy that public sector pay awards would average 1% in 2014/15. The Home Secretary then wrote to us on 23 January 2014 to provide the specific remit for 2014/15 (see Appendix B) and asked us to have regard to the Government’s policy on public sector pay, as set out by the CST. Her letter asked us to consider specifically the need to recruit, retain and motivate; affordability within the existing NCA budget; and the effects of pay divergence between officers designated with operational powers and those without.

Parties giving evidence

- 1.14 The following parties provided written and oral evidence for this report – copies of their evidence can be found on their websites (addresses in Appendix D):
- The National Crime Agency;
 - The Home Office (including economic evidence from HM Treasury);
 - The Public and Commercial Services Union (PCS);
 - The National Crime Officers Association (NCOA); and
 - The FDA.

- 1.15 We are grateful to the parties for taking the time to provide written and oral evidence and in responding to our questions and requests for information. Our Secretariat also provided us with up to date information on the economy, labour market, inflation, earnings and settlements, and wider developments in pay arrangements across the economy.

Visits to the NCA

- 1.16 In February and March 2014, we conducted two visits to the National Crime Agency in London. We met the Agency's Director General, and Directors and Deputy Directors of various commands including Corporate Services and Human Resources. A specific aim of these visits was to meet a selection of officers, both those with and without operational powers. We found these visits informative and particularly helpful in understanding the pressures facing the Agency while in transition and in gaining a greater insight into the role of NCA officers and the demands they face.
- 1.17 We would like to extend our thanks to all those who participated in our visits to the NCA. These will be a regular feature of our programme of work and we look forward to meeting a wider range of officers to ensure we gain an appreciation of the challenges they face and their changing roles.

Our overall approach

- 1.18 The starting point for our approach is our independence. We make our own assessments of the evidence and we supplement these with research and information from our Secretariat. This supports us in arriving at recommendations which must necessarily be evidence-based. We value the provision of robust evidence and the opportunity to test this out in oral evidence sessions. We have suggested where this evidence might be improved throughout the relevant sections of this report. It is also important for us to assess all options before reaching our conclusions and we would encourage the parties similarly to consider a range of alternatives when presenting evidence. Taking all the evidence into account, our aim is to arrive at a coherent set of conclusions and recommendations having regard to the full range of considerations in our terms of reference and in particular the need to support recruitment, retention and motivation of NCA officers.
- 1.19 In framing our conclusions, we must consider the specific remit set by the Home Secretary and the context for this year's remit which includes the Government's public sector pay policy. During this period of constraint, we will continue to assess all elements under our terms of reference and make observations on longer term pay and workforce developments at the NCA.
- 1.20 The first two elements of our terms of reference require us to have regard to the operational crime-fighting role of NCA officers and the prohibition on those with operational powers taking strike action. Our understanding of these elements is essential to arriving at recommendations appropriate to the NCA workforce. Our visits to the Agency, our background briefing and the descriptions in the parties' evidence have provided an introduction to understanding the officer's operational role, particularly its uniqueness and complexity. We plan to develop and deepen our understanding in the coming years, covering the broad demands of the role and the day-to-day pressures faced by officers with operational powers. On our visits, we are keen to meet a range of officers across all commands and locations, where possible in operational circumstances, and to include those transferring into the NCA from other organisations.

- 1.21 Based on the limited evidence we heard on the matter, it is too early to assess the impact of the prohibition on NCA officers with operational powers taking strike action. We look forward to receiving further information on any impact in future. In the meantime, we note that it remains an ambition of some of the parties to reach a no-strike agreement.
- 1.22 We now turn to the potential difficulties associated with an independent Review Body making recommendations for only one section of the workforce. Our remit requires us only to assess the position for NCA officers designated with operational powers. The remainder of the workforce is dealt with by direct negotiations between the NCA and the recognised trades unions. However, we note from the evidence that there was overwhelming support from all parties to maintain a “single workforce” approach to the pay structure and the arrangements to determine pay increases. The NCA told us that it was essential to operational effectiveness that the separate processes did not lead to divergence in pay arrangements. The Home Secretary’s remit letter stressed the difficulties of divergence and that the workforce as a whole should retain parity if supported by the evidence. The trades unions favoured pay awards across the whole workforce and warned against differential treatment. In this context, we also note that at this time none of the parties suggested that being designated with operational powers required differential pay arrangements or pay awards.
- 1.23 We recognise the parties’ concerns about having two pay determination mechanisms operating across one workforce with a single pay structure. This is a particular challenge for the NCA management and will require careful handling. We note its view that maintaining consistency of arrangements will be important to ensure operational delivery during a period of major transformation across the organisation. Our terms of reference, however, are limited to those with operational powers and therefore we must assess their case on its own merits. We will continue to welcome the parties’ views on the implications of these arrangements.
- 1.24 This is the first year of pay determination under an independent Review Body. Inevitably it will take time for the parties to adapt from a direct negotiation model to a Review Body model for our remit group but we have been encouraged by their willingness to engage with us. We look forward to these arrangements maturing and hope our consideration of this first remit will provide a foundation for our future work with the parties, as the Agency moves through a demanding period of transformation. Its work to establish an appropriate operating model and workforce configuration is an important prerequisite of developing a pay structure that is fit for purpose.

CHAPTER 2 – THE EVIDENCE

Introduction

- 2.1 This chapter summarises the evidence presented by the parties. It covers the main strands as they relate to our terms of reference but does not seek to present a comprehensive record – the full evidence is available from the parties' websites (see Appendix D). We start by setting out the evidence on the overall economic and labour market position and then specific issues including the workforce profile, recruitment, retention, motivation, affordability, improving public services and legal obligations. We conclude this chapter with our overall assessment of the evidence before turning to specific pay proposals in Chapter 3.

Economy, inflation, labour market and earnings

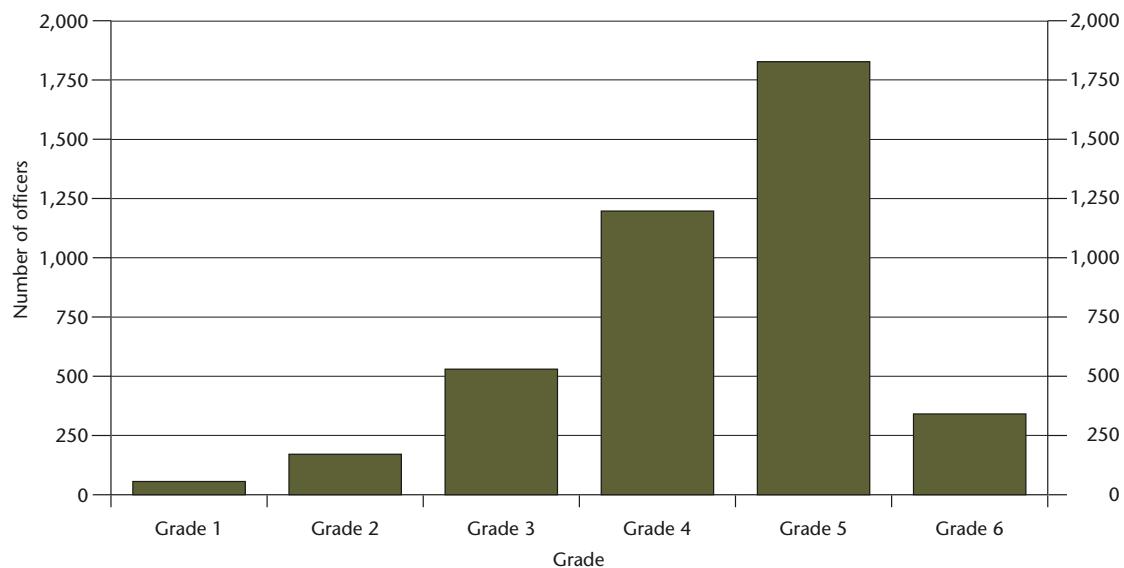
- 2.2 The Government's evidence to us included a submission from **HM Treasury**. It said that the UK had been hit by the most damaging financial crisis in generations and that the Government had inherited the largest deficit since the Second World War. HM Treasury observed that the Government's long term economic plan had ensured economic stability and provided the foundations for the current recovery. It said that public finances were being restored to a sustainable path and the deficit as a percentage of GDP was forecast to have halved by 2014/15.
- 2.3 HM Treasury noted that the UK economy had gained momentum through 2013 and GDP had grown by 1.9%, exceeding forecasts, with growth balanced across the main sectors of the economy. The Office for Budget Responsibility¹ (OBR) had revised forecast UK GDP growth for 2014 from 1.8% to 2.4%. HM Treasury said that the factors which weighed on UK growth between 2010 and 2012 were abating but external risks remained, reinforcing the case for stability in the Government's long term economic plan.
- 2.4 Its evidence noted that Consumer Prices Index (CPI) inflation was 2.6% over the fourth quarter of 2013, a significant fall since its peak in September 2011 when it reached 5.2%. HM Treasury noted that the Bank of England expected CPI inflation to remain around the 2.0% target from Quarter 4 2013 onwards, while the OBR forecast it to slow between 2013 and 2016, returning to the 2.0% target in the second half of 2016.
- 2.5 On the labour market, HM Treasury considered that headline figures had strengthened in the latter part of 2013. It said that employment had risen to its highest ever level at 29.95 million and the OBR expected it to continue to rise over the forecast period, albeit at a slower pace than in 2012. It also noted that the unemployment rate had fallen 0.2 percentage points in the third quarter of 2013 and the OBR expected it to continue falling, reaching 7.0% by the second quarter of 2015.
- 2.6 HM Treasury commented that wage growth remained weak with regular pay growth (excluding bonuses) slowing to 0.8% in the third quarter of 2013. It highlighted that: CPI inflation over the same period was 2.7% meaning real pay growth continued to be negative; regular pay growth had weakened since 2012 in both the private and public (excluding financial services) sectors; and private sector total pay (including bonuses) had recovered somewhat from its decline in 2009 but remained relatively weak.

¹ Office for Budget Responsibility (December 2013), *Economic and Fiscal Outlook*.

NCA workforce – overview

- 2.7 The **Home Office** noted that everyone working for the NCA was an officer, whether or not they had operational powers, and they worked towards achieving its central mission to lead the UK's fight against serious and organised crime. This unified identity was central to the NCA's ability to deliver a single workforce culture and a clear mission. It was critical that the actions and activities of all NCA officers contributed to the Agency's success and impact in tackling serious and organised crime.
- 2.8 In detailed evidence to us, the **NCA** reported that, as of January 2014, it had 4,194 full-time equivalent (FTE) officers. Around 85% of these were engaged in a front line operational capacity and 1,791 were designated with NCA Standard Powers.
- 2.9 The NCA described its six grades below the senior civil service. In broad terms: Grade 6 was a support/trainee officer level; Grade 5 was a fully qualified officer level; Grades 4 and 3 were middle management; and Grades 2 and 1 were senior management. Chart 2.1 shows that most officers were in Grades 5 and 4, these grades accounted for nearly three-quarters of NCA officers.

Chart 2.1: Number of NCA officers, by grade, January 2014



Source: Based on the National Crime Officers Association evidence.

- 2.10 The NCA workforce target for the number of officers was 4,890, within which it intended to increase the number of officers designated with operational powers. This would be achieved through training both new recruits and existing officers.
- 2.11 The NCA had inherited an ageing workforce with a high proportion of officers at supervisory level. It considered this needed to be restructured to ensure that it did not pose risks to operational capacity in the medium term, and in order to create a more effective and efficient supervisory structure. The NCA had introduced an early exit scheme to ensure this was achieved in an affordable and timely way. More generally, the establishment of the NCA presented an opportunity to review the staffing structures to ensure the most efficient operational delivery.
- 2.12 The NCA acknowledged that the workforce profile needed to be more reflective of the communities it served. The Agency estimated that 10% of NCA officers were from an ethnic minority background. The NCA considered that this compared favourably with the wider civil service (9.5%) and police officers (5%) but aimed to improve this position.

- 2.13 The **National Crime Officers Association (NCOA)** said that the NCA's ultimate aim was to have nearly all officers designated with powers. This would extend the prohibition on industrial action to the majority of the workforce. The NCOA noted that the monthly expenditure on agency or contracted staff in the NCA rose to almost £500,000 in 2013. It felt that there needed to be a balance between paying external agencies a one-off fee for specialist activity and NCA officers acquiring the necessary skills.
- 2.14 The **Public and Commercial Services Union (PCS)** said the effects of the NCA's voluntary exit scheme were not easy to predict, but it was concerned that it would lead to the loss of longer-serving, more experienced officers. This would result in a skills deficit for at least two to three years while newer officers got up to speed and would increase pressure on remaining experienced staff.
- 2.15 During oral evidence, PCS expressed concern about the lack of diversity in the NCA. Grade 6 was the only grade with more women than men, and the proportion of women shrank with each step up the grade structure. Ethnic minority representation was also very low. The **FDA** commented that the lack of diversity needed to be addressed by the NCA.

NCA recruitment

- 2.16 The **Home Office** commented that it was imperative the NCA had a pay and allowances structure that enabled it effectively to recruit, maintain and motivate its workforce to deliver the Agency's primary mission to reduce serious and organised crime. It added that it was vital that the NCA was able to recruit and retain individuals with the expertise to support the development of new investigative techniques and methodology in line with the changing face of criminal activity.
- 2.17 The **NCA** said that it had a strategy to reshape the organisation with recruitment focused on increasing the NCA's operational capability through targeting the entry level grade into such areas as operations, cyber crime, intelligence, border policing, and the child exploitation and online protection command.
- 2.18 As part of the NCA's evolving strategy to "grow its own" workforce, it was undertaking an exercise to recruit 400 trainee officers during 2014/15 across a range of roles based in the main operational hubs of London and Warrington. The NCA described the scheme as aimed particularly at recent school and university leavers, with successful candidates entering a two-year programme to train and qualify in the Agency's core skills. In oral evidence, the NCA reported that the intake had been selected on aptitude from around an initial 7,000 applications.
- 2.19 The NCA recognised that, while there was an extensive talent pool of skills and experience among officers, there were capability gaps in newer threat areas such as cyber crime. However, the NCA admitted that it did not have much experience of recruiting highly specialised and technical skills, often also sought after by the private sector. It considered it too early to identify whether the NCA needed to address such recruitment and retention pressures. The NCA also reported that restrictions on external recruitment into the Serious Organised Crime Agency (SOCA) between 2010 and 2013 had resulted in the NCA inheriting vacancies and recent recruitment activity had focused on addressing these gaps.
- 2.20 The NCA also operated a High Potential Development Scheme that targeted graduates and graduate calibre candidates – a two-year programme undertaking a series of attachments. The scheme was open to both internal and external candidates. In addition, the NCA was undertaking a scoping exercise to identify suitable opportunities to introduce an apprenticeship scheme.

- 2.21 The **NCOA** considered that NCA officers' roles were demanding and therefore it was vital for both the NCA and the country as a whole that the right people were recruited. The NCOA said that the ability and temperament to combat highly sophisticated criminal enterprises were attributes that relatively few people possessed and it was essential that an appropriate salary was offered to attract the right applicants. It added that a job with the NCA would always attract a large amount of interest due to its profile and the nature of the work. In the NCOA's view, only by attracting and retaining suitably qualified staff would the Agency be resilient and able to operate in the harsh environment that leading law enforcement demands. In oral evidence, the NCOA commented that, as the training programme for new recruits was lengthy, the NCA would continue to require direct entry recruits from the police and other law enforcement agencies.
- 2.22 **PCS** acknowledged in oral evidence that the NCA had not encountered any problems attracting high quality applicants and that there were similarities between potential recruits to the NCA and the police although NCA officers had wider roles. PCS noted that NCA new entrants would be on a training contract for two years at less than the Grade 5 pay range minimum with no prospect of progression when entering Grade 5 and would be working alongside higher paid colleagues. PCS considered that the NCA would continue to recruit from similar organisations to those SOCA had drawn from.
- 2.23 The **FDA** expressed concern that without early attention the reward package offered by the NCA would not prove attractive to those seeking to progress to senior grades within the NCA. It felt that the NCA package would not be sufficient to attract highly skilled and specialist staff. The FDA said that, as the economy recovered, private sector companies were beginning to recruit and would be willing to pay for the key skills they needed. It commented that, in comparison, the NCA had been constrained by the Government's pay policy including two years of pay freeze followed by the imposition of a 1% increase to the pay bill. The FDA added that in the light of the gap between salaries available to senior NCA staff compared with other sectors there should be no further worsening in the employment contract such as the planned changes to terms and conditions by the Cabinet Office. We note however that this latter issue is outside our remit.

NCA retention

- 2.24 The **NCA** advised that since it came into existence the turnover rate had remained relatively steady at 6% with little indication that pay and pay-related allowances were a major factor. Turnover had been at a consistent level during recent years (including that of the precursor organisation SOCA). Between December 2012 and November 2013, 268 staff left SOCA and the NCA – the majority leaving due to resignation or normal retirement. The NCA (and SOCA) conducted exit questionnaires on a voluntary basis, although take-up was modest. The NCA concluded from SOCA exit data that pay and terms and conditions did not appear to play a particularly significant role in the decision to leave.
- 2.25 The NCA concluded from its Staff Survey, undertaken as part of the wider civil service exercise, that pay was not a major negative feature of officer engagement. From the survey, Grade 1 staff showed the highest intention to stay within the NCA for the next three years (70%), while Grade 2 (18%) and Grade 6 (17%) staff showed the least intention to stay.
- 2.26 The NCA had continued the pay approach adopted by SOCA which, it believed, demonstrated clearly that the focus of its pay strategy was on enabling officers to progress towards the target range for their particular grade. The NCA considered that this approach had been a contributory factor in the retention of officers, even through significant periods of change.

- 2.27 The **NCOA** considered it vital that highly skilled and committed NCA staff were retained. It argued that 268 staff left the organisation in 2013 and that no fewer than 102 resigned in order, presumably, to work elsewhere for enhanced salaries or greater job satisfaction. The NCOA felt that pay was a key feature of difficulties in retaining or motivating existing staff. It considered the key points on pay from the 2013 NCA Staff Survey were that: only 33% agreed or strongly agreed that they were adequately paid; and only 34% agreed or strongly agreed that their pay was reasonable compared to people doing a similar job in other organisations.
- 2.28 The NCOA highlighted that 14% of staff wished to leave the NCA either as soon as possible or in the next 12 months. This equated to some 630 individuals (from a workforce of 4,500) and represented a great deal of skill and experience which would be both difficult and expensive to replace. The NCOA considered that the greatest single concern for staff appeared to be pay, and that it was essential to retain and motivate staff through the provision of a reasonable pay increase.
- 2.29 **PCS** noted that reductions in starting salary for police constables could make the police less attractive to new recruits but pay progression needed to be considered in relation to NCA retention. It observed that police officers would move up their pay scales in a reasonable number of years and reach the rate for the job making it more attractive than the NCA where pay progression would be extremely slow or non-existent. PCS considered that this may result in the loss of more NCA staff after two, three or four years than would otherwise be the case.
- 2.30 The **FDA** commented that the combination of inadequate pay reform and pension changes undermined the total reward argument that the Government had pointed to when seeking to justify pay restraint. The FDA reported that the following results of its recent survey of senior civil servants² also applied to senior staff in the NCA: 56% stated that they were dissatisfied with the overall pay arrangements for the senior civil service; 85% believed their pay position to be worse than for comparable roles in the private sector; and 54% believed their pay to be worse than elsewhere in the public sector. The FDA also commented that 40% of staff who responded to the 2013 NCA Staff Survey stated that they were not satisfied with the reward package, with 42% stating that their pay was not reasonable in comparison with other sectors.

NCA morale and motivation

- 2.31 The **NCA** again drew on the results of the NCA Staff Survey. It noted the survey was run on 7 October 2013, the date the Agency came into operation, and considered the responses needed to be viewed in the light of officers focusing on the new organisation and establishing operational readiness. However, the NCA concluded that the survey revealed a positive position on employee engagement with an overall engagement score of 58% consistent with the results for the wider civil service. The survey showed a 34% satisfaction rating with pay and benefits, with the main concerns attributed to performance links with pay and the total benefits package. The NCA reported that responses to questions relating to pay and benefits were less positive from officers based in South East England while officers based in the East of England were the most positive.
- 2.32 The NCA commented that the survey showed only a slight difference in engagement between male and female officers and no significant variation by ethnicity. However, the survey highlighted concerns from staff about the limited career development opportunities and that learning and development activities undertaken did not help. The NCA Board would be developing action plans to address key issues in the Staff Survey.

² FDA Staff Survey 2013.

- 2.33 The **NCOA** considered it imperative that NCA officers felt motivated and valued in terms of remuneration and job satisfaction. The NCOA expressed concern that morale and motivation was under threat. It referred to the 2013 NCA Staff Survey that suggested: only 55% of NCA staff were proud to tell others that they were an NCA officer; just 39% would recommend the NCA as a great place to work; and only 40% felt inspired to do their best.

Funds available to the NCA

- 2.34 **HM Treasury** presented the Government's overall case for affordability of public sector pay awards. It said that the Government remained committed to reducing the deficit and addressing the permanent structural deterioration in the public finances caused by the lasting impact of the financial crisis. It estimated that around 60% of the annual consolidation planned for this Parliament had been achieved and that 80% of the total consolidation in 2015/16 will be delivered by lower spending. HM Treasury added that an estimated £166 billion in 2011/12 was spent on public sector pay, around 50% of departmental resource spending.
- 2.35 The **Home Office** told us that it expected the NCA to deliver its pay proposals within its budget for 2014/15. At the time the evidence was submitted, the NCA's 2014/15 budget had yet to be announced but the Home Office said that for 2013/14 the NCA's total spending power was £494 million which included bespoke funding for specific activity such as cyber crime and overseas capacity building. The Home Office had provided funding to develop NCA capabilities to fight the diverse and changing threat of serious and organised crime more effectively. The Home Secretary was committed to achieving significant efficiencies for both the Home Office and the NCA in future years in a financial environment of declining budgets through to 2015/16.
- 2.36 The Home Office said that the NCA should comply with the wider Government policy on public sector pay. It accepted that the NCA's proposals for the pay and allowances of officers designated with operational powers were affordable within the limits set on public sector pay for 2014/15.
- 2.37 The **NCA** described its approach to affordability in the context of the civil service pay guidance with the underlying principle that all departments would be expected to implement a policy under which average uplift in pay bills would not exceed 1%. The NCA set out the factors that departments were required to take into account including revalorisation, progression increments, new allowances, increases to the non-consolidated performance pot, non-consolidated payments, incentive payments, increases from pay restructuring, and non-pay rewards.
- 2.38 The NCA stated that its 2013/14 budget was divided between SOCA and the NCA at a total of £462.5 million. The NCA told us that the 2014/15 budget had yet to be determined³ and that it had yet to conduct detailed modelling for the pay remit although the rationale remained the same as for the 2013/14 remit. The NCA said its pay priorities for 2014/15 were: the critical maintenance of a "single workforce" culture; continued public sector pay constraint; and applying the same strategy as SOCA to support progression particularly for those in lower grades.

³ The NCA's Departmental Expenditure Limit for 2014/15 is £427 million (excluding depreciation) as published in the NCA Annual Plan 2014/15 on 31 March 2014. Available at: <http://www.nationalcrimeagency.gov.uk/news/349-annual-plan-for-2014-15-published>

Government's policies for improving public services

- 2.39 The NCA is required to publish an annual plan, in consultation with partners, based on the latest threat assessment. The NCA Annual Plan for 2013/14 was published in October 2013 and the Plan for 2014/15 in March 2014. In evidence, the NCA described its "transformation programme" which aimed to give the NCA the shape, culture, operating model and approach that, despite a challenging budget settlement, further improved the NCA's delivery.
- 2.40 Over the next three to five years, the programme would scope, design and deliver on strands covering: operational transformation; science and technology; people; and estates. On the people strand, the NCA expected to have a structure and resource to deliver against the strategic priorities aligned in terms of skills, locations and flexibility while being able to operate primarily in a technology enabled environment. The NCA Estates Transformation Strategy was aiming for a major consolidation to 17 UK sites from 35 by 2019.

Relevant legal obligations on the NCA

- 2.41 Our terms of reference require us to have regard to the relevant obligations on the NCA in England, Wales, Scotland and Northern Ireland, including the Equality Act 2010.
- 2.42 The NCA commented that, in developing its pay proposals, it had been mindful to ensure that they were free from discrimination. By proposing the approach to pay progression, the NCA considered that it had sought to ensure that there were no discriminatory pressures within the pay structure that needed addressing.
- 2.43 The NCOA stated that the NCA was subject to anti-discrimination legislation primarily contained in the Equality Act 2010. The NCOA told us that, as far as it was aware, there were no existing concerns in the field of equal pay or equal value. In seeking an across-the-board pay increase for officers with powers, the NCOA added that such an increase would not give rise to any additional concerns under the Equality Act.
- 2.44 The FDA urged us to retain pay progression arrangements and said a review was needed to ensure a faster rate of progression and a reduced risk of indirect discrimination claims on the basis of age and sex.

Our overall assessment of the evidence

- 2.45 In this section we draw together our assessment of broad themes from the evidence as presented. These feed into our conclusions and recommendations on pay and allowances in Chapter 3.
- 2.46 Economy and labour market. We note from the latest economic and labour market data that:
- Economic growth was 1.7% in 2013 and is forecast by the OBR to be 2.7% in 2014 and 2.3% in 2015⁴;
 - CPI inflation was 1.6% in March 2014 and the OBR forecasts it to remain at around the Government's target of 2% throughout 2014. RPI inflation was 2.5% in March 2014 and forecast to remain within the range of 2.4% to 2.7% throughout the remainder of 2014;
 - Employment continues to grow and unemployment continues to fall;

⁴ Office for Budget Responsibility (March 2014), *Economic and Fiscal Outlook*.

- Average earnings growth (including bonuses) remains low at 1.7% in the three months to February 2014 – 2.0% in the private sector and 1.3% in the public sector (excluding financial services). The OBR forecasts average earnings growth of 2.5% in 2014 but it is not until the end of 2016 that it expects real hourly earnings to exceed the level at which they stood in 2008 when the recession began; and
 - Median pay settlements in the three months to March 2014 were 2.5% for the whole economy⁵. In the twelve months to March, median settlements were 2.5% in the private sector and 1.0% in the public sector.
- 2.47 The latest indicators suggest, as did the parties' evidence, that economic recovery and an improving labour market will start to put pressure on employers in recruiting and retaining staff. These pressures will apply to the NCA, bringing recruitment and retention risks as it competes for a highly professional and specialised workforce.
- 2.48 NCA workforce. We note that the current proportion of NCA officers designated with operational powers is around 45%. The NCA wishes to increase this proportion to ensure workforce capability, capacity and flexibility although there is no specific target while the workforce structure is under development. Given that our remit is limited to these officers, we would welcome clarification of the NCA's future expectations on the overall balance, including numbers with tripartite and with single powers.
- 2.49 On a wider point, we note that the NCA has inherited a disparate workforce with a broad range of skills and experience from several organisations. It is a challenging task to bring together an effective workforce in a short time period. In this regard, we look forward to the outputs from the people element of the NCA's transformation programme. It will be crucial to operational delivery that the NCA can establish its required workforce structure. Once this is done, the NCA will be able to design an appropriate pay and reward system that is fit for purpose and supports the delivery of its functions. We look forward to updates on progress for our next pay round.
- 2.50 Recruitment, retention and motivation. Our general conclusions from the evidence are that the NCA is not faced with immediate concerns relating to recruitment, retention and motivation. Overall, the recent recruitment exercise for trainee officers suggests a healthy position, turnover remains stable and motivation levels appear comparable with the wider civil service (although evidence on motivation is limited). However, as we noted earlier, the labour market appears to be strengthening and the NCA will need to position itself to ensure it can continue to compete for quality applicants and retain existing officers. Maintaining a high quality workforce and motivating officers will be essential to meeting the challenges of the planned NCA transformation programme. We would find it helpful for the parties' evidence to include a commentary on the wider labour market in which the NCA operates, how this is changing and the position of direct competitors.
- 2.51 On recruitment, the NCA has taken a particular approach by seeking to "grow its own" through a tailored entry programme specific to the NCA's requirements. The planned intake of 400 in 2014/15 represents a significant proportion of the workforce. It therefore carries risks which the NCA should mitigate through minimising training wastage and maximising retention in the years following training. The NCA will need to offer strong, focused career progression to maximise its return on investment. It would be helpful to receive an early appraisal of the effectiveness of the training programme in future evidence. As we understand it, the NCA will also continue to recruit officers with previous law enforcement experience. It will need to consider how to overcome barriers to smooth inflow and outflow to gain the full benefit from these sources of recruitment.

⁵ Drawing on a range of pay settlement surveys including Incomes Data Services, XpertHR and Labour Research Department.

- 2.52 Retention in the NCA appears stable, with turnover at consistent levels, and reasonable given that the organisation necessarily requires some churn to refresh its workforce. Our assessment of retention would be assisted in future by improved data on exits from the NCA, particularly why officers leave and where they go (if leaving to private and public sector competitors). The NCA indicated that it might expect higher levels of turnover as it processes the voluntary exit scheme and moves through to workforce restructuring, all against a background of further financial pressures. The trades unions flagged that careful attention should be paid to existing officers who might bear additional workload and responsibilities as the workforce changes. In our view, retention is not just about pay but is significantly influenced by other factors not least job satisfaction, promotion, career development and offering an appropriate total reward package. The NCA has recognised the importance of these retention factors and will no doubt have them in mind when considering the future workforce structure and the people element of its transformation programme.
- 2.53 We note that the NCA operates in highly competitive external markets for those with certain specialist and technical skills e.g. cyber crime, economic crime, intelligence, analysts, IT, procurement and project management. We comment in Chapter 3 on the NCA's longer term proposals for a Recruitment and Retention Allowance to target these areas.
- 2.54 The motivation of officers is difficult to measure although there are no indications of significant problems at the NCA. We note the NCA Staff Survey responses and that they broadly align with the wider civil service. The timing of the survey was not helpful, coinciding with the establishment of the NCA in October 2013. However, the results provide a benchmark for the NCA and we would hope to see up to date evidence in future remits to help us gauge trends in motivation. The NCA's planned changes are likely to be reflected in future results. In this regard, we emphasise how effective staff engagement can empower officers during times of significant transformation. The evidence for our assessment of motivation should improve further as the NCA and trades unions gather views from officers and build up a wider picture. Our NCA visits will also provide an opportunity to test out the factors affecting motivation of NCA officers.
- 2.55 Affordability, Government pay policy and improving public services. It is too early for us to assess how affordability constraints might affect the pay environment for the NCA over the longer term. The evidence is limited and the NCA's budget for 2014/15 was only set in March 2014. The Government has already announced that its public sector pay policy, which takes into account the macro picture on public finances, will continue to limit pay awards to an average of up to 1% in 2015/16. We will be monitoring carefully the impact of the Government's pay restraint policy on recruitment, retention and motivation of our remit group.
- 2.56 The NCA told us in oral evidence that it anticipated continuing affordability pressures from budget reductions. Against this background, our assessments need to be informed by up to date information on NCA budgets, pressures for efficiencies, and pay bill implications for officers with operational powers. When operating under affordability constraints and pay restraint, we would encourage the NCA to examine all options to configure its pay awards based on robust pay bill data. We also ask the NCA to specifically include further details of its transformation programme, including the financial implications, as part of our requirement to have regard to the Government's policies for improving public services.
- 2.57 Relevant legal obligations on the NCA. No major issues were raised for this report under relevant legal obligations. Our terms of reference require us to have regard to any anti-discrimination considerations including the legal obligations on the NCA under the Equality Act 2010. We will expect any changes to pay arrangements brought to us in

future to have been subject to an equality impact assessment. More generally, we ask all the parties to draw to our attention any specific anti-discrimination issues in future evidence.

CHAPTER 3 – PAY PROPOSALS AND RECOMMENDATIONS FOR 2014/15

Introduction

- 3.1 In this chapter we review the evidence presented on specific pay proposals for NCA officers designated with operational powers. We then draw our conclusions and make recommendations for 2014/15.

Basic pay increase

- 3.2 We consider the evidence on the overall increase to basic pay in the context of our full terms of reference including recruitment, retention, motivation, affordability and the Government's public sector pay policy. We also consider later in this chapter basic pay for officers not yet assimilated onto NCA terms.
- 3.3 The **Home Office** evidence underlined the Government's view that public sector awards should average 1% in 2014/15 and said it expected the NCA to comply with this policy. It confirmed that the NCA's proposals were affordable within the limits set by the Government's policy.
- 3.4 On basic pay, the **NCA** proposed the following:
- No change in the NCA grade range values;
 - Progression pay based on a consolidated fixed value irrespective of grade for staff assessed as at least "good" under its performance management system at the following values
 - Below target range £540
 - Target range £270
 - Above target range £135 (non-consolidated where above the grade maxima);
 - Retention of the non-consolidated "Excellent Performance Awards"; and
 - Specific arrangements for officers remaining on precursor terms.
- 3.5 In response to our request, the NCA provided a breakdown of all officers' performance markings for 2013 indicating that around 90% received a "good or above" performance marking and 0.4% an "underperforming" marking. The remainder of officers would be ineligible for any pay increases as they did not receive a performance marking (e.g. if only recently recruited).
- 3.6 The NCA told us that its proposed approach to pay for NCA officers with operational powers should be capable of being applied to those covered by local negotiations. The NCA viewed this as critical to maintaining the "single workforce" culture from which the NCA drew a unity of purpose and a very strong "buy-in" to the organisational objectives.
- 3.7 In relation to pay pressures, the NCA said that growth in wages in the economy remained flat or at best showed very small rises so that there was little pressure to change grade maxima. It added that the NCA grade minima were still competitive in a number of locations. The NCA considered that it should use the same strategy as its predecessor to support progression particularly for those officers in the lower grades.

- 3.8 In oral evidence, the NCA described its proposals as a holding position and said previous such approaches had been well received by staff as they favoured those below the target range. The NCA said it was recognised that the Agency offered highly competitive packages for those at the top of the ranges. It had explored an across-the-board increase but sought to continue to encourage pay progression for NCA officers. It added that any pay awards above 1% would create a significant affordability problem.
- 3.9 Following our request, the NCA estimated that within its overall budget for 2014/15¹ its expected pay bill would be around £149 million (excluding allowances and other pay-related costs). It provided us with a breakdown of 2014/15 pay costs as £1.432 million for pay progression for NCA officers (£673,000 for those with operational powers and £759,000 for those without) and around £58,000 as the cost of a 1% pay increase for Border Investigators (former UK Border Agency staff) not transferring to NCA terms. The NCA advised that, in total, it expected its proposals to increase the pay bill by £1.49 million or 1%.
- 3.10 In addition, the NCA informed us that it had a non-consolidated pay pot of around £200,000 set aside for the "Excellent Performance Awards" as allowed by HM Treasury's civil service pay guidance.
- 3.11 **HM Treasury** noted that pension provision is a major factor in the overall public sector reward package. It outlined changes being made to public service pensions but considered that they remained among the best available. It said the Government was clear that changes to public sector pensions, including increased contributions, did not justify upward pressure on pay.
- 3.12 PCS commented that the pay freeze introduced by the Government in 2010 came after years of civil service pay restraint, and was followed in 2012 by a 1% pay cap. PCS estimated that the real value of pay, adjusted for inflation, had fallen by 7% since the start of 2008. In addition, the TUC estimated that between 2008 and 2014 the average worker will have lost around £6,000 as a result of a cap on wages and rising prices. PCS added that median pay in the civil service was between 4.4% and 10% lower than private sector comparators.
- 3.13 PCS considered that the level of inflation combined with the 1% pay cap meant that its members continued to see a worsening in their standards of living. It also highlighted increases in rail fares, energy bills and housing costs. PCS concluded that, to claw back some of the value of wages, a pay increase of £100 per month or 5% of salary was justified.
- 3.14 PCS raised concerns about the lack of pay progression with the knock on effect on staff morale. It said that officers should have a realistic and achievable aim of getting to the maximum of the grade in a reasonable number of years rather than being frozen as at present. PCS argued that progression did not need to be included in the 1% limit and that departments could be more flexible on progression. In oral evidence, PCS commented that, in the context of applying such a limited award, the NCA's proposal for using the 1% was as good a mechanism as any.
- 3.15 The **NCOA** said that the vast majority of NCA staff received no annual uplift in salary between 2008 and 2011 and found themselves static in respect of pay progression. There had been no change in the NCA pay range minima, maxima or target range values since 2009. Staff were again subject to the Government's pay policy which restricted awards to no more than a 1% increase in the pay budget. For NCA staff, the NCOA observed that increases were not equal, were dependent on an already disputed system of awarding

¹ The NCA Annual Plan 2014/15 confirmed that the NCA's Departmental Expenditure Limit for 2014/15 is £427 million (excluding depreciation). Available at: <http://www.nationalcrimeagency.gov.uk/news/349-annual-plan-for-2014-15-published>

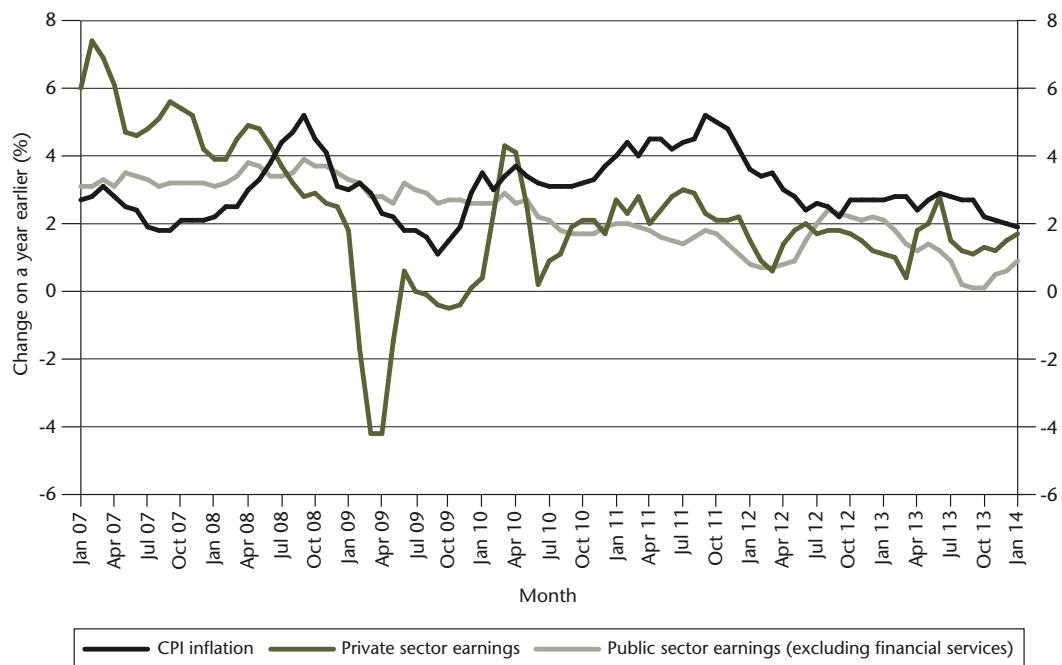
performance related pay and were non-consolidated for those at the maximum of their pay range. The NCOA described the (separate) "Excellent Performance Awards" as a further divisive and unpopular mechanism and advocated a move away from performance related pay.

- 3.16 The NCOA argued that a reasonable pay rise was fair and justified and that, given the unique role of NCA officers with powers, should be between 2% and 2.5%. It asked that the effects of inflation be considered and maintained that the RPI was a better and more accurate measure of inflation than the CPI as it included housing costs. It cited increases in both inflation indices in the year to December 2013.
- 3.17 The NCOA appreciated that these were straitened times but considered that its suggested pay increase was reasonable and that the pay range minima, target and maxima should be uplifted to allow for consolidated pay increases for all officers.
- 3.18 The NCOA summarised the points supporting its case as: the NCA was dependent on the professionalism, skills and dedication of its officers; the environment was challenging, difficult and often dangerous; motivation and morale was under real threat; and officers with powers were unique and provided the flexible capability vital to the success of the NCA in protecting the public.
- 3.19 The **FDA** asked us to take account of the relative detrimental market positions of NCA staff against their comparators in the private sector, civil service and wider public sector. It considered that the RPI was the appropriate measure for determining the cost of living elements of pay reviews and that city analysts expect it to remain around 3% in 2014. The FDA considered that the Government's pay policy was having a worsening impact on the terms and conditions of staff following two years of pay freeze and now three years of a 1% ceiling. This was allied with pressure on employers to remove progression payments. The FDA noted that pay growth during 2014 could be higher than in 2013 as the economy and labour market strengthened and skills shortages began to re-emerge. Additionally, the FDA recognised that improvements in pay progression in the NCA would be a long term aspiration but asked us to confirm that pay progression was separate to an annual increase.

Our comment and recommendation

- 3.20 We have considered a range of options and the supporting evidence on the basic pay increase for NCA officers designated with operational powers. These options included whether pay increases above 1% were justified, the case for an across-the-board increase of 1%, and the NCA's proposals for increases providing an element of progression, graduated according to position in the pay range. We note that for the great majority of the remit group there is no contractual entitlement to progression.
- 3.21 In their evidence, the trades unions articulated the impact of public sector pay restraint and inflation on pay in real terms, which formed the basis for their arguments for pay awards above 1%. We have examined the change in public and private sector pay against inflation over time (see Chart 3.1 below). We acknowledge that pay in real terms has diminished for workers across the economy, not just those in the NCA and the public sector.

Chart 3.1: CPI inflation and average weekly earnings growth (including bonuses), 2007-14



Source: Office for National Statistics

- 3.22 There are signs of average earnings and pay settlements picking up in the private sector. This suggests that the impact of continued public sector pay restraint carries risks in the longer term as the wider economy continues to recover, not least for highly skilled workforces such as in the NCA. While we acknowledge the impact of pay restraint and inflation on officers, our terms of reference require us to examine a range of factors including the important issue of whether pay increases are required to support recruitment, retention and motivation. Based on the available evidence, our overall assessment for this first report is that current recruitment appears healthy, turnover remains stable and motivation levels appear comparable with the wider civil service (although evidence on motivation is limited). We have not seen evidence to support a pay increase above 1% but will monitor recruitment and retention risks as the labour market improves. In Chapter 2 we noted the potential for pinch points in some specialist and technical skills and comment on the NCA's suggestions on a Recruitment and Retention Allowance later in this chapter.
- 3.23 We also considered carefully whether a 1% across-the-board pay increase would be an appropriate approach. This included considering an option of whether a non-consolidated increase would be appropriate given affordability constraints. However, there was no evidence to suggest that it would provide more effective support to recruitment, retention and motivation in the NCA. We were mindful that such an approach would preclude any progression through the pay ranges. Finally, we did not find unanimous support for this approach if awards were limited to 1%.
- 3.24 Under the NCA's proposals, pay increases depend on performance being assessed as "good" or better under the NCA's performance management system. The values of the proposed pay increases are graduated according to position within the pay ranges. We see merit in pay increases being targeted at those who are below the target range, in each grade, with the aim of pulling NCA officers through to that level. This provides some recognition of the improving skills and productivity of officers moving towards the target ranges, and so supports retention and motivation. We note that this approach means first, that officers at certain positions on their pay ranges would receive awards

below 1%; and second, that by attaching flat cash values to the pay increases those in lower grades would receive a higher relative benefit, at a given position in their pay range. The effects of the NCA's proposals by grade are shown in Table 3.1 below.

Table 3.1: NCA 2014/15 basic pay proposals in percentage terms²

Grade	Below target range	Within target range	Above target range ^a
Grade 1	0.7–0.9%	0.3–0.4%	0.2%
Grade 2	0.9–1.0%	0.4–0.5%	0.2%
Grade 3	1.1–1.3%	0.5–0.6%	0.2–0.3%
Grade 4	1.4–1.6%	0.6–0.7%	0.3%
Grade 5	1.8–2.2%	0.8–0.9%	0.4%
Grade 6	2.4–3.1%	1.1–1.2%	0.5%

a) Non-consolidated if it takes salaries over grade maxima.

- 3.25 We note that the NCA is continuing to make separate provision for non-consolidated "Excellent Performance Awards". These are not within our remit and are determined by NCA management but form part of the package of performance related pay offered.
- 3.26 We conclude that the NCA's proposals on basic pay provide the most effective and fitting solution within the restraints imposed by the Government's pay policy and the present stage of the NCA's organisational transformation. The pay increases provide an element of targeting which has been supported by the remit group and continue to provide a modest element of progression within the pay ranges. They are also consistent with the need for effective recruitment, retention and motivation of NCA officers and could better support these than alternative options available within the tight affordability constraints.
- 3.27 We also note that this approach provides a degree of continuity for many NCA officers pending organisational change. We therefore conclude, on balance, that the NCA's proposals represent a reasonable holding position ahead of major transformation to the organisation including workforce reconfiguration and pay structures.
- 3.28 We also note that, as these pay increases are the NCA management's proposal, our recommendation should fit with the "single workforce" imperative highlighted by the Home Secretary and all parties in evidence and be capable of applying to the remainder of the workforce as dealt with in separate negotiations.

Recommendation 1. We recommend that NCA officers designated with operational powers assessed as at least "good" under the NCA's performance management system receive consolidated pay increases from 1 August 2014 at the following values: below target range £540; within target range £270; and above target range £135 (non-consolidated where above the pay range maxima).

- 3.29 In weighing the arguments on these pay increases, we were particularly mindful of the effect of a further non-consolidated pay award for those at the top of their pay ranges. The range maxima have been frozen for several years. For officers no longer benefiting from any pay progression, this accentuates the squeeze on real terms pay felt more generally by the remit group as a consequence of pay restraint and inflation. However, we heard no specific case made for these officers or any evidence that their retention and motivation has suffered in comparison with the NCA workforce as a whole.

² For those assessed as at least "good" under the NCA's performance management system.

- 3.30 We therefore make no recommendation on this issue but we highlight the impact on officers at the top of their pay ranges of prolonged non-consolidated pay awards. We note that many are long-serving and experienced operational officers (including supervisors and managers) whose retention and motivation will be critical to delivering operational effectiveness and the NCA's vision of a transformed organisation. We invite the NCA to develop proposals on how to sustain their commitment and motivation and would welcome a report on progress.
- 3.31 We also note the more general concerns from the trades unions on pay progression within the NCA pay structure. The slow pace and perceived lack of progression can be a significant demotivator. While the NCA's current approach provides a modest element of progression, the Agency will need to consider as part of its transformation programme how pay progression supports its ambitions on workforce structure and career progression. This should include considering how pay and career progression will support retention of the new intake and so provide a good return on investment in their training and development.

Assimilation

- 3.32 The NCA inherited officers from a number of organisations with different terms and conditions. While some work had been done to assimilate these officers onto NCA terms and conditions, a number remained on precursor arrangements. The **NCA** explained that as the majority of its officers came from SOCA it had decided to adopt SOCA's terms and conditions to minimise disturbance during and after the transition phase of the NCA. In response to our requests, the NCA said that approximately 540 officers had different terms and conditions, and that half these officers would have been offered assimilation to NCA terms by the end of the 2013/14 pay year. In oral evidence, the NCA said it believed that fewer than 40 officers would choose to remain on precursor terms. These would have done so because they would continue to benefit from contractual progression (mainly for former police officers) or other favourable terms (such as double overtime).
- 3.33 The NCA acknowledged in oral evidence that the 270 Border Investigators (former UK Border Agency officers) would not be offered assimilation within the 2013/14 pay year. This was to allow the Agency an opportunity to review these arrangements in the context of developing thinking on reward in the transformation programme.
- 3.34 The NCA proposed that:
- Staff who had been offered assimilation and elected to remain on their precursor terms should receive no uplift in 2014 unless the precursor terms included contractual progression; and
 - Border Investigators who had not been offered assimilation would get an across-the-board uplift of 1% (non-consolidated where above the pay scale maxima).
- 3.35 In oral evidence, the **NCOA** commented that the NCA had yet to address the issue of assimilation and expressed concern that separate arrangements would lead to pay differentials. Also in oral evidence, **PCS** said that the assimilation already undertaken had been relatively straightforward but that it was right more time was taken over the Border Investigators as it would be difficult to move from a system of annualised hours to an overtime system.

Our comment and recommendation

- 3.36 We note the challenge of bringing officers from other organisations into the NCA and their assimilation onto the NCA pay structure. For those remaining on precursor terms and conditions, the NCA will wish to consider how their pay arrangements can be best

assimilated in the light of its longer term development of the workforce structure. As these officers are designated with operational powers they are within our remit and subject to our pay recommendations. We note the NCA plans to develop a business case to buy out protected progression and we would welcome further information on its intentions on outstanding assimilation cases in the next round. We note that those not assimilated because they elected to remain on precursor terms might continue to benefit from more favourable terms, in some respects, and accept the NCA's proposal that there should be no pay increase this year.

- 3.37 In the meantime, we are content to endorse the NCA's proposal that Border Investigators (former UK Border Agency officers) not offered assimilation should receive an across-the-board increase of 1% (non-consolidated where above the pay range maxima).

Recommendation 2. We recommend that Border Investigators (former UK Border Agency officers) designated with operational powers not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima) from 1 August 2014.

NCA allowances

- 3.38 We consider here the evidence on the overall value of NCA allowances within our remit and then the specific cases presented for London Weighting Allowance, the circumstances affecting NCA officers in Northern Ireland, and potential Recruitment and Retention Allowances.
- 3.39 The NCA told us that it had inherited allowances that were now paid under NCA terms. Those within our remit were:
- A pensionable London Weighting Allowance at £3,162 per annum;
 - A shift supplement for working a 24/7 pattern on a rota basis at 12.5%;
 - Compensation for being available for out of hours call out at £25.28; and
 - Overtime for additional hours.
- 3.40 The NCA considered that there had been no pressure to change the very limited number of allowances carried forward into the NCA. It therefore proposed no change in the rates of any allowances.
- 3.41 PCS argued that NCA allowances needed to be increased in line with inflation in order that their value did not erode.

Our comment and recommendation

- 3.42 On the value of allowances, we received no compelling evidence from the parties to favour uprating allowances in preference to overall pay awards given the 1% pay bill constraint. We therefore recommend no changes in the values of NCA allowances within our remit. We ask that the NCA continues to keep the value of allowances under review and to inform us of any recruitment and retention effects of values being held at the same level.

Recommendation 3. We recommend no changes in the values of NCA allowances within our remit for 2014/15.

London Weighting Allowance

- 3.43 The NCA told us that the London Weighting Allowance (LWA) had been held at its current level since 2009 and remained competitive. However, it considered that the LWA qualifying locations exceeded the need to meet competitive pressures and that they should be restricted to those within the M25.
- 3.44 The NCA sought our endorsement to limit qualifying sites to those that lay within the M25 boundary and that this would apply to new recruits and to current NCA officers not in receipt of LWA but who move, or are moved, through lateral transfer or on promotion to a site that previously qualified for LWA. The NCA reported that there were 2,379 officers in receipt of LWA, of whom some 550 were currently located at offices outside the M25 boundary and would be unaffected by the proposal at this stage.
- 3.45 The NCA told us that under SOCA the payment of LWA was on the basis of: (i) the additional cost arising out of working in London; (ii) to recruit and retain officers at key locations; and (iii) to support and encourage flexibility and mobility of officers to locations in or close to London. However, the NCA's resourcing focused on generic recruitment with postings according to operational need and was rarely location specific. It added that local pay pressures were less of a feature in recruitment as the qualifying locations were not contained within its advertising. The NCA required flexibility and mobility within reason so there was limited argument to pay additional compensation.
- 3.46 In oral evidence, the NCA commented that the current LWA structure was inherited from SOCA which aimed to combat recruitment and retention pressures from the Metropolitan Police Service and were no longer appropriate. The NCA added that there was no evidence that their proposals would affect recruitment and retention but the new definitions needed to be applied to its new intake on affordability grounds.
- 3.47 PCS considered that NCA staff, like all workers in London and the South East, had had to cope with the excess cost of living and working in the region. Costs had been exacerbated by the recent increase in property prices along with further above inflation increases in commuter rail fares. PCS considered that these had eroded the value of LWA and needed to be addressed. In oral evidence, PCS commented that those offices affected by the NCA's proposal to remove LWA were predominately operational and that it would create discord among staff doing similar jobs for different pay. It considered there were historical reasons why these offices attracted LWA justified by the expanding area of high cost living around London.
- 3.48 The NCOA, in oral evidence, also highlighted that the NCA's proposals on LWA would have a clear impact on operational officers as there were significant numbers in those sites which the NCA proposed should no longer attract the allowance. The NCOA suggested that the workforce saw LWA as an integral part of salary and its loss would have a significant financial impact.

Our comment and recommendation

- 3.49 Given its large intake of new entrants in 2014/15, we note the financial backdrop against which the NCA makes its proposal to change the definitions of qualifying locations. We note that officers currently in receipt of LWA would not be affected by the proposal. We also recognise that LWA has been inherited from SOCA and therefore might require adapting to the specific circumstances of the NCA. However, we do not consider we have received sufficient evidence to enable us to endorse this proposal, at this time, ahead of a fuller review.

- 3.50 We recommend such a review of LWA, which should take as its starting point the long term footprint planned for the organisation following rationalisation of the estate. We would expect the NCA to develop evidence-based proposals on LWA (or alternative geographical pay arrangements) for the whole workforce and in consultation with the trades unions having considered:
- The purpose and rationale for the allowance including how it supports recruitment and retention or compensates for the cost of living;
 - The wide range of approaches in other organisations, including comparator law enforcement agencies, the civil service and the private sector; and
 - The evidence-base needed to monitor the allowance and any key triggers for review.

Recommendation 4. We recommend that the NCA conduct a full review of the design, purpose and value of the London Weighting Allowance and present proposals in evidence to us.

Northern Ireland

- 3.51 The **NCOA** raised the issue of NCA staff based in Northern Ireland. The NCOA considered that officers based in Northern Ireland faced substantial threats to their security from terrorist elements. Certain groups were targeting any law enforcement and security force presence in Northern Ireland, and the NCA was intended to be a far more visible presence than SOCA.
- 3.52 The NCOA highlighted that, to reflect the unique working and security conditions, police officers in the Police Service of Northern Ireland (PSNI) received a Northern Ireland allowance and that prison officers in Northern Ireland would similarly receive a security related pay award in 2014. The pay disparity with colleagues in the PSNI meant NCA officers felt less valued than their PSNI colleagues. The NCOA asked us to take this issue into account when making our recommendations.
- 3.53 The NCOA also told us that the work of many Northern Ireland based officers involved travel to the UK mainland. These officers often spent substantial periods away from home, leading to additional disruption and, for some, costly child care. The NCOA considered these officers were placed under significant, additional domestic and financial pressures compared with those officers based on the mainland. The only additional remuneration was a £25 overnight allowance.
- 3.54 **PCS** commented, in oral evidence, that the need for a Northern Ireland allowance had not been raised historically and that the introduction of such an allowance could make flexible deployment of the workforce more difficult.
- 3.55 The **NCA** stated, in oral evidence, that it had made great efforts to improve NCA security arrangements in Northern Ireland and that there was no evidence of any enhanced security threat against NCA officers. The NCA pointed out that there were no recruitment and retention difficulties in Northern Ireland.

Our comment

- 3.56 The *Crime and Courts Act 2013* limits the NCA's remit in Northern Ireland to excepted and reserved matters including customs, immigration and asset recovery. NCA officers in Northern Ireland are not designated with the powers of a constable but can be designated with powers of a customs officer or an immigration officer. Against this background, we note the NCOA's concerns about officers operating in Northern Ireland. However, there is no current evidence of recruitment and retention problems arising to

support additional NCA allowances and we will keep the position under review. We also note that the role of the Agency in Northern Ireland is developing with implications for NCA officers and we would find it helpful to receive updates.

Recruitment and Retention Allowances

- 3.57 The NCA commented that it would be engaging in recruiting officers with highly marketable and specialised skills, for instance, in the cyber and economic crime areas. The NCA sought our agreement in principle to a Recruitment and Retention Allowance as, although it was not in a position to make a detailed proposal, it might not prove operationally sustainable to wait another year before submitting a fully costed business case to support such an allowance. The NCA added that costs would be met from within the non-consolidated pay pot.

Our comment

- 3.58 We note that the NCA will be recruiting to new capabilities and competing in a market for specialised and technical skills that can carry significant premia in the external market. Recruitment and retention problems among these officers could have a direct influence on the NCA's operational capability. Before we can consider from an informed position the introduction and implementation of Recruitment and Retention Allowances, we would expect to see detailed evidence of the specialist and technical occupations affected, the potential numbers involved, an analysis of the different market competition and the basis of the value of allowances. In this respect, we draw the NCA's attention to the importance of distinguishing between allowances to target recruitment and those designed to retain officers. In our view, other non-pay elements can play an important role in minimising retention risks. We welcome the early, proactive indication of the need for such allowances and look forward to receiving further evidence when appropriate.

CHAPTER 4 – ENVIRONMENT FOR THE 2015/16 PAY ROUND

- 4.1 This is our first report on the pay and allowances of NCA officers designated with operational powers. We will be enhancing our understanding of the NCA as we undertake visits in 2014/15 and will, in particular, be seeking to develop further our appreciation of the challenges facing our remit group, and their concerns about pay and associated matters. Ahead of these visits, a number of issues are already emerging as important considerations for our 2015/16 deliberations.
- 4.2 The background for the 2015/16 pay round will again be shaped by the **Government's policy on public sector pay restraint**. The Government has already announced that it will limit pay awards to an average of up to 1% in 2015/16. Prolonged pay restraint could pose significant risks to recruitment, retention and motivation of our remit group, particularly if the economy and labour market continue to improve. We will monitor the position, including on retention of recent recruits, once trained and fully effective, and those senior and longer-serving officers vital to the NCA's plans for organisational development.
- 4.3 We acknowledge that the NCA has only been established since October 2013 and will be developing as an organisation through its extensive **transformation programme**. The Government's evidence this year on the public finances suggests that transformation will need to be achieved against a background of challenging financial constraints in the coming years. To deliver our remit, we will need clear sight of the Agency's goals and progress against its transformation programme. In our view, it is crucial that the required workforce configuration is established quickly so that a pay and allowance structure can then be developed that is fit for purpose to support operational effectiveness. Ensuring that pay arrangements, among other factors, drive recruitment, retention and motivation is central to our remit. We stand ready to comment on the NCA's proposals as required.
- 4.4 The transformation programme and maintaining a single workforce will require an **effective dialogue between NCA management and the trades unions** through their consultation machinery. Communication and staff engagement are essential components to ensuring buy-in to major change. It is also highly desirable that the NCA's continuing discussions with the trades unions ensure that fully developed proposals can be brought to us in evidence, having been informed by wider workforce concerns. Such consultation can also assist in securing a consistent approach in the negotiations on those officers outside our remit. In this regard, we would welcome the parties' further views on any implications of separate approaches to pay determination across the NCA workforce.
- 4.5 We are grateful to all the parties for their efforts to produce timely and robust evidence which helped us formulate our recommendations for the first year. However, we remind the parties that **our independent recommendations are necessarily evidence-based**. On a general note, the evidence would benefit from an assessment of the labour market in which the NCA and other law enforcement agencies operate, including competition for scarce or specialist skills. Throughout this report we have also flagged areas where the evidence might be improved and we look forward to further discussions on how this might be achieved. Our visits to the NCA will, of course, supplement the evidence by helping to build a wider picture of the remit group's concerns on pay and related matters.
- 4.6 Finally, the Anti-social Behaviour, Crime and Policing Act was passed in March 2014 establishing a new **Police Remuneration Review Body** (PRRB). We understand that the Government intends to merge the NCA Remuneration Review Body with the new PRRB although separate terms of reference will apply. We look forward to engaging with all

parties as we prepare to take on our new functions, alongside those relating to the NCA. We plan a series of visits in the autumn to help us develop our understanding of the challenges facing police forces and their officers.

DAVID LEBRECHT (*Chair*)

HEATHER BAILY

BRIAN BELL

ELIZABETH BELL

CHRISTOPHER PILGRIM

PATRICK STAYT

16 May 2014

APPENDIX A – CHIEF SECRETARY TO THE TREASURY'S LETTER



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

David Lebrecht, Chair
NCA Remuneration Review Body
Office of Manpower Economics
6th Floor
Victoria House
London
WC1B 4AD

22 January 2014

Dear David Lebrecht,

PUBLIC SECTOR PAY 2014-15

1. I would like to start by welcoming you as the first Chair of the newly established NCARRB. The Government greatly values the contribution of the PRBs in delivering robust, evidence-based pay outcomes for public sector workers. I am sure we can expect the same from the NCARRB under your leadership.
2. The Government believes that the case for continued pay restraint across the public sector remains strong. Detailed evidence will be set out in the pay round, but at the highest level, reasons for this include:
 - a. Recruitment and retention: While recognising some variation between remit groups, the evidence so far is that, given the current labour market position, there are unlikely to be significant recruitment and retention issues for the majority of public sector workforces over the next year.
 - b. Affordability: Pay restraint remains a crucial part of the consolidation plans that will help to put the UK back onto the path of fiscal sustainability – and continued restraint in relation to public sector pay



- will help to protect jobs in the public sector and support the quality of public services.
3. At the 2011 Autumn Statement the Government announced its policy that public sector pay awards would average 1 per cent in 2014/15.
 4. The NCARRB will want to consider the evidence carefully in producing its report. In particular, what award is justified and whether there is a case for a higher award to groups of staff, relative to the rest of the workforce, due to particular recruitment and retention difficulties.
 5. Pay awards should be applied to the basic salary based on the normal interpretation of basic salary in each workforce. This definition does not include overtime or any regular payments such as London weighting, recruitment or retention premia or other allowances.
 6. Following the Government's announced in the 2013 Spending Review substantial reforms to progression pay are being taken forward or are already underway across the public sector. As a result the NCARRB are invited to consider the impact of their remit group's progression pay structure and its distribution among staff in recommending annual pay awards.
 7. I look forward to working with you in the future.

Best wishes
Danny

DANNY ALEXANDER

APPENDIX B – HOME SECRETARY'S REMIT LETTER



HOME SECRETARY
2 Marsham Street, London SW1P 4DF
www.homeoffice.gov.uk

Mr David Lebrecht
Chair, NCA Remuneration Review Body
C/O Office of Manpower Economics
6th Floor Victoria House
Southampton Row
London
WC1B 4AD

23 JAN 2014

A handwritten signature in black ink that reads "David Lebrecht".

National Crime Agency Remuneration Review Body Remit 2014/15

I am writing as a follow up to the letter you received from the Chief Secretary to the Treasury, Danny Alexander, on 22 January 2014 confirming the Government's approach to the 2014/15 pay round.

Firstly, I am grateful to you and your colleagues for taking on the important role provided for by the NCARRB. As you know, the National Crime Agency (NCA) was launched on 7 October 2013 to lead the UK's fight to cut serious and organised crime. The NCA workforce, comprised of NCA officers who may or may not be designated with operational powers, is absolutely crucial in ensuring that the Agency achieves its aim.

As you are aware, once the Police Remuneration Review Body has been established in 2014, pending Parliamentary approval, your role will be extended to also cover police officers. The PRRB will be able to take as holistic a view of police remuneration as possible, acting in a strategic, forward-looking manner, not constrained by the inefficiencies and time delays of the current system of collective bargaining. It marks a significant step in making the police pay determination system more efficient and transparent.

I would now like to ask for your recommendations on how to apply the pay award for NCA officers designated with operational powers in 2014. You will

also have received the CST's letter and will want to consider his comments when developing your recommendations.

The NCA is a Department in its own right, albeit a non-Ministerial one. Therefore they will provide you with evidence based on their workforce assessments and the NCARRB's Terms of Reference. The Home Office will maintain oversight of this and where necessary provide additional information to ensure that it meets the needs of the NCARRB.

Considerations to which the NCARRB should have regard

In considering your recommendations you should have regard to the following:

- a) The need to ensure that the proposals reflect the Government's policy that public sector pay awards in 2014/15 average 1 per cent in each Departmental remit;
- b) The need to recruit, retain and motivate suitably able and qualified officers;
- c) The affordability of any recommendations within the existing budget of the NCA; and
- d) The effects of any pay divergence between NCA officers designated with operational powers and NCA officers who are not designated with operational powers.

It might be helpful for me to clarify further what I mean by point (d). The remit of the NCARRB is to consider NCA officers who are designated with operational powers. The NCA workforce, however, is a 'single workforce' where officers designated with operational powers are, to some extent, interchangeable with officers who are not designated with these powers.

Pay awards for NCA officers not designated with powers will be subject to the Civil Service pay guidance. I would like to encourage the NCARRB to take this into consideration when recommending awards for operational staff.

The Government's policy for pay in the Civil Service requires the NCA to ensure average pay awards across the organisation do not exceed 1 per cent. Pay policy for NCA officers covered by the NCARRB will be an important factor in determining the awards that are possible within the 1 per cent policy for the remainder of the workforce. It will also be important for managing any equal pay risks from divergences in pay rates between the two groups of staff.

It is my view that, insofar as possible, the workforce as a whole should retain parity of pay if the evidence supports this.

Matters for recommendation

I refer to the NCARRB the following matters for recommendation:

- a) What adjustments should be made to the pay grades and allowances for NCA officers designated with operational powers;

b) What adjustments should be made to salaries and allowances in payment.

In order to allow adequate time for consultation before any changes are applied from 1 August 2014 your report should be with me on or before **23 May 2014**.

I look forward to your recommendations.

Yours sincerely

The Rt Hon Theresa May MP

APPENDIX C – NCA PAY RANGES AND ALLOWANCES

The pay scales and allowances for the 2013/14 pay year that are within our remit are set out below. They remain unchanged by our recommendations for 2014/15.

Pay ranges

Grade	Minimum	Target Range Minimum	Target Range Midpoint	Target Range Maximum	Maximum
Grade 1	£63,078	£72,550	£76,368	£80,186	£80,883
Grade 2	£51,493	£59,224	£62,341	£65,458	£66,025
Grade 3	£41,195	£47,379	£49,873	£52,367	£54,050
Grade 4	£32,956	£37,904	£39,899	£41,894	£43,240
Grade 5	£24,717	£30,323	£31,919	£33,515	£36,321
Grade 6	£17,689	£22,407	£23,586	£24,765	£25,945

Allowances

Allowance	Rate
London Weighting Allowance	£3,162 per annum
Overtime ^a :	
– In excess of 37 hours a week	Time and a half
– Rest day and bank holiday working	Double time
Shift Allowance	12.5% of basic pay
On-call Allowance ^a	£25.28 per period

a) Overtime and On-call Allowances are only payable to Grades 3-6.

APPENDIX D – THE PARTIES’ WEBSITE ADDRESSES

The parties’ written evidence should be available through these websites.

FDA	http://www.fda.org.uk/home/FDA-evidence-to-NCARRB.aspx
Home Office (including HM Treasury economic evidence)	https://www.gov.uk/government/publications/evidence-submissions-to-nca-remuneration-review-body
National Crime Agency	http://www.nationalcrimeagency.gov.uk/publications/141-nca-evidence-into-nca-remuneration-review-body/file
National Crime Officers Association	http://www.ncoa.org.uk/media/3116/NCARRB-Submission.doc
Public and Commercial Services Union	http://www.pcs.org.uk/en/NCA/nca-pay-review-body.cfm

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